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BAHIR DAR UNIVERSITY

INSTITUTE OF LAND ADMINISTRATION

Financing Urban Local Governments in Ethiopia: Exploring the Quest and Design Options for Property Tax Reform

(PhD Dissertation)

By

Misganaw Gashaw Beza

July 2026

Bahir Dar, Ethiopia

BAHIR DAR UNIVERSITY

INSTITUTE OF LAND ADMINISTRATION

Financing Urban Local Governments in Ethiopia: Exploring the Quest and Design Options for Property Tax Reform

By

Misganaw Gashaw Beza

A dissertation submitted to the Institute of Land Administration, Bahir Dar University, in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Land Policy and Governance (Law Track).

Supervisor: Elias Nour (Ph.D., Associate Professor)

Co-Supervisor: Melkamu Belachew (Ph.D.)

July 2026

Bahir Dar, Ethiopia

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Declaration

This is to confirm that the dissertation titled "Financing Urban Local Governments in Ethiopia: Exploring the Quest and Design Options for Property Tax Reform", submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Land Policy and Governance, Bahir Dar University, is the result of my own intellectual effort and that all the resources used in the study have been duly cited and acknowledged. Additionally, I confirm that this work has not been submitted for any previous academic or professional qualifications. Moreover, I take full responsibility for the accuracy and authenticity of the information presented in this dissertation.

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Supervisors' Approval Page

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Approval of Dissertation for Defense

I hereby certify that I have supervised, read and evaluated this dissertation titled *"Financing Urban Local Governments in Ethiopia: Exploring the Quest and Design Options for Property Tax Reform"* by *Misganaw Gashaw Beza* prepared under my supervision. I recommended the dissertation to be submitted for oral defense.

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Examination Board's Approval Page

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Approval of Dissertation for Defense Result

As members of the board of examiners, we examined this dissertation titled *"Financing Urban Local Governments in Ethiopia: Exploring the Quest and Design Options for Property Tax Reform"* by *Misganaw Gashaw Beza*. We hereby certify that the dissertation is accepted for fulfilling the requirements for the ward of the degree of "Doctor of Philosophy in Land Policy and Governance".

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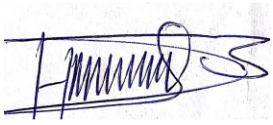
Habtamu Bishaw (PhD)		**24-07- 2026**

Acknowledgment

From the sorrow of losing my father after a prolonged illness to the joy of welcoming my newborn son, my doctoral journey spanned profound contrasts. It also unfolded amid uncertainties and strain caused by turmoil including civil war in my country. The protracted and uncertain trajectory of property tax reform, the core agenda, further prolonged this journey. I am truly blessed and grateful to the Lord Jesus Christ and the Blessed Virgin Mary for their sustaining grace throughout.

I would like to express my sincere gratitude to my supervisors, Dr. Elias Nour and Dr. Melkamu Belachew, for their guidance and unwavering support. Dr. Elias, your mentorship and fatherly patience have been particularly invaluable and will remain unforgettable.

I am grateful to those who supported my fieldwork in Addis Ababa and Bahir Dar, and to all participants in the interviews, focus group discussions, and Delphi panels. I particularly thank Setegn Geteneh for his assistance.

To my wife, Eskedar Aysheshim- your unwavering support carried me through every challenge. To our beloved sons, Benias, Leul, and Amnen, your love, laughter, and the joy of watching your brilliant minds and excellence at school and at home have been my greatest source of strength, pride, and inspiration. This achievement reflects all that we share and the time I have taken from you.

I honor with deep gratitude the role of my father, (Abuhay) Gashaw Beza Ferede (the late), and my mother, (Emahoy) Alemnesh Kassa Dessie, in my life. Your guidance, sacrifices, and unwavering support have shaped who I am. Thank you for teaching me the true value of hard work and the pride found in honest labor. I am grateful to my brothers Yaregal, Chalachew, and Getachew, and my sisters Gedamnesh, Marie, Fikiradis, and Habtamnesh. I also gratefully honor my parents-in-law, Ato Aysheshim Ayenew and W/ro Kassaye Mekonen, and my brothers-in-law, Addisu, Dr. Tamene, and Fasil, for their constant support and for making my married life easier and fulfilling.

I extend my sincere respect and gratitude to the professors who shaped my PhD journey, including Prof. Muradu Abdo, Prof. Walter Timo de Vries, Prof. Hans Lind, Prof. Yalew Endawoke, Prof. Degefa Tolessa, Prof. Tadesse Amsalu, Prof. Achamyeleh Gashu, Dr. Belachew Yirsaw, Dr. Birhanu Kefale, and Dr. Teshome Taffa, among others. Their guidance, encouragement, and scholarly contributions have greatly enriched my academic development. I am also grateful to Prof. Arjen Schep for his mentorship during my involvement in the project on the drafting of a Regional Model Property Tax Law for Ethiopia, financed by VNG International.

I am equally thankful to colleagues and friends at Bahir Dar University, the University of Bonn (Right to Livelihood College), the University of the Western Cape, the University of Dar es Salaam, and Ardhi University for their collegial support and knowledge sharing. I am especially grateful to my friend Dr. Alelign Wondim for his companionship and encouragement throughout this process.

Finally, I acknowledge the German Academic Exchange Service (DAAD) for funding my studies, and Bahir Dar University, particularly the Institute of Land Administration and the School of Law, for hosting my research and providing institutional support.

Any remaining errors in this dissertation are solely my own.

Dedication

In loving memory of my father, the late ʾAbuhay Gashaw Beza Ferede (Ambay) (1946–2023), whose life and legacy of hard work, resilience, and unwavering love for his family continue to inspire and guide me.

Abbreviations

AAAA	Addis Ababa Action Agenda
ADLI	Agricultural Development-Led Industrialization
BoF	Bureau of Finance
BoUI	Bureau of Urban Infrastructure
BoL	Bureau of Land
BoR	Bureau of Revenue
CoMs	Council of Ministers
CSA	Central Statistical Agency
EC	Ethiopian Calendar
EPRDF	Ethiopian People's Revolutionary Democratic Front
ETB	Ethiopian Birr
EU	European Union
FDRE	Federal Democratic Republic of Ethiopia
GTP I	Growth and Transformation Plan I
GTP II:	Growth and Transformation Plan II
GTP**:**	Growth and Transformation Plan
HGER:	Homegrown Economic Reform
HoF**:**	House of Federation
HoPR	House of Peoples' Representatives
IMF	International Monetary Fund
MoF	Ministry of Finance
MoUI	Ministry of Urban Infrastructure
NUA	New Urban Agenda
OECD	Organisation for Economic Co-operation and Development
PASPED	Plan for Accelerated and Sustained Development to End Poverty
PDRE	People's Democratic Republic of Ethiopia
PP	Prosperity Party
RLGs	Rural Local Governments
SDGs**:**	Sustainable Development Goals
SDPRP**:**	Sustainable Development and Poverty Reduction Program
TGE:	Transitional Government of Ethiopia
ULGs**:**	Urban Local Governments
UN-Habitat	United Nations Human Settlements Programme
USA	United States of America

Abstract

Financing ULGs and property tax reforms have emerged as central policy and scholarly concerns in the context of rapid urbanization. This dissertation examines the legal and institutional foundations of ULG financing and the ongoing reforms in municipal revenue and property taxation in Ethiopia. It assesses the adequacy of existing legal and institutional frameworks, identifies key structural constraints and reform drivers, and informs the design of an effective, context-sensitive property tax system. The study is motivated by a persistent paradox: despite rapid urban growth and increasing land and property values, Ethiopian cities remain fiscally dependent and constrained in their revenue-generating capacity. It investigates the structural causes of this disconnect and evaluates recent reform efforts, particularly the introduction of property taxation under Proclamation No. 1365/2025 and the subsequent Regional Model Law. The research adopts an *interpretivist approach* and employs a *qualitative multi-method design*, combining *doctrinal legal analysis* with *empirical data* drawn from interviews, focus group discussions, Delphi consultations, and comparative insights.

The *findings* show that the challenges of ULG financing and property tax reform in urban Ethiopia are systemic and rooted in broader theoretical, historical, legal, institutional, and practical contexts. *First*, there is a misalignment between dominant theories of fiscal decentralization, land administration and land-based financing, and post-1990s global tax reform processes, on the one hand, and the Ethiopian context, on the other. Weak integration among municipal finance, land governance, and property rights has historically constrained attempts to capture urban land value increments and continues to hinder the ongoing property tax reform. *Second*, ULGs operate within an ambiguous constitutional and legal framework characterized by limited autonomy, weak accountability, and significant capacity constraints to locally own and implement the reform. *Third*, the municipal revenue system remains fragile and administratively weak, with limited coherence between existing instruments and emerging reforms. *Fourth*, deficiencies in land governance, particularly in property rights and land administration systems, constrain valuation, enforcement, and expansion of the tax base. *Fifth*, historical legacies and path dependencies continue to shape institutional arrangements and ongoing reform efforts. *Sixth*, the reform process is characterized by both sustained contestation and emerging areas of consensus, which resulted only in partial and negotiated institutionalization. *Seventh*, ambiguities in tax assignment and intergovernmental fiscal relations remain critical despite efforts to apportion revenue powers among the three tiers of government. *Finally*, although Proclamation No. 1365/2025 and the Regional Model Law represent significant legislative advances, gaps in legal design and concerns over implementation continue to disconnect normative goals from practical reform outcomes.

The dissertation argues that ULG financing and property tax reform in Ethiopia cannot be understood as a purely technical fiscal intervention. Rather, it constitutes a broader institutional transformation that requires alignment across decentralization, land governance, and existing municipal revenue systems. It proposes a gradual and locally context-sensitive reform approach that strengthens ULG autonomy, clarifies legal mandates, builds administrative capacity, coordinates intergovernmental relations, and integrates property taxation within the wider framework of urban and land governance. The study contributes to both the literature and policymaking by demonstrating that sustainable local revenue mobilization depends on institutional coherence, contextual adaptation, and the effective integration of legal, political, and administrative dimensions of governance.

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CHAPTER ONE
INTRODUCTION

1.1Research Background and Context

1.1.1. Global and Theoretical Perspectives on Urban Finance and Property Taxation

Financing Urban Local Governments (ULGs) has emerged as a central policy and scholarly concern in the context of rapid urbanization, which is widely recognized as a defining global trend of the twenty-first century.[1] In 2007, the global urban population surpassed the rural population, and by 2050, 68% of the world's population is projected to reside in cities, with nearly 90% of this growth concentrated in Asia and Africa.[2] Urbanization also entails rapid spatial expansion, driving significant land-use and land-cover change.[3] While this transformation creates opportunities for economic growth, employment, innovation, and improved service delivery, it also generates significant challenges, including inadequate or deteriorating infrastructure and services, inefficient land use and related conflicts, environmental degradation, the proliferation of informal settlements, crime, and socioeconomic inequality.[4] These dynamics heighten the importance of urban governance and position ULGs as central actors in maximizing the benefits of urbanization, mitigating its adverse effects, and advancing sustainable development.[5] ULGs occupy this

[1] United Cities and Local Governments, *Local Government Finance: The Challenges of the 21st Century* (Edward Elgar Publishing, 2011), pp. 11–22; Xing Quan Zhang and Neil Khor, *Unlocking the Potential of Cities: Financing Sustainable Urban Development* (UN-Habitat, 2023), p. 18.

[2] United Nations Department of Economic and Social Affairs, *World Urbanization Prospects: The 2018 Revision*, UNDESA, 2019, p. 1.

[3] See generally Nesru H. Koroso, Monica Lengoiboni, and Jaap A. Zevenbergen, "Urbanization and Urban Land Use Efficiency: Evidence from Regional and Addis Ababa Satellite Cities, Ethiopia," *Habitat International*, Vol. 117, 2021, pp. 1–15. Studies further indicate that, across thirty global cities, urban footprints increased more than sixteen-fold between 1800 and 2014, and built-up areas are projected to increase by approximately 15 percent by 2030, with urban expansion outpacing population growth. In Sub-Saharan Africa, built-up areas expanded annually by approximately 4.8 percent between 2000 and 2015, reaching 5.4 percent in smaller cities.

[4] See William Robert Avis, *Urban Governance: Topic Guide*, University of Birmingham, 2016, p. 4.

[5] Ibid, pp. 5–7; see generally Purshottama S. Reddy, "Localising the Sustainable Development Goals (SDGs): The Role of Local Government in Context," *African Journal of Public Affairs*, Vol. 9, No. 2, 2016, pp. 1–15.

role due to their proximity to residents and their political mandate to act as responsive and accountable agents of urban development and governance.[6]

However, ULGs, particularly in developing countries, face structural fiscal constraints characterized by vertical fiscal imbalances, whereby expenditure mandates driven by rapid urbanization expand faster than their legally constrained, administratively weak, and economically inelastic revenue bases.[7] This political economy dynamic incentivizes heavy reliance on intergovernmental transfers, which are neither stable nor predictable and tend to weaken local accountability and autonomy.[8] The central question, therefore, is why cities, which are relatively hubs of agglomerated economic activity, resources, and rising land values, fail to finance themselves.[9] At the core of this paradox lies the failure to capture the "unearned increment" in land values arising from urbanization for public revenue, particularly through effective property taxation and land-based financing instruments.[10] As a result, the urban financing problem is fundamentally systemic and cannot be resolved without strengthening and integrating urban finance with broader reforms in fiscal decentralization, local government empowerment, and property rights and land governance.[11] Fiscal gaps persist where property rights and land governance systems are underdeveloped, where legal frameworks fail to assign clear revenue powers, and where local institutional capacities such as human, technical, and material remain insufficient to design and administer property-based taxes effectively. [12]

In response to these challenges, the post-1990s wave of decentralization, following the collapse of the Soviet bloc, has been widely advanced as a normative and policy framework for improv-

[6] Ibid; see also Sumedh Rao, Zoë Scott, and Munawwar Alam, *Decentralisation and Local Government: Topic Guide*, University of Birmingham, 2014, p. 6.

[7] Ivan Turok, Andreas Scheba, and Justin Visagie, "Rethinking Urbanization and Economic Development: A Synopsis," *Environment & Urbanization*, Vol. 35, Iss. 2, 2023, pp. 297–309.

[8] Enid Slack, *Guide to Municipal Finance*, UN-Habitat, 2009, p. 3.

[9] Ibid, pp. 10–16; Andrés G. Blanco, Nancy M. Moreno, David M. Vetter, and Marcia F. Vetter, *The Potential of Land Value Capture for Financing Urban Projects: Methodological Considerations and Case Studies*, Inter-American Development Bank, 2016, p. 29.

[10] Ibid

[11] Catherine Farvacque-Vitkovic, "Introduction," in Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds), *Municipal Finances: A Handbook for Local Governments*, The World Bank, 2014, pp. XXVII–XXX; Anwar Shah and Sana Shah, "The New Vision of Local Governance and the Evolving Roles of Local Governments," in Anwar Shah (ed.), *Local Governance in Developing Countries*, World Bank, 2006, pp. 1–46 (p. 33); Anwar Shah, "A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance," in Anwar Shah (ed.), *Local Governance in Industrial Countries*, World Bank, 2006, pp. 1–40 (p. 3).

[12] Ibid

ing ULG financing.[13] These reforms, grounded in decentralization and property rights theories, sought to devolve political, administrative, and fiscal powers to local governments while aligning decentralization with market-oriented land reforms and land-based fiscal instruments.[14] Accordingly, many countries restructured their constitutional and legal frameworks to elevate the status of ULGs, clarify their powers and functions, and redefine intergovernmental relations. Parallel land reforms expanded property rights and strengthened land administration systems. Fiscal and tax policies also shifted from a traditional reliance on income and consumption taxes, which typically assigned to central governments, toward local land-based financing (LBF) instruments as a means of capturing land value increments and sustainably financing urban infrastructure and services.[15]

This shift has driven a renewed global wave of property tax reform over the past three decades.[16] As one of the oldest forms of taxation, deeply embedded in legal and institutional systems since ancient and medieval times, property taxation has evolved into a particularly adaptable instrument for modern reform efforts. Consequently, many countries have introduced new property taxes or restructured existing systems through improved legal frameworks, value-based assessments, modern valuation methods, digitalized administration, decentralized governance, and more progressive rate structures.[17]

Despite these reforms, outcomes have been uneven across developing and developed countries. Evidence indicates that property tax revenues account for approximately 0.5% of GDP in developing and transition economies, compared to about 3% in advanced economies.[18] Moreover, despite its advantages as a stable and equitable local revenue source, property taxation remains highly visible and politically contested, and its implementation is administratively demanding

[13] Mona Serageldin, David Jones, François Vigier, and Elda Solloso, *Municipal Financing and Urban Development*, UN-Habitat, 2008, pp. 6–7.
[14] Ibid
[15] Lawrence Walters, *Where to Start? A Guide to Land-Based Finance in Local Governance*, UN-Habitat, 2020, p. 8; OECD, *Global Compendium of Land Value Capture Policies*, OECD Publishing, 2022, pp. 13–40.
[16] See generally Roy Kelly, *Property Tax Reform in Developing Countries*, Lincoln Institute of Land Policy, 2013.
[17] Ibid
[18] Martin Grote, Mario Mansour, and Jean-François Wen, "How Property Taxes Can Help Low-Income Countries to Develop," *IMF Blog*, November 11, 2024. Other evidence similarly highlights stark disparities between developing and developed countries. In 2021, property taxes in Sub-Saharan Africa and Emerging Asia generated only about 0.1 percent of GDP, compared to roughly 1 percent in Europe, 3 percent in the United States, and 1.4 percent across OECD countries. See Martin Grote and Jean-François Wen, *How to Design and Implement Property Tax Reforms*, IMF How to Note No. 2024/006, 2024, p. 1.

due to its data-intensive nature.[19] Accordingly, the literature identifies two key conditions for successful property tax reform.[20] First, reforms must be integrated with broader changes in fiscal decentralization, land governance, and municipal finance. Second, legal frameworks must be carefully designed to balance competing interests between taxpayers and tax authorities while supporting the development of robust administrative systems. However, these conditions are difficult to achieve in the short term, particularly in developing contexts. Consequently, reforms tend to proceed incrementally, beginning with local capacity building, public engagement, and clear linkages between taxation, improved service delivery, and the strengthening of property rights to sustain compliance and legitimacy.[21]

1.1.2. Historical Foundations of Local Governance and Fiscal Systems in Ethiopia

Ethiopia presents a distinctive historical trajectory in urban development, local governance, and municipal fiscal systems, including property taxation. From ancient civilizations such as the Aksumite Empire (c. 100 BCE–940 CE) to the medieval Zagwe (c. 1137–1270) and Solomonic dynasties (1270–1974), the country developed a distinctive political and fiscal tradition that remained relatively insulated from external influences.[22] The modern Ethiopian state was largely consolidated in the late nineteenth and early twentieth centuries, with "unification" initiated by Emperor Tewodros II (r. 1855–1868) and completed, in terms of present territorial boundaries, under Emperor Menelik II (r. 1889–1913).[23] Despite this long history of state formation, the country's institutional trajectory was predominantly shaped by a rural-agrarian system, with limited development of stable urban institutions.[24] Urbanization was weak and discontinuous, characterized by "roving" capitals, which served as military and administrative encampments that

[19] Ibid

[20] See generally Richard M. Bahl, Jorge Martinez-Vazquez, and Joan Youngman, *Making the Property Tax Work: Experiences in Developing and Transitional Countries*, Lincoln Institute of Land Policy, 2008; Richard M. Bird and Enid Slack, *International Handbook of Land and Property Taxation*, Cheltenham: Edward Elgar, 2004.

[21] Ibid

[22] Bahru Zewde, "Introduction," in Bahru Zewde and Siegfried Pausewang (eds), *Ethiopia: The Challenge of Democracy from Below*, Nordiska Afrikainstitutet and Forum for Social Studies, 2002, pp. 7–14.

[23] Ibid

[24] Tsega Gebrekristos, "Urbanization and Development in Ethiopia: Policy Issues, Trends and Prospects," in *Gengistu* Ketema and Getachew Diriba (eds), *State of the Ethiopian Economy 2020/2021: Economic Development, Population Dynamics and Welfare*, Ethiopian Economic Association, 2021, pp. 94–158; Tegegne Gebre-Egziabher and Edlam Abera, "Urbanization and Industrial Development in Ethiopia," in Fantu Cheru, Christopher Cramer, and Arkebe Oqubay (eds), *The Oxford Handbook of the Ethiopian Economy*, Oxford University Press, 2019, pp. 785–803.

were abandoned as political power shifted.[25] This resulted in the absence of durable urban centers and sustained systems of urban governance and municipal finance.

Historically, governance was decentralized, where local lords exercising substantial authority over administration, land management, and the collection of taxes and tributes.[26] Revenue was extracted in cash, kind, and labor based on prevailing land tenure arrangements, with a portion remitted to higher authorities and the remainder retained locally within a predominantly tributary system.[27] However, from the late nineteenth century, and more decisively after the 1940s, the state began transitioning toward a more centralized model of governance.[28] This period saw the introduction of formal laws on land and property rights, land taxation, and the establishment of municipal administrations with defined urban functions.[29] These developments were interrupted by the socialist military Derg regime (1974–1991), which fundamentally restructured land and fiscal systems. The regime nationalized urban land and extra houses, replaced property-based taxation with land rent and housing taxes, and reinforced centralized administrative control. As a result, the evolution of municipal finance and property taxation was constrained, and institutional continuity was disrupted. This trajectory of weak urban institutionalization, centralized control, and underdeveloped land-based revenue systems continues to shape contemporary challenges in urban governance, land tenure, municipal finance, and property tax reform.[30]

Following the fall of the Derg in 1991, the EPRDF government initiated reforms aimed at restructuring the political and economic system through decentralization and market-oriented poli-

[25] Ronald J. Horvath, "The Wandering Capitals of Ethiopia," *The Journal of African History*, Vol. 10, No. 2, 1969, pp. 205–219; Shimelis Bonsa Gulema, "Introduction: City, State and Society: The Making of Urban Ethiopia, the 20th Century," *Journal of Ethiopian Studies*, Vol. 45, 2012, pp. 1–13.

[26] Berhanu Abegaz, *A Tributary Model of State Formation Ethiopia: 1600–2015*, Springer International Publishing, 2018, pp. 3–30; Daniel W. Ambaye, *Land Rights and Expropriation in Ethiopia*, Springer International Publishing, 2015, pp. 37–53.

[27] Ibid

[28] Ibid; see also The Ethiopian Land Tax Law Proclamation No. 8/1942; A Proclamation to Provide for the Control of Municipalities and Townships Proclamation No. 74/1945. These laws were subsequently refined and amended in later years. See also Tadesse Lencho, "Towards Legislative History of Modern Taxes in Ethiopia (1941–2008)," *Journal of Ethiopian Law*, Vol. 25, No. 2, 2012, pp. 104–158.

[29] Ibid; supra note 26, Daniel W. Ambaye, pp. 54–62; see also Government Ownership of Urban Lands and Extra Houses Proclamation No. 47/1975; Urban Land and Urban Houses Tax Proclamation No. 80/1976, *Negarit Gazeta*, 35th Year, No. 25 (hereinafter Proclamation No. 80/1976)

[30] Tilahun Dires and Misganaw Gashaw, "Issues of Design in Ethiopia's Property Tax Reform: Lessons from Previous Legislative Regimes and Other Jurisdictions," *Bahir Dar University Journal of Law*, Vol. 13, No. 1, 2022, pp. 163–202.

cies. However, these reforms largely retained core features of the previous system, including public land ownership, weak local administrative structures, and an underdeveloped municipal revenue base.[31] Decentralization programs were initiated and implemented in two phases.[32] The first phase (1992–2002) established ethnically defined regional states and allocated powers primarily between federal and regional governments. However, both the Transitional Charter and the FDRE Constitution did not clearly define the status, powers, and revenue sources of local governments, leaving these largely to regional discretion.[33] The only notable exception was the land lease proclamation, which explicitly allocated lease revenues to ULGs.[34]

The second phase, the District-Level Decentralization Program (DLDP), involved the revision of regional constitutions and related laws. [35] While it devolved powers to rural local governments (woredas), it left ULGs governed mainly by subsidiary legislation, such as "city proclamations" and "municipal revenue regulations." As a result, institutional development in urban governance and municipal finance remained limited.[36] These constraints were further reinforced by structural factors, including the rural bias of the ADLI strategy[37] and the design of ethnic federalism, both of which subordinated ULGs to regional authorities.[38] Moreover, the absence of a comprehensive

[31] See also Teferi Abate, "Land Tenure and Land Policy in Ethiopia: 1950–2000," in Fantu Cheru, Christopher Cramer, and Arkebe Oqubay (eds), *The Oxford Handbook of the Ethiopian Economy*, Oxford University Press, 2019, pp. 48–65; supra note 26, Daniel W. Ambaye, pp. 74–92; Zemelak Ayitenew, "The Politics of Sub-National Constitutions and Local Government in Ethiopia," *Perspectives on Federalism*, Vol. 6, Iss. 2, 2014; Tamerat Delelege, "The Legal Basis of Self-Rule in Ethiopian Cities," *Journal of Ethiopian Law*, Vol. 26, No. 1, 2013, pp. 39–93.

[32] Tegegne Gebre-Egziabher and Kassahun Berhanu, "A Literature Review of Decentralization in Ethiopia," in Taye Assefa and Tegegne Gebre-Egziabher (eds), *Decentralization in Ethiopia*, Forum for Social Studies, 2007, pp. 1–7.

[33] Transitional Period Charter of Ethiopia No. 1/1991, *Negarit Gazeta*, 50th Year, No. 1 (hereinafter Transitional Charter No. 1/1991); A Proclamation to Provide for the Establishment of National/Regional Self-Governments, Proclamation No. 7/1992, *Federal Negarit Gazeta*, 51st Year, No. 2, Art. 8 (hereinafter Proclamation No. 7/1992); Proclamation of the Constitution of the Federal Democratic Republic of Ethiopia, Proclamation No. 1/1995, *Federal Negarit Gazeta*, 1st Year, No. 1, Arts. 51–52 and 96–99 (hereinafter FDRE Constitution).

[34] See generally, Urban Lands Lease Holding Proclamation No. 80/1993, *Negarit Gazeta*, Year 53, No. 40.

[35] Supra Note 32

[36] Zemelak Aytenew, *Decentralisation, Development and Accommodation of Ethnic Minorities: The Case of Ethiopia*, PhD Thesis, University of the Western Cape, June 2012, pp. 219 and 231.

[37] Samson Kassahun and Alok Tiwari, "Urban Development in Ethiopia: Challenges and Policy Responses," *The IUP Journal of Governance and Public Policy*, Vol. 7, No. 1, 2012, pp. 59–65. Agricultural Development–Led Industrialization (ADLI) is a long-term economic strategy launched in 1993 that prioritizes agriculture and rural development as the foundation for industrial growth and the expansion of urban centers. It has been integrated into subsequent national development plans and has influenced the policy focus of governments at all levels.

[38] Wakjira Ketema, *Federalism and Urban Governance: An Explorative Study of Intergovernmental Relations in Cities of Adama and Assosa, Ethiopia*, Addis Ababa University, Federalism and Governance Studies, 2017; Zemelak A. Ayele and Jaap de Visser, "The (Mis)Management of Ethno-Linguistic Diversity in Ethiopian Cities,"

national framework for urban governance and finance reflects a broader lack of sustained political commitment to urban institutional development.[39]

In response, the Urban Development Policy adopted in 2005 marked an initial attempt to address urban challenges, including urban finance and financial management within a broader good governance agenda.[40] This contributed to the growing recognition of urban issues in national development strategies, including PASDEP (2005–2010), GTP I (2010–2015), GTP II (2015–2020), and the Ten-Year Development Plan (2021–2030).[41] Regional laws governing urban governance and revenue systems have also been progressively revised. Nevertheless, these reforms have not substantively transformed ULGs into autonomous and fiscally robust tiers of government.[42] Consequently, urban centers continue to face institutional, technical, and financial constraints in managing rapid urbanization. ULGs have yet to evolve into self-governing and self-financing entities capable of effectively administering land, their most valuable resource, and mobilizing revenue from it. This historical trajectory, therefore, provides the institutional foundation for understanding the structural fiscal constraints and reform challenges examined in the subsequent section.[43]

1.1.3. Municipal Revenue and Property Tax in Ethiopia: Structural Constraints and Reform Dynamics

Partly rooted in historical legacies, the current system of ULG finance and property taxation exhibits persistent structural weaknesses. Regional "city proclamations" and "municipal revenue regulations" formally distinguish between external sources, such as intergovernmental transfers, borrowing, and support from various sources, and own-source revenues, notably service fees and charges. This delineation of revenue sources enhances conceptual clarity and provides a useful

Ethnopolitics, Vol. 16, No. 3, 2017, pp. 260–278. Ethnicity has become a central feature of post-1991 governance and development in Ethiopia, often resulting in the exclusion and disenfranchisement of non-members from urban governance structures and, ultimately, contributing to displacement.

[39] Supra note 37; see also Meheret Ayenew, *The City of Addis Ababa: Policy Options for the Governance and Management of a City with Multiple Identity*, FSS Discussion Paper No. 2, December 1999, p. 20.

[40] FDRE, *Urban Development Policy of Ethiopia*, June 2005.

[41] FDRE, *Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005–2010)*, 2005; FDRE, *Growth and Transformation Plan I (GTP I) (2010–2015)*, 2010; FDRE, *Growth and Transformation Plan II (GTP II) (2015–2020)*, 2015; FDRE, *Ten-Year Development Plan: A Pathway to Prosperity (2021–2030)*, 2020.

[42] World Bank, *Ethiopia Urbanization Review*, World Bank Publications Report No. 22979, 2015, p. 63.

[43] World Bank, *A Situational Analysis of Urban Local Governments in Ethiopia: The* Institutional, *Governance and Fiscal Context of Local Governments*, Ethiopia Local Government Revenue Study Part II, June 2014.

framework for strengthening municipal financing systems and practices, although it remains largely on paper.[44] In practice, the existing framework rests on a narrow and fragile revenue base and is characterized by significant legal design and enforcement gaps that undermine fiscal self-reliance.[45] First, municipal revenue categories (coded 1701–1799) are largely structured around the level of urban development and are contingent on infrastructure and service delivery capacity.[46] Municipal borrowing remains underdeveloped owing to the absence of a clear legal framework and is, in practice, confined to a few major cities such as Addis Ababa.[47] Consequently, many municipal revenue sources and borrowing mechanisms remain unimplemented in many urban centers, and those in use are poorly administered due to the limited human and technical capacity and the low creditworthiness of ULGs.

Land-based revenues remained limited and underutilized, despite the potential gains from urbanization and rising land values. Two major land value capture systems existed for ULGs[48] since the mid-1970s. The first was the nominal house taxes and land rents, collected from permit systems or old possessions and regulated under Proclamation No. 80/1976.[49] The second major source (since the 1990s) is lease revenue from the leasehold system, which comprises an advance (down) payment and the remaining lease price paid either as a lump sum or in periodic installments as ground rent.[50] The former is nominal, with outdated bases and rates, while the latter is constrained by administrative limitations and rigid federal and regional laws.[51]

[44] Samson Mesfin and Tegegne Teka, "The Practice of Fiscal Decentralization at Local Level in Ethiopia: Evidence from Oromia and Afar Regional States," *Cogent Social Sciences*, Vol. 9, No. 2, 2023.

[45] Edson Mbedzi and Tendayi Gondo, "Fiscal Management in Dangila Municipality, Ethiopia: Performance and Policy Implications," *Theoretical and Empirical Researches in Urban Management*, Vol. 5, No. 14, 2010; Feyissa Tolessa, *Local Government Financing in Oromia Regional Administrations: Particular Reference to City Administrations*, LL.M Thesis, Jimma University, 2019.

[46] Teshager Alemu, *Assessment of Fiscal Capacity of Urban Local Government on Municipal Revenue in Oromia Regional State: The Case of Sebeta City*, MA Thesis, Addis Ababa University, June 2016.

[47] Million Adafre, *Essays on Fiscal Federalism in Ethiopia*, PhD Thesis, Addis Ababa University, June 2024, p. 42.

[48] Seid Hussen Yimam, Hans Lind, and Belachew Yirsaw Alemu, "Understanding Urban Land Leasing System as a Strategic Value Capture Instrument to Enhance Urban Revenue in Ethiopia: A Case Study of Bahir Dar City," *Economies*, Vol. 10, No. 6, 2022; Tom Goodfellow, *Taxing the Urban Boom: Property Taxation and Land Leasing in Kigali and Addis Ababa*, ICTD Working Paper No. 38, July 2015; Habtamu Mulugeta, *Assessment of Urban Land Value Capture Practice in Ethiopia: The Case of Bahir Dar City*, MSc Thesis in Land Administration and Management, Bahir Dar University, 2024.

[49] Ibid; See also Proclamation No. 80/1976

[50] Ibid; see also Urban Lands Lease Holding Proclamation No. 721/2011, *Federal Negarit Gazeta*, Year 18, No. 4 (hereinafter Proclamation No. 721/2011).

[51] Ibid;

Moreover, innovative land value capture instruments and market-based property tax systems are largely absent.[52] As several empirical studies have found, these revenue constraints are further compounded by fragmented tenure systems, insecure property rights, widespread informality, weak data infrastructure, inadequate valuation practices, and ineffective enforcement mechanisms.[53] As a result, land and property revenues account for only about 1.8% of ULG expenditures, far below African and global benchmarks.[54] Consequently, ULGs rely heavily on intergovernmental transfers and foreign aid, which are often inadequate and unpredictable and also undermine local autonomy and accountability.[55]

In response, the federal government has initiated a dual-track reform focusing on municipal revenue enhancement and property tax reform.[56] The municipal revenue track has led to amendments of regional municipal revenue regulations in line with federal guidelines, although administrative reforms are still ongoing.[57] These efforts aim to enhance revenue mobilization from below and to rationalize and link municipal fees and charges with local infrastructure and service delivery. The property tax reform, initiated in 2011, seeks to modernize an outdated system largely limited to a nominal house tax under Proclamation No. 80/1976.[58]

The reform process has faced prolonged technical and political challenges, including disputes over the assignment of taxing powers, limited administrative readiness of ULGs, the inadequacy of land and property systems, and broader socioeconomic concerns.[59] Key substantive and procedural design issues have also remained contested, resulting in multiple draft versions over more than a decade. Given the protracted delay in finalizing a comprehensive national property tax framework, ULGs have continued to incur significant revenue losses and couldn't actively pursue alternative land-based revenues. In response, the two chartered city administrations and regional states such as Amhara and Oromia have undertaken interim revisions of house tax and

[52] Ibid
[53] Ibid
[54] Samuel Bogale, "With a New Tax on the Horizon, Regions Envision Fiscal Independence," *The Reporter Newspaper*, available at The Reporter Ethiopia (last accessed on 25 December 2025).
[55] Ibid; Supra Note 44
[56] See generally MoF and MoUI, *Urban Development Finance Strategy*, Document Submitted to the Council of Ministers for Decision, July 2022, p. 19.
[57] Ibid
[58] Ibid
[59] Supra Note 30

land rent systems that are embodied under Proclamation No. 80/1976.[60] However, these measures have generated considerable contention and criticism, particularly in Addis Ababa.[61]

More recently, reform momentum increased with the introduction of the Homegrown Economic Reform Agenda (HGER) in 2019, which emphasized domestic resource mobilization as a fiscal imperative in response to declining tax-to-GDP ratios and rising public debt.[62] Consequently, strengthening ULG financing through municipal revenue and property tax reforms became integral to national initiatives such as the National Medium-Term Revenue Strategy (NMTRS).[63] A key milestone was the joint decision of the House of Federation and the House of Peoples' Representatives (HoPRs) on January 11, 2023, which resolved the constitutional ambiguity surrounding the assignment of taxing powers by authorizing the federal government to enact a framework law while assigning implementation and revenue powers to regional states and ULGs.[64]

This led to the adoption of the Federal Property Tax Proclamation No. 1365/2025, which aims to replace the outdated land rent and house tax regime with market-based property tax system. However, the reform remains at an early stage and continues to face significant legal, political, and public contestation. Concerns persist regarding its timing, distributional effects, alignment with land policy, readiness of local governments, and core design features, including the tax

[60] **የአዲስ አበባ ከተማ አስተዳደር የፋይናንስ ቢሮ (ለመሬት ልማትና አስተዳደር ቢሮ፣ ለመሬት ይዞታ ምዝገባና መረጃ ኤጀንሲ እና ለገቢዎች ቢሮ)**, "**የቤት ግብር ማሻሻያ ተግባራዊ እንዲደረግ ስለማሳወቅ ይመለከታል**," **ቀን** 03/08/2015 **ዓ.ም፣ ቁጥር ፋ/ቢ/**2/64/2249 **(ደብዳቤ)**; Oromia Urban Development and Housing Bureau, *Model Regulations on Taxes on Revenue Sources of Oromia Urban Centers*, June 2020; Amhara National Regional State Urban Service Revenue Collection and Tariff Revised Council of Regional Government Regulation No. 220/2024, *Zikre Hig*, Year 29, No. 3.

[61] See also Zelalem Teferra, "Roof and Wall Tax Rate Reform in Addis Ababa: The Legal Conundrum and Socio-Economic Pitfalls," *Mizan Law Review*, Vol. 19, No. 1, pp. 63–92.

[62] FDRE, *A Homegrown Economic Reform Agenda: A Pathway to Prosperity (2020–2030)*, March 2020, pp. 10 and 16. Ethiopia is a heavily indebted country experiencing a rapid buildup of external debt. External debt as a share of GDP rose from 10 percent in 2007/08 to 31.6 percent in 2017/18, and further to 53 percent in 2021. It is currently classified by the IMF and the World Bank as being in debt distress, with a high risk of default, and has formally sought comprehensive debt restructuring. At the same time, Ethiopia has one of the lowest tax-to-GDP ratios globally. The ratio declined from 12.4 percent in 2014/15 to just 7.5 percent in 2022, well below the African average of 16.1 percent, the global average of 17.3 percent, and the 15 percent threshold associated with sustainable development under the SDGs. To address both debt and fiscal pressures, the country has prioritized domestic resource mobilization, aiming to reverse this trend and increase the tax-to-GDP ratio to 18.2 percent by 2030. The Ten-Year Development Plan similarly seeks to gradually raise the tax-to-GDP ratio to 18.2 percent and strengthen domestic resource mobilization while reducing aid and debt dependency by 2030.

[63] FDRE Ministry of Finance, *National Medium-Term Revenue Strategy (NMTRS) (2024/25–2027/28)*, Addis Ababa, August 2024.

[64] Joint Resolution of the House of Federation (HoF) and the House of Peoples' Representatives (HoPR) of the FDRE, January 11, 2023 (hereinafter the Joint Resolution).

base, rates, valuation methods, and administrative procedures. Moreover, as a framework law, its effectiveness depends on subsequent regional and local legislative and administrative readiness, which remains incomplete, if not absent.

The background and contextual analysis presented in this section demonstrates that global trends and theoretical insights increasingly favor land based financing and property tax emerges as a key source of sustainable finance for ULGs. However, its effectiveness depends on supportive legal, institutional, and administrative arrangements. The historical evolution in Ethiopia and the persistent weaknesses of its municipal revenue framework confirm this reality. Although recent reforms to municipal revenue and property tax represent important efforts to address these deficiencies, the structural constraints affecting ULG financing, the dynamics of the reform process, and the legal and institutional conditions necessary for effective implementation remain uncertain. Against this backdrop, this dissertation examines developments in the field, critically assesses Ethiopia's municipal revenue framework, and analyzes the legal design and implementation of the new property tax reform as a sustainable financing instrument in the context of rapid urbanization.

1.2Research Problem

Ethiopia is currently undergoing a distinctive urban transition, characterized by one of the lowest urbanization levels globally (23.6% in 2024) and one of the fastest urban growth rates (about 4.5% annually in 2024) by global and African standards.[65] This rapid demographic growth is accompanied by significant spatial expansion, land-use and land-cover changes, particularly in peri-urban areas, and a sharp increase in the number of urban centers.[66] It has also produced a highly uneven urban hierarchy, in which Addis Ababa dominates as the sole primate city and many

[65] Ethiopian Statistical Service, *Population Projection*, July 2024; Solomon Benti, Heyaw Terefe, and Daniel Callo-Concha, "Implications of Overlooked Drivers in Ethiopia's Urbanization: Curbing the Curse of Spontaneous Urban Development for Future Emerging Towns," *Heliyon*, Vol. 8, No. 10, 2022. The average level of urbanization is approximately 30 percent in Sub-Saharan Africa, 43 percent in Africa as a whole, and 56 percent globally, while the rate of urbanization stands at about 3.5 percent in Africa compared to 2 percent worldwide. Between 2002 and 2022, Ethiopia's urban population grew by 160 percent and is projected to reach 39 percent by 2050.

[66] Ibid. For example, Addis Ababa's total area grew by 51 percent between 2007 and 2014, while the built-up areas of Hawassa and Bahir Dar increased by 284 percent and 148 percent, respectively, between 2000 and 2015. See also **የከተማ እና መሰረተ ልማት ሚኒስቴር፣ *የከተሞች ፈርጅ መወሰኛ ስታንዳርድ*፣ ነሐሴ 2015 ዓ.ም**.

other centers remain small and retain predominantly rural characteristics.[67] This pattern of "urbanization without urban maturity" has outpaced infrastructure provision, economic transformation, and institutional capacity, particularly in small and secondary cities.[68] As a result, ULGs face mounting constraints in governance, planning, and service delivery that, in turn, lead to persistent deficits in employment, infrastructure, basic services, housing, and other essential urban amenities.[69] These challenges are fundamentally rooted in institutional misalignment, where land governance, local administrative systems, and fiscal instruments operate in a fragmented and functionally weak manner.[70] Addressing these gaps is therefore critical to fostering balanced urban development and enhancing the capacity of cities to manage rapid urbanization and harness its economic potential.[71] This, in turn, underscores the centrality of effective urban governance and sustainable municipal finance in advancing the national aspiration to achieve lower-middle-income industrialized status by 2030.[72]

Despite this imperative, the design and practice of ULG financing in Ethiopia, which are largely governed by regional laws, are marked by deep structural weaknesses and fail to bridge the widening gap between local expenditure needs and available revenues. This condition constrains ULGs from both managing the challenges and capturing the benefits of urbanization. Local fical gaps also excerabate national macro-fiscal pressures such as low tax-to-GDP ratios and rising public debt.[73] At the core of this sub-optimality is a systemic inability to mobilize domestic resources at the local level, particularly from urban land and property, where significant but largely

[67] Ibid. Addis Ababa is the only city with a population exceeding one million, while only nine cities have populations above 100,000, eighty-four exceed 10,000, and approximately 96.7 percent of urban centers have fewer than 10,000 residents.

[68] See for example Amha Ermias, Jan Bogaert, and Fisseha Wogayehu, "Analysis of City Size Distribution in Ethiopia: Empirical Evidence from 1984 to 2012," *Journal of Urban Management*, Vol. 8, No. 2, 2019, pp. 237–244; Tsegaye Tegenu, *Urbanization in Ethiopia: Study on Growth, Patterns, Functions and Alternative Policy Strategy*, Stockholm University, 2010. The literature classifies urban centers as small cities with populations between 2,000 and 20,000 residents and secondary cities with populations below 500,000 residents. These urban centers constitute important demographic, spatial, administrative, and economic linkages connecting rural areas with larger urban centers.

[69] World Bank, *Ethiopia Urbanization Review*, World Bank Publications Report No. 22979, 2015, pp. XIII–XIV.

[70] Ibid, PP. XIV-XV

[71] Ibid; Fantu Cheru, Structural Transformation In Ethiopia: The Urban Dimension: Building 'Economically Productive, Socially Inclusive, Environmentally Sustainable and Well Governed' Cities, UN-Habitat, 2014.

[72] UNDP, *Ethiopia 2030: A Country Transformed? Options for a Next Generation of Reforms*, UNDP Working Paper Series No. 2, 2022, p. 7. Under GTP II (2015–2020), Ethiopia ambitiously set the goal of becoming a lower-middle-income country by 2025. However, this target was not achieved and was subsequently extended to 2030 under the new Homegrown Economic Reform Agenda (2020–2030).

[73] Supra Note 62

untapped value exists.[74] In response, the government has initiated important reforms, including amendments to municipal revenue laws and the enactment of Property Tax Proclamation No. 1365/2025. [75] These reforms seek to strengthen municipal own source revenues by introducing a modern property tax system capable of mobilizing land based revenues. [76] Nevertheless, the effectiveness of these reforms remains uncertain because they must operate within broader institutional, legal, and governance constraints.

As noted in the background and context section, two interrelated considerations are central to understanding the processes and challenges of implementing successful property tax reform and enhancing municipal revenue.[77] *First*, the problem of ULG financing is not a standalone issue; rather, it is embedded in broader political economy constraints arising from the institutional design of decentralization and local government, land governance and property rights regimes, and municipal revenue systems. This means that reforms in municipal revenue and property taxation are inseparable from reforms in these domains. Yet improvements in these systems largely depend on local capacity, including revenue, thereby creating a circular constraint that must be addressed either in parallel or through carefully sequenced reforms. *Second*, the effectiveness of reform ultimately depends on the legislative design and administrative implementation of property tax law, including the definition of the tax base, valuation systems, rate structures, and collection and enforcement mechanisms. Given the complexity of these elements and prevailing capacity constraints, property tax reform in Ethiopia, as in other countries, requires a gradual, institutionally grounded, and politically feasible approach.[78]

Although municipal finance and property tax have attracted increasing scholarly attention, the existing literature in Ethiopia provides only a fragmented understanding of ULG financing. Previous studies have examined decentralization and local government, municipal revenue administration, urban land governance, property rights, land administration, and property taxation as largely separate fields of inquiry. Research on ULGs has focused on their status, institutional fea-

[74] Tom Goodfellow, "Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia," *African Affairs*, Vol. 116, No. 465, pp. 549–572.
[75] Supra Note 30
[76] Ibid
[77] Supra Note 20
[78] Ibid

tures, autonomy, capacity, and intergovernmental relations. Studies on municipal finance have primarily examined fiscal decentralization, revenue assignment, existing revenue structures, and local fiscal capacity. Research on land governance has concentrated on land tenure, land administration, and property rights. The emerging literature on property taxation, though limited, has emphasized valuation, tax administration, revenue potential, and implementation challenges. Collectively, these studies have generated important insights within their respective fields but provide only a partial explanation of the institutional foundations of sustainable ULG financing. They have not systematically examined the institutional nexus between local government finance, municipal revenue systems, land governance, property rights, and property taxation as mutually reinforcing components of urban fiscal governance. Moreover, the recent property tax reform, particularly Property Tax Proclamation No. 1365/2025 and the accompanying Model regional Law, has not yet been subjected to comprehensive legal and institutional analysis. Consequently, important questions remain regarding how these institutional arrangements interact to shape ULG financing, what structural constraints continue to impede sustainable municipal finance, and how the legal design of the new property tax framework can strengthen local fiscal autonomy in Ethiopia.

This dissertation addresses these gaps by adopting an integrated legal and institutional perspective on ULG financing. Rather than examining municipal finance, land governance, property rights, or property tax in isolation, it analyses their interrelationships within the broader framework of Ethiopia's decentralization and urban governance systems. The study critically evaluates the evolution of the municipal revenue framework, examines the legal design and implementation of the new property tax reform, and identifies institutional and legal options for strengthening sustainable land based financing. In doing so, it contributes new knowledge on the structural determinants of ULG financing and provides an integrated analytical framework for understanding and advancing property tax reform in Ethiopia.

1.3Research Questions

Guided by the statement of the problem and the background of the study, the dissertation addresses the following central and sub-research questions.

1.3.1 Central Research Question

The central question this dissertation seeks to answer is: “To what extent can the existing legal and institutional framework in Ethiopia support the development and effective implementation of an equitable, efficient, and administratively feasible municipal revenue and property tax system capable of financing ULGs in the context of rapid urbanization?”

1.3.2 Sub-Research Questions

This study addresses the following sub-research questions derived from the central research question:

a) How do the theoretical foundations (of decentralization, land-based financing, and property rights) inform the legal and institutional framework for ULGs financing and property tax reform in Ethiopia?

b) How does the readiness of ULGs (reflected in their constitutional and legal status, institutional architecture, and functional capacity) influence their autonomy and capacity to mobilize own-source revenues and implement property tax reform?

c) How does the current municipal revenue framework support or constrain effective ULG financing and property tax reform?

d) How do the existing land tenure and land administration arrangements influence municipal revenue mobilization and the implementation of property tax reform?

e) How has the historical evolution of local finance and land tax shaped the current institutional framework for ULG financing and property taxation?

f) How have the major drivers of the post-2011 property tax reform process and the associated areas of contestation and emerging consensus shaped the current property tax framework in urban Ethiopia?

g) How has Ethiopia addressed the property tax assignment problem within its fiscal federal system?

h) To what extent do the new legal frameworks, particualalrly Proclamation No. 1365/2025 and the Regional Model Law, establish an effective institutional basis for sustainable ULG financing?

1.4Research objectives

Based on the statement of the problem and the questioned developed above, this dissertation pursues to adress the following general and specific research objectives.

1.4.1 General Objective

The general objective of this dissertation is to examine the extent to which the existing legal and institutional framework in Ethiopia supports the development and effective implementation of an equitable, efficient, and administratively feasible municipal revenue and property tax system capable of sustainably financing ULGs in the context of rapid urbanization.

1.4.2 Specific Objectives

The study seeks to achieve the following specific objectives:

a) To examine the theoretical foundations (of decentralization, land-based financing, and property rights) that informs the legal and institutional framework for ULG financing and property tax reform in Ethiopia.

b) To assess the readiness of ULGs (reflected in their constitutional and legal status, institutional architecture, and functional capacity) and their autonomy and capacity to mobilize own-source revenues and implement property tax reform.

c) To examine the current municipal revenue framework if it supports or constrains effective ULG financing and property tax reform.

d) To examine the existing land tenure and land administration arrangements and its influence on municipal revenue mobilization and the implementation of property tax reform.

e) To critically review the historical evolution of local finance and land tax and how it has shaped the current legal and institutional framework for ULG financing and property tax reform.

f) To analyze the major drivers of the post-2011 property tax reform process and associated areas of contestation and consensus and how these have shaped the ongoing proeprty tax reform in urban Ethiopia.

g) To examine the nature of and measures taken to address the property tax assignment problem within the fiscal federal system of Ethiopia.

h) To analyze the extent to which the new legal frameworks, particularly Proclamation No. 1365/2025 and the Regional Model Law, to establish an effective institutional basis for sustainable ULG financing.

1.5 Significance of the Research

Despite being one of the oldest forms of taxation and historically administered at the lowest levels of government, taxing land and property tax has declined in the fiscal system of Ethiopia. The significance of ULG financing has similarly diminished amid growing centralization and the shrinking institutional space of ULGs within the federal system. Scholarly and policy attention has largely shifted toward federal and regional revenue assignments, particularly income and consumption taxes. Only recently have these issues regained prominence due to ongoing reform initiatives, policy debates, and the enactment of new property tax laws. Against this backdrop, examining ULG financing and the reintroduced property tax through a multi-method approach holds both academic and practical significance.[79]

First, the study advances knowledge on ULG financing and the role of property taxation as a sustainable revenue instrument in rapidly urbanizing Ethiopia. Recent legal and policy reforms, particularly the introduction of a new property tax law, remain insufficiently integrated into legal scholarship and education, leaving practitioners, academics, and policymakers inadequately equipped to address their technical and institutional complexities. Meanwhile, public concern over the design, implementation, and effects of these reforms has intensified. This study address-

[79] Chandrakant R. Kothari, *Research Methodology: Methods and Techniques*, New Age International Limited, 2004, p. 5. The significance of a study highlights the importance of the research and its potential contributions. Every study has two primary dimensions of significance: its contribution to academic knowledge (theoretical significance) and its practical application to real-world problems (practical significance).

es that gap through a systematic analysis of ULG financing and property taxation. By identifying key drivers and design options, it contributes to broader debates on decentralization, local revenue systems, urban land governance, and property rights vis-à-vis property tax. It also provides a foundation for future doctrinal and empirical research and offers comparative insights for other rapidly urbanizing developing countries facing similar challenges in local finance, land governance, and decentralization.

Second, despite limitations in empirical coverage and the evolving nature of the reforms, the study provides practical insights into the design and implementation of urban financing instruments and property tax reform in the fiscal federal system. It identifies key structural and institutional challenges and proposes context-sensitive solutions throughout the chapters. The findings aim to assist policymakers, legislators, and local authorities in improving municipal revenue systems and property tax laws. More broadly, the study offers evidence-based guidance for developing equitable and efficient property tax and municipal revenue structures. Strengthening ULG financing and property taxation can improve public service delivery, enhance local autonomy, strengthen land and property administration, and support sustainable urban development. The study also contributes to global policy discourse by offering insights relevant to other countries facing similar urban public finance challenges.

1.6Research Methods and Procedures

1.6.1 Research Paradigm and Design

A clear philosophical foundation is essential for rigorous research, as it shapes both the conceptualization of the subject matter and the methods used to generate and interpret knowledge.[80] Given the research questions and objectives, the study is grounded in an interpretivist paradigm and adopts a predominantly qualitative design.[81] It examines the institutional, legal, and political economy dimensions of ULG financing and property tax within the context of rapid urbanization and ongoing reforms. The study employs a multi-method qualitative approach integrating doctri-

[80] See generally Kacper Grass, "The Three Logics of Qualitative Research: Epistemology, Ontology, and Methodology in Political Science," *American Journal of Qualitative Research*, Vol. 8, No. 1, 2024, pp. 42–56.

[81] Ibid. A purely quantitative approach, grounded in a positivist conception of reality as objective and measurable, is ill-suited to capturing the nuanced and context-specific nature of the present research problem. Moreover, the researcher's background in legal studies further supports the adoption of a qualitative research design rather than quantitative or mixed methods approaches.

nal, empirical, and comparative methods. This enables the examination of law as a normative framework, a social and institutional practice, and a source of comparative insight across jurisdictions.[82] The doctrinal component focuses on the analysis and interpretation of constitutional provisions, federal and regional legislation, and policy frameworks governing ULG financing and property taxation. The empirical component examines how these laws operate in practice through Key Informant Interviews (KIIs), Focus Group Discussions (FGDs), Delphi panel consultations, and institutional experience. The comparative component draws on selected jurisdictions to situate the ongoing reform within broader developments in property tax and municipal finance.

In terms of research design, the study is both descriptive and exploratory. It is descriptive in providing a structured account of the legal, institutional, and fiscal dimensions of ULG financing.[83] It is exploratory in examining ongoing property tax reforms, which remain recent, contested, and underexplored.[84] Combining these approaches enables a comprehensive analysis of the structural constraints, institutional dynamics, and legal design issues shaping ULG financing and property tax reform in Ethiopia.

1.6.2 Data Sources and Collection Methods: A Multi-Method Approach

A multi-method approach combines two or more research techniques within a single study to achieve a deeper and more comprehensive understanding of a phenomenon.[85] It is particularly valuable in overcoming the limitations of any single method and enhancing validity.[86] To achieve its objectives, this study adopts a multi-method qualitative approach drawing on both primary and secondary sources of data.[87] Primary sources include federal and regional legal texts, parliamentary records, and empirical data from KIIs, FGDs, Delphi surveys, and participant observation. Secondary sources include scholarly literature, policy documents, reports, and relevant digital materials. The analysis begins with a doctrinal examination of legal and institu-

[82] Benedict Sheehy, "Paradigms of Legal Research Connecting Theories, Methods and Phenomenal Doctrinal, Realist and Non-Law Focused Research," *Rutgers Journal of Law & Public Policy*, Vol. 21, No. 1, 2023, pp. 158–210.
[83] Supra Note 79, PP. 37-39
[84] Ibid; PP. 35-36
[85] Ishwara P. Bhat, *Idea and Methods of Legal Research*, Oxford University Press, 2020, pp. 469–496; Margaret R. Roller and Paul J. Lavrakas, *Applied Qualitative Research Design: A Total Quality Framework Approach*, The Guilford Press, 2015, pp. 288–289.
[86] Ibid
[87] Ibid

tional frameworks and is complemented by empirical methods to facilitate triangulation and strengthen analytical rigor.[88] This integrated design ensures a coherent engagement with the research questions and enhances the validity of the findings.

a) Analysis of Legal Frameworks and Scholarly Literature

The analysis of legal frameworks and scholarly literature constitutes the principal method and data source of this study. Accordingly, each chapter begins by outlining the relevant theoretical and legal foundations of the issues under examination. The study adopts a doctrinal approach to analyze legal norms, institutional frameworks, and jurisprudential developments through a critical reading of legal texts and scholarly literature.[89] It examines constitutional, legislative, and regulatory instruments at federal, regional, and local levels, particularly those relating to decentralization, municipal finance, land governance, and property taxation. This approach enables the identification of doctrinal inconsistencies, legislative gaps, and institutional constraints affecting ULG fiscal autonomy and the effectiveness of property tax. The literature review, drawing on Ethiopian and comparative legal, fiscal, and land governance scholarship, situates the analysis within broader debates on law, public finance, and urban governance. Insights from KIIs and FGDs further inform the selection and interpretation of legal and scholarly materials, enhancing analytical depth and contextual relevance.

b) In-depth Interviews and Focus Group Discussions (FGDs)

To complement the doctrinal analysis, the study employed KIIs and FGDs to capture expert knowledge, practical experience, and stakeholder perspectives. Interviews generated rich qualitative insights, while FGDs facilitated interactive engagement on complex issues.[90] Fourteen in-depth interviews were conducted with individuals possessing relevant expertise and informed perspectives on the research problem.[91] In parallel, three FGDs were conducted in Addis Ababa (two) and Bahir Dar (one), with eight, seven, and ten participants, respectively.[92] Participants were selected through purposive and snowball sampling based on their expertise, experience, and

[88] Margaret R. Roller and Paul J. Lavrakas, *Applied Qualitative Research Design: A Total Quality Framework Approach*, The Guilford Press, 2015, pp. 288–289.
[89] Supra Note 85, Ishwara P. Bhat, PP. 169–197
[90] Supra Note 79, P. 97
[91] See Annex VI for the list of interviewees.
[92] See Annex VI for the list of FGD participants.

institutional relevance.[93] The use of seed respondents facilitated the recruitment of stakeholders from diverse institutions, including policymakers, senior tax officials, municipal experts, legal practitioners, public finance and urban governance specialists, land administration officers, civil society representatives, and development partners. Data collection ceased upon reaching saturation, as responses became recurrent and yielded limited new information. Saturation was reached relatively quickly, likely because the issue had already attracted significant elite and media attention.

Semi-structured interview and discussion guides were developed in line with the study's objectives, particularly concerning land governance, urban fiscal capacity, and property tax reform.[94] Data were collected between October and December 2024, prior to the adoption of Federal Property Tax Proclamation No. 1365/2025 by the HoPRs.[95] Follow-up phone interviews were later conducted with selected participants to validate and update the findings after the adoption of the law. All sessions were either audio-recorded or documented through field notes, and in some cases both. The data collection instruments were refined iteratively in response to emerging insights, and the process concluded upon saturation.

c) Comparative Legal Study

Comparative legal analysis is employed to examine legal rules, institutional arrangements, and administrative practices across jurisdictions in order to draw lessons and critically evaluate alternative approaches to ULG financing and property taxation.[96] Guided by the principle of functional comparability, the study adopts both a macro-level analysis of constitutional, fiscal, and institutional frameworks and a micro-level analysis of specific legal provsions governing property tax, municipal finance, land administration, and intergovernmental fiscal relations.[97]

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[93] Supra Note 79, P. 97

[94] See Annex III for the list of KII and FGD guide questions.

[95] Due to the timing of the data collection, participants expressed their views and perspectives based on the Draft Property Tax Proclamation and the Joint Resolution of the two Houses concerning the power to levy, collect, and utilize property taxes.

[96] Muhammad I. Ali, "Comparative Legal Research-Building a Legal Attitude for a Transnational World," *Journal of Legal Studies*, Vol. 26, No. 40, 2020; Van H. Mark, "Methodology of Comparative Legal Research," *Law and Method*, 2015, pp. 1–35. Some scholars further highlight the role of comparative legal study in facilitating the harmonization of laws within defined jurisdictions, such as the European Union (EU) and the African Union (AU), where legal convergence is pursued to strengthen regional integration and legal coherence.

[97] Supra Note 85, Ishwara P. Bhat, PP. 267-300

Four jurisdictions were chosen purposively based on their functional relevance to the Ethiopian context and continental representativeness. Germany, Brazil, and South Africa represent federal or quasi-federal systems that have undertaken significant reforms in fiscal decentralization, municipal finance, and property tax.[98] These jurisdictions provide examples of relatively mature institutional arrangements and established legal frameworks from which relevant lessons may be drawn. Nigeria is included as a contrasting case because, despite sharing a federal constitutional structure and many socio-economic characteristics with Ethiopia, it has experienced persistent legal, institutional, and political challenges in implementing effective property tax reforms.[99] Its inclusion provides a useful counterpoint by illustrating the constraints and risks associated with property tax design and implementation in developing federal systems.

The comparative analysis is structured around the following parameters: (i) the constitutional allocation of taxing powers; (ii) the legal status and fiscal autonomy of Urban Local Governments; (iii) the design and administration of property tax systems; (iv) the relationship between land tenure, property rights, and property taxation; (v) institutional arrangements for property valuation, assessment, collection, and enforcement; and (vi) the role of property taxation in municipal revenue mobilization and fiscal decentralization.

d) Delphi Panels

The Delphi technique is a structured and iterative method used to solicit expert opinions on complex or contested issues until a reasonable level of consensus is reached.[100] The researcher acts as coordinator and facilitator by conducting multiple questionnaire rounds and providing controlled feedback so as to enable experts to refine their views and minimize biases such as groupthink.[101] The method has been widely applied in complex policy areas, including tax reform.[102] In this

[98] Ibid
[99] Ibid
[100] Harold A. Linstone and Murray Turoff, "Introduction," in Harold A. Linstone and Murray Turoff (eds), *The Delphi Method: Techniques and Applications*, Addison-Wesley, 1975, pp. 1–12; Thomas Grisham, "The Delphi Technique: A Method for Testing Complex and Multifaceted Topics," *International Journal of Managing Projects in Business*, Vol. 2, No. 1, 2009. The Delphi method was developed in the 1950s by the RAND Corporation, a United States research institution. The method derives its name from the ancient Greek Oracle of Delphi, where the priestess Pythia was believed to provide guidance for decision-making.
[101] Ibid
[102] Evgeny Guglyuvatyy and Natalie P Stoianof, Applying the Delphi Method as a Research Technique in Tax Law and Policy, Australian Tax Forum, Vol. 30, 2015, PP. 179-204; Christopher Evans, Unravelling the Mysteries of

dissertation, the Delphi method is used to capture and refine expert views on the rationale and design of property tax reform in Ethiopia. It is particularly suitable given the early and contested nature of the reform and the limited literature and expertise surrounding both the reform process and the draft laws later adopted as Proclamation No. 1365/2025. The Delphi panel consisted of forty-one experts drawn from four stakeholder groups to ensure diversity in educational and professional backgrounds (Table 1).[103]

Table 1: Composition of Delphi Respondents by Category

Category	Description of Respondents	N	%
Academia	University professors, researchers, and graduate students (Master's and PhD candidates) working on relevant topics	10	24.39%
Government	Professionals working in the Federal Ministries of Finance, Revenue, and Urban and Infrastructure; experts from the Amhara Regional State Bureaus of Finance, Bureaus of Revenue, and Bureaus of Urban and Infrastructure; and officials and technical staff from the Bahir Dar City Administration	15	36.59%
Special Interest Groups	Chambers of Commerce, charitable organizations, non-governmental organizations (NGOs), international development organizations, and community-based organizations (CBOs)	8	19.51%
Private Sector	Consultants, lawyers, valuers, real estate developers and property management firms, financial institutions (e.g., banks and mortgage companies), and tax advisory firms	8	19.51%
Total		**41**	**100%**

Source: Own Computation (May 2025)

Experts were selected through purposive and snowball sampling based on demonstrated expertise in federalism and decentralization, tax law and administration, and land law and administra-

the Oracle: Using the Delphi Methodology to Inform the Personal Tax Reform Debate in Australia, eJournal of Tax Research, Vol. 5, No. 1, 2007, PP. 71-101

[103] There is no fixed rule regarding Delphi panel size, as it varies according to the nature, complexity, scope of the research problem, and the availability of experts. What matters most is the diversity of expert groups. Delphi studies commonly involve 15-30 experts in relatively homogeneous inquiries and 60–80 experts in more complex or multidisciplinary studies, although panel sizes may range from fewer than 10 participants to more than 1,000. Nevertheless, a panel of approximately 30-50 experts is generally considered appropriate for PhD-level research. See generally Ian Belton, George Wright, Aileen Sissons, Fergus Bolger, Megan M. Crawford, Iain Hamlin, Courtney Taylor Browne Lūka and Alexandrina Vasilichi, "Delphi with Feedback of Rationales: How Large Can a Delphi Group Be Such That Participants Are Not Overloaded, De-Motivated, or Disengaged?," *Technological Forecasting and Social Change* Vol. 170, 2021; Gregory J. Skulmoski, Francis Hartman and Jennifer Krahn, "The Delphi Method for Graduate Research," *Journal of Information Technology Education: Research* Vol. 6, No. 1, January 2007, pp. 1–21.

tion.[104] The panel comprised academics (24.39%), government officials (36.59%), special interest groups (19.51%), and private sector actors (19.51%), ensuring balanced stakeholder representation. The survey instrument, aligned with the study's objectives, consisted of fourteen closed- and open-ended questions developed from relevant literature and legal frameworks.[105]

The study employed a three-round Delphi process, with each round building on the preceding one.[106] Each round was assessed in terms of duration, participation, response rate, number of questions, and level of consensus achieved. Where significant divergences emerged, responses from earlier rounds were compiled, analysed, and circulated in subsequent rounds, together with feedback and explanatory comments, to encourage convergence among participants. In cases of non-response, additional reminders were issued and, where full responses could still not be obtained, experts were asked to indicate whether they agreed or disagreed with the issues under consideration. Meaning as their responses were recorded accordingly, there is no nonresponse rate to be reporeted.[107] These follow-up communications facilitated data collection and improved response rates and consistency. The analysis identifies areas of convergence and divergence across the study's specific objectives and, together with findings from other research instruments, provides a nuanced empirical basis for the study.

e) Participatory Observation

[104] See Annex 2; supra note 102. Selection of Delphi panellists relies on non-probability sampling, with experts identified based on criteria such as professional experience, publications, and peer recognition. Accordingly, purposive and snowball sampling are commonly used to ensure both expertise and diversity of perspectives. The chain-referral technique further enables participants to identify additional experts in specialized fields that may otherwise be difficult to access.

[105] See Annex II; supra note 102. Delphi questions may be either open-ended (qualitative) or closed-ended (quantitative). Accordingly, both forms were employed, with closed-ended questions followed by open-ended questions intended to elicit explanation and justification from participants.

[106] Supra note 102. The Delphi method typically employs between two and four survey rounds to achieve consensus among experts. However, contemporary applications commonly adopt a three-round structure as the standard approach.

[107] In the Delphi method, silence does not amount to acceptance. The methodology relies on active and iterative participation by experts, and consensus must emerge from expressed opinions rather than non-response. Accordingly, non-response rates should be properly identified and reported. However, given the manageable number of panellists in this study, the researcher employed reminders and follow-up requests to encourage delinquent participants to disclose their positions as a last resort. See generally, Chia-Chien Hsu and Brian A. Sandford, "Minimizing Non-Response in the Delphi Process: How to Respond to Non-Response," *Practical Assessment, Research, and Evaluation* Vol. 12, Art. 17, 2007; Felicity Hasson, Sinead Keeney and Hugh McKenna, "Revisiting the Delphi Technique-Research Thinking and Practice: A Discussion Paper," *International Journal of Nursing Studies* Vol. 168, 2025.

Observation, in qualitative research, involves the systematic examination of participants and phenomena in their natural settings.[108] It may take the form of participant observation, where the researcher is actively engaged, or non-participant observation, where the researcher remains detached.[109] This study employs participant observation to capture contextual insights and dynamics of property tax reform that are not readily accessible through interviews, FGDs, or Delphi surveys. The researcher was directly involved in Ethiopia's property tax reform process as a member of the legal drafting team responsible for commenting on the federal property tax proclamation and drafting the regional model property tax law.[110] This role also entailed participation in consultative workshops, stakeholder dialogues, and public forums closely related to the study. In particuclalr, the author conducted checklist-based participant observation in Addis Ababa during four periods: January 19-23, 2025; August 28-31, 2025; October 23-26, 2025; and January 16–17, 2026.[111]

These engagements provided a unique vantage point from which to observe the reform process, including its underlying assumptions, challenges, and areas of contestation. Observations were systematically documented and integrated into the analysis. [112] Given this dual role, particular attention was paid to ethical considerations, including maintaining analytical objectivity, ensuring informed consent, and upholding strict confidentiality throughout the research process.

1.6.3 Method of Data Analysis

This study primarily employs doctrinal legal analysis, thematic analysis, and content analysis, which are appropriate for interpreting data drawn from legal texts, literature, interviews, FGDs,

[108] Supra Note 79, P. 96
[109] Ibid
[110] The researcher was employed as a legal expert by VNG International, the international cooperation agency of the Association of Netherlands Municipalities, in support of Ethiopia's property tax reform under a project entitled *Sustainable Development through Improved Local Governance (SDLG)*, implemented from 1 July 2024 to 30 December 2025. The project aimed to support the Ministry of Finance (MoF) and the Ministry of Urban and Infrastructure (MoUI) in the design and implementation of the Federal Property Tax Proclamation, as well as in the development of model regional property tax proclamations, regulations, guidelines, and explanatory notes. These core legal and technical tasks were primarily undertaken by the researcher under the academic supervision of Arjen Schep of Erasmus University Rotterdam. This professional engagement provided the researcher with direct and sustained access to legislative processes and stakeholder deliberations central to the subject matter of this study.
[111] See Annex IV
[112] Data collected through the three-round Delphi process were analyzed using both qualitative and quantitative techniques. Qualitative analysis was employed for responses to open-ended questions, while quantitative methods, including frequency and percentage analysis, were used for closed-ended questions.

Delphi surveys, and participant observation, and are recognized as common qualitative analytical methods.[113] Doctrinal analysis examines constitutional, statutory, regulatory, and policy frameworks governing decentralization, land governance, and property taxation, with particular attention to their implications for ULG financing and property tax reform. Thematic and content analyses are applied to empirical and secondary sources to identify patterns, categories, and relationships relevant to the research objectives and doctrinal analysis.

Data were systematically organized and analyzed around key themes, including the legal and institutional status of ULGs, municipal revenue structures and performance, the land governance–property tax nexus, the political economy of reform, and the structural design and content of property tax legislation. Data generated through the three-round Delphi process were analyzed using mixed techniques, namely qualitative analysis for open-ended responses and quantitative analysis (frequency and percentage) for closed-ended items. The iterative Delphi process enabled the refinement of expert judgments and the identification of convergence and divergence on reform priorities in conjunction with other methods. Overall, triangulation across methods and data sources strengthens the reliability and explanatory depth of the study. The analysis is structured thematically in line with the study's objectives, with each chapter clearly indicating the relevant data sources and analytical approaches employed.

1.7 Scope of the Research

This study examines the financing of ULGs in Ethiopia, with particular emphasis on the municipal revenue framework and the legal design and implementation of the ongoing property tax reform. It focuses on local government systems, municipal revenue structures, and land governance only to the extent that they influence property taxation as a sustainable source of municipal finance. Comparative experiences are used selectively to provide analytical insights rather than comprehensive jurisdictional analyses. Geographically, the empirical component is confined to the federal government and the Amhara National Regional State because of logistical and access considerations. The analysis therefore focuses primarily on federal–regional and regional–local institutional relations. Temporally, the study covers developments since the establishment of Ethiopia's federal system in 1995, while referring to earlier periods only where necessary to ex-

[113] Ian Dey, *Qualitative Data Analysis: A User-Friendly Guide for Social Scientists*, Routledge, 1993, pp. 31–56.

plain the historical evolution of ULG financing and property tax. With respect to the legal framework, the analysis primarily examines federal legislation and the laws of the Amhara and Oromia regional states. These jurisdictions were selected because of the accessibility of legal materials and their representativeness of the broader regional legal framework governing municipal finance and property taxation in Ethiopia.

1.8 Limitations of the Research

This study has several limitations. First, as a qualitative legal inquiry, it is inherently interpretive and may involve elements of subjectivity in the analysis of legal texts, policy documents, and stakeholder perspectives. Second, the study relies primarily on legal materials, secondary literature, and qualitative data, reflecting the limited availability of empirical research on municipal finance and property taxation in Ethiopia. Third, data collection was affected by contextual challenges, particularly the conflict in Ethiopia, which constrained access to some respondents and study areas. Finally, the delayed enactment of Property Tax Proclamation No. 1365/2025 extended the study period and required analysis of an evolving legal framework whose implementation had not yet commenced. Consequently, respondents' practical knowledge of the new property tax regime was necessarily limited.

These limitations were mitigated through a multi-method research design that combined doctrinal legal analysis, comparative legal research, key informant interviews, focus group discussions, the Delphi technique, and participant observation to enhance the credibility and robustness of the findings. Nevertheless, because the study was undertaken during the design and early implementation stages of Ethiopia's property tax reform, it does not evaluate the actual operational performance or long-term fiscal and governance impacts of the new legal framework. These issues remain important areas for future empirical research as the reform progresses.

1.9Dissertation’s Original Contribution

In contrast to the extensive international literature, Ethiopian scholarship reveals a significant gap in the study of ULG financing and property taxation, particularly regarding their integration within decentralization, local government systems, municipal finance, and land governance

frameworks. While the latter areas have attracted increasing attention since the 1995 FDRE Constitution, research consistently highlights gaps in the devolution of political, administrative, and fiscal powers, as well as weaknesses in the legal and institutional foundations of local governments. The literature further shows that administrative decentralization has not been matched by fiscal authority and that result in vertical fiscal imbalances, weak municipal revenue bases, and continued dependence on intergovernmental transfers.

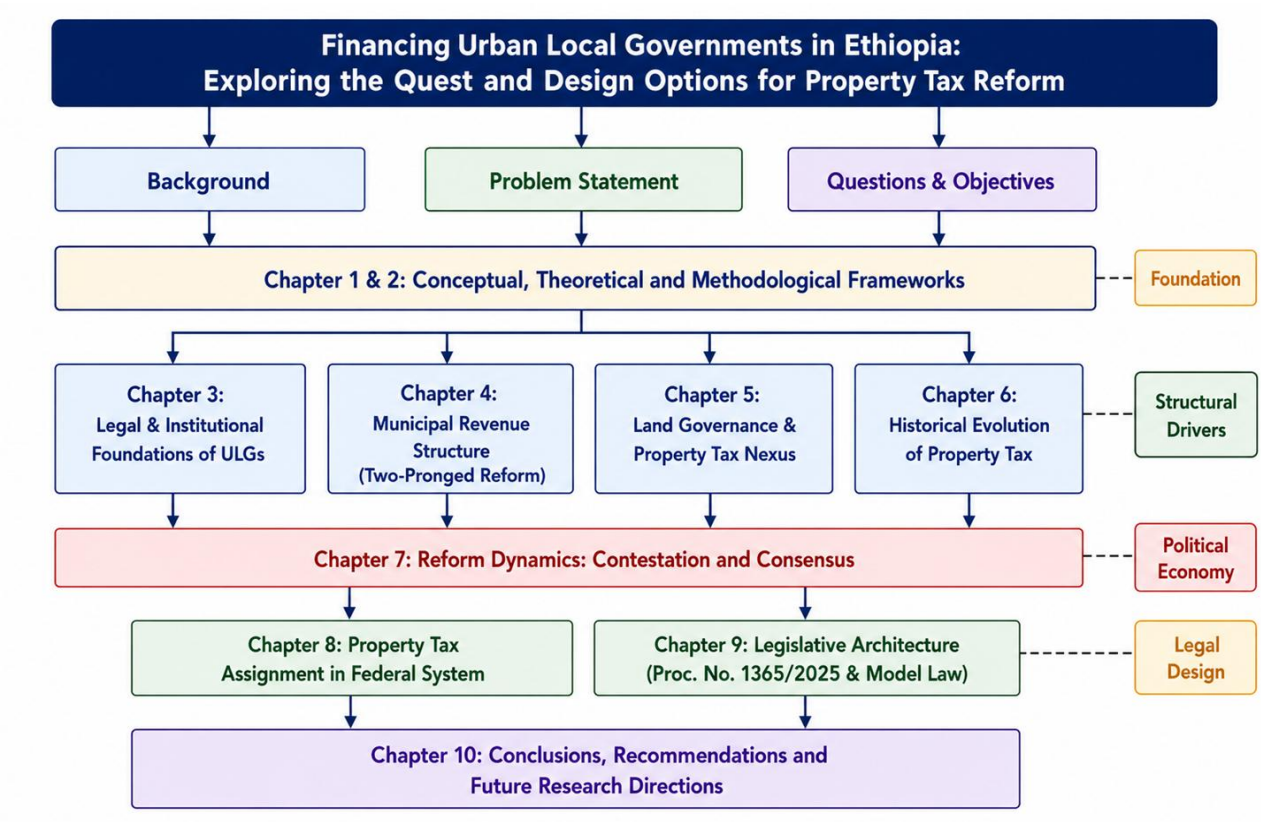
While the absence of a modern property tax is widely acknowledged, existing analyses remain largely diagnostic and rarely engage with deeper constitutional, political economy, legal design, or administrative implementation issues. Similarly, the land governance literature offers rich insights into land policy, tenure, tenure security, and lease administration but seldom treats property taxation as a complementary instrument for land value capture and urban finance. Tax law scholarship, though expanding, remains focused primarily on income and consumption taxes, with little attention to property taxation, which is largely absent from administrative practice, policy discourse, and judicial interpretation. As a result, these domains are often examined in isolation, with limited attention to municipal revenue and property taxation. Moreover, property tax remains largely absent from official public finance records and reports at local, regional, and national levels, reflecting its declining policy salience. Consequently, ULG financing and property tax remain neglected and under-theorized fields, revealing a significant gap in both scholarship and reform-oriented analysis.

Building on the gap identified in the problem statement and Chapter 2 (Section 2.3), the dissertation develops an integrated analytical framework situating property taxation at the intersection of decentralization, land governance, and municipal finance. It moves beyond fragmented approaches by conceptualizing property taxation as an institutional nexus and examining its legal, institutional, and political economy dimensions within the federal, fiscal, and land governance system of urban Ethiopia. The study traces the conceptual foundations of property taxation, analyzes the legal and institutional status of ULGs and municipal revenue structures, examines the land governance–property tax nexus and its historical evolution, interrogates reform dynamics and political economy constraints, and proposes a coherent legislative and institutional design framework. By integrating these dimensions, the dissertation contributes to Ethiopian scholarship and broader debates on property tax in developing, federal, and rapidly urbanizing contexts.

1.10 Organization of the Study

This study is organized into ten chapters. Chapter One provides the general introduction, outlining the background of the study, the statement of the problem, the research objectives and questions, the research methodology, the scope of the study, research limitations, the significance of the study, and the overall organization of the dissertation. As noted above, this study has eight specific research objectives, which are addressed through Chapters from Two to Nine. The relationship between the research objectives and the corresponding chapters is illustrated in Figure 1.

Figure 1: Analytical Framework and Layout of the Study



(Source: Author's own summary)

The subsequent eight chapters (Chapters Two to Nine), which constitute the core analytical body of the dissertation, are organizedinto four analytically distinct but interrelated layers that structure the inquiry into ULG financing and property tax reform in Ethiopia.

The third layer, presented in Chapter Seven, examines the political economy of ongoing reform by analyzing key areas of contention and consensus. It explains how institutional, legal, and fis-

cal dynamics interact to shape the trajectory and feasibility of property tax reform. The fourth layer, comprising Chapters Eight and Nine, translates these dynamics into concrete legal and policy frameworks. Chapter Eight examines the assignment of property tax powers within Ethiopia's federal system and evaluates emerging solutions. Chapter Nine analyzes the legislative architecture of property tax reform, focusing on its structure, substantive content, and remaining gaps. Finally, Chapter Ten concludes the dissertation by synthesizing the main findings, offering evidence-based recommendations, and identifying directions for further research.

CHAPTER TWO

URBAN GOVERNANCE, MUNICIPAL FINANCE, AND PROPERTY TAXATION: CONCEPTUAL, THEORETICAL, AND COMPARATIVE FOUNDATIONS

2.1 Introduction

Traditionally, ULG financing has relied heavily on intergovernmental transfers and modest own-source revenues, such as municipal fees and service charges. These sources are often insufficient to capture rising urban land values or to ensure fiscal autonomy and institutional effectiveness at the local level. In response, many countries have increasingly explored land-based financing instruments and property taxation reforms, recognising their potential to capture increases in land and property values and to provide more sustainable financing for urban development. In Ethiopia, however, urban local government financing remains largely dependent on traditional revenue sources and has not yet been fully integrated with land governance mechanisms. Existing urban land lease payments and municipal fees and charges continue to face governance, administrative, and coverage limitations. Recognising these constraints, Ethiopia has recently initiated a reform agenda aimed at strengthening municipal revenue systems and introducing modern property taxation to enhance fiscal sustainability and improve urban governance outcomes.

This chapter examines the conceptual, theoretical, and comparative foundations of urban governance, municipal finance, and property taxation as a basis for analysing land-based revenues and property tax reform in subsequent chapters. It begins by situating urbanization as a transformative force, clarifying the definitions and classifications of urban areas, and examining the structural characteristics of urban systems. Building on this foundation, the chapter explores the relationship between urban governance and ULG financing, with particular emphasis on decentralization, the institutional role of ULGs, and municipal finance as a critical enabler of effective urban governance. The chapter then traces the global shift toward LBF instruments and highlights their relevance in aligning urban growth with sustainable local revenue generation. It further de-

velops a conceptual and theoretical understanding of property taxation by examining its definitions, scope, principles, and underlying theories, as well as its evolution within historical and contemporary reform trajectories.

Drawing on comparative insights from selected jurisdictions including Brazil, South Africa, Germany, and Nigeria the chapter illustrates diverse institutional pathways, reform strategies, and implementation challenges in property taxation across different contexts. Finally, the chapter synthesizes the justifications and drivers of property tax reform, identifying revenue mobilization, local government empowerment, land governance, and equity considerations as interrelated and mutually reinforcing objectives. The interim conclusion integrates these conceptual, theoretical, and comparative insights to provide a comprehensive analytical framework for understanding the structural challenges of ULG financing and the rationale for property tax reform in Ethiopia.

2.2 Understanding Urbanization, Urban Areas and Urban Systems

This section conceptualizes urbanization as a transformative force and urban areas as core centres of development and governance endeavours, with the objective of providing a foundation for the discussions that follow throughout the dissertation.

2.2.1 Urbanization as a Transformative Force

Urbanization is widely understood as a multidimensional process comprising both spatial and demographic transformations.[1] Spatially, it involves the expansion of built environments, changes in land use and land cover, and the transformation of predominantly rural landscapes through infrastructure development, industrial activity, and the provision of services such as transport, electricity, water supply, and sanitation. Demographically, it denotes the increasing share of the population residing in urban areas, driven by natural population growth and rural–urban migration shaped by both push factors, such as economic hardship, environmental stress, or conflict in

[1] See Organisation for Economic Co-operation and Development (OECD), *Trends in Urbanisation and Urban* Policies *in OECD Countries: What Lessons for China?* (2010), pp. 28–33; Gordon McGranahan and David Satterthwaite, *Urbanisation Concepts and Trends* (International Institute for Environment and Development Working Paper, June 2014), pp. 7–8. The famous Oxford English Dictionary defines urbanization as referring both to areas "having a lot of towns, streets, factories, etc., rather than countryside" and to people "living and working in towns and cities rather than in the countryside." This definition highlights the demographic and spatial dimensions of urbanization. See Oxford English Dictionary, "Urbanization" (Oxford University Press, 2019).

rural areas, and pull factors, including employment opportunities, infrastructure access, and improved public services in urban areas. Beyond these dimensions, urbanization functions as a transformative force shaping socioeconomic development and governance change.[2] Central to this process are agglomeration effects, whereby the spatial concentration of population, economic activity, and infrastructure stimulates industrialization, productivity, innovation, investment, and improved public administration.[3] These dynamics often raise land and property values and increase government revenues, enabling ULGs to introduce land-based financing instruments, including property taxation, to support the sustainable provision of urban services and infrastructure. [4]

However, unless it is well managed, rapid urban growth can generate a range of challenges, including environmental degradation, acute shortages of affordable housing, slum expansion and informality, socio-economic inequality, inadequate public infrastructure and services, and governance pressures.[5] Under such conditions, ULGs may struggle to plan and implement innovative development, governance, and revenue mobilization strategies and frequently face fiscal shortfalls that constrain service delivery. [6] These challenges are particularly acute in developing countries, where rapid, often unplanned urban growth outpaces governance capacity. Consequently, urbanization represents a double-edged process in which realizing developmental and governance benefits requires effective urban governance capable of harnessing agglomeration advantages while mitigating the risks associated with urban density.

Empirical studies and recent reports indicate that the world is experiencing one of the fastest urban expansions and demographic shifts in history, particularly in the developing world. Empirical evidence indicates substantial spatial expansion of major urban centres, often incorporating surrounding agricultural land into urban jurisdictions. For example, Addis Ababa's total area increased by 51% between 2007 and 2014, while the built-up areas of Hawassa and Bahir Dar ex-

[2] OECD, ibid, P. 66; World Bank, *Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia* (2015), pp. xi–xii.
[3] OECD, Ibid., p. 93; Qiyun Li, Long Chen, and Tianxu Hao, "Unlocking Urbanization: The Symbiotic Relationship Between Inclusive Finance and Urban Development in China," *Heliyon*, Vol. 10, No. 5 (2024).
[4] Ibid
[5] Maria E. Freire, Somik V. Lall, and Danny Leipziger, *Africa's Urbanization: Challenges and Opportunities* (The Growth Dialogue, Working Paper No. 7, 2014).
[6] Ibid

panded by approximately 284% and 148%, respectively, between 2000 and 2015.[7] Notably, much of Ethiopia's urban growth is occurring in intermediary cities and small towns, accompanied by significant outward expansion of urban boundaries.[8]

These trends present both opportunities for socio-economic and political transformation as well as significant governance and financing challenges.[9] The positive developmental effects of urbanization observed in many advanced economies have not consistently materialized across much of the Global South.[10] While the literature highlights emerging prospects for land-based revenue mobilization in advanced economies, similar processes in many African and Asian countries often expose urban centres to increased governance and fiscal pressures.[11] A frequently cited phenomenon is "urbanization without growth," where urban expansion occurs without corresponding economic transformation or effective governance.[12] Structural, regulatory, and institutional constraints in early-stage urbanization contexts frequently disrupt agglomeration dynamics, resulting in cities characterized by widespread informality, limited productive capacity, infrastructure deficits, and persistent fiscal stress.[13] Weak land governance systems, insecure property rights, and inadequate infrastructure further exacerbate inefficiencies, congestion, environmental degradation, and socio-economic inequality.[14]

Consequently, urbanization in many developing countries, including Ethiopia, increasingly strains urban governance systems and municipal finances, limiting the ability of cities to function fully as centres of innovation, effective governance, and sustained economic growth.[15] This underscores the importance of robust urban governance frameworks supported by coherent legal and institutional arrangements and sustainable financing mechanisms.[16] Governments, particularly at the local level, are therefore expected to play a catalytic role in managing urbanization by

[7] Ibid
[8] Ibid
[9] Ivan Turok and Gordon McGranahan, "Urbanisation and Economic Growth: The Arguments and Evidence for Africa and Asia," *Environment and Urbanization*, Vol. 25, No. 2, pp. 465–482.
[10] Ibid
[11] Ivan Turok, "Urbanisation and Development: Reinforcing the Foundations," in Gautam Bhan et al. (eds), Companion *to Planning in the Global South* (Routledge, 2017), pp. 3–4.
[12] Ibid
[13] Qiyun Li, Long Chen, and Tianxu Hao, Supra note 3
[14] Ibid
[15] World Bank, Supra note 2, p. xiii; Nadine Appelhans, *Urban Planning and Everyday Urbanisation: A Case Study on Bahir Dar, Ethiopia* (The Deutsche Nationalbibliothek, 2017), pp. 27–31.
[16] Ibid

strengthening governance systems and investing substantially in infrastructure and services so that agglomeration effects translate into inclusive and transformative urban development. [17]

2.2.2 Defining and Classifying Urban Areas

Countries increasingly rely on their own criteria to distinguish urban from rural settlements, including population size, population density, administrative status, and the share of the population engaged in non-agricultural activities.[18] Consequently, international organizations such as the United Nations, the World Bank, and the OECD produce urban population estimates largely based on national classifications rather than harmonized global standards.[19] This suggests that, in the absence of universally accepted definitions, understanding the criteria used to classify urban areas is often more meaningful than seeking a single global definition. The OECD broadly categorizes these criteria into three types: administrative designation (whether an area is officially classified as urban), physical indicators (such as population density, built-up area, land cover, or night-time light intensity), and functional definitions based on the behaviour of households and firms that shape urban spatial boundaries.[20]

Each approach has strengths and limitations, and scholars as well as international organizations increasingly recommend combining multiple criteria.[21] Demographic and physical indicators are widely used due to their simplicity and data availability but often fail to capture functional urban dynamics and governance linkages. [22] Economic, functional, and socio-cultural criteria—such as production structures, labour markets, spatial interactions, and patterns of urbanism—provide deeper insights but are more complex to operationalize.[23]

Global practice therefore remains uneven. A recent survey by Arellano and Roca shows that, among 231 countries, 118 use administrative criteria (64 exclusively), 107 rely on population size or density (48 exclusively), 33 incorporate economic characteristics, and 43 apply functional

[17] Ibid
[18] Blanca Arellano and Josep Roca, "Defining Urban and Rural Areas: A New Approach," in *Proceedings of SPIE: Remote Sensing Technologies and Applications in Urban Environments II* (4 October 2017), pp. 2–3.
[19] OECD, Supra note 1, PP. 8-70; United Nations Department of Economic and Social Affairs, *World Urbanization Prospects: The 2018 Revision* (2019), p. 6; World Bank, *Applying the Degree of Urbanisation: A Methodological Manual to Define Cities, Towns and Rural Areas for International Comparisons* (2020), pp. 7–8;
[20] OECD, Supra note 1, P. 9
[21] Ibid
[22] Ibid
[23] Ibid

criteria.[24] The same study found that fourteen countries lack a formal definition of "urban," while eight classify their entire population as urban. This suggests that most countries rely primarily on administrative and demographic criteria because more complex indicators are costly and difficult to implement, particularly in developing contexts. Despite ongoing conceptual debate, legal definitions typically remain the binding operational reference.

Ethiopia has experienced rapid urbanization over recent decades, with many urban centres expanding quickly from informal agglomerations or rural settlements.[25] However, consistent with patterns observed across much of the Global South, there are no consistently applied criteria for identifying and classifying urban centres, even though both academic literature and policy discourse commonly use the term *town* (*ketema*) as a broad descriptor for urban settlements.[26] Combined with the lack of regular census data, this situation constrains the systematic assessment of urban socio-economic dynamics, governance status, and the delineation of urban–rural boundaries.[27] Consequently, studies and policymakers frequently rely on federal legal and policy frameworks to conceptualize urban centres in Ethiopia, an approach also adopted in this study. The Central Statistical Agency (CSA), now Ethiopian Stastical Service (Ess), the principal institution responsible for urban data, classifies localities as urban based on three main criteria: administrative status (regional, zonal, or woreda capitals), local governance structures such as Urban Dwellers' Associations (*kebeles*), and population size combined with economic activity (generally 2,000 or more inhabitants primarily engaged in non-agricultural activities).[28] This approach reflects a predominantly administrative and demographic orientation, providing practical statistical guidance but not fully capturing functional economic linkages, spatial dynamics, or governance capacity in rapidly evolving urban contexts.

The legal framework provides broadly similar, though not entirely uniform, definitions of urban areas. Most federal and regional laws define an urban centre as a locality with a municipal ad-

[24] Supra note 18; William H. Frey and Zachary Zimmer, "Defining the City," in Ronan Paddison (ed.), *Handbook of Urban Studies* (SAGE Publications), pp. 14–35 (esp. pp. 26–27).
[25] Supra note 3; Nadine Appelhans, *Urban Planning and Everyday Urbanisation: A Case Study on Bahir Dar, Ethiopia* (The Deutsche Nationalbibliothek, 2017), pp. 27–31.
[26] Tsega Gebrekristos, "Urbanization and Development in Ethiopia: Policy Issues, Trends and Prospects," in Mengistu Ketema and Getachew Diriba (eds), *State of the Ethiopian Economy (2020/21): Economic Development, Population Dynamics, and Welfare* (Ethiopian Economics Association, 2021), pp. 93–158.
[27] Ibid
[28] See Central Statistical Agency, *The 2007 Population and Housing Census: Analytical Report at National Level* (2007).

ministration or a population of at least 2,000 inhabitants, of whom roughly half are engaged in non-agricultural activities.[29] For example, the Urban Planning Proclamation defines an urban centre as: "… any locality having a municipal administration or a population size of 2,000 or more inhabitants, of which at least 50% of its labour force is engaged in non-agricultural activities."[30]

These definitions combine demographic (population threshold), functional economic (non-agricultural employment), and administrative (municipal status) criteria. Comparable criteria appear across legislation related to leasehold, property marketing and valuation, and property taxation, although specific wording and emphasis vary according to sectoral objectives.[31] Simialry, some of these legisaltions also define urban land as simply a land located within an administrative boundary of an urban center.[32] More recent legislation, particularly the Urban Landholding and Land-related Property Registration Proclamation No. 1381/2025, introduces a modest conceptual shift by using the term *city* rather than *urban centre* and allowing urban designation even in the absence of a formally established municipality, provided that a comparable service-delivery governmental structure exists. [33] This reflects increasing emphasis on functional governance capacity alongside traditional demographic and administrative criteria.

Regional legal frameworks introduce further differentiation. For example, the Amhara Region proclamation emphasizes federal designation criteria alongside demographic and administrative considerations.[34] Similarly, Oromia regional legislation places greater weight on formal munici-

[29] The use of population size thresholds the threshold to define urban area is 200 or more in Denmark or Iceland, 2000 in Ethiopia, 2500 in the USA, 5000 in India, 20000 in Netherlands and Nigeria, 30000 in Mali, and 50000 in Japan. See OECD, Supra note 1, PP. 28-33.
[29] Urban Planning Proclamation No. 574/2008, *Federal Negarit Gazeta*, 14th Year, No. 29, Art. 2(8)
[30] Ibid, Art. 2 (8);
[31] Urban Lands Lease Holding Proclamation No. 721/2011, *Federal Negarit Gazeta*, 18th Year, No. 4, Art. 2(3) (hereinafter Proclamation No. 721/2011); Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024, *Federal Negarit Gazeta*, 31st Year, No. 34, Art. 2(27) (hereinafter Proclamation No. 1357/2024); Federal Property Tax Proclamation No. 1365/2025, *Federal Negarit Gazeta*, 31st Year, No. 32, Art. 2(8) (hereinafter Proclamation No. 1365/2025); Urban Landholding and Land-related Property Registration Proclamation No. 1381/2025, *Federal Negarit Gazeta*, 31st Year, No. 56, Art. 2(1) (hereinafter Proclamation No. 1381/2025).
[32] Proclamation No. 721/2011, Art. 2 (2); Proclamation No. 1381/2025, Art. 2 (2); Proclamation No. 1365/2025, Art. 2 (7)
[33] Proclamation No. 1381/2025, Art. 2 (1)
[34] The Revised Amhara Region Urbans' Re-Establishment, Organization and Determination of their Powers and Duties Proclamation No. 245/2017, *Zikre Hig*, 21st Year, No. 25, Art. 2(1) (hereinafter Proclamation No. 245/2017).

pal legal personality, with less explicit reference to demographic or economic thresholds.[35] These variations illustrate how regional governance priorities influence urban classification frameworks within Ethiopia's federal and decentralized system. Nevertheless, compared with international practices that increasingly incorporate functional, spatial, and data-driven indicators, Ethiopia's approach remains predominantly legal-administrative. While this reflects institutional realities and governance needs, it also highlights the need for more integrated and empirically grounded urban classification systems to support effective urban planning, municipal finance, and balanced territorial development.

2.2.3 Urban Systems and Their Structural Characteristics

The term *'urban system'* refers to a complex and dynamic network of urban areas whose hierarchies, interactions, and functional linkages shape development trajectories, governance performance, and fiscal outcomes.[36] In many developing countries, urban systems are characterized by rapid and often unplanned expansion, intense rural–urban migration, the dominance of large primate cities, centralized governance structures, and widespread urban poverty. [37] This structural imbalance frequently leads to the proliferation of small, consumption-oriented cities that often experience slower economic growth, weaker governance systems, limited fiscal capacity, and inadequate service delivery readiness.[38] By contrast, urban systems in developed countries tend to be more mature, spatially balanced, decentralized, and functionally integrated, supported by stronger infrastructure provision, institutional coordination, and distributed urban networks.[39] Urban–rural and inter-urban linkages are typically more developed through metropolitan regional systems and inter-municipal cooperation, which furtehr level governance and fiscal performance.[40]

Ethiopia's urban system reflects many characteristics typical of developing contexts, particularly the rapid emergence of new cities that often originate as small settlements and gradually evolve

[35] Oromia National Regional State Urban Re-establishment Proclamation No. 250/2023, *Megeleta Oromia*, 32nd Year, No. 1, Art. 2(15) (hereinafter Proclamation No. 250/2023).
[36] Michiel V. Meeteren, "Urban Systems," in Anthony M. Orum (ed.), *The Wiley-Blackwell Encyclopedia of Urban and Regional Studies* (Wiley Online Library, 2019), p. 23; Abdul Maksoud, "Future Trends of Urban Systems in Developing Countries in a Globalized World," in *39th ISoCaRP Congress* (2003), p. 4.
[37] Abdul Maksoud, Ibid.
[38] Supra note 26
[39] Ibid
[40] Ibid

into medium- and large-sized urban centres.[41] These urban centres are classified into different categories primarily for governance coordination, planning, and policy support purposes. At the national level, the Ministry of Urban and Infrastructure (MoUI, formerly MoUDC) categorizes urban centres into seven groups based on population size: metropolitans (>1 million), secondary cities (500,000–1 million), tertiary cities (100,000–500,000), intermediate cities (50,000–100,000), large towns (20,000–50,000), small towns (2,000–20,000), and emerging towns (<2,000).[42] While this demographic hierarchy provides a broad policy framework, it largely reflects *population size* rather than functional economic roles, governance capacity, or spatial integration within the national urban system. Consequently, although useful for administrative classification, it offers *limited guidance* for addressing structural imbalances, strengthening municipal finance, or promoting more integrated urban development.

Building on this national framework, regional urban legislation further grades urban centres mainly according to administrative and governance priorities. In the Amhara Region, cities are organized into three principal categories comprising six levels: city administrations (Regional Political City Administration, Category One City Administration, and Category Two City Administration), municipality cities (Category Three and Category Four Cities), and emerging towns (Category Five).[43] In contrast, the Oromia Region adopts a more elaborate eight-tier system, including Metropolis City Administration, Regiopolis City Administration, Principal City Administration, Higher City Administration, Intermediate City Administration, Growing City Administration, Municipal City, and Growing Municipal City.[44] While the Amhara regional law provides limited detail on classification criteria, Oromia legislation specifies multiple indicators, including municipal revenue capacity, population size, spatial extent, economic and administrative centrality, infrastructure development, environmental attractiveness, growth potential, and institutional presence.[45] Although both regions allow for the promotion or demotion of cities

[41] Ibid
[42] Ibid Formerly, the Ministry classifed urban centres into five groups: small towns (2,000–20,000); medium towns (20,001–50,000); large towns (50,001–100,000); cities (100,000–1,000,000); and metropolises (more than 1,000,000).
[43] Proclamation No.245/2017, Art. 6 (1)
[44] Proclamtion No. 250/2023, Art. 6 (1)
[45] Ibid, Art. 7

based on specified criteria and governmental decisions, the overall approach remains predominantly administrative rather than functional.[46]

Nevertheless, the normative and practical significance of urban classification, and more broadly of the urban system, remains contested. Many scholars argue that Ethiopia's urban hierarchy is unbalanced and top-heavy and remain inefficient and unequitable. Addis Ababa dominates as a primate city, accounting for over 20 percent of the country's urban population and being more than ten times larger than the next-largest city. [47] It also serves as the principal economic hub that generates a substantial share of industrial and service-sector output and constitutes about 29 percent of urban GDP and over 10 percent of total national GDP. [48] The contribution of other cities remains comparatively low: only a few cities fall within the 100,000-500,000 population range, while more than 86 percent of towns have populations between 2,000 and 20,000 inhabitants. [49] The developmental and governance importance of these urban centers, as well as the attention they receive from the government, is consequently limited. Such structural imbalance constrains agglomeration economies, equitable development, urban governance, and local revenue mobilization.

Empirical studies further indicate that most urban areas in the country face persistent development and governance challenges, including poverty, unemployment, weak urban planning and land management, infrastructure deficits, housing shortages, limited municipal finance, weak implementation capacity, corruption, poor service delivery, environmental pressures, and climate-related risks.[50] Urban areas also experience persistent urban–rural and inter-urban linkage challenges that stem from the absence of a clear legal and institutional framework, lack of urban focused policy agenda, weak infrastructural connectivity, fragmented development planning, and significant socio-economic disparities.[51]

These issues are compounded by the lack of clear constitutional protection for ULGs within the federal decentralization framework, which constrains their political, administrative, and fiscal

[46] Proclamation No.245/2017, Art. 6 (2-4); Proclamtion No. 250/2023, Art. 7 (7)
[47] Nesru H. Koroso, Monica Lengoiboni, and Jaap A. Zevenbergen, "Urbanization and Urban Land Use Efficiency: Evidence from Regional and Addis Ababa Satellite Cities, Ethiopia," *Habitat International*, Vol. 117 (2021).
[48] Supra note 26
[49] Ibid
[50] Ibid
[51] Ibid

autonomy and institutional capacity.[52] Despite these constraints, urban areas continue to expand rapidly and remain critical engines of economic development, social transformation, and governance functions compared with their rural counterparts.[53] Accordingly, urban governance and local government reforms need to focus on leveraging these opportunities while addressing structural imbalances and institutional constraints, as further explained in the following section.

2.3 Urban Governance and ULGs Financing

2.3.1 Urban Governance and the Place of ULGs

With the rapid urbanisation and the increasing complexity of urban actors and interests urban governance emerged as a distinct concern *su generis*.[54] As part of the broader public administration, urban management was initially state-led. In addition to developments within the term urban governance, urban studies, such as Henri Lefebvre's notion of the "right to the city," urban governance come to comprise and stress the need for coordination among public, private, and civic actors to address urban challenges and exploit opportunities.[55] Reflecting this shift, UN-Habitat, in its most historic global campaign, crystallized all the concerns and defined 'urban governance' as: "[...] the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens."[56]

This definition recognizes the importance of both state and non-state actors at multiple levels and underscores participation, coordination, and networking among national and subnational governments, local communities, civil society organizations, the private sector, research institutions, and international development agencies.[57] It reflects a broader shift from managerial-welfarist models, under which central governments dominated urban development and service provision,

[52] Tamerat Delelegne, "The Legal Basis of Self-Rule in Ethiopian Cities," *Journal of Ethiopian Law*, Vol. 26, No. 1 (2013), p. 4.
[53] Supra note 26
[54] William Robert Avis, *Urban Governance: Topic Guide*, GSDRC, University of Birmingham, (2016), p. 4.
[55] Ivan Turok and Andreas Scheba, "Right to the City and the New Urban Agenda: Learning from the Right to Housing," *Territory, Politics, Governance*, Vol. 7, No. 4 (2019), pp. 494–510.
[56] UN-Habitat, *Global Campaign on Urban Governance: Concept Paper* (2002), p. 14.
[57] John Minnery, "Stars and Their Supporting Cast: State, Market and Community as Actors in Urban Governance," *Urban Policy and Research*, Vol. 25, No. 3 (2007), pp. 325–345.

toward more entrepreneurial and collaborative governance approaches. This marked departure from traditional centralized, command-and-control models has been institutionalized in contemporary national frameworks. For example, the constitutions of India, South Africa, and Brazil are known to strengthen local governments and formalizing stakeholder participation in urban governance.[58] Contemporary approaches, including meta-governance and e-governance, further reinforce the understanding of urban governance as a multi-actor and adaptive process.[59]

Despite some convergence on the concept and normative content of urban governance, debates persist among scholars and policymakers regarding which actors should assume the leading role.[60] State-centric perspectives designate local governments as the principal actors because of their political representation, democratic legitimacy, and formal accountability to urban residents. Market-centric approaches favor the private sector as the driving force, arguing that its structure and quasi-private orientation facilitate efficient resource mobilization and the provision of urban services and infrastructure. Community-centric perspectives, in turn, emphasize civil society and community organizations, viewing participation and grassroots empowerment as central to shaping urban governance processes. While each perspective offers valuable insights, none can operate effectively in isolation and must function in coordination with the others.

Thus, ULGs have become the most visible and strategically central actors responsible for establishing and fostering partnerships among diverse stakeholders and enabling them to perform their respective governance roles.[61] This is particularly relevant in developing countries, where private sector capacity and organized civil society engagement observably limited.[62] International institutional frameworks, such as the SDGs and the New Urban Agenda, recognize robust ULG systems as a prerequisite for effective urban governance, sustainable urban development, and the provision of urban services and infrastructure.[63]

[58] See section 2.7 of this chapter.
[59] Francesca Scamardella, "Governance as Network: Contradictions and Dilemmas- A Reflexive Perspective," *Sortuz. Oñati Journal of Emergent Socio-legal Studies*, Vol. 6, Iss. 2 (2014), pp. 30–42.
[60] Supra note 57
[61] UN-Habitat, *Habitat III Policy Papers: Policy Paper 4- Urban Governance, Capacity and Institutional* Development (United Nations, New York, 2017), pp. 35–36.
[62] Warren Smit, "Urban Governance in Africa: An Overview," *International Development Policy*, Vol. 10 (2018), pp. 55–77.
[63] Supra note 61, P. 30

According to theories of decentralization and local government, ULGs are the level of government closest to urban residents, and their proximity, combined with potential economies of scale, enables them to provide services and infrastructure more effectively than higher levels of government or other actors.[64] ULGs are legally responsible for, and play a pivotal role in, urban planning, service delivery, infrastructure development, and local economic management. National governments are expected to design enabling legal, institutional, and fiscal frameworks, while other actors—such as civil society, research institutions, international organizations, and the private sector—contribute resources, technical expertise, and accountability mechanisms. [65] Understanding these interconnected roles is essential for analyzing urban local government financing and its implications for sustainable urban development.

2.3.2 Decentralization and ULGs

Decentralization is a multidimensional process involving the transfer of authority, responsibilities, and resources from central to subnational governments and, in some cases, to non-state actors.[66] It has been reinforced by globalization and the information revolution, which have increased demand for responsive, locally grounded governance.[67] The principle of subsidiarity, which is widely seen as crystallizing this shift, holds that public functions should be exercised at the lowest effective level unless justified otherwise.[68] Over the past three decades, this paradigm has reshaped public sector governance by bringing decision-making closer to citizens and strengthening participation, accountability, and service responsiveness.[69]

However, decentralization follows no uniform trajectory; countries adopt diverse models, pursue different objectives, and achieve uneven outcomes. Its underlying rationales are context-specific, shaped by political, economic, and institutional conditions, as illustrated by Anwar Shah and Theresa Thompson. [70] As illustrated in Table 1, decentralisation is often driven by pragmatic po-

[64] Ibid
[65] Ibid, P. 36
[66] See also Dennis A. Rondinelli, "What and Why Decentralization," in Jennie Litvack and Jessica Seddon (eds), *Decentralization: World Bank Briefing Notes* (World Bank Institute, 1999), p. 2.
[67] Ibid
[68] Anwar Shah and Theresa Thompson, *Implementing Decentralized Local Governance: A Treacherous Road with Potholes, Detours and Road Closures* (World Bank Policy Research Working Paper No. 3353, June 2004), p. 2.
[69] Ibid, P. 1
[70] Ibid, P. 3

litical and economic considerations rather than by a purely normative commitment to local autonomy, as many decentralisation programmes suggest.[71]

Table 2: Motivations for Decentralization

Motivation	Countries and/or Regions
Political and economic transformation	Central and Eastern Europe, Russia
Political crises linked to ethnic conflict	Bosnia and Herzegovina, Ethiopia, former Yugoslavia, Nigeria, Sri Lanka, South Africa, Philippines
Political crises linked to regional conflict	Indonesia, Madagascar, Mali, Senegal, Uganda, Mexico, Philippines
Enhancing political participation and democratic governance	Argentina, Brazil, Bolivia, Colombia, India, Pakistan, Philippines
Interest in EU accession and institutional alignment	Czech Republic, Slovakia, Hungary, Poland
Political maneuvering and elite bargaining	Peru, Pakistan
Fiscal crises and macroeconomic adjustment pressures	Russia, Indonesia, Pakistan
Improving public service delivery	Chile, Uganda, Côte d'Ivoire
Recentralization objectives within multilevel systems	China, Turkey, European Union
Shifting fiscal deficits to subnational governments	Eastern and Central Europe, Russia, Africa (selected countries)
Transferring responsibility for unpopular adjustment policies	Several African countries
Preventing a return to autocratic rule	Latin America
Preservation of communist or dominant political regimes	China
Globalization and information revolution pressures	Most countries

Source: Anwar Shah and Theresa Thompson (2004: P. 3)

It has frequently accompanied political and economic transitions, conflict management efforts, democratic participation initiatives, fiscal adjustment measures, and public service reforms.[72] In some contexts, decentralisation has also served strategic political objectives, including managing ethnic tensions, shifting responsibility for unpopular reforms, preventing authoritarian relapse, or aligning with supranational governance frameworks. More recently, globalisation and the information revolution have further stimulated decentralisation by intensifying competition and increasing demands for more responsive governance.

[71] Ibid
[72] Ibid

Decentralization theory addresses two questions: which functions to decentralize and how much authority to transfer to subnational governments.[73] Functionally, decentralization is classified as political, administrative, and fiscal.[74] Political decentralization shifts decision-making to elected local bodies to strengthen participation, accountability, and legal recognition. Administrative decentralization reallocates public functions and service delivery, granting local authorities greater control over regulation, personnel, and infrastructure. Fiscal decentralization assigns expenditure responsibilities, revenue authority, transfers, and borrowing powers to enhance local financial autonomy. The depth of transfer is expressed as deconcentration, delegation, and devolution. [75] Deconcentration redistributes administrative tasks within central government and remains the weakest form due to retained central control. Delegation transfers specific functions and limited authority to subnational entities under central oversight. Devolution is the most extensive form, conferring substantial political, administrative, and fiscal autonomy, enabling local governments to design, finance, and implement development initiatives with meaningful local accountability.

In practice, decentralisation rarely follows a linear trajectory. Historically, early reforms emphasised deconcentration and delegation, whereas more recent approaches place greater priority on devolution and multilevel governance.[76] Countries also differ in their implementation strategies, broadly reflected in two approaches. [77] The "big bang" approach involves a rapid and comprehensive transfer of political, administrative, and fiscal powers to local governments. While this may help overcome resistance from central authorities, it carries risks of institutional overload, administrative failure, and service disruption. By contrast, the gradualist approach entails a phased transfer of responsibilities, which allows local governments to build capacity over time and achieve greater political sustainability and administrative stability.

Despite these differences, normative perspectives generally agree that effective decentralisation requires meaningful devolution of authority across all functional dimensions. Some scholars also recognise the market as a fourth dimension, where privatisation is implemented as a complemen-

[73] Kshitiz Shrestha and Charles R. Hankla, *Decentralization in Theory and Practice: A Comprehensive Review* (International Center for Public Policy, Working Paper No. 25-11, 2025), p. 4.
[74] Supra note 68, pp. 6-18; See also Jennie Litvack and Jessica Seddon, *Decentralization Briefing Notes* (World Bank Institute, Washington, D.C., 1999), p. 4.
[75] Supra note 68, pp. 6-18; Supra note 73, pp. 4-5
[76] Ibid
[77] Supra note 68, pp., 19-21

tary form that transfers or contracts out public functions to private actors under market-based arrangements. However, in many countries, particularly developing ones, decentralisation remains incomplete.[78] ULGs often lack sufficient political authority, administrative capacity, or fiscal autonomy, and formal decentralisation sometimes precedes actual empowerment. As a result, where ULGs frequently struggle to maximise the benefits of rapid urbanisation and meet growing demands for infrastructure and services.[79]

To sum up, decentralisation represents an important mechanism that brings decision-making closer to citizens and strengthens the legal and institutional foundations of ULGs. The literature highlights economic benefits such as improved service responsiveness, innovation, and greater taxpayer compliance when services reflect local priorities, alongside political benefits including deeper democracy, diversity management, and stronger local accountability. [80] However, a substantial body of literature also emphasises that decentralisation does not constitute a panacea. Donor-driven, hasty, or poorly designed reforms may result in inefficiency, elite capture, corruption, and weakened service delivery, particularly in developing countries with limited institutional capacity and fiscal autonomy.[81] Effective decentralisation therefore requires clarity in defining the legal status and institutional framework of urban governance, as well as meaningful devolution of political, administrative, and fiscal authority. Such arrangements help secure fiscal autonomy for ULGs, including through land-based revenues and property taxation.[82]

2.3.3 Municipal Finance and Land: A Fundamental Enabler in Urban Governance

Effective urban governance depends on the fiscal capacity of local governments, and that decentralization is meaningful only when supported by stable own-source revenues.[83] Within this framework, property taxation and land-based financing are foundational to ULG finance, not on-

[78] George Matovu, "Decentralization in Africa: A Review of Patterns, Trends and Challenges," in Guido Bertucci (ed.), *Decentralized Governance for Democracy, Peace, Development and Effective Service Delivery* (United Nations, 2001), p. 36.
[79] Supra note 61, pp. 27–29.
[80] Yasin Olum, "Decentralisation in Developing Countries: Preconditions for Successful Implementation," *Commonwealth Journal of Local Governance*, No. 15 (2014), pp. 23–38; United States Agency for International Development (USAID) , *Democratic Decentralization Programming Handbook* (June 2009), p. 5, pp. 21–26.
[81] Rémy Prud'homme, "The Dangers of Decentralization," *World Bank Research Observer*, Vol. 10, No. 2 (1995), pp. 201–220.
[82] Supra note 61, p. 32; USAID, Supra note 80, pp. 7-8; Yasin Olum, Supra note 80, PP. 25-26;
[83] UN-Habitat, *Unlocking the Potential of Cities: Financing Sustainable Urban Development* (2023), p. xi; Paul Smoke, "Rethinking Decentralization: Assessing Challenges to a Popular Public Sector Reform," *Public Administration for Development*, Vol. 35, Iss. 2 (2015), pp. 97–112.

ly as revenue instruments but also as mechanisms that strengthen local empowerment, accountability, and the local fiscal contract.[84] Classical decentralization and fiscal federalism theories provide a strong normative basis for assigning local revenue sources and property taxes to the local level.[85]. Contemporary literature further reinforces these ideas by situating property taxation and local revenue mobilization within broader land value capture frameworks in the context of rapid urbanization.[86] Similarly, property rights and land governance theories underscore their central role in integrated land administration systems by linking taxation to property registration, cadastre, and valuation and reinforcing their importance for sustainable urban finance.[87]

Building on this theoretical foundation, the immobility and visibility of the tax base, together with its close spatial link to local services, make property tax particularly suitable for local governments and for enhancing accountability and citizen engagement.[88] Despite these advantages, however, it has weakened in many jurisdictions due to political resistance, outdated legal frameworks, and limited administrative capacity, especially in developing and formerly socialist contexts.[89] Since the 1990s, reform efforts have therefore sought to modernize property tax systems and re-establish them as key pillars of sustainable urban finance across both advanced economies, such as the United States and Europe, and developing regions across Asia, Latin America, and Africa.[90] Comparative evidence further shows that reform effectiveness depends on the legal status and fiscal authority of local governments, the design of property rights and land tenure

[84] Ibid

[85] Richard A. Musgrave, *The Theory of Public Finance: A Study in Public Economy* (McGraw-Hill, 1959); Wallace E. Oates, *Fiscal Federalism* (Harcourt Brace Jovanovich, 1972).

[86] Eliška Vejchodská, Thomas Hartmann, and Rachelle Alterman, "Land Value Capture: Dynamics and Diversity of Instruments and Strategies," *Town Planning Review*, Vol. 94, No. 2 (2023), pp. 116–123; Stephen Berrisford, Liza Rose Cirolia, and Ian Palmer, "Land-Based Financing in Sub-Saharan African Cities," *Environment and Urbanization*, Vol. 30, Iss. 1.

[87] See also Gershon Feder and David Feeny, "Land Tenure and Property Rights: Theory and Implications for Development Policy," *The World Bank Economic Review*, Vol. 5, No. 1, pp. 135–153.

[88] Enid Slack and Richard M. Bird, *The Political Economy of Property Tax Reform* (Organisation for Economic Cooperation and Development Working Papers on Fiscal Federalism No. 18, 2014), p. 4.

[89] Ibid

[90] See generally, Cláudia M. De Cesare (ed.), *Property Tax Systems in Latin America and the Caribbean* (Lincoln Institute of Land Policy, October 2016); Riël Franzsen and William McCluskey (eds), *Property Tax in Africa: Status, Challenges, and Prospects* (Lincoln Institute of Land Policy, 2017); William McCluskey, Roy Bahl, and Riël Franzsen, *Property Tax in Asia: Policy and Practice* (Lincoln Institute of Land Policy, September 2022); UN-Habitat, *Property Tax Regimes in Europe* (Global Urban Economic Dialogue Series, 2013).

systems, and administrative capacity.[91] Sustainable ULG financing and property taxation thus emerges not as a standalone instrument, but as an institutional nexus linking decentralization, land governance, and local revenue mobilization, as illustrated in Fig. 1. The three systems are symbiotically related and mutually reinforcing, each shaping and sustaining the others through continuous institutional and functional interaction, such that the performance of each depends on the coherence and capacity of the others. Empirical studies consistently confirm this nexus.[92] In particular, effective land governance, which is anchored in secure property rights, clear tenure arrangements, and functional land administration systems, provides the legal and informational foundation for property taxation by enabling reliable identification, valuation, and enforcement.

Figure 1: Interlocking System of Urban Local Government, Property Tax, and Land Governance

Source: Author's own conceptualization (Informed by fiscal federalism, property taxation, and land governance literature)

[91] See Supra note 88; Vytautas Šulija and Gintautas Šulija, "Reform of the Property Tax and Problems of Real Estate Appraisal for Taxation Purposes in Transitional Economies of Central and Eastern Europe" (Lincoln Institute of Land Policy Working Paper No. 05VS1, 2005).

[92] Anwar Shah and Sana Shah, "The New Vision of Local Governance and the Evolving Roles of Local *Governments*," in Anwar Shah (ed.), *Local Governance in Developing Countries* (World Bank, 2006), pp. 1–40; Anwar Shah, "A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance," in Anwar Shah (ed.), *Local Governance in Industrial Countries* (World Bank, 2006), pp. 1–46; Michael E. Bell, David Brunori, and Joan Youngman (eds), *The Property Tax and Local Autonomy* (Lincoln Institute of Land Policy, 2010); UN-Habitat, *Municipal Finance and Local Fiscal Systems* (Habitat III Policy Paper 5, 2017); UN-Habitat, *Guide to Municipal Finance* (Human Settlements Financing Tools and Best Practices Series, 2009); Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds), *Municipal Finances: A Handbook for Local Governments* (World Bank, 2014).

As the figure shows land based revenue and property taxes, in turn, converts land and property rights into stable revenue stream while creating incentives to strengthen cadastral systems and administrative capacity. ULGs occupy a central position in this arrangement, as they both rely on land-based revenues to finance infrastructure and services and administer key elements of land governance and property taxation systems. Accordingly, where municipalities enjoy clear legal standing, protected revenue powers, and meaningful discretion, property taxation tends to be more robust, politically legitimate, and supportive of a stronger local fiscal contract.

Conversely, systems characterized by delegated authority, hierarchical control, insecure tenure, weak cadastral infrastructure, and poorly designed tax laws exhibit low compliance, undervaluation, and weak enforcement. The literature therefore converges on the insight that property taxation is not a standalone fiscal instrument but an institutional nexus linking decentralization, land governance, and local revenue mobilization. Aligning legal design with administrative feasibility, and investing in capable local institutions, is essential if property tax reform is to deliver sustainable revenues, equity, and accountability in urban governance. Sustainable ULG financing, therefore, depends not on isolated reforms in local revenue and property taxation, but on the coordinated integration of these interdependent institutional domains.[93]

Rapid urbanisation, as noted above, has rendered urban governance increasingly complex and fraught with multiple governance challenges.[94] The literature identifies multiple, interrelated dimensions of urban governance challenges, including deficits in participation and inclusion, the proliferation of informal economies and settlements, unequal and often inadequate access to basic services and infrastructure, conflict and fragility, and escalating climate-related risks.[95] Limited local autonomy, weak institutional capacity, and constrained fiscal resources further exacerbate these challenges by restricting ULGs' ability to respond effectively and strategically.[96]

Among these constraints, finance arguably constitutes the most binding limitation and, if properly structured and managed, the most critical enabler of effective urban governance.[97] Fiscal fra-

[93] Stephen Berrisford, Liza Rose Cirolia and Ian Palmer, Supra note 86
[94] Supra note 54, p. 6
[95] Ibid, pp. 22-42; National Research Council, *Cities Transformed: Demographic Change and Its Implications in the Developing World* (National Academy of Sciences, 2003), p. 363.
[96] Ibid, P. 9
[97] Ibid, P.11; See also Jean-Jacques Dethier, *Coping with Urban Fiscal Stress Around the World* (World Bank Policy Research Working Paper No. 6693, 2013), p. 4.

gility often leads to governance deficits, manifesting as institutional weakness, constrained planning, delayed infrastructure, service gaps, and eroded accountability and professionalism.[98] Consequently, municipal finance is increasingly recognised not merely as a technical budgetary concern but as a foundational pillar, if not the lifeblood, of effective, accountable, and sustainable urban governance.[99]

By definition, municipal finance encompasses both revenue mobilisation and expenditure management aimed at supporting public service delivery and infrastructure development.[100] Municipal revenue includes internally generated sources such as local taxes, user fees, and service charges, alongside external sources including intergovernmental transfers, borrowing, development assistance, and public-private partnerships, although their relative importance varies across national contexts.[101] Municipal expenditure, in turn, refers to the allocation and management of financial resources for service provision, infrastructure development and maintenance, administrative operations, and capital investment, requiring sound budgeting practices, financial planning, and effective fiscal oversight.[102] This revenue–expenditure interaction strongly influences service delivery, fiscal autonomy, accountability, and overall urban governance, particularly under conditions of rapid urbanisation. [103]

From a fiscal federalism perspective, closer alignment between service beneficiaries and financing responsibilities is expected to enhance efficiency, accountability, and responsiveness by directly linking revenue collection, expenditure decisions, and citizen preferences.[104] Global development agendas such as the United Nations Sustainable Development Goals (SDGs), the African Union Agenda 2063, the New Urban Agenda and the Addis Ababa Action Agenda have increasingly recognised fiscally empowered and well-managed ULGs as indispensable to sustainable urbanisation.[105] Similarly, the African Charter on the Values and Principles of Decentralisation, Local Governance and Local Development advocates strengthened local revenue au-

[98] Ibid
[99] Mona Serageldin, David Jones, François Vigier, and Elda Solloso, *Municipal Financing and Urban Development* (UN-Habitat, Human Settlements Global Dialogue Series No. 3, 2008), p. 2.
[100] Enid Slack, Guide to Municipal Finance, UN-Habitat, 2009, P. 1
[101] Ibid, PP. 21-40
[102] Ibid, PP. 41-55
[103] Ibid, P. 17
[104] Anwar Shah, Supra note 92; p. 12
[105] Liza R. Cirolia, "Fractured Fiscal Authority and Fragmented Infrastructures: Financing Sustainable Urban Development in Sub-Saharan Africa," *Habitat International*, Vol. 104 (2020).

thority, improved access to borrowing and intergovernmental transfers, enhanced budgetary autonomy, and transparent financial governance.[106] These global and regional principles are progressively embedded within national legal and constitutional frameworks, despite differences in design, impemention and outcomes.[107]

However, studies and reports indicate that municipal finance is constrained by several problems, and ULGs are often financially non-self-sufficient or heavily dependent on intergovernmental transfers and external development assistance.[108] This appears paradoxical given cities' central role as hubs of innovation, production, and economic growth, as well as the rising land and property values associated with rapid urbanisation. Moreover, evidence from developed economies shows that municipalities can mobilise a substantial share of national revenue and, in some cases, support levels of public expenditure exceeding their own fiscal needs.[109] The gap in developing countries is associated with various structural, institutional, and economic factors.[110] On the one hand, there is a structural mismatch between devolved expenditure responsibilities, which include the broader provision of urban services and infrastructure, and limited local fiscal authority.[111] This is commonly described as incomplete fiscal decentralization, whereby less buoyant revenue sources, such as minor local taxes and service charges, are assigned to municipalities while more productive tax bases remain centralized.[112]

Moreover, existing conventional external and own-source revenue streams have generally proved inadequate and unstable.[113] Narrow revenue bases, widespread informality, weak administrative capacity, and limitations on local revenue autonomy are often cited as factors affecting the collection and enforcement of local taxes, user charges, and administrative fees. Transfers from higher levels of government are widely considered unstable and unreliable revenue sources for local governments, as they are often unpredictable, discretionary, and subject to political influ-

[106] African Charter on the Values and Principles of Decentralisation, Local Governance and Local Development, Arts. 7(1) and 16(5)(a), (f), (g).
[107] Supra note 105
[108] Qiyun Li, Long Chen and Tianxu Hao, Supra note 3; Roy W. Bahl and Johannes F. Linn, *Governing and Financing Cities in the Developing World* (Lincoln Institute of Land Policy, 2014), p. 17.
[109] Anwar Shah, Supra note 92, P.3
[110] Anwar Shah and Sana Shah, Supra note 92, P. 32
[111] Ibid
[112] Ibid
[113] Supra note 99, pp. 28-70; Alosyus Mosha, *Challenges of Municipal Finance in Africa with Special Reference to Gaborone City, Botswana* (UN-Habitat, 2010), pp. 9–16.

ence, thereby constraining long-term planning and fiscal autonomy. Borrowing frameworks are frequently underdeveloped due to weak creditworthiness, shallow capital markets, and restrictive regulations. Similarly, foreign development aid is typically project-based and uncertain. Fiscal pressures are further intensified by weak revenue administration and broader macroeconomic challenges, including unemployment, inflation, and limited private investment. Additionally, government-dominated tenure systems, weak land administration, widespread informality, the absence of valuation systems, and limited technical capacity for property registration, valuation, and enforcement prevent municipalities from unlocking urban land values as a sustainable source of revenue, as is more commonly observed in developed economies.[114]

2.4 The Shift towards Land-Based Financing (LBF) Instruments

As discussed in Section 2.3, the conventional system of municipal finance has often failed to function as an effective enabler of urban governance. In many countries, decentralization practices have expanded local expenditure responsibilities without a commensurate increase in fiscal capacity, and ULGs have not been adequately empowered to leverage the growing land and property values within their jurisdictions.[115] This misalignment has generated persistent vertical and horizontal fiscal imbalances, further intensified by rising infrastructure and service demands associated with rapid urbanisation.[116] These limitations suggest that conventional municipal revenue sources are insufficient and unable to relieve ULGs from chronic fiscal distress, particularly in developing countries.

Against this backdrop of structural fiscal stress, scholarly and policy attention has increasingly shifted toward land-based financing (LBF) tools as a sustainable urban revenue strategy, particularly in rapidly growing cities.[117] Broadly defined, LBF comprises a set of instruments and policies designed to capture and reinvest increases in land value arising from public action, regulato-

[114] Qiyun Li, Long Chen and Tianxu Hao, Supra note 3
[115] Supra note 105
[116] Ibid
[117] Roy W. Bahl and Johannes F. Linn, Supra note 108, PP. 45-47; George E. Peterson, *Unlocking Land Values to Finance Urban Infrastructure: Land-Based Financing Options for Cities* (World Bank, Gridlines Note No. 40, 2008).

ry change, or market-driven urban expansion.[118] These instruments can generally be grouped into three broad categories.[119] The first category consists of tax-based instruments, including land value taxation, betterment levies, and tax increment financing, which primarily rely on statutory fiscal powers to capture value increments.

The second category comprises fee-based instruments, such as development charges, public land sales or leases, and development rights transactions, which are typically linked to regulatory approvals or land transactions. The third category includes incentive-based mechanisms, such as land pooling, joint development arrangements, and public–private partnerships, which operate through negotiated value-sharing frameworks that align public and private interests. Some instruments generate one-off revenues, while others provide recurrent income streams.[120] In terms of design, they may operate at area-based, value-based, transaction-based, or project-specific scales, depending on institutional context and policy objectives.[121]

These instruments enable ULGs to capture land value increments generated by public investment, planning regulation, and urban growth, and to foster more endogenous and sustainable revenue streams capable of narrowing fiscal gaps associated with rapid urbanisation and incomplete decentralisation.[122] The shift toward LBF reflects the distinctive nature of urban land as a strategic fiscal asset whose value is largely shaped by collective public action rather than solely by private investment.[123] This publicly created, often unearned, increment provides both the normative and economic justification for value capture. Theoretical and empirical studies suggest that monetising such value can strengthen municipal infrastructure financing and reinforce a cycle of value creation, capture, and reinvestment in urban areas.[124]

International policy frameworks, such as the African Union's Framework and Guidelines on Land Policy in Africa, the Sustainable Development Goals (notably SDG 11), and the New Urban Agenda, have similarly recognised land value capture instruments and property taxes as key

[118] Lawrence Walters, *Where to Start? A Guide to Land-Based Finance in Local Governance* (UN-Habitat, 2020), p. 8; Siraj Sait, "Land-Based Finance for Sustainable Urban Development in Africa: Challenges and Prospects," *African Journal on Land Policy and Geospatial Sciences*, Vol. 3, Special Issue 3 (2020).
[119] Alosyus Mosha, Supra note 113, pp. 3-8; Stephen Berrisford, Liza Rose Cirolia and Ian Palmer, Supra note 86, PP. 40-43; George E. Peterson, Supra note 117, pp. 31-54
[120] Ibid
[121] Ibid
[122] Stephen Berrisford, Liza Rose Cirolia and Ian Palmer, Supra note 86
[123] Ibid
[124] Siraj Sait, Supra note 118

tools for sustainably and inclusively financing urban development.[125] This has led to various forms of municipal and property tax reforms in different countries. Studies and reports from these initiatives also indicate that properly designed LBF tools can provide relatively stable, locally generated, and potentially equitable revenues, transforming urban land from a passive asset into an active fiscal resource.[126]

However, implementation remains uneven across countries and urban centres within a single country. Effective LBF depends on sound land governance, including secure property rights, reliable cadastral systems, transparent valuation, enforceable planning regulations, and capable local institutions.[127] In many African and developing countries, institutional fragmentation, informality, tenure insecurity, weak administrative capacity, and political constraints limit the performance of land value capture and property taxation.[128] LBF instruments also carry risks, including land price volatility, governance vulnerabilities, and potential fiscal overreliance on land markets.[129] Consequently, municipalities often rely on land sales or leases for short-term revenue- approaches that are finite, market-dependent, and less conducive to long-term fiscal stability and equity.[130] Thus, LBF is not a panacea but a promising yet underutilised component of broader urban fiscal reform that, when embedded in robust governance frameworks can enhance fiscal autonomy and strengthen cities' capacity to manage rapid urbanisation.

2.5 Understanding Property Taxation and Property Tax Reform

2.5.1 Conceptualizing Property Tax: Definitions and Scope

Property tax, in its most literal sense, refers to a tax imposed on property, whether real or personal, immovable or movable, corporeal or incorporeal, owned or otherwise legally held by an individual or entity.[131] In practice, however, the concept and scope of property taxation vary considerably across jurisdictions. These variations arise from differences in the types of property taxed, the bundle of legal rights recognized in property, methods of assessment, legal definitions, and

[125] Ibid
[126] Ibid
[127] Siraj Sait, Supra note 118
[128] Ibid
[129] Stephen Berrisford, Liza Rose Cirolia and Ian Palmer, Supra note 86
[130] Ibid
[131] Riël Franzsen and William McCluskey (eds), Supra note 90, P. 3

the allocation of taxing powers across levels of government.[132] Differences across these dimensions constitute the principal areas of debate in defining property tax.

One of the central issues concerns whether property taxation should be confined to immovable property or extended to other forms of wealth. Historically, property tax focused primarily on land, and later buildings, largely because these assets were the only valuable and administratively accessible forms of wealth throughout the ancient and medieval periods.[133] As economies diversified and tax administration infrastructure improved, some jurisdictions expanded the tax base to include personal property such as business equipment, vehicles, inventories, household assets, and even intangible wealth, including bonds, mortgages, trademarks, and shares.[134] Currently, countries such as the United States and Armenia illustrate this broader approach.[135]

Although this expansion may enhance equity and tax coverage, taxation of movable and intangible assets presents significant administrative and political challenges due to difficulties in identification, valuation, and monitoring. Consequently, many contemporary reforms, especially in developing countries, have refocused property taxation on land and buildings because of their relative immobility, visibility, stability, and administrative enforceability.[136] Even within this narrower scope, countries differ on whether land and buildings are taxed jointly or separately, depending on valuation methodologies, administrative capacity, and policy priorities.[137]

The Ethiopian experience reflects these broader dynamics, shaped by its distinctive system of state–society relations and land tenure.[138] Traditionally, taxes and tributes were imposed primarily on land, and land became the first formally taxed property with the introduction of the modern taxation system in the 1940s.[139] Following the 1974 revolution, the Derg regime abolished private land ownership, removed land from the tax base, and confined property taxation largely to

[132] Joan M. Youngman, "Tax on Land and Buildings," in Victor Thuronyi (ed.), *Tax Law Design and Drafting* (International Monetary Fund, 1996), p. 9.
[133] Ibid. There were only terminological differences; for example, common law countries use terms such as "real property tax" or "real estate tax," whereas civil law systems refer to "immovable property tax," which reflects the classification of property as real or personal and movable or immovable, respectively.
[134] Riël Franzsen and William McCluskey, Supra note 90, p. 4; Richard M. Bird and Enid Slack, "Land and Property Taxation in 25 Countries: A Comparative Review," *CESifo DICE Report*, Vol. 3, No. 3 (2005), pp. 34–42.
[135] Ibid.
[136] Ibid
[137] Riël Franzsen and William McCluskey, Supra note 90, P. 4
[138] Daniel Weldegebriel, "Land Rights in Ethiopia: Ownership, Equity, and Liberty in Land Use Rights," in *FIG Working Week 2012* (Rome, Italy, 6–10 May 2012), pp. 2–7.
[139] See Proclamation to Provide for a Tax on Land No. 8/1942, *Negarit Gazeta*, Year 1, No. 1 (1942)

buildings.[140] This institutional arrangement persisted after 1991, as the Constitution reaffirmed public ownership of land and recognized only usufructuary rights rather than private titles over land.[141]

A significant conceptual and policy shift occurred with the adoption of the Federal Property Tax Proclamation No. 1365/2025, which broadened the tax base to include urban land-use rights, both leasehold and old possession rights, and buildings and land improvements.[142] This reform reflects an effort to align property taxation with rising urban land values that are effectively realized through use rights rather than bare ownership. Importantly, the law provides that property tax is imposed on 25 percent of the assessed market value, where buildings and improvements assessed separately from land but taxed jointly with it.[143]

Another key dimension in defining property taxation concerns the scope of legal rights subject to tax. While many systems confine taxation to ownership rights, others extend it to lesser interests within the "bundle of rights," such as usufruct, possession, or easements.[144] Some jurisdictions, particularly those with public land ownership, avoid taxing such interests directly and instead rely on alternative revenue instruments such as rents, lease payments, or administrative fees. Reflecting a traditional ownership-centered view, *Black's Law Dictionary* defines property tax as a tax on the property owner, usually based on value.[145] However, contemporary legal theory increasingly conceptualizes property as a set of legally recognized rights and relationships rather than a physical object. In this context, broader definitions have emerged, most notably Joan M. Youngman's conception of property tax as a levy on ownership and other legal interests in land and buildings serving fiscal, political, and legal objectives.[146]

Ethiopia's trajectory mirrors this conceptual evolution: while early property taxation applied to usufruct-like interests such as *gult* and *rist*, the modern tax system initially emphasized owner-

[140] Government Ownership of Urban Land and Extra Houses Proclamation No. 47/1975, *Negarit Gazeta*, Year 34, No. 41 (1975); Urban Land and Urban Houses Tax Proclamation No. 80/1976, *Negarit Gazeta*, 35th Year, No. 25, Art. 3 (1976).
[141] Fasil Nahum, "Socialist Ethiopia's Achievements as Reflected in Its Basic Laws," *Journal of Ethiopian Law*, Vol. 11 (1980).
[142] Proclamation No. 1365/ 2025, Arts. 5
[143] Ibid Arts. 2 (5) & 7
[144] Supra note 132, p.9
[145] Bryan A. Garner (ed.), *Black's Law Dictionary*, 7th ed. (West Publishing Co., St. Paul, MN, 1999), p. 1526.
[146] Supra note 132, p.9 It is with this understanding that countries that do not recognize private ownership of land but recognize private rights of use of land still have a system of private property appropriate for taxation.

ship.[147] During the Derg period, land was excluded from taxation due to public ownership, leaving only buildings taxable.[148] However, the newly adopted property tax regime marks a decisive shift by explicitly extending taxation to land-use rights under both leasehold and permits systems and taxing interests short of full ownership with buildings and improvements.[149]

Property tax is also conceptualized according to the method of assessment employed. Broadly, countries rely either on ad valorem systems, based on market, income, or rental value, or on simplified area-based approaches, commonly classified as specific taxes.[150] More recently, land value taxation (LVT), which taxes the locational value of land separately from improvements, has gained attention as an efficient instrument to promote productive land use, discourage speculation, support compact urban development, and reduce economic distortions.[151] Value-based systems aim to align tax liability with both the taxpayer's ability to pay and the benefits derived from public services.[152]

Their effectiveness, however, depends on accurate, transparent, and regularly updated valuations supported by robust cadastral infrastructure and professional administrative capacity. As a result, many developing countries continue to rely on simplified assessment methods. Ethiopia historically followed this approach, with property taxation largely based on land size or fertility, except for limited consideration of rental value in post-1940s legislation, including during the Derg period.[153] The new property tax law marks a significant departure by recognizing market value as the basis of assessment and setting the taxable base at 25 percent of market value, determined after the separate assessment of land and buildings.[154] While more equitable and responsive, this shift also entails higher administrative complexity and cost.

A further consideration concerns the scope of property taxation as a fiscal instrument. In many countries, property tax refers narrowly to recurrent taxation based on the annual value of proper-

[147] See Tilahun Dires and Misganaw Gashaw, "Issues of Design in Ethiopia's Property Tax Reform: Lessons from Previous Legislative Regimes and Other Jurisdictions," *Bahir Dar University Journal of Law*, Vol. 13, No. 1 (2022), pp. 197–198. Property tax was a commonly used revenue source prior to the 1974 revolution but has significantly declined since then, in parallel with changes in the property rights regime.
[148] See generally Proclamation No. 80/1976, Preamble .
[149] Proclamation No. 1365/ 2025, Art. 5
[150] William McCluskey, Roy Bahl, and Riël Franzsen (eds), Supta note 90
[151] See for example OECD, Global Compendium of Land Value Capture Policies, OECD Publishing, 2022, PP. 13-40
[152] Ibid
[153] Supra note 147
[154] Proclamation No. 1365/ 2025, Art. 2 (5)

ty, while broader interpretations include transfer taxes, such as stamp duties, real estate transfer taxes, capital gains, gift, and inheritance taxes, as well as related non-tax revenues associated with property transactions or holding.[155] Although these levies capture value realized during transfers, they are conceptually distinct from recurrent property taxes, which are compulsory charges imposed without direct exchange (*no quid pro quo)* and levied on an ongoing basis. Transfer taxes and service-based charges are typically one-time, event-based payments, whereas recurrent property taxes are ongoing charges based on ownership or use. In Ethiopia, property rental and transfer taxes have traditionally been administered within income or sales tax frameworks.[156] The post-2011 reform, culminating in Proclamation No. 1365/2025, clearly confines property tax to recurrent taxation and excludes transfer taxes and related charges, which are regulated under separate legal regimes.[157]

The revenue assignment and institutional framework plays a critical role in shaping both the structure and interpretation of property taxation. In many countries, property tax is treated as a local tax levied, collected, and retained by local governments, which reflects the immobility of the tax base and the proximity of local authorities to taxpayers.[158] This arrangement supports fiscal decentralization and strengthens accountability by linking revenue generation to local service delivery. In developing countries, however, limited local administrative capacity often necessitates greater involvement from higher levels of government.[159] In Ethiopia, property tax has traditionally been subject to strong central oversight despite local administration.[160] Recent reforms, as both the joint resolution of the two Houses and the Proclamation No. 1365/2025, provide, signal a shift by assigning responsibility for levying, collecting, and utilizing property tax to ULGs.[161] Nonetheless, continued federal and regional involvement in legislation and imple-

[155] Riël Franzsen and William McCluskey, Supra note 90, P. 3

[156] For example, under the income tax law, income from the regular rental of land and buildings is governed by Arts. 13–17 (Schedule B); income from the casual rental of movable or immovable assets falls under Art. 58 (Schedule D); and capital gains from the disposal of immovable property, shares, or bonds are taxed under Art. 59 (Schedule D). See Federal Income Tax Proclamation No. 979/2016, *Federal Negarit Gazeta*, 22nd Year, No. 104 (2016) (hereinafter Proclamation No. 979/2016).

[157] Proclamation No. 1365/ 2025, Art. 5

[158] Richard M. Bird and Enid Slack, "Land and Property Taxation: A Review," in *Workshop on Land Issues in Latin America and the Caribbean*, Vol. 19 (2002), p. 8.

[159] Ibid

[160] See Supra note 147, PP. 197-198

[161] Joint Resolution of the House of Federation and the House of People's Representatives (January 11, 2023) (*hereinafter* the Joint Resolution); Proclamation No. 1365/2025, Preamble & Art. 3; Ministry of Finance, *Model Regional Property Tax Proclamation No. __/2025*, Preamble (hereinafter Regional Model Law).

mentation, though justified by the early stage of reform, raises concerns about the extent to which the tax can function as a genuinely local revenue instrument.[162]

In sum, property tax remains a conceptually evolving and context-dependent fiscal instrument shaped by legal traditions, land tenure systems, assessment practices, institutional arrangements, and broader political economy dynamics. Variations in what constitutes taxable property, which legal interests are recognized, how property is valued, and which level of government exercises taxing authority continue to generate definitional ambiguity. For the purposes of this study, property tax is therefore conceptualized as a recurrent levy imposed on the assessed value of legally recognized interests in land, buildings, and improvements, whether based on ownership or use rights, administered within a specified institutional framework to mobilize public revenue, promote efficient land use, and support decentralized urban governance.

2.5.2 Property Taxation as a Local and Land-Based Revenue Instrument: Potentials and Constraints

As noted in the preceding section, property tax is typically a recurrent local tax assessed annually on the value of land, buildings, and improvements. The literature highlights both its potentials and constraints, often described as advantages and disadvantages, which are essential for understanding property taxation and related reform efforts.[163] However, it is worth noting that there is broad consensus that its benefits generally outweigh its limitations, which helps explain why the tax has persisted across diverse societies and political economies for more than three millennia. This section examines the potentials and constraints of property tax, as a local and land-based revenue instrument, primarily through the classical canons of taxation, particularly efficiency and equity.

From an efficiency perspective, property tax offers strong potential as a reliable and sustainable revenue source.[164] Its base, land and immovable property, is inherently stable and expands natu-

[162] Ibid

[163] Food and Agriculture Organization (FAO) of the United Nations, *Rural Property Tax Systems in Central and Eastern Europe* (FAO Land Tenure Studies, Vol. 5, 2002), pp. 7–9 (hereinafter FAO, 2002); UN-Habitat, *Land and Property Tax: A Policy Guide* (Nairobi, 2011), pp. 11–12; Merima Ali, Odd-Helge Fjeldstad, and Lucas Katera, "Property Taxation in Developing Countries," *CMI Brief*, Vol. 16, No. 1, 2017, pp. 12-14; Suptra note 132, pp. 11-12

[164] Ibid, FAO, P. 7; John Norregaard, *Taxing Immovable Property: Revenue Potential and Implementation Challenges* (International Monetary Fund Working Paper No. 2013/129, May 2013), p. 14.

rally in rapidly urbanizing contexts, where rising land values generate buoyant revenue capable of financing growing demands for urban infrastructure and public services. Compared to income or consumption taxes, property tax tends to create fewer distortions in investment, labor supply, or production decisions[165] as long as its rate is carefully determined in a manner that does not adversely affect investments and the prospects for broader tax base. Its immobile tax base makes evasion difficult and enforcement relatively straightforward, often reducing administrative and compliance costs relative to other major taxes. As a result, property taxation is widely regarded as a stable and predictable source of local government finance that is comparatively resilient to macroeconomic volatility and external economic shocks.

Equity considerations further strengthen the case for property taxation.[166] Real property constitutes a major store of wealth and is often unevenly distributed, making property tax potentially progressive and consistent with the ability-to-pay principle.[167] It is also widely viewed as a mechanism for capturing the "unearned increment", increases in land and property values generated not by individual effort but by collective public investments such as infrastructure development, urban expansion, and neighborhood improvements. [168] Revenues from property taxation are typically reinvested in local services and infrastructures including sanitation, education, health care and social programs.[169] This directly reinforces redistributive objectives and improving local living standards.

Since the 1990s, additional advantages have been emphasized in connection with decentralization, local governance reform, and evolving land markets.[170] Property tax is widely seen as a cornerstone of fiscal decentralization because it strengthens local government autonomy and foster accountability through a visible link between taxes paid and services received.[171] This visibility can enhance taxpayer compliance where governance is transparent and responsive.[172] Property taxes also serve as a critical policy instrument for advancing broader land governance objec-

[165] Ibid
[166] Ibid, p. 17; See also Supra note 158, p. 6
[167] Ibid
[168] Ibid
[169] Ibid
[170] Richard F. Dye and Richard W. England, *Assessing the Theory and Practice of Land Value Taxation* (Lincoln Institute of Land Policy, Policy Focus Report Code PF025, 2010).
[171] Ibid
[172] Supra note 158

tives.[173] Systematic registration, valuation, and documentation associated with property tax administration often improve tenure security, transparency, and institutional accountability.[174] By imposing recurring costs on underutilized land, property tax can encourage productive land use, discourage speculative landholding, reduce urban sprawl, and promote more efficient spatial development.[175]

Despite these advantages, property taxation faces substantial normative, political, and practical constraints. These constraints help explain why countries and cities do not derive equal benefits from the reforms increasingly undertaken. Politically, property tax is often unpopular because it is highly visible and directly associated with household wealth.[176] Unlike income taxes withheld at source or indirect taxes embedded in consumption, property tax payments are explicit and recurrent. [177] Public dissatisfaction also tends to intensify when the local services financed by the tax are perceived as inadequate.[178] This heightened awareness of the tax burden relative to service outcomes has triggered tensions and tax revolts in many countries.[179] In Ethiopia, resistance to imperial land taxation contributed to uprisings such as the Gojjam and Bale rebellions, as well as the influential "land to the tiller" movement.[180] These experiences underscore the importance of linking property tax reform to tangible improvements in service delivery, transparency, and perceived fairness.

Structural equity concerns also persist. Because property tax is based on assessed asset values rather than current income, it can create liquidity constraints for low-income households, retir-

[173] Ibid
[174] Ibid
[175] John Norregaard, Supra note 164, pp. 6–7.
[176] Jay K. Rosengard, "The Tax Everyone Loves to Hate: Principles of Property Tax Reform," in William J. McCluskey et al. (eds), *A Primer on the Property Tax: Administration and Policy* (Wiley-Blackwell, 2013), pp. 173–186; Enid Slack and Richard M. Bird, *How to Reform the Property Tax: Lessons from Around the World* (Institute on Municipal Finance and Governance Papers on Municipal Finance and Governance No. 21, 2015), pp. 13–17.
[177] Enid Slack and Richard M. Bird, Ibid, p. 13
[178] Ibid
[179] Ibid
[180] Wilson Prichard, The Quiet Politics of Taxation in Ethiopia, 1974–2008. In Wilson Prichard (eds), Taxation, Responsiveness and Accountability in Sub-Saharan Africa: The Dynamics of Tax Bargaining. Cambridge University Press, 2015, pp. 160-211. The "land to the tiller" movement, central to the Ethiopian Revolution of 1974, aimed to dismantle feudal landlordism and restructure agrarian relations by transferring land-use rights to cultivators. At its core were excessive taxation and broader systems of surplus extraction such as tributes and state levies as well as limited governemnt servuices in resturn, which fueled peasant grievances and animated the demands of the student movement.

ees, and other asset-rich but cash-poor groups.[181] This may lead to forced sales, displacement pressures, increased rental costs, or reduced housing affordability. Conversely, high property tax burdens can also be perceived as discouraging investment, particularly in real estate development and industrial property, potentially affecting economic growth and employment.[182] Property market volatility can also affect revenue stability where valuation systems closely track market fluctuations. Nonetheless, many of these concerns can be mitigated through careful policy design, including progressive rate structures, exemptions, deferral schemes, targeted relief measures, and transparent valuation systems.[183]

Administrative capacity and institutional coordination constitute another critical constraint. Property taxation is inherently presumptive and depends on the accurate identification, registration, and valuation of urban property.[184] Weak land governance systems, characterised by unclear property rights, incomplete cadastral records, limited technical expertise, or institutional fragmentation, can substantially undermine tax performance. Effective property taxation therefore requires robust cadastral infrastructure, transparent and standardised valuation methodologies, reliable data systems, and capable local administrations. It also requires effective assessment, billing, collection, and enforcement of tax liabilities.[185]

This underscores the need to build modern, digitised tax administration systems that minimise discretionary human interaction and reduce opportunities for rent-seeking. Furthermore, successful implementation depends on clear intergovernmental coordination, adequate fiscal autonomy for local authorities, and meaningful citizen participation to sustain legitimacy and compliance.[186] In the absence of these conditions, property tax systems risk high administrative costs, inequitable outcomes, discretionary practices and corruption, and weak public acceptance.

[181] Enid Slack and Richard M. Bird, Supra note 176, p. 14
[182] Ibid, P. 17
[183] Ibid, P. 15
[184] Supra note 158, P. 28
[185] Ibid, PP. 5-7
[186] Ibid, P. 6

2.5.3 Principles and Theories of Property Taxation

Property tax, however defined or structured, requires a careful balance between the interests of taxpayers and tax authorities through sound policy, legislation, and administration.[187] Traditional forms of property taxation in ancient and medieval times were often controversial and widely perceived by the taxpaying public as unfair, regressive, and even oppressive, which in many cases triggered revolts and wars.[188] This is why, as early as the time of philosophers like Aristotle and Plato, it was emphasized that tax systems must be designed and enforced according to clear and just principles.[189] In the 18th century, Adam Smith sought to systematize the rules for a rational tax system by formulating four foundational canons: *equity*, *certainty*, *convenience*, and *economy*. [190] In light of the growing responsibilities and roles of modern governments, later scholars such as Adolph Wagner, David Ricardo, and Richard Musgrave proposed additional principles such as *productivity, simplicity, diversity, elasticity, buoyancy, flexibility*, and *neutrality* as essential attributes of a good tax system.[191]

Historically and literarily, taxes were and are primarily levied to generate revenue for government expenditures. It was not until the 20th century that scholars such as Richard A. Musgrave advanced the view that taxation should also serve other broader policy objectives, such as resource allocation, income redistribution, and macroeconomic stabilization.[192] Modern tax systems are thus expected to strike a balance among multiple objectives, ensuring revenue adequacy while minimizing administrative burdens and compliance costs. Within the property tax literature, various theoretical frameworks have been developed to justify and shape the design and practice of property tax systems.[193] These theories are commonly grouped into two dominant paradigms: the benefit approach and the ability-to-pay approach.[194]

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[187] Martin Grote and Jean-François Wen, *How to Design and Implement Property Tax Reforms*, International Monetary Fund Note 006, 2024, pp. 3–12.
[188] Richard H Carlson, "A Brief History of Property Tax," *Fair and Equitable*, Vol. 3, No. 2, 2005, pp. 3–9.
[189] Triloki N Pandey, "Principles of Taxation: Some Thoughts," *Indian Journal of Public Administration*, Vol. 36, No. 1, 1990, pp. 100–112.
[190] Ibid
[191] Ibid
[192] Paul Tilley, *History of Tax Theory and Reform Concepts*, Tax and Transfer Policy Institute Working Paper 13/2023, September 2023.
[193] Supra note 187, p. 4
[194] Supra note 132, PP. 8-9; Dennis Hale, "The Evolution of the Property Tax: A Study of the Relation between Public Finance and Political Theory," *The Journal of Politics*, Vol. 47, No. 2, 1985, pp. 382–404.

The *benefit theory*, which conceptualizes property tax more as a user fee, posits that taxes should be levied in proportion to the benefits that taxpayers or property owners receive in the form of public services and infrastructure.[195] In contrast, the *ability-to-pay theory* views property tax as a capital tax based on a taxpayer's wealth, arguing that tax obligations should be determined by income or wealth rather than by benefits received. This theory emphasizes redistribution over direct service benefits and asserts that individuals or entities with greater financial capacity should contribute a larger share toward funding public goods and services, as they can do so without significantly compromising their standard of living.[196] While the benefit approach is often criticized for the difficulty of quantifying individualized benefits and for its inconsistency with the non–quid pro quo nature of taxation, the ability-to-pay approach is critiqued for overlooking the service-oriented function of taxation and for failing to sufficiently link tax burdens to local expenditures.

Further theoretical insight is offered by *Public Choice Theory*, which emerged in the 1950s from the study of public finance and views tax policy as an outcome of political bargaining among self-interested actors.[197] Property taxation, in particular, is highly susceptible to such pressures, as its visibility and immutability often provoke strong resistance from the public and interest groups. The theory therefore recommends the need to consider and balance competing interests of taxpayers, voters, politicians, and other actors, and urges policymakers to design property tax systems that are economically efficient, socially equitable, politically acceptable, and fiscally productive.[198] The Tiebout Model, proposed by economist Charles Tiebout in 1956, adds additional insight by proposing that residents "vote with their feet," choosing jurisdictions that best align taxes and services with their preferences.[199] According to him, property tax requires strong system of local government and the competition among them is crucial to foster efficient govern-

[195] Ibid
[196] Ibid
[197] Jane S. Shaw, "Public Choice Theory," in The Concise Encyclopedia of Economics, 2002, available at The Concise Encyclopedia of Economics (last accessed 23 December 2025).
[198] Randall G Holcombe, "On Public Choice Tax Policy from a Public Choice Perspective," *National Tax Journal*, Vol. 51, No. 2, pp. 359–371.
[199] H Spencer Banzhaf and Randall P Walsh, "Do People Vote with Their Feet? An Empirical Test of Tiebout," *American Economic Review*, Vol. 98, No. 3, 2008, pp. 843–863.

ance, improved public service delivery, and effective tax administration, which are foundational pursuits of a property tax reform.[200]

The other equally influential theory is the *Capitalization Theory*, also known as the Property Tax Capitalization Theory, which posits that the value of local public goods and tax burdens is often and easily capitalized into the market values of properties.[201] This suggests that improvements in service delivery can enhance property values, while poor services or high taxes may suppress them. Policymakers, especially local governments, must thus balance tax rates and spending decisions to sustain or enhance property markets, particularly in urban settings. Henry George's Single Tax Theory, introduced in 1879, advocates a more radical approach by proposing that only land value, rather than buildings or improvements, should be taxed. George argued that it's a land rent that constitutes a socially created surplus and that ought to be publicly captured. His vision was for a single tax on land value to replace all other forms of taxation and has influenced the adoption of Land Value Tax (LVT) in several developed countries.[202] While the theory promotes administrative simplicity and equity, separating land value from improvement value remains methodologically and politically challenging, particularly in jurisdictions lacking robust land valuation and property right systems.

Taken together, these theoretical insights highlight that property taxation is not merely a technical mechanism for generating revenue; it is a deeply normative and politically charged domain where diverse interests and values intersect. In Ethiopia, as in many other rapidly urbanizing nations, property tax reform must carefully navigate these overlapping dimensions. A successful reform must not only enhance fiscal capacity but also promote sustainable urban development and strengthen the social contract between citizens and the state.

[200] Steven C Bourassa and Wen-Chieh Wu, "Tiebout Sorting, Zoning, and Property Tax Rates," *Urban Science*, Vol. 13, No. 6, 2022, p. 13.

[201] See generally, John Yinger, "Capitalization and the Theory of Local Public Finance," *Journal of Political Economy*, Vol. 90, No. 5, 1982; Jonah Coste, "Capitalization of Property Tax Incentives: Evidence From Philadelphia," *FHFA Staff Working Paper*, No. 24-01, January 2024. Capitalization is the process by which the benefits and costs associated with public goods and property taxes are reflected in property values.

[202] Ibid

2.5.4 Global Reforms in Property Taxation

Property taxation is one of the oldest fiscal instruments, rooted in agrarian economies where land was the primary source of wealth.[203] Ancient states such as Egypt, Babylon, China, Greece, and Rome relied on land and agricultural output to finance administration and military power. [204] Historical and religious sources confirm both its practice and legitimacy, from biblical accounts of land tribute to Christian and Islamic fiscal doctrines.[205] In these settings, property taxation functioned as a pragmatic tool for extracting revenue from visible, immobile assets, typically based on production or tribute. [206] In the medieval period, it became embedded in feudal systems, linking landholding to political authority and fiscal obligation. [207] Monarchs allocated land in exchange for service, while peasants paid through labor, produce, or dues, increasingly recorded in formal registers such as the Domesday Book.[208] Religious levies reinforced this structure. Under colonial rule, land and related taxes were expanded to finance administration and infrastructure but also operated as instruments of extraction, labor control, and political domination, often burdening indigenous populations disproportionately. [209] Following the Industrial Revolution, fiscal systems gradually shifted toward income and consumption taxes.[210] As economies diversified, governments favored revenue sources that were more elastic and administra-

[203] See generally Peter N Stearns, *The Encyclopedia of World History: Ancient, Medieval, and Modern*, 6th ed, 2000

[204] Tsebo Moses, "The History of Taxation Around the World From Ancient to Modern Times," 22 August 2021, available at Yoair Blog (last accessed 12 December 2025). Some sources attribute this historical origin to the ancient city-state of Lagash (present-day Iraq) around six thousand years BC. However, despite these early developments, the term "tax" itself did not exist and only emerged as an official term in the fourteenth century, derived from the Latin word *taxare*, meaning "to assess."

[205] Manuel L Jose and Charles K Moore, "Development of Taxation in the Bible: Improvements in Counting, Measurement, and Computation in the Ancient Middle East," *Accounting Historians Journal*, Vol. 25, No. 2, 1998; *The Holy Bible*, New International Version, International Bible Society, 1978, II Kings 23:35; Genesis 47:26; Matthew 22:21; Mark 12:17; Luke 20:25; *The Qur'an*, Sahih International translation, Surah 9, Ayah 60. Christian teachings such as "Render unto Caesar what is Caesar's" acknowledge civic tax obligations, while Islamic fiscal practices institutionalized land-based taxes such as *kharaj* and obligatory almsgiving (*zakat*) to finance public welfare and governance.

[206] Siegbert Uhlig (ed), *Encyclopaedia Aethiopica*, Vol. 2, D–Ha, "Gizya," Otto Harrassowitz GmbH & Co KG, Wiesbaden, 2005. Some groups (women, children, slaves, poor, monks, converts) were exempt and it was typically collected in cash at the start of the Islamic lunar year and administered by financial officials using censuses of non-Muslim populations;

[207] Ibid

[208] Home Tax Savings, "A Brief History of Property Tax," 3 May 2019, available at Home Tax Savings (last accessed 23 December 2025).

[209] Supra note 188

[210] Ibid

tively efficient, leading to a relative decline in reliance on property tax, though its foundational role in public finance persisted.[211]

The early twentieth century represents a turning point in property taxation. Economic crises such as the Great Depression, the rise of labor and socialist movements, expanding industrial economies, and growing globalization prompted many governments to reassess traditional tax systems.[212] Increasing reliance on income and consumption taxes reflected perceptions that these instruments were more adaptable to modern economic structures and less politically contentious than property taxes.[213] Criticism of general property taxation intensified, focusing on concerns about equity, administrative feasibility, and valuation accuracy.[214] Consequently, many countries reduced their dependence on property taxation as a primary revenue source.[215]

However, the late twentieth century witnessed a renewed global interest in property taxation. The collapse of socialist regimes, widespread land privatization, and fiscal decentralization reforms restored property taxation as a key instrument of local public finance.[216] In post-socialist countries, the re-establishment of property rights created both the legal basis and fiscal necessity for property taxation.[217] At the same time, many advanced economies modernized property tax systems to enhance fiscal autonomy, improve efficiency, and address urban development challenges.[218] This way, property taxation re-emerged as a central component of broader fiscal and governance reforms in many developing and developed countries.

Over the past three decades, property tax reform has emerged as a global policy priority across both developed and developing countries, albeit with markedly different trajectories.[219] In devel-

[211] Ibid
[212] Odd-Helge Fjeldstad and Ole Therkildsen, "Mass Taxation and State-Society Relations in East Africa," in Deborah Braütigam and others (eds), *Taxation and State Building in Developing Countries*, Cambridge University Press, 2008, pp. 114–134; see also Léonce Ndikumana, *International Tax Cooperation and Implications of Globalization*, CDP Background Paper No. 24, December 2014, P. 11-16
[213] Ibid
[214] Ibid
[215] Ibid
[216] Cheryl W Gray, "Tax Systems in the Reforming Socialist Economies of Europe," *Communist Economies and Economic Transformation*, Vol. 3, No. 1, 1991; Sally Wallace, *Property Taxation in a Global Economy: Is a Capital Gains Tax on Real Property a Good Idea?*, Lincoln Institute of Land Policy, 2007, pp. 5-6
[217] Ibid
[218] Ibid
[219] See generally Roy Bahl and Jorge Martinez-Vazquez, *The Property Tax in Developing Countries: Current Practice and Prospects*, Lincoln Institute of Land Policy Working Paper, 2007.

oped countries, reforms have largely focused on refining existing systems such as improving property valuation, enhancing transparency, advancing digitization, and strengthening compliance within well-established institutional frameworks. By contrast, developing countries face more foundational challenges, including the formalization of property rights, the establishment of reliable cadastral systems, and the strengthening of administrative capacity in contexts often characterized by informality and political constraints. Consequently, while developed countries tend to pursue incremental efficiency gains, developing countries must confront deeper structural issues that significantly influence the pace and effectiveness of reform. In both contexts, property tax reforms are closely intertwined with broader processes of fiscal decentralization, land administration reform, and urban governance restructuring. In Africa, in particular, more than half of the continent's countries have undertaken property tax reforms over the past two decades as part of wider efforts to strengthen local government finance and land governance systems, as illustrated in the table below. [220]

Table 1: Property Tax Reforms in Africa (1995-2015)

1995-2000	2001-2010	Post- 2011
Cape Verde Liberia Malawi Swaziland Zambia	Cameroon The Central African Republic Congo Egypt Madagascar Mauritius Mozambique Namibia Nigeria(Lagos State) Rwanda Senegal Sierra Leone South Africa Tanzania Uganda	Ethiopia Lesotho Kenya Nigeria (Abuja Capital Territory) Rwanda Somalia (Puntland) South Africa Zimbabwe (Harare)

Source: William J. McCluskey and Riël C.D. Franzsen, 2016, P. 17

The table indicates that property tax reforms in Africa have expanded steadily since the 1990s, with a growing number of countries undertaking reforms. Recent studies also suggest a shift to a more advanced phase marked by administrative modernization, urban-focused implementation,

[220] William J McCluskey and Riël CD Franzsen, "Property Tax Reform in Africa: Challenges and Potential," *2016 World Bank Conference on Land and Poverty*, The World Bank, Washington DC, March 14–18, 2016.

and iterative policy refinement.[221] They also show that embedding property tax within broader fiscal decentralization and land governance reforms improves implementation prospects.[222] Property tax is thus not static or uniform rather it evolves with changing political economies, land tenure systems, and governance arrangements.[223] Its effectiveness depends not only on technical design but also on institutional capacity, governance quality, and the wider political economy shaping property rights, land markets, and state-society relations.[224]

2.6 Comparative Insights from Selected Countries

Efforts toward property tax reform typically revolve around four interrelated drivers: revenue generation and local government empowerment, equity and redistribution, property rights and land governance, and the harmonization of tax rules, as noted in the previous section. These dimensions demonstrate that property tax and its reform are not merely technical fiscal exercises but rather complex legal, institutional, and political processes shaped by broader political economy conditions. While the dissertation examines these dynamics in detail, this section provides comparative insights from four purposively selected countries, focusing on the drivers of reform and the institutional pathways through which property tax systems have evolved within distinct governance contexts.

2.6.1 Brazil

Brazil is a federative republic composed of three constitutionally autonomous tiers of government: the Union, 26 states, and more than 5,500 municipalities.[225] The 1988 Constitution marked a major institutional turning point by elevating municipalities to full members of the federation, granting them explicit political, administrative, and fiscal autonomy with clearly defined respon-

[221] See Riël CD Franzsen and Joan M Youngman, "Mapping Property Taxes in Africa," *Land Lines*, Lincoln Institute of Land Policy, July 2009, pp. 8–13; Wilson Prichard and Sripriya Iyengar Srivatsa, *Extending Property Taxation in Areas of Customary Authority and Tenure*, Policy Brief No. 07, Local Government Revenue Initiative (LoGRI), 2025.
[222] Ibid
[223] Ibid
[224] Ibid; See also Supra note 187
[225] Sol Garson and Kleber Castro, "Brazil," in Nico Steytler (ed), *The Forum of Federations Handbook on Local Government in Federal Systems*, Palgrave Macmillan, Forum of Federations, 2024, pp. 115–148; José R Afonso and Amorim Araújo, "Local Government Organization and Finance: Brazil," *The World Bank Research Observer*, January 2006.

sibilities.[226] As a result, although they still receive intergovernmental transfers, municipalities rely substantially on own-source revenues, particularly the Urban Property Tax (or the *Imposto Predial e Territorial Urbano*- IPTU), the Service Tax (ISS), and the Property Transfer Tax (ITBI). [227] Among these, the IPTU, an annual municipal tax on land and buildings typically levied at rates between 1% and 3% of assessed value, plays a central role in strengthening fiscal autonomy and enabling locally tailored tax policies. [228] It also serves redistributive objectives, as municipalities are authorized to apply progressive rates and targeted exemptions to protect low-income groups, discourage land speculation, and finance essential services and infrastructure.[229] These provisions reflect Brazil's broader constitutional commitment to social justice and urban equity, although administrative and political constraints have still limited the tax's full potential.[230]

Land ownership in Brazil is constitutionally protected[231] and follows a mixed system, comprising both private and public holdings, with approximately 44% of land privately owned and 36% under public control.[232] Empirical studies indicate that the IPTU is well integrated with urban land governance and property rights formalization initiatives, functioning as a bridge between fiscal policy, tenure systems, land registration, land-use regulation, and spatial planning.[233] Since the 1980s, reform efforts have focused on modernizing valuation systems, updating cadastral records, and integrating tax administration with urban planning frameworks.[234] Many large municipalities have adopted Geographic Information Systems (GIS), aerial imaging, and digital platforms, enhancing valuation accuracy, compliance, and administrative transparency.[235] These innovations have strengthened both tax performance and land governance by improving property

[226] Constitution of the Federative Republic of Brazil (1988), Amendment No. 135/2024, Arts. 29-31 (hereinafter "the 1988 Constitution").
[227] Ibid, Art. 156
[228] See also José Afonso, Erika Araujo, and Marcos Nóbrega, "The Urban Property Tax (IPTU) in Brazil: An Analysis of the Use of the Property Tax as a Revenue Source by Brazilian Municipalities," *Lincoln Institute of Land Policy Working Paper*, WP13JA2, 2012.
[229] Ibid
[230] Ibid
[231] Ibid, Art. 5(22).
[232] Gerd Sparovek and others, "Who Owns Brazilian Lands?" *Land Use Policy*, Vol. 87, 2019. The remaining 20% of land is often unregistered or under unknown or contested tenure.
[233] World Bank, *Brazil Land Governance Assessment*, Report No. 89239-BR, June 2014, p. 96.
[234] Ibid; see also Omar P Domingos, "Implementing Local Property Tax," *Land Lines*, Lincoln Institute of Land Policy, January 2011, pp. 2-8.
[235] Ibid

documentation, enforcement capacity, and urban management.[236] Despite Brazil's decentralized fiscal structure, progress has also been made toward harmonizing property tax practices through constitutional clarity, intergovernmental cooperation, and technical assistance programs.[237] Nonetheless, significant disparities persist across municipalities in terms of valuation practices, enforcement capacity, and administrative efficiency.[238]

Overall, Brazil's experience illustrates that effective property tax reform depends on a supportive constitutional framework, sustained investment in administrative capacity, and alignment between fiscal policy and land governance objectives. The case highlights how decentralized property taxation can promote revenue generation, equity, and local accountability when supported by technological innovation, participatory governance, and visible reinvestment of revenues in public services.[239] At the same time, the reform process has faced persistent challenges, including political resistance, administrative fragmentation, and uneven local capacity. Efforts to address these constraints through strengthened municipal autonomy, public engagement, awareness campaigns, and demonstrable service improvements have been critical in building taxpayer trust, enhancing compliance, and consolidating decentralized fiscal governance. [240]

2.6.2 South Africa

South Africa is a unitary state with a three-tier government system, national, provincial, and local, in which local government is constitutionally recognized as a distinct sphere endowed with defined political, administrative, and fiscal powers.[241] Municipalities, whether metropolitan, district, or local, are governed by elected councils and mayors supported by professional administrative staff, a structure widely regarded as conducive to effective local budgeting, taxation, in-

[236] Ibid

[237] José R Afonso and Amorim Araújo, "Local Government Organization and Finance: Brazil," *The World Bank Research Observer*, January 2006, P. 23

[238] Ibid; see also Omar P Domingos, Supra note 235

[239] Ibid

[240] Ibid

[241] Mbuzeni Mathenjwa, "The Legal Status of Local Government in South Africa under the New Constitutional Dispensation," *Southern African Public Law*, Vol. 33, No. 2, 2018; Lungelwa Kaywood, "Exploring the History and Development of the Local Government System in South Africa," *African Journal of Public Affairs*, Vol. 12, No. 3, 2021. South Africa's local government system was transformed by the 1996 Constitution, which establishes municipalities as distinct and interdependent entities with a developmental mandate, no longer subordinate to national or provincial governments. This marked a significant departure from earlier arrangements, where local authorities were shaped by colonial-era segregation and controlled by provincial administrations. See also Constitution of the Republic of South Africa Act, No. 108/1996, as amended by Act No. 3/2003, ss. 40, 151 and 155 (hereinafter "the 1996 Constitution").

frastructure provision, and public service delivery.[242] The Constitution grants municipalities explicit authority to generate own-source revenues, primarily through property rates and service charges, which constitute their most stable revenue streams and underpin local fiscal autonomy.[243] At the same time, the constitution provides that local governemnts shall exercise their powers operate within national and provincial legislative frameworks to ensure harmonization and accountability.[244]

Property taxation in South Africa is closely linked to property rights and land governance. Land is predominantly privately owned, with approximately 79% to 90% held by individuals, companies, and trusts. [245] The government has been actively involved in land reform to address historic disparities, and the Constitution explicitly protects the right to acquire, hold, and dispose of property, and permits expropriation only under defined public-interest and compensation conditions.[246] Municipalities bear primary responsibility for both land administration and property tax administration functions such as registration, valuation, billing, collection, and maintenance of cadastral records.[247] Reforms are credited with gradually integrating informal settlements into property registers and adopting GIS and digital cadastral technologies. [248] These innovations have enhanced valuation accuracy, expanded coverage, strengthened linkages with spatial planning, and contributed to more effective urban land governance and tenure security. [249]

Equity and redistribution constitute a central driver of South Africa's property tax reforms, reflecting efforts to address socioeconomic inequalities rooted in apartheid-era spatial and fiscal disparities.[250] The Municipal Property Rates Act (MPRA) of 2004, amended in 2014, embeds

[242] Jaap de Visser, "South Africa," in Nico Steytler (ed), *The Forum of Federations Handbook on Local Government in Federal Systems*, Palgrave Macmillan, Forum of Federations, 2024, pp. 409–440.
[243] The 1996 Constitution, s. 229(1)(a), Schedules 4 & 5
[244] Ibid, s. 151(2 & 3)
[245] See generally Rick de Satgé, "South Africa—Context and Land Governance," June 2025, available at Land Portal (last accessed 23 December 2025).The remaining land is classified as state-owned (approximately 14%) or held under customary law or unregistered (7%–14%).
[246] The 1996 Constitution, s. 25
[247] Ibid, s.229 (1) (a)
[248] Marina Nistotskaya and Michelle D'Arcy, "No Taxation without State-Assigned Property Rights: Formalization of Individual Property Rights on Land and Taxation in Sub-Saharan Africa," *Journal of Institutional Economics*, Vol. 19, Special Issue 3, 2023, pp. 444–457.
[249] See for example Samuel S Jibao and Wilson Prichard, "The Political Economy of Property Tax in Africa: Explaining Reform Outcomes in Sierra Leone," *African Affairs*, Vol. 114, No. 456, 2015, pp. 404–431.
[250] See generally Falilou Fall, *Strengthening the Tax System to Reduce Inequalities and Increase Revenues in South Africa*, OECD Economics Department Working Papers No. 1745, 2022; Ireen Choga and Fiyinfoluwa Giwa,

these objectives by allowing progressive rate structures, targeted exemptions for vulnerable groups, and public participation in rate-setting processes.[251] These measures promote transparency, strengthen legitimacy, and enhance taxpayer compliance while aligning property taxation with broader social justice goals.[252] Harmonization of tax practices is achieved through the MPRA's standardized national framework, which mandates periodic market-based valuations, establishes procedures for valuation rolls, and provides uniform exemption and appeal mechanisms.[253] While municipalities retain discretion in setting rates and administering collections, this framework ensures consistency, predictability, and administrative efficiency.

Overall, South Africa's experience demonstrates how property taxation can simultaneously advance revenue generation, local government empowerment, equity objectives, land governance reform, and regulatory harmonization. Constitutional recognition of local fiscal authority, a coherent national legal framework, and sustained investment in administrative and technical capacity have collectively strengthened the transparency, equity, and effectiveness of the system. Although early reforms encountered political resistance and concerns about equity, transparency, and legal certainty, often rooted in historical distrust, these challenges were gradually mitigated through stakeholder consultation, phased implementation, accessible appeals mechanisms, and visible reinvestment of tax revenues in underserved communities. [254]

2.6.3 Germany

Germany's system of urban local governance operates within a three-tier federal structure comprising the Bund (federal government), 16 *Länder* (states), and more than 11,000 municipalities.[255] Guided by the principles of subsidiarity and local self-governance, the Basic Law

"The Effect of Property Tax on Income Redistribution in Selected African Countries," *Sustainability*, Vol. 15, No. 7, 2023.

[251] Local Government: Municipal Property Rates Act (MPRA), Government Gazette, No. 6/2004, ss. 7–14, 15 & 82 (hereinafter "MPRA No. 6/2004"); Local Government: Municipal Property Rates Amendment Act, Government Gazette, No. 29/2014, ss. 6–10, 11 & 29 (hereinafter "MPRA No. 29/2014").

[252] Dieter von Fintel and Anna Orthofer, "Wealth Inequality and Financial Inclusion: Evidence from South African Tax and Survey Records," *Economic Modelling*, Vol. 91, 2020, pp. 568–578.

[253] MPRA No. 6/2004, ss. 3–6, 30–79; MPRA No. 29/2014, ss. 4–5 and 18–26.

[254] Riël Franzsen and William McCluskey, Supra note 90, pp. 276-296; Michael E Bell and John H Bowman, "Property Taxation Challenges in Post-Apartheid South Africa," *Land Lines*, Lincoln Institute of Land Policy, 2002, pp. 8–11.

[255] Henrik Scheller, "Germany," in Nico Steytler (ed), *The Forum of Federations Handbook on Local Government in Federal Systems*, Palgrave Macmillan, Forum of Federations, 2024, pp. 209–240; Hellmut Wollmann, "Local Government and Governance in Germany: Challenges, Responses and Perspectives," *Local and Urban Govern-*

(*Grundgesetz*) distributes state authority primarily between the federal and state levels.[256] Although municipalities are constitutionally part of the *Länder* rather than an independent third tier, the guarantee of local self-government grants them substantial authority to manage local affairs, including revenue generation.[257] Municipalities are governed by elected councils and executive leaders (mayors or city managers) and are responsible for delivering essential public services such as water supply, sanitation, and waste management, alongside discretionary functions like cultural and recreational programs, subject to available resources.[258]

Land in Germany is primarily privately owned and constitutionally protected, allowing individuals and companies to buy, sell, and hold property.[259] The German land governance system heavily regulates private property to serve the public interest through expropriation proceedings, land-use regulations, and taxation.[260] Property taxation constitutes a key component of land administration and municipal fiscal autonomy, linking property rights, cadastral management, and land-use regulation. The annual property tax (*Grundsteuer*), together with related local revenue sources such as taxes on rental income, represents one of the most significant own-source revenues, particularly in larger cities.[261] Municipalities have the authority to set tax multipliers, grant exemptions, and collect revenues, while property valuation is largely conducted at higher administrative levels.[262] This shared administrative arrangement balances harmonization with local discretion, enhancing transparency, accountability, and responsiveness in local service provision.[263]

However, the reliance on outdated valuation benchmarks, which dates back to 1964 in former West Germany and 1935 in the former East, generated substantial inequities and legal challeng-

ance Book Series, Springer International Publishing, 2024. The historical tradition of local self-government in Germany was revived after World War II and further strengthened through European integration and the adoption of the European Charter of Local Self-Government.

[256] Basic Law for the Federal Republic of Germany, Federal Law Gazette 2025 I, No. 94, Arts. 30, 70 and 83 (hereinafter "Basic Law of Germany").

[257] Ibid, Art. 28

[258] Ibid

[259] Ibid, Art. 14; See also Thomas Hartmann and Fabian Wenner, "Land Policy in Germany: Waiting for the Owner to Develop," in Thomas Hartmann and others (eds), *Land Policies in Europe*, Springer, 2025, pp. 121–136.

[260] Thomas Hartmann and Fabian Wenner, Ibid

[261] UN-Habitat, *Property Tax Regimes in Europe*, The Global Urban Economic Dialogue Series, 2013, pp. 5–12. The annual property tax (*Grundsteuer*) is further categorized into *Grundsteuer A* (agricultural and forestry land) and *Grundsteuer B* (developed and developable land in urban and rural areas). See also Rene Gudat, "Going West or Going East: Fundamental Changes in the German Property Tax System," *FIG Working Week 2011*, Marrakech, Morocco, May 18–22, 2011.

[262] Basic Law of Germany, Art. 106 (6)

[263] Ibid, Arts. 105 and 106

es. In 2018, the Federal Constitutional Court declared the system unconstitutional, citing inconsistencies with contemporary property values and constitutional principles of equity.[264] Subsequent reforms introduced updated valuation criteria based on factors such as land value, building type, and floor area, while permitting *Länder* to adopt alternative models under an "opening clause."[265] These reforms aim to improve fairness, modernize valuation practices, and strengthen the linkage between property taxation and contemporary urban land governance.[266]

Overall, Germany's experience illustrates the importance of constitutional clarity, well-defined land governance and property rights, institutional capacity, and cooperative federalism in sustaining effective property tax systems. The balance between national coordination and local fiscal autonomy has supported revenue stability, administrative efficiency, and public accountability. Although reforms have occasionally generated controversy, particularly concerning valuation fairness and tax burdens, legal safeguards, intergovernmental negotiation, and strong administrative institutions have helped maintain public trust and facilitate reform implementation. [267]

2.6.4 Nigeria

Nigeria, Africa's most populous federal state, presents both a cautionary and instructive case in the political economy of property tax reform. The country operates under a three-tier federal structure comprising the federal government, 36 states, 774 Local Government Areas (LGAs), six Area Councils in the Federal Capital Territory, and the Federal Capital Territory itself.[268] Local governments are constitutionally recognized as the third tier, mandated to deliver essential public services and authorized to levy property taxes and tenement rates.[269] However, state gov-

[264] Zur Suchmaske, "German Constitutional Court Ruling on Property Valuations for Real Estate Tax Purposes," 12 April 2018, available at PwC Blogs (last accessed 22 December 2025); Charles Kingston, "German Property Tax Reform – A Fairer System or a Ticking Time Bomb?" 24 November 2024, available at REFIRE Online (last accessed 22 December 2025).
[265] Ibid
[266] Ibid
[267] Paul Krantz, "How You Can Challenge Germany's Controversial Property Tax on Your Home," 12 June 2025, available at The Local Germany (last accessed 23 December 2025); Andreas Jardin, "Amendment of the 'Immobilienwertermittlungsverordnung' (Ordinance on the Valuation of Property) in Germany," presented at the FIG Congress 2022, Warsaw, Poland, 11–15 September 2022.
[268] Habu Galadima, "Local Government in Nigeria," *Local Government Bulletin*, Vol. 9, Issue 3, 2007; Rotimi T Suberu, "Nigeria," in Nico Steytler (ed), *The Forum of Federations Handbook on Local Government in Federal Systems*, Palgrave Macmillan, Forum of Federations, 2024, pp. 377–407.
[269] The Constitution of the Federal Republic of Nigeria 1999, 5th Alteration, 2023, s. 7(1) (hereinafter "the 1999 Constitution"). In Nigeria, property tax primarily refers to the Land Use Charge (LUC), which consolidates various levies into a single tax assessed based on property size, usage (residential or commercial), and location. Ten-

ernments retain substantial authority over local governments, including the power to create, restructure, or dissolve them, which limits effective local fiscal autonomy.[270] Local administrations also operate under extensive oversight from state ministries responsible for local government affairs. [271] A particularly problematic practice has been the frequent replacement of elected local councils with unelected caretaker committees, widely seen as undermining democratic accountability, weakening institutional legitimacy, and constraining local fiscal capacity.[272]

Under the Land Use Act of 1978, all land in Nigeria is vested in the state and held in trust by state governors for the public.[273] Individuals and entities may obtain rights of occupancy, typically lasting between 50 and 99 years.[274] However, the land governance system faces several constraints, including the abolition of freehold tenure, bureaucratic procedures for obtaining governors' consent and Certificates of Occupancy, limited commercial value of underdeveloped land, and persistent insecurity surrounding land tenure.[275] The Act also provides for ground rent as a form of land revenue payable annually to state governments, usually calculated based on land size and location.[276]

Although property taxation is formally designated as a local revenue source, key administrative functions such as assessment, billing, collection, and enforcement remain largely centralized at the state level.[277] Reform initiatives in major cities aimed at modernizing valuation systems, digitizing land records, and strengthening enforcement have achieved some progress but remain uneven nationwide due to the absence of a coherent national property tax framework.[278] This fragmentation constrains administrative efficiency, consistency, and overall revenue performance. Centralized control and weak harmonization mechanisms limit local governments' ability to mo-

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ement rates, a component of this framework, are annual municipal taxes on rented properties, typically borne by landlords, though they may be passed on to tenants depending on lease arrangements.

[270] Ibid, s. 3 cum 7 (4)

[271] Ibid

[272] See Akintunde Otubu, "The Land Use Act and Equity Factor in Property Taxation in Nigeria," *Nnamdi Azikiwe University Journal of International Law and Jurisprudence*, Vol. 9, No. 1, 2018.

[273] Land Use Act of 1978 (Nigeria), ss. 1, 5, 22 & 28.

[274] Ibid

[275] See also Celestine U Ugonabo, Charles Egolum and Raphael O Sado, "Nigerian Land Policy: Issues, Challenges and the Way Forward," *Global Journal of Politics and Law Research*, Vol. 11, No. 4, pp. 57–77.

[276] The Land Use Act of 1978 (Section 5)

[277] The 1999 Constitution, s. 7(6); see also Bala S Dad and Ja'afar A Zankan, "Tax Rate Chargeable on Landed Properties in Tafa Local Government Area of Niger State, Nigeria," *African Journal of Law, Political Research and Administration*, Vol. 5, Issue 1, 2022, pp. 37–51.

[278] Ibid; see also Lagos State Land Use Charge Law, Law No. C5, 2018.

bilize sustainable own-source revenues and to achieve broader objectives of property taxation, including spatial equity, effective land-use regulation, and strengthened local accountability.[279]

Limited public participation further reduces incentives for voluntary compliance and weakens public trust. From an equity perspective, weak administrative capacity, enforcement gaps, and opaque valuation practices can result in reforms that disproportionately benefit wealthier property owners. These challenges are compounded by Nigeria's land governance framework, which vests ultimate authority over land allocation, registration, and valuation in state governors, thereby marginalizing local governments in functions critical to effective property taxation.[280] Attempts to address these issues such as the Land Use Charge (LUC) reform in Lagos State, which consolidated multiple property-related charges into a single annual tax have faced resistance due to top-down implementation, abrupt rate increases, limited public consultation, political interference, and institutional capacity constraints.[281] These factors have undermined public trust and limited the reform's effectiveness.

Overall, Nigeria's experience, encompassing both progress and persistent challenges, underscores the importance of constitutional clarity, genuine local fiscal autonomy, strong administrative capacity, and coordinated intergovernmental frameworks for successful property tax reform. While reforms such as the LUC demonstrate policy ambition, their mixed outcomes highlight the need for inclusive consultation, institutional strengthening, and coherent national policy direction to ensure that property taxation contributes effectively to revenue generation, governance, and equitable development.

2.7 Justifications and Drivers of Property Tax Reform: A Synthesis

As highlighted in earlier sections, the renewed global interest in property taxation over the past three decades, particularly in the post–Cold War period, has been driven by a convergence of fiscal, political, and urban development imperatives extending well beyond simple revenue generation. Increasingly, governments approach property tax reform not merely as a technical fiscal adjustment but as a politically sensitive and institutionally complex element of urban govern-

[279] Ibid
[280] Land Use Act, Laws of the Federation of Nigeria (Chapter L5), 2004, s. 5(1)(a), (c) & (d).
[281] Ifayemi Olayinka and Augustine Adekoya, "Property Tax, Taxpayers' Voices and Tax Compliance in Local Governments: A Case Study of Land Use Charge in Lagos State, Nigeria," *International Journal of Emerging Trends in Social Sciences*, Vol. 14, No. 1, 2023, pp. 12–27.

ance. While property taxation offers widely recognized advantages such as revenue stability, local fiscal autonomy, equity potential, economic efficiency, and improved land governance, it also faces persistent challenges, including administrative complexity, political resistance, modest revenue performance in some contexts, and concerns related to equity and property rights. Contemporary theory and empirical evidence nonetheless suggest that these limitations justify reform rather than avoidance, particularly through strengthened institutional capacity, legal clarity, and inclusive public engagement. Consequently, many countries have integrated property tax reform into broader agendas of decentralization, municipal finance strengthening, and land governance modernization.

Drawing on the literature reviewed in this chapter, four major drivers of contemporary property tax reform can be identified: (1) enhancing revenue generation and local fiscal autonomy, (2) advancing equity and wealth redistribution in urban areas, (3) strengthening property rights and land governance systems, and (4) harmonizing fragmented land based revenue sources frameworks. Comparative experiences discussed in Section 2.6, particularly from Brazil, South Africa, Germany, and Nigeria, demonstrate how these drivers operate across diverse institutional settings, reflecting a broader global shift toward positioning property taxation as both a fiscal instrument and a governance tool.

First, revenue generation and local fiscal autonomy remain the most prominent motivations for reform. Property taxes, anchored in immovable and relatively inelastic tax bases, provide stable and predictable revenue streams that align well with decentralization and rapid urbanization. They enable local governments to finance public services, strengthen fiscal independence, and enhance accountability by linking taxation directly to service provision. *Second,* equity and redistribution objectives have become increasingly central. As public investments contribute to rising urban land values, property taxation can capture part of this "unearned increment," supporting spatial justice, reducing wealth disparities, and financing inclusive urban development when progressive structures and targeted relief measures are applied.

Third, property tax reform is closely intertwined with improvements in land governance. In contexts characterized by tenure insecurity, informality, and weak land administration systems, integrating property taxation with cadastral modernization, tenure regularization, and digital land registries enhances administrative effectiveness while promoting investment security, land mar-

ket transparency, and better urban planning outcomes. *Finally*, harmonization of tax systems, particularly in federal or decentralized contexts, addresses inefficiencies arising from fragmented legal frameworks, inconsistent valuation practices, and overlapping institutional mandates. National policy frameworks, model legislation, and intergovernmental coordination mechanisms are increasingly used to balance local fiscal autonomy with legal consistency, administrative interoperability, and public trust.

Taken together, these four drivers, fiscal autonomy, equity, land governance strengthening, and institutional harmonization, constitute the core pillars of contemporary property tax reform. Ethiopia's emerging reform trajectory reflects these global imperatives while also confronting context-specific challenges related to federal institutional arrangements, public land ownership, and evolving urban governance systems. The following chapters therefore examine how these global drivers have influenced, and are being adapted within, Ethiopia's evolving legal and policy frameworks for property taxation.

2.8 Interim Conclusion

This chapter has examined the conceptual, theoretical, institutional, and comparative foundations of urban governance, municipal finance, and property taxation to situate the state of ULGs finanaing and ongoing property tax reform within broader scholarly and policy debates. It demonstrates that contemporary urbanization is not merely demographic or spatial expansion but a multidimensional transformation that reshapes institutional capacity, functional responsibilities, and urban fiscal architecture. As urbanization generates both opportunities and pressures for socioeconomic development, democratic participation, and environmental sustainability, urban governance and municipal finance have become central enabling frameworks. Their prominence is reflected in global policy instruments such as the SDGs, the NUA, and the AAAA, which recognize urban finance and land based revenue as essential to inclusive and sustainable development, although implementation outcomes vary across contexts.

These dynamics have driven a shift from centralized governance toward multi-level, multi-actor arrangements in which ULGs play a coordinating and decision-making role. Decentralization has accordingly emerged as a dominant paradigm, aimed at devolving political, administrative, and fiscal authority. In practice, however, many developing countries, including Ethiopia, exhibit a

structural mismatch, where extensive local expenditure responsibilities are not matched by adequate fiscal powers. This misalignment produces persistent vertical and horizontal fiscal imbalances and limits ULGs' autonomy and limiting their capacity to address infrastructure deficits, service delivery demands, and complex urban development challenges.

In response, land-based financing instruments have gained prominence as mechanisms to alleviate municipal fiscal stress. Comparative experience shows that capturing publicly generated land value increments can support infrastructure and service provision. Yet their effectiveness depends on enabling conditions- secure property rights, reliable cadastral systems, transparent valuation practices, institutional coordination, and administrative capacity- which remain unevenly developed in contexts such as Ethiopia.

Within this framework, property taxation has regained salience, with reforms expanding globally. Its normative foundations lie in efficiency, equity, fiscal decentralization, and land value capture. Properly designed, it provides stable, locally anchored revenue, strengthens fiscal autonomy, and supports redistributive objectives. Nonetheless, its implementation remains constrained by political resistance, administrative complexity, valuation challenges, and compliance limitations, particularly where reforms are not coherently integrated with urbanization, decentralization, and land governance processes.

Comparative evidence from Brazil, South Africa, Germany, and Nigeria indicates that effective property tax reform is driven by four interrelated factors: enhancing local fiscal autonomy, advancing equity objectives, strengthening land governance and property rights, and harmonizing institutional frameworks. These experiences confirm that property taxation functions not only as a revenue instrument but also as a mechanism linking fiscal policy, land administration, and urban governance.

Accordingly, this chapter conceptualizes property tax as a multidimensional governance instrument: a recurrent levy on legally recognized interests in land and improvements that mobilizes local revenue, promotes efficient land use, reinforces fiscal autonomy, enhances accountability, and supports sustainable urban development. This framework provides the analytical foundation for the subsequent examination of Ethiopia's legal, institutional, and policy trajectory.

CHAPTER THREE

LEGAL STATUS AND INSTITUTIONAL FOUNDATIONS OF ULGs: IMPLICATIONS FOR PROPERTY TAX REFORM

3.1 Introduction

The relationship between ULGs and property tax reform is fundamentally institutional. Effective property taxation requires clear legal status, defined functions, administrative capacity, and constitutionally grounded fiscal powers at the local level.[1] Conversely, the tax's local, land-based, and benefit-oriented nature can strengthen autonomy, institutional coherence, and intergovernmental balance. Property tax reform therefore operates not only as a revenue tool but as a test of the depth and legitimacy of local self-government. Drawing on multiple data sources, this chapter assesses the legal and institutional readiness of Ethiopian ULGs to implement ongoing property tax reforms, addressing the dissertation's third objective. Despite successive decentralization reforms, particularly since the 1990s, the legal status, powers, and functions of ULGs remain contested and often ambiguous. These constraints have long undermined local revenue mobilization and are likely to affect the feasibility of property tax reform. At the same time, the introduction of property taxation offers an opportunity to address gaps in autonomy, capacity, accountability, and institutional legitimacy.

Accordingly, this chapter examines the legal status and institutional foundations of ULGs in Ethiopia to assess their structural readiness for reform. It situates ULGs within their historical, constitutional, and institutional context and evaluates whether current arrangements provide adequate authority, autonomy, and capacity. Section 3.2 traces the historical evolution of ULGs; Section 3.3 analyzes their constitutional and legal status; Section 3.4 examines local land administration powers and related gaps; Section 3.5 assesses intergovernmental relations and their implications for autonomy and accountability; and Section 3.6 conceptualizes property tax reform

[1] See Chapter Two, Section 2.7, of this dissertation.

as an institutional lever for addressing these constraints. Section 3.7 concludes with a synthesis of key findings and their implications for reform design and implementation.

3.2 Legal and Institutional Evolution of ULGs in Ethiopia

Local governance has long occupied a central place in Ethiopia's statehood and has undergone significant transformations across successive political regimes. [2] Owing to the country's vast and rugged geography, effective central control was historically constrained, enabling regional and local authorities to exercise substantial autonomy over administration, land management, and revenue extraction.[3] This produced a decentralized imperial order, often characterized as *de facto federalism*, rooted in longstanding normative traditions such as the *Kebra Nagast* and the *Fitha Negest*.[4] Over time, however, these diffuse arrangements were progressively replaced by more centralized and codified systems, particularly during the post-1940s imperial period and the socialist regime (1974–1991).[5] Since 1991, Ethiopia has adopted a federal and decentralized system that formally devolves authority to ethnically defined regional states, while largely leaving the institutional design and functioning of local governments to regional discretion.[6]

Historically, Ethiopia is described as a de facto federation with a rural orientation.[7] Urban centers were comparatively underdeveloped, and urban governance and municipal finance received limited policy attention.[8] As one senior expert from the MoUI observed, "many of the institutional problems we see today are historical… public administration was designed as rural administra-

[2] Zemelak Ayitenew, *Decentralisation, Development and Accommodation of Ethnic Minorities: The Case of Ethiopia*, PhD Dissertation, University of the Western Cape, June 2012, pp. 120–180; Endale Belay, *The Role and Legal Status of Urban Local Government in the Implementation of Planning Law in Ethiopia: The Case of Amhara National Regional State*, PhD Dissertation, University of South Africa, April 2020, pp. 124–126; Assefa Fiseha, *Federalism and the Accommodation of Diversity in Ethiopia: A Comparative Study*, Nijmegen: Wolf Legal Publishers, 2006, pp. 11–51.

[3] Ibid

[4] Bahru Zewde, "Ethiopia: The Challenge of Democracy from Below," in Bahru Zewde and Siegfried Pausewang (eds), *Ethiopia: The Challenge of Democracy from Below*, Nordiska Afrikainstitutet and Forum for Social Studies, 2002, pp. 7–16.

[5] Ibid

[6] Ibid

[7] Assefa Fiseha, Supra Note 2, pp. 11-21

[8] UN-Habitat, *Local Democracy and Decentralization in East and South Africa: Experiences from Uganda, Kenya, Botswana, Tanzania and Ethiopia*, UN-Habitat, 2002, pp. 85–108; Mulatu Wubneh, "Ethnic Identity Politics and the Restructuring of Administrative Units in Ethiopia," *International Journal of Ethiopian Studies*, Vol. 11, No. 1 & 2, 2017, pp. 105–138.

tion, and cities were treated as administrative extensions rather than autonomous units."[9] This observation underscores the path-dependent nature of contemporary institutional weaknesses in ULG financing and property tax reform. Accordingly, the evolution of ULGs must be situated within a broader trajectory characterized by rural bias, centralized control, and the dominance of land-based revenue systems. This section traces that evolution across four periods: the pre-1931 imperial order, the constitutional monarchy (1931–1974), the Derg regime (1974–1991), and the post-1991 federal system.

During the pre-1931 imperial period, governance was highly decentralized, with authority exercised by regional elites such as *Ras* and *Nigus*, who controlled land and tribute.[10] Land tenure regimes, notably *gult* (fiscal grants) and *rist* (hereditary rights), constituted the institutional basis of political authority and organized revenue extraction, predominantly in kind and mediated through hierarchical relations.[11] While this arrangement facilitated local autonomy, it simultaneously inhibited the consolidation of centralized administrative and fiscal institutions.[12] As a result of the wandering capitals, urban centers remained marginal and functioned primarily as politico-military outposts and market nodes rather than autonomous administrative units.[13] Subsequent centralizing efforts under Tewodros II, Yohannes IV, and Menelik II, including tax rationalization and land measurement under the *qalad* system, did not fundamentally alter this rural orientation.[14] Although the establishment of Addis Ababa and infrastructure expansion marked early urbanization, municipal autonomy remained largely absent.[15]

The constitutional monarchy period (1931–1974) introduced administrative modernization while entrenching centralization.[16] The 1931 Constitution and subsequent statutory reforms transformed local rulers into imperial appointees and subordinated local administration to central ministries.[17] Although Decree No. 1/1942[18] formally recognized urban centers and Proclamation No.

[9] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.
[10] Zemelak Ayitenew, Supra note 2, p. 124 & 130; Assefa Fiseha, supra note 2, pp. 11-21
[11] Ibid
[12] Ibid
[13] Ronald J Horvath, "The Wandering Capitals of Ethiopia," *The Journal of African History*, Vol. 10, No. 2, 1969, pp. 205–219.
[14] Assefa Fiseha, supra note 2, pp. 11-21
[15] Ibid; Tamerat Delelegne, "The Legal Basis of Self-Rule in Ethiopian Cities," *Journal of Ethiopian Law*, Vol. 26, No. 1, 2013, pp. 39–93.
[16] Zemelak Ayitenew, Supra note 2, p. 135; Assefa Fiseha, supra note 2, p. 23
[17] Ibid, p. 142; Ethiopian Constitution of 1931, His Imperial Majesty Haile Selassie I, 16 July 1931, Preamble.
[18] Yehager Astedader Demb Decree No. 1/1942, Negarit Gazeta, Year 1, No. 6, Arts. 71, 73 and 74 (hereinafter "Decree No. 1/1942"); Tamerat Delelegne, supra note 14.

74/1945[19] established and classified them as municipalities and townships, ULGs remained under tight central control, and the number of urban centers was limited. Local councils had minimal elected representation, while executive authority rested with centrally appointed officials such as *Kantibas*.[20] Fiscal reforms, though gradually, replaced long-standing tribute systems with statutory taxation but centralized revenue powers.[21] Even the elevation of Addis Ababa to chartered status under General Notice No. 172/1954 conferred only limited autonomy and was not extended to other cities.[22] Nor did the 1955 Revised Constitution introduce any meaningful decentralization.[23] Consequently, municipalities functioned primarily as deconcentrated administrative units with constrained fiscal capacity and weak local accountability.[24] These structural constraints intensified systemic grievances and contributed to the regime's downfall in 1974.

The Derg regime (1974–1991) marked a radical restructuring of local governance, alongside land nationalization and socialist reorganization.[25] While largely retaining earlier territorial units, it established Peasant Associations and Urban Dwellers' Associations as the primary institutions of rural and urban governance, responsible for service delivery, dispute resolution, and limited revenue collection.[26] In practice, however, these bodies operated within rigid hierarchical structures as instruments of centralized political control, with both fiscal and decision-making authority concentrated at the center.[27] Notably, the regime abolished land taxes and replaced them with service-based fees and charges, which proved ineffective in urban areas lacking adequate infra-

[19] Proclamation to Provide for the Control of Municipalities and Townships, Proclamation No. 74/1945, Negarit Gazeta, 4th Year, No. 7.
[20] Tamerat Delelegne, Supra note 14
[21] See Chapter Six of this dissertation.
[22] Charter of the City of Addis Ababa, General Notice No. 172/1954, Negarit Gazeta, Year 13, No. 10.
[23] Assefa Fiseha, supra note 2, pp. 25-33; *See also The Revised Constitution of the Empire of Ethiopia, Proclamation No. 149/1955, Negarit Gazeta, 15th Year, No. 2;*
[24] John M Cohen and Peter H Koehn, "Rural and Urban Land Reform in Ethiopia," *The Journal of Legal Pluralism and Unofficial Law*, Vol. 9, No. 14, 1974, pp. 3–62; Meheret Ayenew, "The City of Addis Ababa: Policy Options for the Governance and Management of a City with Multiple Identity," *FSS Discussion Paper*, No. 2, 1999;
[25] Zemelak Ayitenew, Supra note 2, p. 152; Assefa Fiseha, supra note 2, pp. 34-39
[26] Public Ownership of Rural Lands Proclamation No. 31/1975, *Negarit Gazeta*, Year 34, No. 26 (hereinafter "Proclamation No. 31/1975"), Art. 3; Government Ownership of Urban Land and Extra Houses Proclamation No. 47/1975, *Negarit Gazeta*, Year 34, No. 41 (hereinafter "Proclamation No. 47/1975"), Arts. 3 & 13; see also Peasant Associations Organization and Consolidation Proclamation No. 71/1975, *Negarit Gazeta*, Year 35, No. 15; Urban Dwellers Associations Consolidation and Municipalities Proclamation No. 104/1976, *Negarit Gazeta*, Year 36, No. 5; Urban Dwellers Associations and Urban Administration Proclamation No. 206/1981, Negarit Gazeta, Year 40, No. 15.
[27] Assefa Fiseha, supra note 2, pp. 34-39; Fasil Nahum, "Socialist Ethiopia's Achievements as Reflected in Its Basic *Laws," Journal of Ethiopian Law, Vol. 11, 1980, pp. 83–88.*

structure.[28] Subsequent reforms, including municipal reorganization in 1981[29] and the 1987 Constitution[30], introduced no significant departures from this model, instead reinforcing the unitary state and central dominance.[31] As a result, municipalities remained fiscally constrained and institutionally weak, contributing to mounting opposition that culminated in the regime's collapse in 1991.[32]

The post-1991 period introduced a decentralized framework, later entrenched in the 1995 Constitution, which devolved substantial powers to regional states.[33] However, neither the transitional legal framework nor the Constitution recognized local governments as an autonomous tier or clearly defined their powers, functions, and revenue sources.[34] As a result, early reforms prioritized regional empowerment and left local governance largely to regional discretion.[35] The 2001 District-Level Decentralization Program sought to address this gap but focused primarily on strengthening woreda governance and again left ULGs relatively marginalized.[36] Urban governance gained policy prominence only after the 2005 Urban Development Policy, which prompted regional city proclamations aimed at strengthening institutional capacity and redefining revenue sources.[37] These reforms, however, have not materially enhanced the legal status, institutional design, or fiscal capacity of ULGs.[38] They remain embedded in a system oriented toward rural

[28] See Chapter Six of this dissertation.
[29] Proclamation 206/1981, Arts. 3(3) & 38(1)
[30] The Constitution of the People's Democratic Republic of Ethiopia (PDRE), Proclamation No. 1/1987, *Negarit Gazeta*, Vol. 47, No. 1. Arts. 59 & 61
[31] Assefa Fiseha, supra note 2, pp. 39-43
[32] Tamerat Delelegne, Supra note 14
[33] Tegegne Gebre-Egziabher and Kassahun Berhanu, A Litrature Review of Decenetralization in Ethiopia, In Taye Assefa and Tegegne Gebre-Egziabher (Ed.), Decentralization in Ethiopia, Forum for Social Studies, 2007, PP. 1-7 See also Transitional Period Charter of Ethiopia No. 1/1991, *Negarit Gazeta*, 50th Year, No. 1 (hereinafter "Transitional Period Charter"), Preamble & Arts. 2 & 13; A Proclamation to Provide for the Establishment of National/Regional Self-Governments, Proclamation No. 7/1992, *Negarit Gazeta*, 51st Year, No. 2, Preamble; Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995, *Federal Negarit Gazeta*, Year 1, No. 1, Arts. 50 & 51–52 & 94–100 (hereinafter "FDRE Constitution").
[34] Ibid
[35] Ibid, FDRE Constitution, Arts. 39(3) & 50(4). The Constitution, though it does not define them in detail and leaves their regulation to regional states, indicates the need to entrench self-rule and establish local governments to serve two main purposes: accommodating ethnic diversity and encouraging local participation.
[36] Besfat Dejen, "Assessment of the Process of Decentralization and District Level Decentralization in Ethiopia: The Case of Amhara National Regional State," *Journal for Studies in Management and Planning*, Vol. 4, No. 7, July 2018, pp. 94–107.
[37] FDRE, *National Urban Development Policy*, March 2005, p. 9. The policy recognizes that the growth and development of cities and ULGs constitute a *sine qua non* for the broader developmental and democratic advancement of rural areas and the nation as a whole.
[38] Supra note 32, pp.99-100

and ethnically structured administration and key functions such as land administration and revenue retained by regional authorities.[39] Consequently, ULGs face persistent constraints, including limited fiscal autonomy, weak institutional capacity, fragmented legal frameworks, and inadequate intergovernmental coordination.[40] The enduring legacy of centralization and rural bias continues to impede the development of autonomous and effective urban governance, underscoring the need for clearer constitutional recognition and stronger institutional empowerment of ULGs.[41]

3.3 The Constitutional Protection and Status of ULGs

In 1995, Ethiopia formally became a federal state with the promulgation of the FDRE Constitution.[42] The Constitution provides that "sovereign power resides in the Nations, Nationalities, and Peoples," granting them the unconditional right to self-determination, including secession.[43] It establishes two orders of government, federal and state, with three branches: legislative, executive, and judicial.[44] Government powers and functions are allocated between the two orders in various forms, including exclusive, concurrent (or shared), residual, and delegated powers.[45] Regional governments are thus authorized to formulate and implement policies on economic and social matters, administer land and natural resources, and exercise residual powers.[46] The adequacy of these powers, however, remains contested, as the federal government continues to dominate policymaking and constrain both regional and local autonomy in different ways.[47] Centralization is further reinforced by the influence of federal ministries and institutions, as well as by the dominant party system, where key decisions are often approved and enforced following di-

[39] Supra note 14
[40] Ibid
[41] See generally Zemelak Ayitenew and Jaap de Visser, "The (Mis)Management of Ethno-Linguistic Diversity in Ethiopian Cities," *Ethnopolitics*, Vol. 16, No. 3, 2017, pp. 260–278; Jemal Abagissa, "A Brief Review of Urban Development Initiatives and Policies in Ethiopia since 2000," *Journal of Public Administration and Policy Research*, Vol. 4, No. 1, 2021, pp. 1–10; Samson Kassahun and Alok Tiwari, "Urban Development in Ethiopia: Challenges and Policy Responses," *The IUP Journal of Governance and Public Policy*, Vol. 7, No. 1, 2012, pp. 59–65.
[42] FDRE Constitution, Preamble, Arts 1 & 47.
[43] Ibid, Preamble, Arts. 8 (1) and 39 (5).
[44] Ibid, Art. 50 (1).
[45] Ibid, Arts. 50 (2, 5, 6 & 7);
[46] Ibid, Art. 52
[47] Assefa Fiseha, Supra note, pp. 370-381.

rectives from central party leaders and senior officials.[48] This growing centralization framework has produced a pronounced trickle-down effect on local governments, which have increasingly become the ultimate grassroots victims.

Regarding fiscal powers, the FDRE Constitution allocates revenue authority between the federal and regional levels into four categories: exclusive federal, exclusive regional, concurrent, and undesignated.[49] This framework has been widely criticized for assigning the most buoyant taxes such as import and export duties to the federal government while leaving states with narrow tax bases and weak administrative capacity, thereby producing a pronounced vertical fiscal imbalance over the past three decades.[50] Consequently, regional states remain heavily dependent on federal grants, which cover approximately 70-80 percent of their budgets.[51]

To mitigate this imbalance, the Constitution allows states to receive federal transfers and to borrow domestically, subject to federal approval and supervision.[52] Nevertheless, fiscal transfers and subnational borrowing remain problematic due to irrational grant formulas, legal deficiencies, and politicized administration.[53] The allocation of fiscal powers is therefore not only inadequate for regional states but also directly constrains the financial autonomy and capacity of local governments, since any devolved fiscal authority derives solely from the already limited powers of regional states.

As discussed in Chapter Two, constitutions differ markedly in how they recognize and empower local governments.[54] In older federations such as the United States, Australia, and Canada, the constitution is largely silent, leaving local government entirely to state or provincial legislation and thus subject to alteration or dissolution at subnational discretion. By contrast, modern constitutions in countries such as Germany, South Africa, Brazil, and Nigeria accord local governments substantive constitutional status as a distinct sphere or order, defining their expenditure responsibilities and revenue powers while shielding them from arbitrary interference. As demon-

[48] Ibid
[49] FDRE Constitution, Arts. 96-99
[50] Solomon Nigussie, *Fiscal Federalism in the Ethiopian Ethnic-Based Federal System*, Nijmegen: Wolf Legal Publishers, 2006, p. 155.
[51] Zemelak Ayitenew, Supra note 2, p. 193
[52] FDRE Constitution, Arts. 94 (1) & 62 (7)
[53] Zemelak Ayitenew, Supra note 2, p. 194
[54] Zemelak Ayitenew and Yonatan Fessha, "The Constitutional Status of Local Government in Federal Systems: The Case of Ethiopia," *Africa Today*, Vol. 58, No. 4, 2012, pp. 88–109.

strated earlier, such constitutional entrenchment can positively influence urban governance, municipal finance, and property tax reform, notwithstanding performance gaps in some contexts, such as Nigeria.[55]

Ethiopia presents something of a paradox. Its constitutional stipulation fits neither the classical silence model nor the fully entrenched model but more closely resembles systems such as India, where local governments receive symbolic constitutional mention without meaningful substantive autonomy.[56] From a holistic reading of the Constitution, it is both reasonable and plausible to conclude that it envisages a federal and decentralized governance framework with local governments established within, and by, autonomous regional states. To this end, it contemplates the establishment of two distinct systems of local government that differ in structure, purpose, and outcome. The first type of local government is conceived as an institutional expression of the right to self-determination of Nations, Nationalities, and Peoples.[57] Indeed, the federal order is normatively designed as a federation of ethnic communities, with self-determination as its foundational principle. In this regard, the Constitution provides that:

> "Every Nation, Nationality and People in Ethiopia has the right to a full measure of self-government which includes the right to establish institutions of government in the territory that it inhabits and to equitable representation in state and Federal governments."[58]

Textually, this provision recognizes and guarantees the right to establish institutions of self-government within the territory inhabited by a given community. However, the constitutional promise of "a full measure of self-government" encounters structural limitations. Guaranteeing this right to more than eighty ethnic communities in the country is, in practical terms, untenable. As a result, the federal arrangement has evolved asymmetrically: major ethnic groups such as Amhara, Oromia, Tigray, and Somali were accorded their own regional states, while minority communities within those regions are not permitted to establish comparable self-governing structures, not only at the regional level but often also at local levels. [59]

[55] See Chapter Two (section 2.6) of this dissertation.
[56] Supra note 53
[57] FDRE Constitution, Preamble, Arts. 8 & 39
[58] Ibid, Art. 39(3)
[59] Supra note 53; See also Zemelak Ayetenew, The Existence of Local Government and its Institutional Security within Ethiopia's Federal System, In Asnake Kefale and Assefa Fiseha, Federalism and Local Government in Ethiopia, Addis Ababa University Press, 2015, pp. 200-218

Critically, as noted above, both the first and second phases of decentralization produced a proliferation of ethnically defined (special) zonal and woreda-level local governments without a commensurate transfer of substantive political, administrative, and fiscal powers. The constitutional language of self-government thus risks operating more as a symbolic affirmation of ethnicity than as a functional guarantee of decentralized governance. A framework that territorializes identity is therefore ill-suited to urban governance in general and is unlikely to institutionalize meaningful local autonomy and capacity in the context of complex urban environments and rapid urbanization.[60]

The Constitution therefore envisages a second form of local government, which some scholars interpret as more liberal and functionally oriented compared to the ethnically anchored model under Article 39.[61] This second system is contemplated under Article 50(4) of the Constitution, which provides: "State government shall be established at State and other administrative levels that they find necessary. Adequate power shall be granted to the lowest units of government to enable the People to participate directly in the administration of such units."[62] Scholars such as Meheret Ayenew and Sisay Mengistie contend that the establishment of ULGs is associated with this second form, as they are typically multiethnic and characterized by diverse interests.[63]

This provision focuses on government structure and functional authority rather than ethnic rights and clarifies how decentralization operates practically at the state level. The phrases "other administrative levels" and "lowest units of government" are widely understood to refer to local governments and make them essentially a creation of the regional states. The establishment of such units appears discretionary in terms of structure and number and scholars such as Zemelak

[60] See Chapter two (Section 2.2) of this disseration
[61] Zemelak Ayitenew, Supra note 2, P. 198
[62] FDRE Constitution, Art. 50(4)
[63] Meheret Ayenew, "Decentralization in Ethiopia: Two Case Studies on Devolution of Power and Responsibilities to Local Authorities," in Bahru Zewde and Siegfried Pausewang (eds), *Ethiopia: The Challenge of Democracy from Below*, Nordiska Afrikainstitutet and Forum for Social Studies, 2002, pp. 130–148; Sisay Mengistie, "Autonomy of City/Town Administrations in Ethiopia: Case Study of Amhara National Regional State," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 219–241.

argue that this formulation may allow states to create merely deconcentrated administrative structures rather than autonomous local governments.[64]

However, such an interpretation risks unduly narrowing the constitutional promise. The drafting history, as recounted by Assefa, indicates that the framers envisaged an autonomous third tier. [65] Moreover, the requirement that "adequate power" be granted to the lowest units imposes a binding obligation on the states, limiting their discretion to determining the number, not the existence, of local government units. Getachew Assefa also argues that the constitution itself under Article 88 (1) affirms the right to self-rule at all levels. [66] Consequently, the Constitution provides for additional administrative hierarchies at the state level while enabling people to participate directly in their administration at the grassroots level.

Nevertheless, the Constitution remains textually ambiguous and stops short of explicitly recognizing local government as an autonomous order, unlike the constitutions of Nigeria and South Africa.[67] Some scholars therefore view Article 50(4) as an incidental reference rather than a structural guarantee.[68] Yet, the provision arguably calls for the establishment of local government throughout the country on a wall-to-wall basis and may serve as a constitutional foundation to empower ULGs, provided that the requisite political commitment exists.[69]

The second phase of decentralization or the DLDP sought to operationalize Article 50(4) by devolving powers to woredas through regional constitutions and to city administrations through separate city proclamations.[70] Nevertheless, the influence of Article 39 remains significant, given the ethnically based federal system and the ethnicized politics shaping post-1991 public administration. In practice, regional city proclamations have introduced ethnic quotas and quasi-segmented arrangements in the election of urban councils, appointment of local executives and

[64] Zemelak Ayitenew, Supra note 2, P. 199
[65] Assefa Fiseha, "Territorially Based Cleavages and Constitutional Responses in Ethiopia: Implications for the Region," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 34–52; Assefa Fiseha, "Local Level Decentralization in Ethiopia: Case Study of Tigray Regional State," *The Law and Development Review*, Vol. 13, No. 1, pp. 95–126.
[66] FDRE Constitution, Art. 88(1); see also Getachew Assefa, "The Legal Framework of Local Governments in Ethiopia: Some Issues," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 183–199.
[67] See Chapter Two (section 2.6) of this dissertation; Constitution of the Federal Republic of Nigeria (1999), s. 7(1); Constitution of the Republic of South Africa (1996), ch. 7.
[68] Zemelak Ayitenew, Supra note 2, p. 204
[69] Ibid
[70] Ibid

hiring of urban experts.[71] This dynamic has influenced urban governance practices from the national capital to small towns and has often led to conflicts over ownership and administrative control.[72] In many cases, political control over urban administrations is closely tied to the dominant ethnic group in the surrounding rural areas, with party structures and regional power dynamics shaping local leadership selection.[73] Consequently, becoming a mayor frequently depends less on professional competence or urban constituency support than on belonging to, or being politically aligned with, the dominant regional ethnic group.[74]

These practices are repugnant to both contemporary urban governance theories discussed in Chapter Two and to the broader urban governance reforms articulated in key national policy frameworks, such as the ADLI[75], the SDPRP [76], and the PASDEP[77]. ADLI, in particular, sought to deploy agriculture and rural development as a springboard for industrialization and urbanization, rather than entrenching a predominantly agrarian order. This vision was further elaborated in the SDPRP and PASDEP, which clearly identified both the challenges and opportunities of urbanization and emphasized the critical role of decentralized, accountable, and robust urban governance and financing in addressing pervasive poverty and governance deficits across both rural and urban contexts.[78] This has prompted later policy frameworks, including GTP I[79], GTP II[80] and the the ongoing HGER[81], to address urban development and governance more clearly and systematically.

[71] See generally Mengistu Gutema and Solomon Nigussie, "Exploring Urban Governance in Ethiopia: Institutional Principles of Non-State Actors' Engagement," *American Journal of Management Science and Engineering*, Vol. 7, No. 2, 2022, pp. 6–13; Milkessa Midega, "Ethiopian Federalism and the Ethnic Politics of Divided Cities: Consociationalism without Competitive Multiparty Politics in Dire Dawa," *Ethnopolitics*, Vol. 16, No. 3, 2016, pp. 1–16.
[72] Ibid
[73] Ibid
[74] Ibid
[75] FDRE Government, *Agricultural Development-Led Industrialisation (ADLI)*, 1995. Although the ADLI was initiated following the 1991 change in government, the TGE initially focused on transitioning from a command economy to a market-based system and it formally adopted and consolidated ADLI as the primary economic policy only in the mid-1990s and continued to therefter in different forms.
[76] FDRE Government, *Sustainable Development and Poverty Reduction Program (SDPRP) (2002–2005)*, 2002.
[77] FDRE Government, *Building on Progress: A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005–2010)*, 2005.
[78] Zemelak Ayitenew, Supra note 2, pp. 207-212
[79] FDRE Government, *Growth and Transformation Plan (GTP I) (2010–2015)*, 2010.
[80] FDRE Government, *Growth and Transformation Plan (GTP II) (2015–2020)*, 2015.
[81] FDRE Government, *A Homegrown Economic Reform Agenda (HERA): A Pathway to Prosperity (2020–2030)*, 2020.

These general policy trajectories ultimately informed the 2005 Urban Development Policy and the Plan for Urban Development and Urban Good Governance (PUDUGG).[82] These policy documents highlighted historical governance gaps and introduced measures to strengthen the institutional status and functional capacity of ULGs. Collectively, these reforms aimed to empower woredas and city administrations with political, administrative, and fiscal authority as instruments of grassroots development and poverty reduction. The DLDP thus institutionalized both ethnically based local units (nationality zones and special woredas) under Article 39 and general-purpose rural and urban local governments under Article 50(4). This reflects the persistent tension between ethnic imperatives and functional governance within Ethiopia's decentralization framework, which is particularly pronounced in urban contexts.

Ethiopia presently comprises more than 2,500 urban centers organized under differentiated legal regimes. Addis Ababa and Dire Dawa enjoy chartered federal status equivalent to that of regional states.[83] Their institutional architectures, including internal structure, expenditure responsibilities, fiscal powers, and accountability mechanisms, are defined by their respective proclamations, also known as charters, enacted by the federal parliament. The City of Harar occupies a unique constitutional position, as it is recognized by the FDRE Constitution as one the ethnically based self-governing regional states and is established by the regional constitution as the capital of the Harari People's National Regional State, functioning as an urban center.[84] Beyond these exceptions, the federal Constitution is largely silent on the establishment, institutional existence, powers, functions, and revenue assignments of other urban centers. Regional constitutions replicate this constitutional minimalism and provide only cursory references to ULGs without substantive entrenchment. For example, the Constitution of the Amhara National Regional State provides;

[82] FDRE Government, *Plan for Urban Development and Urban Good Governance (PUDUGG)*, 2007. Its only later, with the need for enhancing urban development, that a fully-fledged urban policy was adopted in 2007 by the federal government, which focused on urban governance, infrastructure provision, housing, and land management, creating employment opportunities, and protecting the urban environment.

[83] See Addis Ababa City Government Revised Charter Proclamation No. 361/2003, *Federal Negarit Gazeta*, 9th Year, No. 86 (hereinafter "Proclamation No. 361/2003"); Dire Dawa Administration Charter Proclamation No. 416/2004, *Federal Negarit Gazeta*, 10th Year, No. 60 (hereinafter "Proclamation No. 416/2004").

[84] FDRE Constitution, Art. 47 (1)(9); Revised Constitution of the Harari Regional State, September 2004, Arts. 5 and 45(2).

> "Without prejudice to the stipulations laid down under subart. 1 of this Article, with regard to the administrative hierarchies of the regional state hereof, urban centers within the regional state may have their own councils with the view to enhancing their development. Particulars shall be determined by law."[85]

With respect to the regional administrative hierarchy, the constitution provides that the state is composed of Regional, Woreda, and Kebele administrative units and special nationality administrative structures for Himra, Awi, and Oromia.[86] Articles 46 and the provisions that follow elaborate in detail the organizational structure, powers and duties, and accountability mechanisms of each of these units.[87] However, there is no comparable constitutional framework exists for ULGs. This omission is constitutionally significant. In contrast to the carefully articulated status of zonal, woreda, and kebele administrations, the regional constitution remains silent on the internal organization, functional mandates, fiscal powers, and accountability structures of ULGs, leaving these matters to subsequent ordinary legislation. Moreover, the permissive formulation that urban centers "may" establish their own councils reinforces the non-entrenched character of urban self-government. It is neither constitutionally guaranteed nor structurally protected; rather, it exists at the discretion of the regional legislature. Such drafting situates ULGs outside the core architecture of constitutionally recognized sub-state governance and renders their autonomy contingent, derivative, and potentially reversible.

In this regard, an expert from the BoUI (Amhara Region) argued:

> "Strictly speaking, cities exist because regional governments allow them to exist. There is no constitutional guarantee, so autonomy depends largely on political goodwill. In practice, the regional government has taken measures to expand their autonomy. However, this cannot replace a constitutional guarantee. The issue becomes critical particularly when introducing sensitive reforms like property taxation. Cities were not party to the negotiation process in determining the power to levy and collect property tax."[88]

[85] Revised Constitution of the Amhara National Regional State Approval Proclamation No. 59/2001, *Zikre Hig*, 7th Year, No. 2, Art. 45(4).
[86] Ibid, Art. 45 (1-3)
[87] Ibid, Arts. 46-107. Arts. 46–72, 73–82, 83–95, and 96–107 set out the powers and functions of regional, zonal, woreda, and kebele organs, respectively.
[88] Interview with Aynalem Belete, Annex VI, December 21, 2025.

Similarly, an expert in the Delphi Expert Panel expressed a comparablly similar view. By contrast, another interviewee from the MoUI argued differently.[89] In his assessment, constitutional protection carries largely symbolic value, as recognition of urban autonomy is already embedded in urban development policy and the working documents of the MoUI. For him, the more pressing challenge lies in the attitudes of government officials, particularly at zonal and regional levels. He further noted that the government has implemented several rounds of measures to enhance the political, administrative, and fiscal autonomy of ULGs, often with the support of international development partners. Nevertheless, in a follow-up question, it was learned that he did not object to a constitutional amendment providing clearer recognition and protection of local governments.

The same structural pattern is observable across other regions. This is largely because regional constitutions are standardized in form and content due to their coordinated enactment at the federal center in 2001, as their legislative history indicates.[90] Consequently, the constitutional marginalization of ULGs is not an isolated drafting anomaly but a systemic feature of Ethiopia's regional, if not federal, constitutional design. In response to this lacuna, and pursuant to broadly framed regional constitutional mandates, regional councils have enacted and repeatedly amended proclamations establishing ULGs and defining their internal organization, powers and functions, revenue sources, and accountability mechanisms.

As a result, the governance of most urban centers is determined by ordinary regional legislation, designed to align with federal policy guidance issued by the present MoUI.[91] In practice, however, this does not ensure full harmonization, and institutional design varies across regions, albeit not significantly. In Amhara region, urban centers are stratified into city administrations, municipal cities, and emerging towns, which are further classified into five categories.[92] In Oromia, a more elaborate hierarchy exists with eight categories, ranging from regiopolis and principal city administrations to growing municipal administrations.[93] Despite terminological differences, clas-

[89] Delphi expert opinion, Yilkal Ayalew, Round I, Annex VII.
[90] Zemelak Ayitenew, Supra note 2, p. 201
[91] Mengistu Gutema and Solomon Nigussie, Supra note 71
[92] Revised Proclamation to Provide for the Re-Establishment, Organization, and Determination of the Powers and Duties of Urban Governments in the Amhara National Regional State, Proclamation No. 245/2017, *Zikre Hig*, 21st Year, No. 25, Art. 6(1) (hereinafter "Proclamation No. 245/2017").
[93] Oromia Regional State Urban Re-Establishment Proclamation No. 250/2023, *Magalata Oromiyaa*, Year 32, No. 1, Art. 5(1) (hereinafter Proclamation No. 250/2023).

sification criteria generally converge around population size, territorial extent, revenue performance, and administrative centrality.[94]

Structurally, first-tier city administrations, such as metropolitan or regional cities, operate with the status of zonal administrations and are directly accountable to regional governments.[95] Mid-level cities function at the woreda level and remain accountable to zonal authorities, while lower-tier municipalities and emerging towns are subordinated to woreda administrations.[96] ULGs are therefore not only creatures of regional ordinary legislation but also institutionally and functionally subordinate to regional, zonal, and woreda structures. Although ULGs, particularly urban councils, are formally described as accountable to urban residents, such popular accountability rarely exists in practice. In reality, the members of urban councils are typically drawn from a single ruling party and operate under the strong supervision and influence of the executive.[97]

Thus, owing to political and administrative pressures, ULGs are primarily accountable to higher-level officials, who are principal political actors in the region. These vertical arrangements reflect the logic of Ethiopia's ethnically organized federal order and the rural-oriented first phase of decentralization. The result is a model in which urban governance remains embedded within territorially and ethnically structured administrative hierarchies. Whether such a framework is normatively and functionally adequate for contemporary, rapidly urbanizing contexts, particularly for sophisticated land-based financing instruments and property tax reforms, remains contestable, as discussed in Chapter Two. What is clear, however, is that the present ULG architecture, including its limited political, administrative, and fiscal autonomy, is the product of layered constitutional design and successive legislative and policy-driven decentralization reforms rather than robust constitutional entrenchment of urban self-government.

Emerging empirical and doctrinal studies confirm that the non-recognition of cities in regional constitutions, if not at the federal level, and the corresponding absence of constitutional protection have rendered ULGs structurally precarious. Without entrenched constitutional status, cities remain vulnerable to unilateral reorganization, boundary demarcation and re-demarcation, the reassignment or withdrawal of revenue sources, and sustained administrative interference by ex-

[94] Proclamation No.245/2017, Art. 6 (2-4); Proclamation No. 250/2023, Art. 5 (2-12)
[95] Proclamation No.245/2017, Arts. 2(4) & 7 (1); Proclamation No. 250/2023, Arts. 2(13 & 14) & 6(2)
[96] Proclamation No.245/2017, Art. 7 (2-5); Proclamation No. 250/2023, Art. 6 (3-5)…
[97] Supra note 36

ecutives at the regional, zonal, and woreda levels.[98] This vulnerability is systemic rather than incidental. Where the existence, territorial integrity, and fiscal authority of local governments are left to ordinary legislation, they become contingent on shifting political calculations rather than secured by constitutional guarantees.[99] Urban institutions thus operate less as autonomous spheres of government and more as delegated administrative units within a vertically integrated hierarchy. The absence of constitutional entrenchment weakens legal certainty, undermines institutional continuity, and constrains long-term urban governance and financing reforms.[100] The constitutional differentiation between rural and urban local governments, where the former are expressly recognized and structurally detailed, while the latter are relegated to legislative discretion, remains analytically difficult to justify. In the context of rapid urbanization and the growing economic centrality of cities, the asymmetry appears rooted less in functional necessity than in the historical and political logic of a federal order designed around territorially and ethnically defined, predominantly rural administrative structures.

3.4 Internal Institutional and Functional Structure of ULGs

A central issue in strengthening urban governance and municipal finance concerns the internal institutional and functional structure of ULGs, in addition to their constitutional and legal status. In contemporary Ethiopia, this structure reflects a hybrid Council–Mayor and Council–Manager model with legislative, executive, and judicial organs.[101] The City Council, or, in its absence, the woreda council, holds supreme political authority, while executive power rests with the Mayor, the Mayor's Committee, and, where applicable, a city manager; and a City Court serves as the

[98] Zemelak Ayitenew, Supra note 2, P. 234; see also Assefa Fiseha, "Territorially Based Cleavages and Constitutional Responses in Ethiopia: Implications for the Region," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 34–52.

[99] Anwar Shah, "A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance," in Anwar Shah (ed), *Local Government in Industrial Countries*, Public Sector Governance and Accountability Series, World Bank, 2006, pp. 27–35.

[100] Zemelak Ayitenew, "The Existence of Local Government and Its Institutional Security within Ethiopia's Federal System," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 200–218.

[101] Jemal Abagissa, "The Assessment of Council–Executive Roles and Styles in the Ethiopian Urban Centres," *Journal of Public Administration, Finance and Law*, Issue 20, 2021, pp. 7–28; see also Oromia Regional State Urban Re-Establishment Proclamation No. 250/2023, *Magalata Oromiyaa*, Year 32, No. 1, Art. 16 (hereinafter Proclamation No. 250/2023).

judicial organ.[102] Although designed to ensure accountability, checks and balances, and administrative coordination, this architecture operates in practice within a constrained decentralization framework marked by legal ambiguity, institutional fragility, and pervasive external control.[103]

ULGs possess councils with broad legislative, policymaking, and oversight powers.[104] However, these powers are imprecisely defined, and key competences, particularly in land administration and fiscal matters, are effectively overridden by regional laws and authorities.[105] These structural constraints are compounded by electoral deficiencies becuase local elections have often lacked competitiveness, regularity, and credibility, and have frequently been dominated by the ruling party, contrary to constitutional and legal standards.[106] The executive branch, which comprises the Mayor, Deputy Mayor, Mayor's Committee, City Manager, and sector heads, serves as the principal organ for policy implementation and administration.[107] In practice, however, it is weakened by politicized appointment processes and predominantly upward accountability, which undermine local responsiveness and institutional performance.[108]

Municipal courts and tribunals, though established to uphold legality and resolve disputes[109], operate within fragmented and resource-constrained frameworks, compromising their independence and effectiveness.[110] Accordingly, despite a formally enabling legal framework, ULG institutions fall short of their intended roles due to unclear mandates, legal uncertainty, limited technical and

[102] Jemal Abagissa, Ibid; Proclamation No.245/2017, Arts. 12; Proclamation No.250/2023, Art. 15;

[103] Mengistu Gutema and Solomon Nigussie, "Urban Governance and Urban Local Government Autonomy in Ethiopia," *Journal of Public Administration, Finance and Law*, Vol. 11, No. 26, 2022, pp. 122–137.

[104] Proclamation No.245/2017, Arts. 13 & 14; Proclamation No. 250/2023, Arts. 17 & 18. Small urban ceneters have councils at woreda level but they have their won coucils at kebele levels.

[105] Christophe van der Beken and Beza Dessalegn, "Urban Government Autonomy and Good Governance in Ethiopia: The Case of Hawassa City," *Ethiopian Journal of Federal Studies (EJFS)*, Vol. 5, No. 1, 2018, pp. 167–173. For example, federal urban land and planning laws such as the Leaseholding Proclamation No. 721/2011 and the Urban Planning Proclamation No. 574/2008 and regional municipal revenue regulations, regulate most aspects of urban governance and leave little or no room for ULGs to enact supplementary rules or exercise meaningful autonomy. In practice, their role is largely confined to implementation. See Chapters Four and Five of this dissertation for a detailed discussion.

[106] Ibid

[107] Proclamation No.245/2017, Arts. 21-30; Proclamation No. 250/2023, Arts. 26-34

[108] Supra note 36, pp. 102–103; Christophe van der Beken and Beza Dessalegn, supra note 105, pp. 173–181.

[109] See Proclamation No. 361/2003, Arts. 39-50; Proclamation No. 416/2004, Arts. 31–41; Proclamation No. 245/2017, Arts. 76–84; Proclamation No. 250/2023, Arts. 64–66.

[110] Christophe van der Beken and Beza Dessalegn, supra note 105, pp. 178–181; Mengistu Gutema and Solomon Nigussie, p. 129

financial capacity, and sustained external interference, often reinforced by party structures.[111] They, thus, function more as administrative extensions than autonomous units of local self-government. This institutional fragility directly constrains the prospects for sustainable municipal finance and property tax reform, both of which depend on clear legal mandates, capable administration, and credible enforcement mechanisms.

Limitations in the internal architecture of ULGs are reinforced by weaknesses in their functional design. Although local governments, as the tier closest to citizens, are expected to manage daily urban affairs and advance national and global agendas such as the SDGs, their legal status and institutional design constrain this role.[112] Their establishment, powers, and functions derive from regional laws rather than constitutional entrenchment, rendering their competences largely delegated as noted above. Regional legislation typically distinguishes between two categories of functions: state functions, delegated, supervised, and financed by regional governments, and municipal functions, which are inherent and funded through own-source revenues.[113] In practice, however, this distinction is blurred by overlapping mandates and broad functional definitions. ULGs often lack the capacity to discharge these responsibilities, which, in turn, invite continued regional intervention, particularly in land governance and revenue administration.[114] Consequently, they operate both as agents of regional authorities and as nominally self-governing entities, with limited effective autonomy and weak accountability to urban residents.

These structural constraints are compounded by significant capacity deficits, including narrow revenue bases, heavy reliance on intergovernmental transfers, weak technical and administrative capacity, and limited technological infrastructure.[115] The result is a persistent mismatch between assigned responsibilities and available resources. In addition, the dominance of state-centered service delivery models and underdeveloped regulatory frameworks for outsourcing and public–private partnerships further limit efficiency and innovation in urban service provision.[116] Overall, deficiencies in legal status, institutional design, and functional clarity reveal a clear gap be-

[111] Ibid
[112] Jemal Abagissa, Supra note 41
[113] See Mengistu Gutema and Solomon Nigussie, Supra note 71, pp. 6–13; Meheret Ayenew, Supra note 24
[114] Ibid; See Chapters Four and Five of this dissertation
[115] Ibid
[116] Supra note 113

tween the formal objectives of decentralization and its practical realization. This underscores the need for clearer constitutional recognition, more precise functional assignments, strengthened institutional capacity, and more coherent fiscal and regulatory frameworks to enable ULGs to function as effective and autonomous units of urban governance.

3.5 Local Land Administration Power: Gaps and Implications to Property Tax reform

Land administration refers to the determination, recording, and dissemination of information on land ownership, value, and use and, by definition, encompasses property taxation as a core fiscal function.[117] It is widely recognized as a foundational determinant of local development, tenure security, and revenue generation.[118] In contemporary Ethiopia, local land administration is shaped by two constitutionally embedded features that have direct implications for ongoing property tax reform and tax administration. First, both rural and urban land are exclusively vested in the state and the peoples of Ethiopia, are defined as the common property of the Nations, Nationalities, and Peoples, and are held by the government as the sole custodian to administer and deploy for the common benefit of the people.[119] Second, legislative authority over land utilization and conservation is centralized at the federal level, while regional states are assigned land administration powers that may be delegated to local governments.[120] These two stipulations represent a structural departure from private ownership regimes and local government autonomy that typically underpin effective land administration and property taxation in the conventional literature. This section examines the land administration power of ULGs and its implications for revenue generation under Ethiopia's federal and ethnic-based administrative system.

Public ownership of land and government custodianship, combined with the ethnicization of land and property rights, have fundamentally reshaped land rights, land value formation, and land-

[117] Ian P Williamson, "Land Administration 'Best Practice': Providing the Infrastructure for Land Policy Implementation," *Land Use Policy*, Vol. 18, No. 4, 2001, pp. 297–307.
[118] Ibid
[119] FDRE Constitution, Art. 40 (3) & 89 (5)
[120] Ibid, Arts. 51(5), 55(2)(a), 52(2)(d) and 50 (4)

based revenue over the past three decades.[121] Under this regime, land is not treated as a privately owned asset available in the market. Rather, it is considered a collectively held resource administered by the government in the name of ethno-national groups, and individuals hold only usufructuary rather than ownership rights. Unfortunately, land reform measures have not been capable of significantly expanding land use rights or land markets in the context of fast-growing urban centers in Ethiopia.[122] As a result, constraints on access to land and tenure security arise not only from land scarcity and administrative capacity limitations, but also from ethnic-based administration, which heightens perceptions of differential treatment and expands the scope for discretionary decision-making. This is particularly true in urban contexts, where land values and rents are relatively high and governance is politically sensitive.

These dynamics intensify vulnerabilities inherent in time-bound lease systems, including a high risk of expropriation and urban land redevelopment, weak grievance-handling and dispute resolution mechanisms, and limited trust in local governance institutions.[123] Consequently, core attributes of property rights such as exclusivity, transferability, and permanence are weakened, and land value capitalization is constrained.[124] Land value is therefore shaped less by market dynamics and more by administrative allocation, political discretion, and regulatory uncertainty, which in trun reduces the suitability of land and property as a stable and transparent tax base.[125] As a result, Ethiopia's property tax reform is expected to operate in an environment of muted land values and conditional tenure, which, in practice, weakens efficiency and equity in property tax administration.

The other constitutional feature concerns the vertical distribution of land administration powers and the limited scope of authority left to local governments to exercise at the grassroots level and on a day-to-day basis. As noted above, the Constitution reserves the power to legislate on land

[121] See for example Zemen Haddis, "Access to Land and Tenure Security in Ethiopia's Ethnic-Based Administration System," *African Journal on Land Policy and Geospatial Sciences*, Vol. 5, Issue 3, 2022, pp. 521–541; Daniel Hailu, "Ethnic Federalism and Public Land Ownership in Ethiopia," *The Elephant*, 29 May 2025.
[122] Ibid
[123] Defferew Kebebe, "Urban Local Government and Its Role in Local Economic Development: The Case of Adama City (Ethiopia)," *Journal of Governance and Development (JGD)*, Vol. 20, No. 1, 2024, pp. 1–44; Nathan Shiberu, *The Role of Urban Land Laws in Urban Good Governance: The Case of Adama*, LL.M. Thesis, Addis Ababa University, 2019.
[124] See Seid Hussen, Hans Lind and Belachew Yirsaw, "Understanding Urban Land Leasing System as a Strategic Value Capture Instrument to Enhance Urban Revenue in Ethiopia: A Case Study of Bahir Dar City," *Economies*, Vol. 10, 2022, pp. 1–26.
[125] Ibid

utilization and conservation to the federal government, while the authority to administer land is vested in regional states. The most critical problem, however, is that the land administration power of urban local governments is not constitutionally guaranteed, as is the case with their broader institutional status, and is instead left to delegation by regional governments as per artcile 50 (4) of the FDRE Constitution.

In fact, the federal government continues to be the primary actor in land administration, and any remaining authority is exercised by regional governments. This distribution of land governance power contains significant structural gaps and remains highly contested within Ethiopia's federal system.[126] A core source of ambiguity lies in the unclear scope of the federal power to legislate on the "utilization of land and other natural resources" and the regional power to "administer land and other natural resources in accordance with federal laws."[127] In practice, the federal government has enacted and repeatedly amended urban land lease proclamations that regulate not only land utilization but also detailed administrative matters.[128] Although these proclamations formally delegate responsibilities to regional states, such delegation is largely nominal.[129] Federal legislation exhaustively regulates administrative issues and provides model regulations, leaving regional governments with little room for autonomous norm-setting.[130] In effect, regional states often do little more than adopt federal templates.

This trend is further reinforced by practical federal executive and political intervention. Federal ministries have long guided regional land administration by preparing and distributing working manuals, implementation guidelines, and standards that constrain regional discretion in the name

[126] See Habtamu Sitotaw, Muradu Abdo and Achamyeleh Gashu, "Power of Land Administration under the FDRE Constitution," *Journal of Ethiopian Law*, Vol. 31, 2023, pp. 1–32; Gosaye Birhanu, *Vertical Distribution of Powers in Ethiopia: A Comparative Study with Canada and Germany*, LL.M Thesis, Central European University, November 2009; Habtamu Sitotaw and Brightman Gebremichael, "Land Governance Power Delegation in Federal Systems: Notion, Manner and Country Practices," *Regional & Federal Studies*, 2025, pp. 1–26.

[127] Ibid

[128] Gosaye Birhanu, Ibid; See generally Urban Lands Lease Holding Proclamation No. 80/1993, *Negarit Gazeta*, Year 53, No. 40; Urban Lands Lease Holding Proclamation No. 272/2002, *Federal Negarit Gazeta*, Year 8, No. 19; Urban Lands Lease Holding Proclamation No. 721/2011, *Federal Negarit Gazeta*, Year 18, No. 4. Currently, the federal government is amending Proclamation No. 721/2011, and a revised version is expected after nearly 15 years. See MoUI, *A Proclamation to Provide for Lease Holding of Urban Lands*, Proclamation No. —/2024 (draft)

[129] See Proclamation No. 721/2011, Art. 33

[130] See Kelemework Mideksa, *The Constitutional Status of Upward Power Delegation in Ethiopia: The Case of Large-Scale Agricultural Land Administration Power*, LL.M Thesis, Addis Ababa University, January 2018.

of harmonization and efficiency.[131] The centralized party culture and the increasing use of land as a political instrument further reinforce centralization and weaken subnational governments.[132] It is widely acknowledged that the ruling party, formerly the EPRDF and now the PP, operates through a top-down and centralized party hierarchy characterized by party–state fusion and the use of land as a mechanism of political control.[133] Under these influences, subnational governments lack the autonomy to administer urban land based on local interests and conditions and instead operate largely in response to federal direction.

Federal intervention has reached its peak through direct involvement in land administration under the guise of downward delegation, particularly in large-scale land governance and urban land registration.[134] Many scholars criticize this practice on constitutional grounds, noting that the Constitution explicitly recognizes only downward delegation of federal powers and is silent on upward delegation from regions to the federal level.[135] This problem is compounded by the absence of effective constitutional safeguards and existing institutions such as the House of Federation have not exercised robust oversight to curb federal overreach.[136] Consequently, this practice undermines regional autonomy, weakens legal certainty in land governance, and establishes a precedent for centralization that is inconsistent with the principles of federalism and decentralization.

The consequences of centralized land governance are most acute at the level of ULGs. Although federal and regional laws formally assign municipalities most day-to-day land administration responsibilities such as land preparation and allocation, contract administration, expropriation, dispute resolution, and enforcement, these powers are neither clearly defined nor substantively autonomous.[137] Most of these functions are assigned to the different departments of ULGs as defined "appropriate body".[138] A similar pattern is evident in other land governance domains such

[131] Ibid
[132] Ibid
[133] Nigussie Afesha, *The Federal-State Intergovernmental Relationship in Ethiopia: Institutional Framework and Its Implication on State Autonomy*, Mizan Law Review, Vol. 9, No. 2 (2015), pp. 341–368.
[134] Habtamu Sitotaw, *The Power to Administer Land in Ethiopia: Scrutinizing Federal Legislative Interventions*, Bahir Dar University Journal of Law, Vol. 6, No. 2 (2016), pp. 195–223.
[135] Ibid, FDRE Constitution, Art. 50(9)
[136] Ibid
[137] See Proclamation No. 721/2011
[138] Ibid, Art. 2(6); see also Misganaw Gashaw, "Corruption in the Post-1991 Urban Land Governance of Ethiopia: Tracing Major Drivers in the Law," *African Journal on Land Policy and Geospatial Sciences*, Vol. 4, No. 1, 2021.

as urban planning, land registration and cadastre, and, more recently, real property valuation, which are increasingly regulated through detailed federal laws and implementation guidelines.[139] These trends leave regional states and municipalities with limited discretionary space to adapt land governance to local conditions and land market dynamics, thereby reinforcing centralization and constraining subnational innovation in land administration and land-based revenue generation.

Above all, municipal land administration authority depends entirely on delegation from regional governments, which place cities without autonomous legal competence over land governance. Their subordinate constitutional status, combined with broader administrative and political centralization, restricts their ability to assert authority both in law and in practice.[140] As a result, municipalities operate within externally defined regulatory frameworks and exercise minimal discretion over land policy, valuation standards, cadastral maintenance, and enforcement, which are essential elements of effective land administration and property taxation. These structural constraints are further exacerbated by shortages of skilled personnel, financial resources, and technical capacity required for effective land administration in rapidly growing and increasingly complex urban contexts.[141] This explains why persistent good governance failures such as widespread corruption, limited transparency, weak accountability, restricted public participation, institutional fragmentation (between urban and rural land administration), poor enforcement, and bureaucratic inefficiencies in many urban centers have produced limited access to land, tenure insecurity, informal settlements, land-related conflicts, and inefficient service delivery that in trun render the introduction of property taxation precarious.[142]

[139] See geenrally, Urban Planning Proclamation No. 574/2008, *Federal Negarit Gazeta*, Year 14, No. 29; Urban Landholding and Land-Related Property Registration Proclamation No. 1381/2025, *Federal Negarit Gazeta*, Year 31, No. 56; Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024, *Federal Negarit Gazeta*, Year 31, No. 34; Expropriation of Landholdings for Public Purposes, Payment of Compensation and Resettlement of Displaced People Proclamation No. 1161/2019, *Federal Negarit Gazeta*, Year 25, No. 90.

[140] Yonatan Tesfaye and Zemelak Ayitenew, "Who's the Boss? Questioning the Constitutional Authority of Federal Regulation of Local Government," *Ethiopian Journal of Federal Studies (EJFS)*, Vol. 3, No. 1, pp. 81–108.

[141] Nathan Shiberu, supra note 123

[142] Moges Atalele and Getachew Melaku, "Practices and Challenges of Urban Land Governance in Debre Markos City Administration," *Discover Sustainability*, Vol. 6, No. 1245, 2025; Fraol Udessa, Dagnachew Adugna and Liku Workalemahu, "Challenges to the Practice of Good Governance in Urban Land Use Planning: The Case of Two Selected Ethiopian Towns," *Sustainability*, Vol. 15, No. 9, 2023; Hafte G. Gabrihet and Pregala Pillay, "Urban Land Governance in Ethiopia: Empirical Evidence from Mekelle City," *Journal of Public Administration*, Vol. 56, No. 3, 2021.

This institutional configuration produces a structural separation between responsibility and authority, which in turn generates systemic inefficiencies in land administration and revenue generation, including in property tax reform. This is because ULGs face expanding service delivery and infrastructure obligations without effective control over the primary immovable tax base ie land and property. This demonstrates that the underperformance of property taxation is not primarily a technical failure but rather a consequence of deeper constitutional and institutional design choices governing land administration and fiscal authority. This insight underpins the argument advanced in the subsequent chapters that sustainable property tax reform requires a fundamental reconfiguration of the relationship between land administration authority and local fiscal autonomy. Without strengthening municipal control over land registration, valuation, and enforcement, reforms focused solely on tax rates, valuation techniques, or administrative technology are unlikely to deliver durable achievements in efficiency, equity, or revenue mobilization.

3.6 Intergovernmental Relations: Assessing Supervision and Cooperation Frameworks

The preceding section established that the effective exercise of ULG powers and functions requires autonomy, institutional capacity, and public accountability. From the perspective of decentralization and federalism theory, however, these conditions are necessary but not sufficient. Reforms in these areas must be complemented by appropriate hierarchical supervision and structured intergovernmental cooperation to optimize the benefits of decentralization. In this context, ULGs must operate within a carefully calibrated balance between autonomy and oversight, as well as coordination with federal, regional, zonal, and woreda levels of government in the design and implementation of municipal finance and property tax reform. These complex and interdependent interactions among different tiers of government within a federal and decentralized system are referred to as intergovernmental relations (IGR).[143] IGR mechanisms are essential for managing shared responsibilities, preventing or resolving jurisdictional conflicts, promoting policy coherence, and safeguarding national standards without unduly undermining, indeed, while

[143] The System of Inter-Governmental Relations in the Federal Democratic Republic of Ethiopia Determination Proclamation No. 1231/2021, *Federal Negarit Gazeta*, 27th Year, No. 7, Art. 2(3).

strengthening, subnational autonomy.[144] Supervisory and coordination relationships may assume formal expressions, grounded in constitutional and statutory provisions, or informal forms shaped by political practice and administrative convention.[145]

Ethiopia, despite the adoption of federal and decenetralized systems since the 1991, had no comprehensive legal and institutional framework for IGR until recently. Consequently, it has been weakly institutionalized and largely conducted through discrete administrative and party channels.[146] A formal IGR proclamation was enacted only in 2021. However, the scope of the new law is confined to regulating relations between the Federal Government and the Regional States, as well as among the Regional States themselves.[147] It does not extend effectively to federal–local, regional–local, or local–local relations, leaving the supervisory and cooperative framework governing local governments fragmented and underdeveloped. This fragmentation undermines predictable oversight, coordination, and joint problem-solving, which are essential for effective local governance and the implementation of complex reforms such as property taxation.[148]

In this regard, Zemelak highlights experiences from Australia and South Africa as instructive for Ethiopia and demonstrates how institutionalized frameworks for IGR can improve vertical and horizontal coordination, clarify roles, and expand the operational space of local governments within federal systems.[149] One Delphi panelist strongly linked IGR to the success of ongoing property tax reform, stating: "Property tax is a local tax. However, the reform process requires coordinated action across levels of government. Currently, coordination mechanisms are weak and any system of relation is designed to influence, not to empower, local governments."[150]

This highlights a key challenge in Ethiopia given the nature of property tax and its reform process, which require predictable and collaborative engagement across all levels of government.[151]

[144] Ibid, Preamble; Nigussie Afesha, "Functional Domains of IGR Forums, House of Federation and Ministry of Peace in Ethiopia: The Need for Clarity," *Mizan Law Review*, Vol. 16, No. 2, 2022, pp. 305–338.
[145] Ibid
[146] Assefa Fiseha, "The System of Intergovernmental Relations (IGR) in Ethiopia: In Search of Institutions and Guidelines," *Journal of Ethiopian Law*, Vol. 23, No. 1, pp. 96–131.
[147] Proclamation No. 1231/2021, Art. 3(1)
[148] Nigussie Afesha, "Sectoral Intergovernmental Relations in the Ethiopian Federation: Normative and Empirical Considerations," *Mizan Law Review*, Vol. 17, No. 2, pp. 379–414.
[149] Zemelak Ayitenew, Supra note 2, p. 381
[150] Delphi expert opinion, Abraham Rega, Round I, Annex VII.
[151] See Tilahun Dires and Misganaw Gashaw, "Issues of Design in Ethiopia's Property Tax Reform: Lessons from Previous Legislative Regimes and Other Jurisdictions," *Bahir Dar University Journal of Law*, Vol. 13, No. 1, 2022, pp. 197–198.

Weak coordination produces fragmented decision-making, inconsistent enforcement, and overlapping responsibilities, constraining municipal fiscal authority. Existing relational structures prioritize oversight and control rather than empowerment, which limits local autonomy, perpetuating vertical fiscal imbalances, and skewing accountability upward. Strengthening IGR is therefore critical not only for efficient tax administration but also for institutionalizing municipal authority, clarifying functional mandates, and enabling ULGs to plan, collect, and utilize property tax revenues independently. This section examines the legal and institutional framework governing ULG relations with higher and equivalent government bodies and evaluates the practical realities of supervision and cooperation within Ethiopia's federal system.

3.6.1 Supervision Frameworks

Supervision by higher levels of government is normatively justified to secure national and regional objectives, promote equitable development, and prevent corruption or elite capture of local resources.[152] The literature commonly identifies four core elements of supervision: regulation (or standard-setting), monitoring, support, and intervention.[153] In Ethiopia's dual federal system, local governments fall primarily within regional competence, and the federal government is constitutionally precluded from directly regulating them.[154] Nonetheless, both federal and regional authorities shape ULG activities through framework policies, national plans, and enabling legislation, while zonal and woreda administrations exercise only limited regulatory authority.[155] The federal government relies on its constitutional powers over overall economic, social, and development matters, national standards, and financial and monetary affairs to enact framework laws governing urban land lease, property registration and cadastre, expropriation and compensation, urban planning, and, more recently, property taxation.[156] The Council of Ministers and sectoral ministries further issue regulations and standards, which regional states operationalize through detailed legislation governing local administration and fiscal practice.[157]

[152] Supra note 146
[153] Zemelak Ayitenew, *Local Government in Ethiopia: Adequately Empowered?*, LL.M Thesis, University of the Western Cape, November 2008, pp. 18-19
[154] Ibid
[155] Ibid
[156] FDRE Constitution, Preamble, Arts 51 (2-4) & 55 (5-6)
[157] Ibid

Monitoring constitutes the second supervisory dimension, ensuring that ULGs act within their legal mandates and comply with established standards.[158] The federal government directly oversees Addis Ababa and Dire Dawa and monitors projects it finances elsewhere. In practice, however, monitoring authority rests predominantly with regional and zonal administrations.[159] Sectoral ministries and regional bureaus, particularly in finance, revenue, urban development, infrastructure, health, and education, exercise routine oversight through reporting requirements, inspections, and audits.[160] Support represents the third element. Although the Constitution does not expressly impose a federal obligation to assist local governments, federal ministries, especially the MoUI and the MoF, provide technical and financial assistance to federal and regional cities. Regional sectoral bureaus similarly support cities through capacity-building and technical guidance. Such support mechanisms, while cooperative in form, may also function as instruments of indirect administrative control.

Intervention is the most contentious supervisory tool. Federal intervention is constitutionally limited to security threats, constitutional breakdown, or crises in the governance of federal cities.[161] These grounds are narrowly framed and do not expressly encompass failures in service delivery or abusive local taxation. It has been argued that systemic breakdowns in essential services could amount to human rights violations, thereby justifying higher-level intervention, initially by regional governments and, in exceptional circumstances, by the federal government.[162] [163] Regional constitutions and city proclamations authorize intervention on grounds such as threats to constitutional order, harm to public interest, or security failure.[164] Some regions, including Tigray and Benishangul-Gumuz, additionally recognize financial mismanagement and administrative paralysis as grounds.[165] However, these substantive criteria are often broadly formulated and in-

[158] Zemelak Ayitenew, Supra note 2, p. 344
[159] Zemelak Ayitenew, Supra note 2, pp. 347-348
[160] Ibid
[161] Proclamation 361/2003, Arts. 61(3), 17 (2) (b) & 61(4); Proclamation 416/2004, Arts. 15(4) (b), 15(3) (a) & 15(3) (b). The most commonly mentioned instance is federal governments' intervention in Addis Ababa in 2005. After the 2005 electoral dispute the federal government had intervened and established a provisional care taker government that governed the city until 2008. See FDRE Constitution. Art 62 (9) ; See also System for the Intervention of the Federal Government in the Regions Proclamation No. 359/2003, *Federal Negarit Gazeta*, 9th Year, No. 80.
[162] Zemelak Ayitenew, Supra note 2, pp. 356-357; FDRE Constitution, Art. 55 (16)
[163] Ibid
[164] Ibid
[165] Ibid

sufficiently defined, posing risks to local autonomy.[166] Intervention typically entails the suspension or dissolution of local councils, directly affecting the core institutional expression of local self-government.[167] Procedural safeguards remain weak: although some laws permit affected cities to present explanations, ultimate authority resides with regional councils.[168] Judicial review is theoretically available but constitutionally complex, frequently requiring constitutional interpretation by regional bodies or the federal House of Federation.[169]

3.6.2 Cooperation Frameworks

Cooperation is indispensable in a decentralized system to harmonize governmental action, prevent and resolve inter-jurisdictional disputes, and address functional overlaps or legislative gaps.[170] This need is particularly acute where federal and regional socio-economic initiatives such as property taxation depend on effective local implementation.[171] The critical question is whether the existing legal and institutional framework in Ethiopia is adequately structured to facilitate such collaboration and to resolve disputes arising from unclear functional divisions. The FDRE Constitution recognizes the federal and regional governments as autonomous orders and guarantees their mutual institutional integrity.[172] No comparable constitutional status is accorded to local governments. Pursuant to Article 50(4), regional constitutions explicitly subordinate woredas and cities to regional authority. As creations of ordinary legislation rather than constitutional entities, ULGs remain institutionally dependent on regional governments. Although regional proclamations invoke cooperation and partnership, they simultaneously affirm hierarchical accountability, thereby reinforcing subordination rather than parity.

Horizontal cooperations such as urban-to-urban and rural–urban are not legally prohibited. However, its institutional modalities remain underdeveloped and weakly regulated. Recent city proclamations in the Amhara and Oromia regions introduce mechanisms such as city associations and cross-regional cooperation.[173] These laws mandate that city administrations and municipal towns

[166] Ibid
[167] Ibid, PP. 359
[168] Ibid
[169] Ibid
[170] Ibid
[171] Ibid
[172] The FDRE Constitution, Art. 50 (8)
[173] Proclamation No.245/2017, Arts. 89-91; Proclamation No. 250/2023, Arts. 86-87

may form and actively participate in associations to support their operations and promote cooperation through the exchange of resources, experience, and ideas. In fact concepts of 'amalgamated city', 'metropolitan city' and "regopolitan city" imply gathering of small towns within a given radius or coming together of several cities with close geographical proximity to each other. Yet these innovations lack detailed regulatory frameworks and remain largely unimplemented. At the national level, no comprehensive legal regime governs the establishment of a formal association of cities; any such body would likely operate under general NGO legislation, reducing it to a lobbying platform rather than a constitutionally embedded intergovernmental institution.[174] Rural–urban cooperation presents an additional structural challenge. Although regional laws provide for joint committees, municipal functions within rural woredas, and representation of surrounding kebeles in city councils, these arrangements remain fragile in practice and often generate friction rather than synergy.

3.7 Property Tax Reform as an Institutional Lever to Empower ULGs

The analysis above demonstrates that the challenges facing Ethiopian ULGs. These conditions indicate that the existing legal and institutional infrastructure is not conducive to the effective design and implementation of property taxation. Yet the literature also suggests that property tax can be introduced even in such constrained contexts, given its strategic institutional potential. Properly designed, property tax reform offers an entry point to address these interlocking weaknesses in the ULG system. Recurrent taxes on land and property are widely recognized as the most appropriate and sustainable own-source revenues for local governments, as the tax base is immobile, visible, and closely linked to local public services. While further elaborated in subsequent chapters, this section seeks to demonstrate how property tax reform can serve as an institutional lever to improve the legal status and institutional architecture of ULGs in Ethiopia.

First, property tax reform can strengthen the legal status of municipalities, enhance fiscal autonomy, and recalibrate popular accountability. This is a good therapy for the different legal and practical gaps with respect to lack of constitutional protection and derivative status of ULGs as section 3.2 highlights. By generating stable own-source revenues, property taxation can increase fiscal capacity, reduce dependence on intergovernmental transfers, and shift accountability

[174] Zemelak Ayitenew, Supra note 2, p. 371

downward to residents.[175] Empirical evidence shows that local governments financing a substantial share of expenditures through own-source revenues demonstrate higher fiscal effort, service responsiveness, and citizen oversight.[176] Active ULGs participation in defining the tax base, rate-setting, valuation, assessment, and enforcement further reinforces autonomy and institutional credibility. This has the potential to elevate their legal status in future constitutional or legislative reforms. In this way, property tax reform simultaneously advances fiscal independence and local democratic legitimacy.[177]

Second, property tax systems can strengthen the internal institutional structure of ULGs and clarify functional competences. ULGs in Ethiopia face structural weaknesses in the organization and assignment of urban councils, executives, and municipal courts. These gaps are compounded by ambiguities between state and municipal expenditure responsibilities, as well as by fiscal, human resource, and technical capacity limitations commonly observed in ULGs, which further undermine service delivery. *Third*, therefore, property tax reform can address these gaps by linking local revenue generation directly to urban service and infrastructure provision.[178] Being inherently local and tied to services such as roads, sanitation, and land administration, property taxes provide municipalities with a predictable source of funding to exercise responsibilities independently.[179] Control over assessment, rate-setting, collection, and enforcement incentivizes ULGs to strengthen administrative systems, clarify roles, and formalize internal processes, enhancing operational capacity and reinforcing municipal courts' authority.[180] Stable own-source revenues reduce dependence on regional directives, shift accountability downward to residents, and promote transparency, institutional predictability, and a clearer separation of state and municipal functions.[181] Over time, property tax reform functions both as a fiscal instrument and an institutional lever, improving urban governance, functional clarity, and municipal capacity.

[175] Roy Kelly, *Property Tax Reform in Developing Countries*, Lincoln Institute of Land Policy, 2013.
[176] Paul Smoke, "Rethinking Decentralization: Assessing Challenges to a Popular Public Sector Reform," *Public Administration for Development*, Vol. 35, Iss. 2 (2015), pp. 97–112.
[177] Riël Franzsen and William McCluskey (eds), *Property Tax in Africa: Status, Challenges, and Prospects*, Lincoln Institute of Land Policy, 2017.
[178] UN-Habitat, *Property Tax Regimes in Europe*, The Global Urban Economic Dialogue Series, 2013.
[179] Richard M. Bird and Enid Slack (eds), *International Handbook of Land and Property Taxation*, Cheltenham: Edward Elgar, 2004.
[180] Ibid
[181] Ibid

Fourth, property tax reforms can rationalize intergovernmental relations. As discussed in Section 3.4, intergovernmental dynamics, particularly in relation to ULGs, are marked by fiscal dependence, role ambiguity, and coordination challenges. A well-designed property tax system strengthens ULG fiscal autonomy and reduces excessive reliance on intergovernmental transfers. By expanding reliable own-source revenues, it narrows vertical fiscal imbalances and aligns expenditure responsibilities with revenue authority.[182] It also helps minimize conflicts and misunderstandings arising from overlapping mandates. Ultimately, this fosters a more balanced intergovernmental framework grounded in defined competencies, fiscal accountability, and cooperative rather than directive relations between state and municipal governments.

To sum up, these findings demonstrate that property tax reform is not merely a technical fiscal adjustment. Its institutional dividends depend on parallel legal reforms that clarify municipal authority, strengthen accountability frameworks, and ensure equitable administration. In the absence of such safeguards, reform risks entrenching existing asymmetries rather than correcting them. Nevertheless, property tax reform need not await the full maturation of these conditions. Properly sequenced and designed, it can function as an institutional lever –a strategic entry point for consolidating the legal status, fiscal autonomy, administrative capacity, and intergovernmental standing of ULGs, while enhancing the sustainability and responsiveness of urban governance.

3.8 Interim Conclusion

This chapter addresses the third objective of the dissertation by examining whether contemporary Ethiopian ULGs possess the legal status, institutional architecture, and operational capacity required to support ongoing property tax reform. Drawing on multiple methods, the analysis highlights that, despite successive decentralization reforms, ULGs remain constrained by structural gaps, including historically entrenched centralization, limited constitutional protection, ambiguous functional mandates, restricted fiscal autonomy, and asymmetrical intergovernmental relations. These deep-seated legal and institutional deficits simultaneously pose constraints and create opportunities for effective property tax reform.

[182] Supra note 176

Historically, local governance in Ethiopia has oscillated between decentralization and centralization. However, urban administrations have consistently been subordinated to broader state-building and rural development priorities. This legacy persists under the post-1991 ethnically based federal system and rural-centered development policy, where ULGs lack explicit constitutional recognition and largely operate as creations of regional ordinary legislation, exercising delegated rather than constitutionally secured authority. To address this gap, regional governments have enacted city proclamations that establish different categories of ULGs and define their powers, functions, and accountability mechanisms.

Comparative constitutional literature demonstrates that where local governments lack entrenched constitutional status, administrative interference is pervasive, and fiscal autonomy, institutional continuity, and the credibility of policy instruments, such as property tax reform, are frequently compromised. Clarifying legal mandates for property taxation, particularly regarding base definition, rate-setting, assessment, and enforcement, can reinforce municipal fiscal sovereignty, reduce reliance on intergovernmental transfers, strengthen local bargaining power within federal systems, and promote downward accountability to residents rather than upward dependence on regional authorities.

The internal institutional organization of ULGs is equally critical. Regional city proclamations have defined the governance architecture of ULGs, including urban councils, executive departments, and municipal courts. While these structures formally align with the branches of government and principles of decentralized governance, the institutions often lack the necessary autonomy, capacity, legitimacy, and public accountability. Upward accountability to regional, zonal, and woreda authorities predominates over downward accountability to urban residents, and capacity limitations further exacerbate these structural weaknesses.

Consistent with decentralization literature, the Ethiopian case illustrates a persistent mismatch between devolved expenditure responsibilities and restricted revenue authority. Interviews and Delphi consultations identify narrow tax bases, dependence on volatile transfers, human resource constraints, and technological deficits as major impediments to effective urban governance. Weak intergovernmental coordination, only partially addressed by recent reforms, reinforces these vulnerabilities and undermines both democratic legitimacy and fiscal responsibility, which are critical to property taxation. Functional competences remain ambiguously defined. These gaps

have produced overlaps between delegated state functions and municipal responsibilities, complicated service delivery, reduced institutional predictability, and constrained effective urban financial management. The implications for ongoing property tax reform are therefore profound.

Structural constraints in land administration pose a core challenge to property tax reform in Ethiopia. The constitutional framework, which centered on public land ownership, centralized legislative authority, and delegated local powers, limits ULG autonomy over the primary immovable tax base. Consequently, land value, tenure security, and cadastral reliability are shaped more by administrative discretion and political influence than stable market dynamics. Evidence from legal analysis, literature, and field consultations shows that this weakens valuation accuracy, constrains municipal revenue authority, and undermines public trust. Property tax reform, therefore, cannot be purely technical; it must address constitutional and institutional deficits, strengthening municipal control over land information, valuation, and enforcement to ensure sustainable local fiscal autonomy.

Against this backdrop, property tax reform emerges not merely as a fiscal initiative but as a potential institutional catalyst. International evidence indicates that well-designed property tax systems can strengthen municipal autonomy, enhance accountability, improve land governance, and stimulate administrative modernization. In Ethiopia, experts and stakeholders widely consulted regard property tax reform as a critical opportunity to reduce fiscal dependence, clarify functional mandates, and reinforce the legitimacy of urban governance. However, they caution that without concurrent constitutional clarification, institutional strengthening, and targeted capacity-building measures, reform risks being technically sound yet institutionally unsustainable.

Overall, the chapter demonstrates that property tax reform in Ethiopia must be understood within the broader constitutional and institutional ecology of urban governance. Sustainable reform requires not only technical improvements in valuation and administration but also deeper legal entrenchment of ULG autonomy, clearer functional delineation, strengthened institutional capacity, and more balanced intergovernmental relations. However, property tax reform should not be postponed until these conditions are fully realized, as the reform itself can serve as a catalyst to enhance the legal status and institutional features of ULGs. These findings provide the foundation for the subsequent chapters, which examine the existing municipal financing framework and the ongoing quest for property tax reform.

CHAPTER FOUR

THE MUNICIPAL REVENUE STRUCTURE IN ETHIOPIA: TOWARDS A TWO-PRONGED REFORM

4.1 Introduction

This chapter addresses Objective Three of the dissertation by examining the structure, sources, and administration of municipal revenues in Ethiopia, and by critically assessing recent reforms aimed at strengthening local fiscal capacity. Drawing on doctrinal legal analysis, scholarly literature, and empirical evidence from interviews, focus group discussions, and Delphi consultations, it analyzes the composition of municipal revenue systems and the institutional constraints affecting their performance. The chapter also situates these dynamics within the broader reform agenda of domestic resource mobilization and the integration of property taxation into local public finance.

Section 4.2 examines the legal foundations and structure of the ULG revenue system in Ethiopia. Section 4.3 analyzes major external revenue sources (intergovernmental transfers, municipal borrowing, and foreign funds) and their implications for fiscal autonomy and sustainability. Section 4.4 assesses the different forms of own-source revenues and their limited capacity to capture growing urban value. Section 4.5 evaluates municipal revenue administration, focusing on institutional arrangements, operational practices, and administrative challenges. Building on this analysis, Section 4.6 examines recent municipal revenue and property tax reforms, arguing that they reflect an emerging two-pronged strategy aimed at strengthening both the revenue base and administrative capacity. Section 4.7 concludes with an interim synthesis of the chapter.

4.2 The Current ULG Revenue System in Ethiopia

In the fiscal federalism literature, own-revenue generation is widely regarded as a critical component of effective local governance.[1] The capacity of local governments to mobilize their own revenues is essential for grassroots development, democratic accountability, and the fiscal auton-

[1] Anwar Shah, "A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance," in Anwar Shah (ed), *Local Governance in Industrial Countries*, World Bank, 2006, pp. 27–35.

omy of local authorities.[2] When local governments rely primarily on their own revenue sources, they become more directly accountable to local taxpayers and more responsive to local priorities.[3] Intergovernmental transfers and other external sources of finance are therefore justified only when local governments cannot raise sufficient revenue to meet their expenditure responsibilities or when fiscal equalization and redistribution are necessary to address vertical or horizontal fiscal imbalances.[4] In recent years, fiscal autonomy has also been recognized as an important factor that enables local governments to explore and mobilize untapped revenue sources, including innovative land-based financing mechanisms that support urban governance and development.[5]

Within Ethiopia's federal system, there is no explicit constitutional framework that governs the finance of ULGs, and their fiscal powers derive largely from interpretation of broader federal and regional fiscal provisions.[6] The FDRE Constitution allocates revenue powers between the federal and regional governments but does not provide a specific list of taxes assigned to local governments, nor does it explicitly regulate how local government activities are financed.[7] Nonetheless, some scholars argue that Article 50(4) of the Constitution implicitly requires regional states to transfer adequate financial powers to local governments.[8] The argument rests on the premise that the constitutional requirement for the devolution of "adequate" powers to local governments would lack practical meaning without corresponding fiscal authority.[9] In addition, the constitutional allocation of revenue powers to the federal and regional governments includes service charges and user fees, based on the principle that such fees follow the authority to provide

[2] Ibid
[3] Maria Emilia Freire and Hernando Garzón, "Managing Local Revenues," in Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds), *Municipal Finances: A Handbook for Local Governments*, World Bank, 2014, pp. 147–214.
[4] Abdu Muwonge and Robert D Ebel, "Intergovernmental Finances in a Decentralized World," in Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds), *Municipal Finances: A Handbook for Local Governments*, World Bank, 2014, pp. 1–40.
[5] Astrida Miceikienė, Laima Skauronė and Ričardas Krikštolaitis, "Assessment of the Financial Autonomy of Rural Municipalities," *Economies*, Vol. 9, No. 3, 2021.
[6] see also Getachew Assefa, "The Legal Framework of Local Governments in Ethiopia: Some Issues," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 183–199.
[7] Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995, *Federal Negarit Gazeta*, Year 1, No. 1, Arts. 95 cum 96-99 (hereinafter "FDRE Constitution").
[8] Zemelak Ayitenew, *Decentralisation, Development and Accommodation of Ethnic Minorities: The Case of Ethiopia*, PhD Dissertation, University of the Western Cape, June 2012, p. 293; Solomon Nigussie, *Fiscal Federalism in the Ethiopian Ethnic-Based Federal System*, Nijmegen: Wolf Legal Publishers, 2006, p. 78
[9] Ibid

the corresponding services.[10] Taken together, these provisions indicate that the Constitution provides little direct fiscal authority to local governments. As a result, local government revenue powers depend largely on the extent to which regional governments decentralize fiscal authority in accordance with Article 50(4).

In practice, regional constitutions allocate limited revenue powers to woredas (RLGs), though these powers are far from meaningful. They authorize woredas to collect certain land use fees, agricultural income taxes, and royalties on forest use, which fall under regional taxes pursuant to Article 97 of the Constitution.[11] Regional states have also enacted proclamations that determine the applicable rates and administrative procedures for these revenues.[12] This arrangement shows that woreda governments lack authority to determine tax rates or design tax policies. Moreover, they often cannot freely use the revenues they collect. In many cases, the proceeds must either be transferred to regional governments or, if retained, are offset by equivalent deductions from block grants allocated by the region.[13]

Such arrangements diverge from the core principles of fiscal federalism, under which meaningful tax authority entails control over tax bases, rates, collection, and expenditure decisions. Regional governments often justify this limited fiscal decentralization on the grounds of capacity constraints and fiscal disparities among local governments.[14] Yet these arguments are not entirely convincing. Capacity limitations require institutional support and administrative strengthening, while fiscal inequalities can be addressed through equalization transfers rather than through the denial of local taxing authority.

The situation is even more pronounced with respect to the revenue powers of ULGs. Unlike RLGs, regional constitutions are largely silent regarding the fiscal powers of cities, just as they

[10] FDRE Constitution, Arts. 96 (7) & 97 (9)

[11] FDRE Constitution Art. 97 (2, 3, 6, & 8); Revised Constitution of the Amhara National Regional State Approval Proclamation No. 59/2001, *Zikre Hig*, 7th Year, No. 2, Art 86 (2) (f) (hereinafter ANRS Constitution Proclamation No. 59/2001); Oromia Regional State Revised Constitution Proclamation No. 46/2001, *Magalata Oromia* , Otober 27, 2001, Art 79 (2) (g) (ONRS Constitution Proclamation No. 46/2001)

[12] See, for example, Oromia National Regional State Rural Land Use Payment and Agricultural Income Tax Amendment Proclamation No. 99/2005, *Magalata Oromia*; Amhara National Regional State Rural Land Use Payment and Agricultural Income Tax Amendment Proclamation No. 161/2001, *Zikre Hig*.

[13] Marito Garcia and Andrew Sunil Rajkumar, *Achieving Better Service Delivery Through Decentralization in Ethiopia*, World Bank Working Paper No. 131, 2008, p. 18.

[14] Solomon Nigussie Supra note 8, p. 145; Zemelak Ayitenew Supra note 8, p. 314

are often ambiguous about their constitutional status.[15] In the absence of clear constitutional provisions, the regulation of municipal revenue powers has remained primarily within ordinary legislation enacted by regional governments. In this context, the federal parliament has granted relatively extensive fiscal powers to the two chartered cities, Addis Ababa and Dire Dawa, through their respective city charters.[16] These charters contain relatively comprehensive lists of revenue sources that cities may levy and collect. In addition to external sources such as fiscal transfers and borrowing, the internal revenue sources of the two cities include income taxes on individual traders and employees, taxes on urban agricultural activities, patent and business licensing fees, taxes on rented houses and buildings, excise and turnover taxes, capital gains taxes, stamp duties, user charges, and royalties.[17]

These cities can also generate revenue from business activities including public enterprises under their ownership or engage in other income generating activities by entering into contracts and, for instance, by engaging in investment activities.[18] In practice, although these arrangements lack a strong constitutional foundation, the two chartered cities have mobilized significantly higher levels of internal revenue compared with other urban centers in the country.[19] This enables them to finance their municipal and state functions more effectively.

Most other urban centers in Ethiopia, however, do not enjoy comparable fiscal powers and cannot generate adequate revenue. In the post-1990s period, some regional governments have enacted city proclamations and municipal revenue regulations, while others continue to rely on legal instruments inherited from earlier regimes, including the imperial and socialist periods.[20] These fragmented practices have long faced criticism for the lack of clarity regarding the scope of municipal fiscal powers and the specific revenue sources that urban administrations may levy and

[15] Jan Werner and David Nguyen-Thanh, *Municipal Infrastructure Delivery in Ethiopia: A Bottomless Pit or an Option to Reach the Millennium Development Goals?*, Institute of Local Public Finance Working Paper No. 01-2007, January 2007, p. xx.

[16] Addis Ababa City Government Revised Charter Proclamation No. 361/2003, *Federal Negarit Gazeta*, Year 9, No. 86, Art. 52 (hereinafter Proclamation No. 361/2003); Dire Dawa Administration Charter Proclamation No. 416/2004, *Federal Negarit Gazeta*, Year 10, No. 60, Art. 43 (hereinafter Proclamation No. 416/2004).

[17] Ibid

[18] Proclamation 361/2003, Art 53 ; Proclamation 416/2004, Art 45.

[19] Supra note 15

[20] Ibid

collect. [21] They provide few revenue sources and limited discretion in revenue administration, which results in inadequate locally generated revenues. This situation creates persistent uncertainty in municipal finance systems and constrains the effective mobilization of local revenues.[22] Empirical studies indicate that these institutional weaknesses significantly undermine municipal revenue collection and lead to chronic shortages of funds for urban infrastructure and service delivery.[23] As a result, many ULGs remain heavily dependent on external sources, particularly intergovernmental transfers and foreign aid, to finance their state and municipal functions.

In response to these challenges, the federal government has increasingly intervened in matters of urban governance and municipal finance. This trend became particularly evident during the second phase of Ethiopia's decentralization process, especially after the adoption of the country's Urban Development Policy, which identifies municipal finance as a central component of urban development, service delivery, and good governance.[24] Strengthening the financial capacity of municipalities has also received emphasis in national policy frameworks such as PASDEP.[25]

Within this policy context, the MoUDC, now the MoUI, introduced a Municipal Revenue Manual intended to standardize and guide revenue administration in urban areas throughout the country.[26] The manual identifies 99 revenue codes and titles designed to standardize municipal revenue collection and financial management. Under this framework, ULGs are expected to generate own-source revenues from five broad categories, coded from 1701 to 1799: taxes related to municipal services (1701–1719), municipal rents and investment income (1720–1734), municipal service charges (1740–1749), sales of municipal goods and services (1750–1789), and other capital receipts (1791–1799).[27] Based on this framework, the federal government also introduced complementary policy instruments, including revenue enhancement plan guidelines that require cities to develop strategies to strengthen their revenue bases.[28] Together with capacity-building

[21] Serdar Yilmaz and Varsha Venugopal, *Local Government Discretion and Accountability in Ethiopia*, International Studies Program Working Paper No. 08-38, December 2008, p. 3
[22] Ibid, pp. 8
[23] Ibid
[24] Ibid
[25] FDRE Government, *Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) 2005–2010,* pp. 15 & 183.
[26] MoUDC, *Revenue Enhancement Plan Guide for Ethiopian City Administrations Working Manual*, 2019, pp. 2-5
[27] Ibid
[28] Ibid

programs and training initiatives, these measures have contributed to wider adoption of more standardized municipal revenue administration practices across urban governments.

Accordingly, more recent regional legislation has also sought to strengthen the financial foundations of urban administrations. Newly enacted city proclamations, such as those in the Amhara and Oromia regions, emphasize the principle of revenue self-sufficiency as an important objective of urban governance.[29] These laws, which appear to give effect to Article 50(4) of the FDRE Constitution and respond to growing pressures amid rapid urbanization, typically authorize city administrations to share revenues with regional governments based on decisions of the regional council and to allocate portions of their revenues to subordinate administrative units such as sub-cities and kebeles.[30]

For instance, recent city proclamations in the Oromia Region identify a range of revenue sources for ULGs as follows:

> "Revenue Sources of Cities
>
> 1. The revenue sources of Cities shall be from the following:
>   (a) Revenue and tax legally authorized for it and income collected from the services it provides;
>   (b) Budget support of the Regional Government;
>   (c) Different loans and supports;
>   (d) By engagement in various income-generating activities;
>   (e) Other revenue sources such as tax from livestock market areas, business plots, government houses and property rent, public contributions, and various donations obtained from development supporters and other sources."[31]

The provision accords with the literature, which generally classifies municipal finance into internal (own-source) revenues and external sources of finance. Similar provisions appear in city legislation enacted in the Amhara Region, although with some variations in terminology.[32] A reading of contemporary legal frameworks therefore reveals that the revenue system of Ethiopian urban local governments has a dual structure that combines locally generated revenues with external sources of finance.

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[29] Revised Amhara National Regional State Urban Re-Establishment, Organization, and Determination of Powers and Duties Proclamation No. 245/2017, *Zikre Hig*, Year 21, No. 25, Art. 5(3) (hereinafter Proclamation No. 245/2017).

[30] Ibid, Art. 11 (2) (L & U)

[31] Oromia Regional State Urban Re-Establishment Proclamation No. 250/2023, *Magalata Oromiyaa*, Year 32, No. 1, Art. 78 (hereinafter Proclamation No. 250/2023).

[32] Ibid, Art. 72 (1)

External revenues include intergovernmental transfers, borrowing, and foreign assistance, while internal revenues include taxes related to municipal services, rents from municipal assets and investments, service charges, sales of municipal goods and services, capital receipts, and land-based revenues such as lease payments and permit fees.[33] This framework constitutes the core structure of Ethiopia's current urban finance system. At the same time, regulatory power over many of these revenue sources remains vested in regional governments, which determine key elements such as tax bases, rates, and enforcement mechanisms through subordinate regulations as noted under chapter three. As a result, municipal fiscal autonomy remains limited in practice. Urban administrations continue to depend heavily on external transfers, while conventional local revenue sources remain narrow and underdeveloped.

The issue of fiscal autonomy also extends to the budgeting powers of ULGs. In principle, regional constitutions, city proclamations, and the charters that govern the two federal cities, Addis Ababa and Dire Dawa, recognize the power of ULGs to prepare, approve, and implement their own budgets.[34] However, the exercise of these powers often remains subject to varying degrees of regional and federal oversight.[35] Consequently, although urban administrations formally possess budgetary authority, their fiscal decision-making autonomy remains constrained by higher levels of government.[36] Strengthening sustainable own-source revenue mobilization and improving municipal fiscal administration therefore remain central challenges for enhancing the financial stability and autonomy of ULGs in Ethiopia.

In general, the fiscal federalism appears to be skewed in that it reserves lucrative revenue sources as exclusively federal or concurrent powers[37] and entrusts painstaking powers and functions including the direct provision of public services to regional governments and, *ipso facto*, to LGs.[38]

[33] Supra note 21
[34] ANRS Constitution Proclamation No. 59/2001, Art. 86(2)(g); ONRS Constitution Proclamation No. 46/2001, Art. 79(2)(h); Proclamation No. 245/2017, Art. 71.
[35] Supra note 21
[36] Ibid
[37] FDRE Constitution, Art. 96. Principal federal revenue sources comprise customs duties; taxes and charges on imports and exports; corporate income tax; value-added tax (VAT); and excise taxes, which collectively account for the predominant share of national revenue.
[38] Ibid., Arts. 52 *cum* 50(4). In the Ethiopian federal system, the vertical division of powers follows a structured enumeration: exclusive powers of the federal government (Art. 51), exclusive powers of the states (Art. 52(2)), concurrent powers (Arts. 80 and 98), and residual powers vested in the states (Art. 52(1)). However, the Constitution does not automatically allocate residual taxing powers to the states; rather, such powers are determined through a joint session of the two federal houses (Art. 99).

Similar trends were bolstered by regional constitutions and other laws that aimed to transfer political and administrative responsibilities to LGs without granting them the necessary fiscal powers.[39] This has made issues of vertical fiscal imbalance between federal and regional governments, as well as between regional and local governments a common and expected problem in the fiscal federalism or fiscal decentralization practice of Ethiopia. Some studies and government reports associate the growing vertical imbalance with subnational governments' relative weakness in managerial and institutional capacity compared to the federal government.[40]

4.3 External Revenue Sources

External revenue sources refer to municipal financial resources originating outside the institutional framework of ULGs, typically provided by higher levels of government or external partners.[41] As the study by Freire shows comparative experience shows that such revenues are primarily used to supplement local fiscal capacity, often financing infrastructure, capital investment, and fiscal equalization rather than recurrent expenditures. However, they are frequently criticized for being inadequate and unpredictable compared to own-source revenues. Studies further indicate that heavy reliance on external financing can constrain local fiscal autonomy, as these resources are often conditional, earmarked, or subject to administrative oversight, and their availability depends on national fiscal conditions or donor priorities. In Ethiopia, structural constraints in municipal revenue generation have made external financing a central component of ULG fiscal systems, mainly through intergovernmental transfers, municipal borrowing, and foreign development assistance, as discussed in the following sections.

4.3.1 Intergovernmental Fiscal Transfer (IGFT)

IGFTs refer to the allocation of financial resources from one level of government to another, primarily through revenue-sharing arrangements and grants.[42] Revenue sharing provides subna-

[39] Samson Mesfin and Tegegne Teka, "The Practice of Fiscal Decentralization at the Local Level in Ethiopia: Evidence from Oromia and Afar Regional States," *Cogent Social Sciences*, Vol. 9, No. 1, 2023.
[40] Ibid
[41] Maria Emilia Freire, "Managing External Resources," in Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds.), *Municipal Finances: A Handbook for Local Governments*, The World Bank, 2014, pp. 325–378.
[42] Ehtisham Ahmad, "Intergovernmental Transfers," in Teresa Ter-Minassian (ed.), *Fiscal Federalism in Theory and Practice*, International Monetary Fund, 1997, pp. 215–234; Anwar Shah, "Theory and Practice of Intergovernmental Transfers," in Ehtisham Ahmad, Vito Tanzi, and Qiang Gao (eds.), *Reforming China's Public Financ-*

tional governments with an unconditional share of revenues collected by higher levels of government, while grants fund specific or general expenditure responsibilities and may be conditional or unconditional. In theory, IGFTs aim to address vertical and horizontal fiscal imbalances and complement, rather than replace, local revenue mobilization through clear tax assignments and fiscal autonomy. In practice, however, IGFTs constitute a central component of municipal finance in many developing countries, including Ethiopia, where transfers formally underpin the revenue systems of ULGs. Studies indicate that LGs in Amhara consume about 59% of total regional expenditure, while LGs in the Oromia and Afar regions account for about 45% and 52% of total regional recurrent expenditure, respectively, over the years. [43]

The FDRE Constitution establishes a dual system of fiscal federalism that allocates expenditure responsibilities and revenue powers exclusively between the federal and regional governments and requires each level of government to finance its own operations.[44] Because the federal government controls the most lucrative tax bases while regional governments bear extensive expenditure responsibilities, vertical fiscal imbalances remain an inherent feature of the system. To address this gap, the Constitution provides two main mechanisms of intergovernmental fiscal transfer: revenue sharing and grants.[45] Under the revenue-sharing system, the federal government allocates designated shares of concurrent taxes[46] and VAT[47] to regional governments based on formulas determined by the HoF.[48] In addition, the federal government provides both block and conditional grants to regional states, also guided by formulas determined by the HoF.[49] These

es, International Monetary Fund, 1995, pp. 215–234; Robin Boadway and Anwar Shah, *Fiscal Federalism: Principles and Practice of Multi-Order Governance*, Cambridge University Press, 2009, p. 297.

[43] Supra note 38; United Nations Children's Fund (UNICEF), *Amhara Regional State (2007/08–2015/16): Budget Brief*, Addis Ababa, Ethiopia, 2018, p. 5.

[44] FDRE Constitution, Arts. 51-52, 96-99 cum 94(1)

[45] Ibid., Arts. 94(2) *cum* 62(7); see also A System for the Determination of the Division of the Federal Subsidy and Joint Revenues Proclamation No. 1250/2021, *Federal Negarit Gazette*, Year 27, No. 29, Preamble, Arts. 2(7)–(8) & 3.

[46] See generally Federal Democratic Republic of Ethiopia House of Peoples' Representatives and House of Federation, 2nd Joint Session at the 2nd Working Year, HoF Library, 10 April 1997; Proclamation No. 1250/2021, Art. 2(8). Joint revenue sources are defined to include concurrent revenue powers pursuant to Art. 98 of the FDRE Constitution and those determined by a joint session of the HPR and HoF under Art. 99 of the FDRE Constitution.

[47] Ibid. When Ethiopia introduced VAT in 2002, the two Houses determined it as an undesignated tax pursuant to Art. 99 and vested the power to levy and collect it in the federal government, with an obligation to share the proceeds with regional governments.

[48] FDRE Constitution Art. 94 (2) cum 62 (7)

[49] Ibid, Art. 94(2); Proclamation No. 1250/2021, Art. 2 (7) cum 4.

transfers remain an important source of financing for subnational governments, and many regional states rely on federal resources for more than 75 percent of their public expenditures.[50]

Despite their importance, Ethiopia's IGFT system faces persistent design and implementation challenges in addressing existing fiscal imbalances and financing government functions at all levels. On the one hand, the total revenue pool available for redistribution is limited, and the allocation mechanisms exhibit structural weaknesses.[51] Secondly, grant formulas rely on incomplete or unreliable data, are rarely updated, and often fail to reflect actual revenue potential or expenditure needs, which depend on prevailing economic, social, and political conditions. For example, the 2003 formula was revised only in 2020 after nearly two decades without amendment. Institutional factors further weaken the system.[52]

The House of Federation (HoF), which is the ultimate authority responsible for overseeing fiscal transfers and revenue-sharing mechanisms, lacks both technical specialization[53] and independence. [54] As a result, it often functions largely ceremonially, while the federal executive effectively determines the aggregate size and distribution of regional subsidies even before the formula is applied.[55] Moreover, oversight and dispute-resolution mechanisms remain weak, limiting the transparency, accountability, and credibility of the IGFT system.[56] These gaps have generated

[50] Solomon Negussie, "The Trend of Fiscal Arrangement in Ethiopia: Current Practices and Future Concerns," In Éloi Ficquet, Ahmed Hassen, and Thomas Osmond (eds.), *Movements in Ethiopia- Ethiopia in Movement*, Centre Français des Études Éthiopiennes, Vol. 2, 2023, pp. 481–496.

[51] Getachew Mengeste, *Intergovernmental Fiscal Transfers in Ethiopia: Challenges and Some Options (A Comparative Study)*, LL.M Thesis, Addis Ababa University, November 2011, P. 69

[52] Ibid

[53] Ibid, Such gaps include the solicitation of up-to-date and reliable data from relevant authorities, the rigorous assessment of revenue capacities and expenditure needs, and the systematic evaluation of the impacts of previously applied formulas or allocation variables.

[54] FDRE Constitution, Arts. 62(7) *cum* 95; A Proclamation to Define the Powers and Functions of the House of Federation Proclamation No. 1261/2021, *Federal Negarit Gazeta*, Year 27, No. 43, Arts. 4(6) *cum* 46–52. The HoF, the upper chamber of the bicameral parliament composed of representatives of Nations, Nationalities, and Peoples (NNPs), functions as a central fiscal institution, vested with the authority to determine the division of tax revenues and federal subsidies among regional states in accordance with the federal arrangement.

[55] Supra note 50, pp. 74, 85–87. Until 2002, the House of Federation (HoF) lacked full control over the design of grant formulas, which were prepared by the Ministry of Economic Development and Cooperation (MEDAC) (now MoF) and submitted for approval. From 2002/03 onward, the HoF began relying on its own experts, and by 2007 it became fully engaged, introducing standardized formulas. This institutional role is reaffirmed under Art. 35 of Proclamation No. 251/2001, which vests the HoF with authority over revenue sharing and subsidies, including oversight of their implementation.

[56] Supra note 49, P. 487

persistent public debate and criticism from different parts of the country over the past three decades.[57]

Within this framework, local governments lack direct access to the IGFT system, despite these transfers financing the overwhelming share of public expenditures at all levels.[58] Under the theory of fiscal federalism, the mere allocation of revenue shares and grants to regional states, as intermediate governments, cannot ensure that citizens benefit, as it is LGs, being closest to the population, that are responsible for the actual delivery of services, infrastructure, and overall local development and governance.[59] This role of LGs is well recognized in the Ethiopian Constitution, although it has not yet been realized in practice. The Constitution guarantees citizens equal access to publicly funded social services and obliges the government to promote equal economic opportunities and equitable wealth distribution, including by providing assistance to less developed areas and regions facing fiscal shortages.[60]

In this regard, countries such as Brazil and South Africa provide direct transfers and revenue-sharing mechanisms to municipalities and achieve stronger public finance outcomes at the local level.[61] In Ethiopia, revenue sharing primarily occurs between the federal and regional governments, and neither the federal nor the regional constitutions guarantee LG participation. The only explicit mechanism benefiting local governments is a 10 percent royalty allocation to woredas or zones hosting mining, petroleum, or gas operations.[62] LGs also depend heavily on discretionary regional grants, which are often limited and unpredictable, as regional governments consolidate

[57] Supra note 38; Ketemaw Muluye Tiruneh, "The Formation of Ethiopia's Federation and Its Implications for the Amharas' Quest for Recognition and Boundary Demarcations," *Modern Africa: Politics, History and Society*, Vol. 8, No. 1, 2020, pp. 35–63. For example, politicians from the Amhara Region have criticized the system as inequitable and susceptible to manipulation through population undercounting.

[58] FDRE Constitution, Art. 55(1). The only exception in this regard is Addis Ababa. The revised Charter provides conditions and objectives for financial support to the City from the Federal Government. Accordingly, the City Government prepares and submits to the Federal Government the amount of support required, and the Federal Government may grant financial assistance where it finds that the funding is necessary for the proper discharge of expenditure responsibilities and that the project has developmental value. However, Addis Ababa has not received recurrent and capital budget transfers since 1999/2000 and 1996/97, respectively. See Helen Degemu, *A Critical Examination of Fiscal Autonomy of Addis Ababa City Administration*, MPA Thesis, Addis Ababa University, December 2010, p. 69.

[59] See Supra note 49, P. 490

[60] See FDRE Constitution, Preamble and Arts. 55(6), 41(3), and 90(1) *cum* Arts. 89(2), 89(4), and 92(2); see also Proclamation No. 1250/2021, Arts. 5 and 6 *cum* 13 and 14.

[61] See Chapter Two of this thesis.

[62] Supra note 49

federal transfers with their own revenues and redistribute them to sector bureaus and LGs. This cascading system constrains fiscal adequacy and sustainability.

These constraints are intensified by the limited fiscal capacity of both federal and regional governments, as noted earlier. Weak tax effort and persistent deficits prevent either level from generating revenues that exceed their expenditure obligations, despite the exclusive constitutional division of the national revenue base between the two tiers.[63] Federal transfers rely heavily on external borrowing and development assistance, and regional governments simply redistribute a portion of these limited resources to LGs.[64] Consequently, ULGs are inadequately funded to meet growing service delivery and infrastructure demands in rapidly urbanizing contexts.

Practical problems in grant allocation procedures further exacerbate these challenges. Regional BoFs, which are primarily responsible for receiving funds from the federal government and disbursing them to LGs, replicate federal formulas that weigh population size, poverty, expenditure needs, and revenue-raising capacity.[65] In practice, however, these formulas are outdated, manipulable, disproportionately weighted, and applied using unreliable fiscal data. Moreover, disbursement often remains discretionary, influenced by budget submissions, political interference, minimal local stakeholder participation, and limited professional independence.

Despite repeated attempts to revise the variables and weights to reflect socio-economic changes and improve the rigor of calculations, the formula continues to face criticism for its shortcomings.[66] For example, a study by Anwar Shah, which provides an impressionistic evaluation of Ethiopian regional transfers to woredas, finds that the LG grant system in Ethiopia scores low on most measurement variables and only medium on a few, as shown in table 3.[67] The assessment indicates that Ethiopia's local government grant system performs poorly across most evaluation criteria, scoring low in key areas such as simplicity, equity, efficiency, accountability, and support for local economic development.

[63] Supra note 50, p. 69
[64] Ibid
[65] See supra note 49, p. 488; Anwar Shah, *Financing Subnational Governments in Ethiopia: Options to Enhance Fairness, Objectivity, Transparency and Simplicity of Federal and Regional Fiscal Transfers*, Governance Global Practice, June 2015, pp. 51–57.
[66] Anwar Shah,Ibid, P. 59
[67] Ibid

Table 3: Assessment of the Local Government (LG) Grant System in Ethiopia

Criterion	Simplicity	Objectivity	Transparency	Equity	Efficiency	Accountability for Service Delivery Performance	Local Economic Development	Overall
Scorecard (Low / Medium / High)	Low	Low–Medium	Low–Medium	Low	Low	Low	Low	Low–Medium

Source: Anwar Shah, 2015, p. 59

These results suggest that the existing intergovernmental transfer framework lacks transparency, predictability, and performance orientation. This in turn limits its effectiveness in promoting equitable and efficient fiscal decentralization. Key informants also indicate that there are rumors of inequitable grant distribution and political interference in the fiscal transfer process in the Amhara Region, no less than the problems observed at the federal level.[68] The main reason is that the BoF is not an independent institution, similar to the situation with the HoF at the federal level, and does not fully or adequately involve concerned stakeholders such as the local executive, local council, and local communities in the process of designing the grant formulas.[69]

The limited fiscal autonomy of ULGs significantly constrains effective resource allocation and urban development. Although grants are formally designated as block transfers, ULGs exercise minimal discretion and regional governments maintain significant influence through budget preparation guidelines, training, and related mechanisms.[70] Empirical evidence indicates that this has led to a disproportionate focus on recurrent expenditures at the expense of capital investment, which is crucial for sustainably addressing local demands. For instance, in the Amhara region (2012/13–2020/21), approximately 70 percent of regional funds were spent on recurrent costs, nearly half of which went to salaries, while capital investment declined further due to conflict and internal displacement.[71] The regional allocation formula compounds the problem by emphasizing population (55 percent), expenditure needs (20 percent), poverty levels (10 per-

[68] Interview with Amsal Desalegn, Annex VI, October 11, 2025.
[69] Ibid
[70] Ibid.; see also supra note 50, pp. 75–84. Some contend, however, that the role of the House of Federation (HoF) should be broadly appreciated as the representative of Nations, Nationalities, and Peoples (NNPs). Interview evidence further indicates that, in the Amhara Region, regional bureaus are directly and actively involved in infrastructure and construction projects at the local government (LG) level, premised on perceived capacity constraints of LGs. Nonetheless, such interventions remain limited and do not substitute for the institutional role of ULGs.
[71] UNICEF, Supra note 42, P. 5.

cent), and revenue-raising capacity and execution efficiency (15 percent), offering weak incentives for local revenue mobilization and operational efficiency.[72]

Consequently, rural districts often receive a disproportionate share of resources despite higher costs associated with municipal service provision in urban areas, including water, sanitation, transport, and waste management.[73] In Amhara, where only 20.7 percent of the population resides in cities and poverty is high, the majority of the regional budget is devoted to rural development and poverty reduction rather than urban governance and infrastructure.[74] Between 2012/13 and 2020/21, an average of 60.8 percent of regional expenditure was allocated to five priority sectors: education, health, water and energy, roads, and agriculture/food security.[75] Municipal services are largely financed through local revenues, such as service charges and fees, and the grant formula is inconsistently applied across ULGs due to data limitations. These structural and procedural deficiencies collectively undermine ULGs' ability to address critical urban challenges, including housing, spatial planning, employment generation, and environmental management, highlighting the urgent need for reforms that enhance fiscal autonomy, equity, and performance orientation in regional transfers.

These challenges have prompted reforms aimed at strengthening local revenue capacity and fiscal autonomy. The reform culminated with the promulgation of Proclamation No. 1250/2021, which introduced several developments governing subsidies and joint revenues, although the effort to establish a new, independent, and professional institution responsible for managing the fiscal transfer process was left unrealized.[76] The law also recognizes general principles, prepara-

[72] Ibid. For example, it does not adequately reflect the revenue capacity or expenditure needs of urban centers, and the absence of a reliable census often creates uncertainty regarding actual population size. This, in turn, contributes to a lack of predictability and consistency in intergovernmental transfers.

[73] Ibid. The formula primarily relies on population size and various development indices, only exceptionally accounting for special circumstances in particular areas. For instance, it incorporates the level of industrial and trade development to estimate the capital budgets of LGs in urban areas, while in rural areas it considers factors such as agricultural extension services and rural road density.

[74] Ibid. The source indicates that 26.1 per cent of the region's population fell below the poverty line in 2016, which substantially exceeded the corresponding national average of 23.5 per cent.

[75] United Nations Children's Fund (UNICEF), *Expenditure Analysis for Amhara National Regional State (2012/13–2020/21)*, 2023, p. 6.

[76] See Proclamation No. 1250/2021, Preamble; Meheret Selassie Mokonnen, "New Commission to Oversee Resource Allocation between Federal and Regional Governments," *The Reporter*, 9 April 2022, available at The Reporter Ethiopia (last accessed 12 December 2025); ሲሳይ ሳህሉ፣ "በአዋጅ ሊቋቋም ታስቦ የነበረው የበጀት ድጎማና የገቢ ክፍፍል ኮሚሽን አያስፈልግም ተባለ," *ሪፖርተር*, 13 June 2021, available at Ethiopian Reporter (last accessed 12 December 2025). The reform was initiated following the enactment of Proclamation No. 1250/2021 with the aim of professionalizing fiscal institutions through the establishment of an independent "Grant Commission" or "Budget

tion procedures, distribution criteria, and duration to be observed. It emphasizes socio-economic indicators, expenditure needs, and revenue-raising capacity, and mandates formula updates every five years. [77]

The new law seeks to promote equitable distribution, reduce fiscal imbalances, foster economic competition, and improve public service and infrastructure provision.[78] It also, for the first time, explicitly considers the interests of local governments.[79] These measures, provided they are effectively implemented, have the potential to expand the fiscal space of ULGs at all levels and, in turn, sustainably enhance their capacity to mobilize resources and support regional growth.[80] However, these developments at the national level have not occurred at the regional level, so the BoFs continue to be the key players in the administration of woreda grants, and no reforms have been undertaken to date.[81]

At the regional level, recent city-establishment proclamations have introduced provisions on fiscal relations between regional goevrnments and ULGs. For instance, the Amhara Region's proclamation, although ambiguous and sometimes contradictory, grants ULGs powers to share revenues with the regional government and with sub-cities and kebeles.[82] It specifically provides that: "a city administration shall have the power to share revenues with the regional government in accordance with the decision of the regional council" and "to share its ...revenues with sub-cities and kebeles incorporated within the boundary of the city." [83]

Commission" responsible for overseeing intergovernmental fiscal transfers. The proposed institution was intended to operate independently of political influence and remain stable across regime changes. However, the proposal was ultimately abandoned, and the government instead opted to strengthen the HoF and its existing departments responsible for administering the fiscal transfer system.

[77] Proclamation No. 1250/2021, Arts. 7–8 and 10–12. The use of such factors is intended to encourage efficiency and effectiveness, entrench transparency and accountability, respect constitutional rights and powers, and ensure the adequacy of subsidies as core guiding principles.

[78] Ibid, Arts. 13-15 cum 17-19 & 20-26

[79] Ibid, Art. 9

[80] Misganaw Fentaw, "Ethiopia's Fiscal Federalism: A Binding or Dividing Force?," *The Reporter*, 9 April 2022, available at The Reporter Ethiopia (last accessed 12 December 2025).

[81] Interview with Amsal Desalegn, Annex VI, October 11, 2025.

[82] Proclamation No. 245/2017, Art. 72(1)(b-c). It treats the "budget allocated by the regional government through formula" and the "subsidy granted by the regional government" as distinct revenue sources for urban local governments (ULGs), although they are conceptually and practically equivalent. The proclamation remains silent on the specific revenue types or sources subject to sharing.

[83] Proclamation No. 245/2017, Art. 11(2)(l) and (u): "**የክልሉ ምክር ቤት በሚወስነው መሠረት ከክልሉ መንግሥት ጋር የገቢ ክፍፍል የማድረግ**" … "**በከተማው ክልል ከታቀፉ ክፍለ-ከተሞችና ቀበሌዎች ጋር … የገቢ ክፍፍል የማድረግ**".

While these provisions appear to envisage revenue sharing both vertically and internally, they fail to specify the tax bases or revenue sources to be shared. In fact, under the existing constitutional framework, where revenue powers are allocated to federal and regional governments, regional proclamations cannot establish genuine revenue-sharing arrangements with LGs. Consequently, urban and rural LGs remain largely excluded from national revenue-sharing arrangements, which in tunr weaken incentives for effective local revenue moblization as recentl studies found out.

Overall, persistent limitations in own-source revenue mobilization, as discussed in subsequent sections, mean that ULGs will continue to rely heavily on regional fiscal transfers. Yet the current transfer system remains both insufficient and procedurally flawed, undermined by political bias, institutional weaknesses, and limited professional capacity. The exclusion of ULGs from broader revenue-sharing arrangements further diminishes incentives for effective local revenue mobilization. Although recent reforms, particularly at the federal level, are promising, their implementation is likely to be gradual. In the foreseeable future, transfers will remain central to ULG financing, making reforms to improve the design, transparency, predictability, and equity of regional grant systems urgent.

Given that most regional states employ similar procedures and indicators, nationwide reforms are needed to redesign block grant formulas to better reflect the fiscal realities and expenditure needs of ULGs.[84] The MoF could initiate policy and legal frameworks to guide these reforms and ensure effective implementation, while regional BoFs should revise grant formulas and distribution mechanisms to align with urban contexts.[85] Establishing independent and professional grant administration units at federal and regional levels could further enhance fairness and transparency in intrastate transfers. Additionally, implementing a performance-based revenue-sharing mechanism that directly involves ULGs would not only support urban development but also incentivize local revenue mobilization through a legitimate share of nationally collected taxes. Ultimately, sustainable urban financing will depend on strengthening own-source revenues, particularly through land-based financing and property taxation.

[84] Supra note 38

[85] Revised Executive Organs Re-establishment and Determination of Powers and Duties Proclamation No. 280/2021, *Zikre Hig*, Year 26, No. 18, Art. 24(6); Definition of Powers and Duties of the Executive Organs Proclamation No. 1263/2021, *Federal Negarit Gazeta*, Year 28, No. 4, Art. 26(1).

4.3.2 Municipal Borrowing

Municipal borrowing refers to the use of loans or bonds to finance long-term capital projects such as roads, schools, and water systems, and, occasionally, to manage short-term liquidity constraints.[86] Subnational borrowing remains highly debated, particularly regarding whether LGs should borrow at all and whether borrowing should finance only capital investments or also current expenditures.[87] As an instrument of fiscal decentralization, borrowing offers several advantages over IGFTs and own-source revenues.[88] It provides immediate access to capital, spreads repayment costs over time, supports infrastructure development, stimulates economic growth, and promotes intergenerational equity by distributing project costs across generations. However, poorly regulated borrowing may generate macroeconomic instability, debt dependency, and fiscal mismanagement, which are risks that are particularly acute in developing countries where ULGs often face volatile revenues and weak financial management capacity.[89] Ethiopia is no exception, as the legal and institutional framework for municipal borrowing remains fragmented and underdeveloped.

In Ethiopia, borrowing has historically played an important role in financing national development.[90] The FDRE Constitution authorizes the federal government to finance budget deficits through domestic and external borrowing subject to legislative approval.[91] Financial administration laws further empower the MoF to manage public debt, issue guarantees, and establish procedures to safeguard fiscal stability.[92] Regional states may also borrow, but only from domestic financial institutions and under conditions determined by the federal government.[93]Addis Ababa and Dire Dawa, whose legal status resembles that of regional states, are similarly authorized to borrow from domestic sources with federal approval. [94]

[86] George Peterson, *Building Local Credit Systems*, World Bank Municipal Finance Series No. 3, April 2000.
[87] Jiawen Zhao, Qingjun Meng, and Zhijian Wu, "Problems and Thoughts of Issuing Municipal Bonds to Fiscal Revenue," *Chinese Studies*, Vol. 7, 2018, pp. 220–229.
[88] Ibid
[89] Ibid
[90] Debebe Barud, *Fiscal Federalism in Ethiopia: The Quest for Equitable Development*, PhD Thesis, Addis Ababa University, March 2021, pp. 37–38.
[91] FDRE Constitution, Arts. 51(7), 55(10), and 77(4).
[92] Federal Government of Ethiopia Financial Administration Proclamation No. 648/2009, *Federal Negarit Gazeta*, Year 15, No. 56, Arts. 40–53.
[93] FDRE Constitution, 51 (7) & 94 (2); Proclamation No. 648/2009, Art. 53& 65
[94] Proclamation No. 361/2003, Art. 54; Proclamation No. 416/2004, Art 45.

In addition, regional states and cities may access credit through federally coordinated sectoral programs such as the Water Development Fund, which finances water supply, sanitation, and irrigation projects.[95] Despite these legal provisions, borrowing by regional governments remains limited. Although regional financial administration laws authorize BoFs to borrow or issue guarantees, the MoF retains decisive authority over the approval and scale of borrowing.[96] Regional governments must submit detailed loan applications specifying the purpose of the loan, expected returns, and repayment capacity, and borrowing proceeds only after federal evaluation of its macroeconomic implications.[97] This centralized oversight has significantly constrained subnational borrowing.[98] As a result, borrowing remains rare, with Addis Ababa representing one of the few jurisdictions that has recently expanded borrowing to finance urban infrastructure.[99]

Overall, borrowing cannot yet be considered a reliable source of urban finance in Ethiopia. Structural barriers persist: concerns over macroeconomic stability, reluctance of financial institutions to lend to municipalities, the absence of a capital market, and continued reliance on intergovernmental transfers. Addressing these constraints requires balanced reforms that safeguard macroeconomic stability and build trust that gradually expanding municipal borrowing autonomy.[100] Large and economically dynamic cities such as Bahir Dar may be able to access credit markets sooner due to stronger administrative and fiscal capacity, while smaller cities require support to strengthen revenue bases and financial management systems.[101] Ultimately, these reforms must be anchored in a comprehensive debt management framework defining borrowing

[95] Proclamation No. 361/2003, Art 54 (1); Proclamation No. 416/2004, Art 45 (1); See also Water Resources Development Fund Establishment and Administration Proclamation No. 268/2002, *Federal Negarit Gazeta*, Year 8, No. 15, Arts. 4 and 5 *cum* 11(4)–(5).

[96] Proclamation No. 648/2009, Art. 65; A Proclamation to Revise the Financial Administration of the Amhara National Regional State Proclamation No. 178/2011, *Zikre Hig*, Year 16, No. 6, Art. 40; A Proclamation to Re-establish the Financial Administration of Oromia National Regional State Proclamation No. 156/2010, *Magalata Oromiyaa*, Year 18, No. 3.

[97] Proclamation No. 648/2009, Ibid

[98] Helen Degemu, P. 75 The biggest loan it received so far is one billion Birr where it received from the Ethiopian Telecommunication Corporation (ETC) to finance the road construction as a short-term liability to be paid from land-lease revenue.

[99] Helen Degemu, Supra note 57, P. 75; Ghebrehiwet Tesfai, *The Practice of Fiscal Federalism in Ethiopia: A Critical Assessment (1991–2012): An Institutional Approach*, PhD Thesis, University of Fribourg, 14 April 2015, p. 366.

[100] Ghebrehiwet Tesfai Baraki, Ibid

[101] Interview with Amsal Desalegn, Annex VI, October 11, 2025.

purposes, limits, maturity structures, repayment arrangements, and institutional oversight.[102] These are critical for enabling borrowing to function as a sustainable financing instrument ULGs.

4.3.3 Foreign Development Support

Given the persistent fiscal constraints faced by ULGs, particularly in rapidly urbanizing developing countries, foreign development assistance has increasingly been utilized as a supplementary source of urban finance.[103] Multilateral institutions and bilateral development partners commonly provide support across various areas of urban governance and development, including infrastructure development, institutional capacity building, and governance reforms in many countries.[104] Interest in such financing has particularly increased as it is considered necessary to bridge urban investment gaps and support the achievement of the SDGs, especially in areas such as housing, infrastructure, and climate action.[105]

However, increasing reliance on foreign financing, particularly in developing countries, raises significant structural and governance concerns.[106] Concessional loans, although are offered on favourable terms, ultimately accumulate as public debt and may create long-term fiscal vulnerabilities where repayment is not supported by sustainable own-source revenues, such as municipal taxation and property-based revenues.[107] Development assistance also frequently involves policy conditionalities, standardized project designs, and procurement requirements that may not adequately reflect local priorities, institutional capacities, or socio-economic contexts.[108] Consequently, the literature notes that donor-driven "one-size-fits-all" approaches often overshadow locally defined development strategies.[109] Moreover, sustained dependence on external assis-

[102] Ghebrehiwet Tesfai Baraki, supra note 98, pp. 357, 362; Zemelak Ayitenew, supra note 8, p. 309. Debt management policies are formalized guidelines, parameters, and requirements that govern public borrowing practices of state or local governments, encompassing debt issuance procedures, portfolio management, compliance with applicable legal and regulatory frameworks, and post-issuance obligations, including tax (IRS) compliance and continuing disclosure requirements.

[103] Homi Kharas and Johannes F. Linn, "External Assistance for Urban Finance: Development Needs, Strategies, and Implementation," in Roy W. Bahl, Johannes F. Linn, and Deborah L. Wetzel (eds.), *Financing Metropolitan Governments in Developing Countries*, The Lincoln Institute of Land Policy, 2013, p. 394; Supra note 41

[104] Ibid

[105] Daniel Platz, Tim Hilger, Vito Intini, and Simona Santoro, *Financing Sustainable Urban Development in the Least Developed Countries*, United Nations, 2017, pp. 112–123.

[106] Chala Amante, "Is Too Much Foreign Aid a Curse or Blessing to Developing Countries?," *Heliyon*, Vol. 8, No. 9, 2022.

[107] Ibid

[108] Ibid

[109] Kitessa Delessa, "Drivers of Economic Growth in Ethiopia: Does Foreign Aid and Policy Complementarity Matter?," *Journal of Economics and International Finance*, Vol. 10, No. 8, 2018, pp. 95–110.

tance may weaken incentives for municipalities and national governments to strengthen domestic revenue systems.[110]

Foreign development assistance has been central to Ethiopia's urban development and municipal capacity building. Multilateral actors such as the World Bank, African Development Bank, United Nations Development Programme, and International Monetary Fund, and bilateral partners such as German Agency for International Cooperation, USAID, and Japan International Cooperation Agency have financed governance reforms and infrastructure.[111] World Bank supported programs have been particularly influential. The Urban Local Government Development Project (ULGDP I & II) (2008–2017) introduced performance-based grants to address infrastructure and institutional gaps in 19, later 44, cities.[112] The Urban Institutional and Infrastructure Development Program (UIIDP) (2018–2023) expanded coverage to over 117 cities, improving infrastructure, service delivery, and local economic development.[113] These are implemented through the MoUI and aim to strengthen planning, financial management, and employment generation in urban areas.[114] However, outcomes were constrained by limited administrative capacity, intergovernmental coordination challenges, and procurement and financial management delays.[115] Centralized control of externally financed projects further restricted urban local government autonomy, while the termination of major programs, including UIIDP and USAID initiatives, has created a governance gap.[116]

More fundamentally, external assistance cannot substitute for sustainable local revenue systems. Many urban local governments continue to face persistent constraints in mobilizing own-source revenues despite prolonged donor engagement.[117] Evidence indicates that externally funded programs were insufficiently integrated with domestic revenue and institutional reforms and are

[110] Ibid
[111] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.
[112] World Bank, *Ethiopia: Urban Local Government Development Project*, Report No. 132824, 27 December, 2018
[113] World Bank, *Ethiopia: Urban Local Government Development Program II*, Report No. ICR00005013, 31 July 2020.
[114] Ibid
[115] See generally Kerima Kemal, *The Challenges, Practices and Prospects of Urban Infrastructure Financing in Jimma City*, MPM Thesis, Jimma University, July 2023, pp5-7; See also Hyunji Lee, Sohaib Athar, Jesper Steffensen, Roland White, and Ayah Mahgoub, *Performance-Based Fiscal Transfers for Urban Local Governments: Results and Lessons from Two Decades of World Bank Financing*, The World Bank Group, 2022, pp. 75-79.
[116] Ibid
[117] Ibid;

leaving municipalities unable to maintain infrastructure or expand services after funding ends.[118] Although capacity-building components, particularly in revenue administration, financial management, and urban planning, have expanded, durable improvement requires deeper structural reforms: strengthened revenue administration, improved land and property registries, and enhanced fiscal accountability. Persistent implementation weaknesses also risk inducing "donor fatigue," whereby support declines due to limited long-term impact.[119]

Overall, foreign development assistance has made important contributions to urban infrastructure and institutional development in Ethiopia, but its role in municipal finance remains largely indirect and project-based. The long-term sustainability of these investments depends on strengthening the fiscal capacity of urban local governments, particularly their ability to mobilize and manage own-source revenues. Integrating external assistance with domestic fiscal reforms, improving coordination across levels of government, and enhancing transparency in aid management are therefore essential for ensuring the durability of urban development gains.

4.4 Own-Source Revenue

Own-source revenue denotes income generated internally by municipalities through tax and non-tax instruments within their jurisdiction.[120] It is widely regarded as a core indicator of fiscal autonomy, as it strengthens accountability to local residents and enables municipalities to finance public services and infrastructure without excessive reliance on intergovernmental transfers.[121] Under the prevailing municipal finance framework, 99 revenue items (coded 1701–1799) are identified and grouped into five categories: taxes related to municipal services (1701–1719), municipal rents and investment income (1720–1734), municipal service charges (1740–1749), sales of municipal goods and services (1750–1789), and other capital receipts (1791–1799).[122] These

[118] Ibid
[119] Ibid
[120] Catherine Farvacque-Vitkovic, "Introduction," in Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds.), *Municipal Finances: A Handbook for Local Governments*, The World Bank, 2014, pp. xxvii–xxx.
[121] Ibid
[122] World Bank, *Ethiopia Local Government Revenue Study, Part II: A Situational Analysis of Urban Local Governments in Ethiopia- The Institutional, Governance and Fiscal Context of Local Governments*, Report No. AUS5340, June 2014, PP. 59-60; See also Annex I

classifications are generally reflected in regional municipal revenue legislation.[123] Notwithstanding their inclusion in this framework, land-based revenues such as lease income and permit fees warrant distinct analytical treatment, as they are primarily governed by urban land proclamations and regulations. This section accordingly examines these categories as components of own-source revenue for ULGs.

4.4.1 Municipal Revenue Sources

a) Tax Revenue from Municipal Services

As discussed in Chapter Two, local taxes constitute a core component of the own-source revenue base of urban local governments (ULGs). In systems where local taxing powers are constitutionally entrenched, municipalities levy taxes on property, business activities, and selected transactions as an inherent attribute of fiscal autonomy.[124] In such contexts, taxing authority is guaranteed rather than administratively delegated.[125]

In Ethiopia, however, municipal taxes lack explicit constitutional recognition, raising normative questions regarding residual powers and the role of joint federal decision-making.[126] In practice, regional states determine municipal taxes through revenue regulations and delegate ULGs the authority to collect and use them.[127] Municipal taxing power is therefore derivative rather than constitutionally grounded. Operating alongside federal and regional taxes, municipal levies also generate perceptions of double taxation and encounter political and administrative resistance.[128] Conceptually, municipal taxes are justified as financing local public services distinct from those

[123] See, for example, The Amhara National Regional State Urban Service Revenue Collection and Tariff Revised Council of Regional Government Regulation No. 220/2024, *Zikre Hig*, Year 29, No. 3 (hereinafter Regulation No. 220/2024); Oromia National Regional State Urban Revenue and Tariff Regulation No. 007/2024, *Magalata Oromiyaa*, 2024 (hereinafter Regulation No. 007/2024).
[124] Anwar Shah, Supra note 1
[125] Ibid
[126] See FDRE Constitution, Arts. 96–99; see also Tadesse Lencho, "Income Tax Assignment under the Ethiopian Constitution: Issues to Worry About," *Mizan Law Review*, Vol. 4, No. 1, 2010, pp. 31-51
[127] Supra note 122
[128] Teshager Alemu, *Assessment of Fiscal Capacity of Urban Local Government on Municipal Revenue in Oromia Regional State: The Case of Sebeta City*, MA Thesis, Addis Ababa University, June 2016, pp. 4–5, 62; Feyissa Tolessa, *Local Government Financing in Oromia Regional Administrations: Particular to City Administrations*, LL.M Thesis, Jimma University, July 2019, p. 89.

funded at higher levels.[129] Doctrinally, taxes are compulsory payments without direct quid pro quo, whereas fees and charges are linked to specific services.[130] In Ethiopia, however, this distinction remains blurred, creating both doctrinal and practical ambiguity.

Municipal taxes are governed by regional revenue regulations enacted pursuant to federal guidelines.[131] For instance, the Amhara regulation defines municipal tax broadly to include levies on property value, adjudication of property rights, and income from entertainment services.[132] This marks a shift from earlier regulations that confined municipal taxation to income-generating activities. Although the revised definition expands the tax base to include property-related elements, in practice municipal taxation remains predominantly income-based rather than anchored in recurrent property taxation.[133] This hybrid design departs from conventional local finance models, where property tax is the principal local revenue source.

Regional regulations prescribe rate bands and require ULGs to levy and administer taxes based on local conditions, including city grade, location, and economic activity.[134] Municipal taxes are classified under nineteen codes (1701–1719) and grouped into five categories: building tax, assurance tax, entertainment tax, business and professional service tax, and other taxes.[135] Building tax (Code 1701) is levied on the annual rental value of residential and commercial buildings.[136] Conceptually, it reflects a classic property tax and is typically a stable local revenue source.[137] In Ethiopia, however, it is still governed by Proclamations No. 80/1974 and 161/1979 ("floor and roof tax"), with outdated rates and valuation methods.[138] Weak property records, limited urban

[129] Henry Bernardo Garay Canales, Julio Mayorga Challco, Wilson Eduardo Vargas Cubas, and Fredy Roger Flores Flores, "Financing of Municipal Current Expenditure through Local Taxes: A Systematic Review," *Qubahan Academic Journal*, Vol. 4, No. 4, 2024, pp. 26–38

[130] Ibid

[131] Supra note 121

[132] Regulation No. 220/2024, Art. 2(9). The earlier regional law defined it more narrowly as a tax on income-generating activities and did not expressly include property-related taxes. See Revised Urban Administrations and Municipalities Revenue Title and Tariff Determination Council of Regional Government Regulation No. 135/2015, *Zikre Hig*, Year 21, No. 12, Art. 2(1). (hereinafter Regulation No. 135/2015)

[133] See generally, Seid Hussen, Hans Lind, and Belachew Yirsaw, "Understanding Urban Land Leasing System as a Strategic Value Capture Instrument to Enhance Urban Revenue in Ethiopia: A Case Study of Bahir Dar City," *Economies*, Vol. 10, No. 6, 2022.

[134] See for example, Regulation No. 220/2024; Regulation No. 007/2024

[135] Ibid; See Annex I

[136] Supra note 121

[137] Regulation No. 220/2024

[138] Urban Land and Urban Houses Tax Proclamation No. 80/1976, *Negarit Gazeta*, Year 35, No. 25 (hereinafter Proclamation No. 80/1976); for details, see Chapter Six of this dissertation.

development, and administrative constraints have rendered it significantly underutilized.[139] While recent reforms in Addis Ababa show improved performance, regional systems largely defer reform to pending property tax legislation.[140]

Assurance tax (Code 1702) is imposed on the verification of property titles, particularly in secured lending.[141] Beyond revenue generation, it enhances transaction security. Functionally, it resembles mortgage recording taxes in other jurisdictions. In Ethiopia, it is levied on lenders and employers requesting verification services, which makes it closely tied to service provision and relatively difficult to evade.[142] However, confusion with transfer taxes leads to misclassification and weakens fiscal transparency in many of the urban cneters of the country.[143] Entertainment tax (Code 1703) applies to commercial entertainment activities and is levied on ticket values.[144] It serves both fiscal and regulatory purposes by formalizing the sector.[145] While potentially productive in mature markets, its yield in urban areas of Ethiopia is constrained by a limited entertainment industry and weak enforcement outside major cities. Nonetheless, expanding urban leisure sectors indicate untapped potential.[146]

Business and professional service tax targets licensed commercial and professional activities and serves both revenue and regulatory functions.[147] To this end, regional municpal revenue regualtions classify taxpayers based on criteria such as sales volume, capital, and location.[148] However, weak taxpayer registration, mobility of businesses, and cumulative tax burdens that often arise from overlap with federal and regional taxes undermine compliance and distort incentives.[149] The multiplicity of assessment criteria further complicates administration, with sales volume arguably providing a more reliable basis of assessment.[150] Finally, the "other taxes" category

[139] Interview with Atsede Hailu, Annex VI, March 6, 2024; see also Feyissa Tolessa, supra note 127, p. 68.
[140] Zelalem Teferra, "'Roof and Wall' Tax Rate Reform in Addis Ababa: The Legal Conundrum and Socio-economic Pitfalls," *Mizan Law Review*, Vol. 19, No. 1, pp. 63–92.
[141] Supra note 121
[142] See for exmaple, Regulation No. 220/2024; Regulation No. 007/2024
[143] Interview with Atsede Hailu, Annex VI, March 6, 2024; Teshager Alemu, supra note 127, p. 55
[144] Supra note 121
[145] Ibid
[146] Interview with Atsede Hailu, Annex VI, March 6, 2024; Teshager Alemu, supra note 127, p. 56
[147] Supra note 121; See for example, Regulation No. 220/2024; Regulation No. 007/2024
[148] See for example, Regulation No. 220/2024; Regulation No. 007/2024
[149] Interview with Atsede Hailu, Annex VI, March 6, 2024; See also Feyissa Tolessa, Supra note 127, p. 69
[150] Ibid

(Codes 1705–1719) allows ULGs to introduce additional taxes based on local conditions.[151] Despite this flexibility, revenue diversification remains limited due to administrative and economic constraints.[152]

b) Municipal Rent Revenues and Investment Income

This category comprises two related but analytically distinct sources of municipal revenue: rent revenues and investment income. They are key components of own-source revenue and are often used to finance capital projects and infrastructure maintenance.[153] Municipal rent revenue refers to income derived from leasing land, buildings, and other assets to private and public entities.[154] In Ethiopia, it is classified into nine codes (1721–1729), including urban land (1721), residential housing (1722), business buildings (1723), market verandas (1724), marketplaces (1725), livestock markets (1726), funeral vehicles (1727), machinery (1728), and other rents (1729).[155] Given their contractual nature, these revenues require standardized agreements, regulatory oversight, and approval by the urban council. Regional municipal revenue laws further establish minimum and maximum rates for market-related rents based on city grade and trader category and, as a result, seek to balance local autonomy with central standardization.[156]

Beyond their fiscal function, municipal rents support asset management, local economic activity, and employment. Their effectiveness, however, depends on robust administrative systems such as accurate asset inventories, transparent contracting, and credible enforcement. These conditions are in many cases weak in many Ethiopian cities.[157] Moreover, rent revenues are sensitive to market dynamics and fluctuations in demand, occupancy, and economic activity directly affect performance.[158] Consequently, key sources such as marketplace and livestock rents remain narrow, seasonal, and susceptible to discretionary practices, largely due to weak infrastructure,

[151] Supra note 121
[152] See Feyissa Tolessa, Supra note 127, p. 69
[153] Mona Serageldin, David Jones, François Vigier, and Elda Solloso, *Municipal Financing and Urban Development*, Human Settlements Global Dialogue Series No. 3, 2008, pp. 71–80.
[154] Ibid
[155] See Annex I
[156] See for example, Regulation No. 220/2024; Regulation No. 007/2024
[157] See also Feyissa Tolessa, Supra note 127, p. 69
[158] Xing Quan Zhang and Enid Slack, *Guide to Municipal Finance*, UN-Habitat, 2009, p. 45.

fragmented records, and reliance on manual processes.[159] Effective administration therefore requires transparent allocation, comprehensive registration, and digitalized collection systems.

Municipal investment income (1730), by contrast, refers to returns from financial and commercial engagements, including interest, dividends, capital gains, and public-private partnerships.[160] While some systems classify lease proceeds as investment income, others treat them as rent, reflecting persistent conceptual ambiguity.[161] Beyond revenue generation, such activities can advance local development by leveraging municipal assets.[162] Yet their effective deployment requires institutional sophistication such as financial management capacity, portfolio diversification, risk assessment, and access to stable capital markets.[163] These requirements are largely absent in many urban centers in Ethiopia.[164] Market volatility, liquidity constraints, and regulatory limitations entrenched in many urban centers further restrict municipal engagement.[165]

In general, given urban centers' ownership of income-generating assets and engagement in quasi-commercial activities, these streams constitute a structurally important and relatively stable financing base, particularly in rapidly urbanizing contexts. Unlike conventional taxes and fees, however, their realization depends on market conditions, legal frameworks, and institutional capacity.[166] Given the gaps in these areas, it can be concluded that the full potential of these revenue streams remains underexploited. Realizing this potential therefore requires not only administrative and technical reforms but also a clearer legal framework that aligns fiscal needs with evolving urban governance.

[159] Ibid
[160] Annex I
[161] Supra note 153; See also Olga Kaganova and Mihaly Kopanyi, "Managing Local Assets," in Catherine Farvacque-Vitkovic and Mihaly Kopanyi (eds.), *Municipal Finances: A Handbook for Local Governments*, The World Bank, 2014, pp. 275–324.
[162] Ibid
[163] Ibid
[164] See Feyissa Tolessa, Supra note 127, p. 69
[165] Ibid, P. 70
[166] Supra note 153

c) Municipal Service Charges

Municipal service charges are fees levied to finance the operation, maintenance, and provision of urban services and infrastructure, primarily on a cost-recovery basis.[167] As consumption-based, "pay-as-you-go" instruments, they are analytically distinct from taxes and other revenue sources.[168] In developed systems, such charges generate substantial revenue while promoting allocative efficiency and service quality.[169] In developing contexts, however, their effectiveness is constrained by limited technical, human, and financial capacity.[170] This is because these kinds of municipal financing instruments are closely tied to actual service delivery, and balancing affordability with cost recovery is particularly challenging. Consequently, sustained revenue generation requires ULGs to maintain adequate standards of service quality and coverage, which many urban areas in developing countries cannot afford.

In Ethiopia, municipal service charges (1740–1749) include business and professional license fees (1741), building permits (1742), soil dumping permits (1743), road use permits (1744), traffic fines (1745), other fines (1746), bus terminal services (1747), environmental protection fees (1748), and miscellaneous charges (1749).[171] The design and content of these revenue instruments illustrate the functional responsibilities of ULGs in delivering and maintaining services for residents, businesses, and other users. Accordingly, ULGs are mandated to provide these services and authorized to collect the associated fees as the same time.[172] Notwithstanding this formal clarity, effective revenue mobilization depends on coherent legal frameworks, institutional capacity, and adequate administrative resources.

Regional municipal revenue regulations define service (or usage) charges as mandatory payments calculated on the basis of the value of goods or services consumed at the point of provision.[173] They establish rate ceilings and require charges to correspond to service quality, urban

[167] Supra note 158, pp. 33-34
[168] Ibid
[169] Ibid
[170] Ibid
[171] Annex I
[172] Proclamation No. 245/2017, Art. 72; Proclamation No. 250/2023, Art. 78
[173] See for example, Regulation No. 220/2024; Regulation No. 007/2024

grade, service type, and local conditions.[174] This shows an explicit recognition of the dual fiscal and service-delivery functions of such charges. In practice, however, performance remains constrained by service gaps, weak collection systems, and limited institutional capacity.[175] Realizing their full potential therefore requires strengthened legal coherence, improved administrative efficiency, the adoption of digital collection systems, and enhanced public accountability.

d) Sales of Property and Services

Sales of property and services constitute a distinct category of municipal revenue, derived from both the disposal of urban assets and the quasi-commercial provision of services.[176] One component arises from the sale of surplus land, buildings, or other municipal assets, involving a transfer of ownership for consideration.[177] A second derives from the semi-commercial delivery of services, including utilities (water, sewerage, and electricity), public transport, waste management, recreational facilities, and regulatory services.[178] In decentralized, market-oriented systems, such revenues can constitute a substantial share of municipal budgets and finance infrastructure expansion.[179] Conceptually, the category reflects the principles of *nemo dat quod non habet* (ownership as a precondition for transfer) and *quid pro quo* (exchange of equivalent value).[180] A persistent analytical challenge, however, lies in distinguishing these revenues from adjacent categories: sales involve ownership transfer, rents denote temporary use, and fees relate to regulatory or service functions.[181]

In Ethiopia, federal guidelines identify more than thirty revenue codes under "sales of property and services" (1750–1789), encompassing a wide range of municipal activities.[182] These include sanitation (1751), technical services (1752), construction supervision (1753), design and tender preparation (1754), contract registration (1755), road services (1756), water (1757), sewerage (1758), fire and emergency services (1759), vital statistics (1761), driving licenses (1762), gar-

[174] Ibid
[175] Interview with Belete Alemayehu, Annex VI, May 17, 2024; see also Feyissa Tolessa, supra note 127, 70; Teshager Alemu, supra note 127, 57.
[176] Supra note 153
[177] Ibid
[178] Ibid
[179] Ibid; See also Olga Kaganova and Mihaly Kopanyi, supra note 161
[180] Ibid
[181] Ibdi
[182] Annex I

age services (1763), vehicle inspection (1764), title and instructor registration (1765–1767), vehicle plates and parking (1768–1769), land and building services (1771–1774), foreclosure services (1775), funeral services (1776), abattoirs (1777), logistics services (1778–1779), park services (1781), and advertising (1782), alongside a residual category (1789).[183] Although many overlap with general municipal functions, their classification underscores the commercial dimension of ULG activities and the hybrid character of these revenues.

Like other own-source revenues, these streams require upfront investment to be effectively mobilized.[184] Technical service fees, for instance, constitute a major revenue source but depend on specialized municipal functions in planning, construction, utilities, and environmental management. Charges apply to permits, approvals, inspections, and infrastructure connections, often combining lump-sum and ad valorem elements differentiated by service type and urban grade, and thus require professional capacity and institutional investment. Abattoir services are similarly capital-intensive, though potentially lucrative due to their links to public health and environmental regulation; municipalities charge for slaughtering, inspection, certification, and facility use, with rates differentiated by animal type. Advertising fees generate revenue while regulating the use of public space, but enforcement is complicated by illegal displays and rapidly evolving media formats. Parking and road usage fees are imposed for access to urban infrastructure and vary by vehicle type, duration, and location, supporting traffic management and maintenance. These sources however often face compliance and equity challenges. Given their operational and technical demands, many of these services are partially or fully privatized. While this may improve efficiency, it can also lead to revenue leakage where contractual oversight and accountability mechanisms are weak.[185]

Overall, revenues from the sale of property and services combine commercial and administrative functions and hold significant revenue potential in urban Ethiopia. However, their performance is constrained by limited institutional capacity, weak enforcement, and insufficient market readiness. Strengthening legal clarity, improving pricing frameworks, expanding digital administra-

[183] Ibid
[184] See Feyissa Tolessa, Supra note 127, pp. 70-71
[185] Ibid

tion, and enhancing compliance are therefore essential to unlocking this potential and supporting sustainable urban development.

e) Other Capital Receipts

The fifth category of municipal revenue, "Other Capital Receipts" (1791–1799), is intended to capture sources not covered under the preceding four categories.[186] This group generally comprises ten codes, and regional municipal revenue regulations authorize ULGs to generate additional revenues beyond those expressly listed.[187] Despite its residual character, ULGs rarely enact laws governing these sources and, instead, they rely on incomplete federal guidelines and regional regulations.[188] This indicates that ULGs neither fully exercise their legal authority nor possess the institutional capacity to identify new revenue sources, adopt corresponding regulations, and administer them effectively.[189]

Moreover, both the design and enforcement of these receipts exhibit the same structural deficiencies observed across other revenue categories. Consequently, ULGs frequently deploy these codes to record revenues from property sales, community contributions, and analogous sources.[190] This practice is conceptually flawed and such revenues are already assigned to specific codes under other categories.[191] The resulting misclassification not only compromises fiscal clarity but also signals deeper deficiencies in revenue architecture and administrative capacity.

4.4.2 Urban Land Lease Revenue

Land leasehold tenure, unlike freehold, is a contractual arrangement granting exclusive use rights for a fixed period in exchange for lease payments.[192] In systems of public land ownership, leasehold serves as a primary mechanism for landholding and for capturing land value increments

[186] Annex I
[187] See for example, Regulation No. 220/2024; Regulation No. 007/2024
[188] See Feyissa Tolessa, Supra note 127, p.71
[189] Ibid
[190] Ibid
[191] Ibid
[192] Gemma Burgess and Katayoun Karampour, *Leasehold and Freehold Charges: Summary of Research Findings*, Cambridge Centre for Housing & Planning Research, 2020, P. 3; Urban Lands Lease Holding Proclamation No. 721/2011, *Negarit Gazeta*, Year 18, No. 4, Art. 2(1). A freeholder owns both the land and the property without temporal limitation, subject to applicable charges such as rent or tax.

generated by public investment and urban development.[193] Governments allocate use rights through lease contracts rather than transferring ownership, collecting premiums or ground rents that function similarly to land taxes in freehold systems. These revenues finance infrastructure, service delivery, and equitable urban development, although they derive from the state's dual role as landowner and fiscal authority.[194] Countries such as China, Hong Kong, India, and Rwanda employ leasehold systems for value capture.[195] In China, land leasing has been central to urban finance, generating 45-80 per cent of local revenues in Guangdong and Shenzhen in the 1990s, and 60-80 per cent of local capital expenditure in Beijing and Chengdu between 1995 and 2002.[196]

In Ethiopia, the urban land leasehold system was formally introduced in the early 1990s through Proclamation No. 80/1993. This framework retained the principle of public ownership of land, with a limited expansion of land use rights and modest administrative reforms.[197] Subsequent proclamations (No. 272/2002 and No. 721/2011) further consolidated leasehold as the dominant urban land tenure system and an increasingly important source of municipal revenue, effectively replacing the post-1975 legal regime.[198] By assigning monetary value to land use rights, the leasehold system has enhanced the revenue base of urban local governments, particularly in financing infrastructure and service delivery and in improving tenure security.[199] The 2011 Proclamation, often regarded as the most controversial iteration, was designed to capture escalating urban land values previously appropriated by private actors, and curb speculation, rent-seeking behavior, and corruption.[200] This period also witnessed the development of a decentralized land

[193] George E. Peterson, *Land Leasing and Land Sales as an Infrastructure Financing Option*, World Bank Policy Research Working Paper No. 4043, November 2006, p. 12.
[194] Ibid
[195] Xin Liu and Yongzheng Liu, "Land Lease Revenue Windfalls and Local Tax Policy in China," *International Tax and Public Finance*, Vol. 28, No. 4, pp. 1–29; see also Alebel B. Weldesilassie and Genanew B. Worku, "Managing Urban Land Markets in Africa: Valuation, Performance and Policy Implication," *Land Use Policy*, Vol. 114, No. 2, 2022.
[196] Ibid
[197] Muradu Abdo, "Legislative Protection of Property Rights in Ethiopia: An Overview," *Mizan Law Review*, Vol. 7, No. 2, 2013, pp. 165–206; see FDRE Constitution, Art. 40(3). This understanding has served as the basis for the continual amendment of both urban and rural land laws.
[198] Urban Lands Lease Holding Proclamation No. 80/1993, *Negarit Gazeta*, Year 53, No. 40, Preamble (hereinafter Proclamation No. 80/1993); Re-enactment of Urban Lands Lease Holding Proclamation No. 272/2002, *Negarit Gazeta*, Year 8, No. 19, Preamble (hereinafter Proclamation No. 272/2002); FDRE Urban Lands Lease Holding Proclamation No. 721/2011, *Negarit Gazeta*, Year 18, No. 4, Preamble (hereinafter Proclamation No. 721/2011).
[199] Ibid
[200] Proclamation No. 721/2011, Preamble.

administration framework, wherein the FDRE Constitution vests the federal government with legislative authority over land use and conservation, while regional states are entrusted with responsibility for land administration within their respective jurisdictions.[201]

Regional governments and city administrations have since enacted urban land laws and established institutional frameworks to implement the leasehold system, with the broader objective of advancing fiscal decentralization by channeling lease revenues to ULGs.[202] Notwithstanding these efforts, the leasehold regime continues to operate alongside the permit system, under which land use rights originating from the Derg period and earlier persist indefinitely upon payment of nominal ground rent and house tax.[203] Attempts to establish leasehold as the exclusive form of urban tenure, through the conversion of existing permit holdings and the regularization of informal settlements, have largely fallen short.[204] These shortcomings are primarily attributable to resistance from permit holders, as well as limited administrative and institutional capacity. Consequently, despite its formal prominence in the legal framework, the actual share of land held under leasehold arrangements remains relatively small, even though the absence of reliable cadastral data makes precise quantification difficult.[205]

ULGs are legally mandated to undertake detailed studies and establish differentiated land prices based on location, use, and market conditions.[206] In practice, however, these requirements are rarely implemented effectively, and municipalities frequently rely on benchmark prices as the primary basis for land valuation.[207] This reliance results in significant public revenue losses, as a

[201] FDRE constitution, Arts. 52(2, e) & 51(5).

[202] Proclamation No. 721/2011, Art. 33; Proclamation No. 80/1993, Preamble and Art. 14. Although such explicit provisions are absent in subsequent lease proclamations, in practice lease revenue has continued to be utilized by urban local governments (ULGs). Derg-era laws were repealed only recently; see, for example, Federal Property Tax Proclamation No. 1365/2025, *Negarit Gazeta*, Year 31, No. 32, Art. 41(1) (hereinafter Proclamation No. 1365/2025), which repeals the Urban Land Rent and House Tax Proclamation No. 80/1976 and its amendment, Proclamation No. 161/1979.

[203] Daniel Weldegebriel, "Land Rights in Ethiopia: Ownership, Equity, and Liberty in Land Use Rights," FIG Working Week 2012, Rome, Italy, 6–10 May 2012, pp. 5-6.

[204] Proclamation No. 721/2011, Arts. 5 and 6; see also Taye Minale and Habtamu Sitotaw, "Converting Old Possessions into Lease System in Ethiopia: Decades of Unsuccessful Endeavors," *Bahir Dar University Journal of Law*, Vol. 6, No. 1, 2015, pp. 121–151; Wolelaw Getahun Derso and Brightman Gebremichael, "The Leasehold System and Drivers of Informal Land Transactions in Bahir Dar City, Ethiopia," *Journal of Eastern African Studies*, Vol. 16, No. 1, January 2023, pp. 1–19.

[205] Supra note 133. For example, of the 33,503 land parcels surveyed by MoUI in 2019 in Bahir Dar, 89 per cent were held under the permit system and 11 per cent under the lease system.

[206] Proclamation No. 721/2011, Arts. 4 (4), 5 (5), 7(1), 14 (1), & 21 (3)

[207] Mekuria Haile, *Urban Land Policy, Housing, and Real Estate Markets in Urban Ethiopia*, Ethiopian Economics Association (EEA) Policy Working Paper No. 02/2022, July 2022,pp. 14-15

considerable proportion of urban land continues to be allocated through administrative allotment at outdated and often undervalued benchmark rates.[208] The challenges associated with benchmark price determination are further exacerbated by the limited institutional and technical capacity of urban centers to identify, prepare, and supply serviced land.[209] As a result, land delivery consistently falls short of both escalating urban demand and the targets set by city administrations.[210]

The case of Bahir Dar illustrates the magnitude of this gap. Despite substantial unmet demand, reportedly involving hundreds of thousands of applicants, the municipality planned to supply 704 hectares of land in the 2019/20 fiscal year but succeeded in delivering only 415.74 hectares, the majority of which was allocated through administrative allotment rather than competitive lease mechanisms.[211] Such shortfalls not only delay access to urban land but also significantly constrain the revenue-generating potential of the leasehold system.[212] Comparable patterns are observed across cities in the Amhara Regional State, as evidenced by Mitiku's study, which synthesizes five years of government data to demonstrate persistent gaps in land supply and, ipso facto, in revenue performance. [213]

Table 4: Land Transfer in Cities of the Amhara Regional State (2016-2020)

Budget Year	Planned Total (ha)	Transferred Total (ha)	Auction		Allotment	
			(ha)	%	(ha)	%
2016	1,510	1,776.076	118.69	7.1%	1,657.386	92.9%
2017	2,200	2,307.426	139.26	6.0%	2,168.166	94.0%
2018	4,625	908.5536	95.837	10.5%	812.7166	89.5%
2019	4,000	2,149.248	96.405814	4.5%	2,052.842	95.5%
2020	2,500	920.27	102.19	11.1%	818.08	88.9%
Total	**14,835**	**8,061.5746**	**552.3438**	**6.85%**	**7,509.2308**	**93.15%**

Source: Mitiku Alemayehu, 2022, p. 12

[208] Ibid
[209] Amanuel Weldegebriel, Engdawork Assefa, Meron Tekalign, and Anton Van Rompaey, "Urban Land Monetization-Driven Land Use Orientations: An Insight from Land Lease Prices in Addis Ababa," *Land*, Vol. 11, No. 796, 2022, pp. 1-21
[210] Ibid
[211] Supra note 133
[212] Ibid
[213] Mitiku Alemayehu, "Institutional Capacity as a Barrier to Deliver Urban Land for Residential Housing Development in Ethiopia: The Case of Amhara National Regional State, Bahir Dar City," *Journal of Land Management and Appraisal*, Vol. 9, No. 1, 2022, pp. 1–16.

The data clearly indicate that land transfers in the region are both inconsistent and heavily skewed toward administrative allotment rather than market-based competitive bidding. Over the five-year period, only 8,061.57 hectares, which represents 54.35% of the planned 14,835 hectares, were delivered. Of this, an overwhelming 93.15% (7,509.23 ha) was allocated through administrative allotment and only 6.85% (552.34 ha) was transferred via public auction. This pronounced imbalance reflects deep-seated institutional inefficiencies in the preparation and supply of adequately serviced land, compounded by legal and procedural shortcomings in expropriation processes, clearance of existing holdings, and the approval of zoning and land-use changes.[214]

These challenges are further exacerbated by structural constraints, including inadequate compensation funds, weak financing mechanisms for land servicing, the absence of an up-to-date and reliable cadastral system, and shortages of skilled personnel and technical capacity.[215] As a result, many urban centers either fail to meet their land supply targets or resort to transferring poorly serviced land at outdated benchmark prices.[216] These patterns not only delay planned urban expansion and contribute to the proliferation of informal settlements, but also significantly undermine the revenue-generating potential of the leasehold system.[217] In doing so, they weaken the fiscal capacity of ULGs to finance essential infrastructure and public services and limit the broader objectives of fiscal decentralization and sustainable urban development.

Despite the predominance of administrative allotment, urban centers also employ the tender system, which is legally prescribed as the principal modality for transferring urban land through a structured multi-stage process.[218] Under this system, lease prices are determined competitively, based on bid amounts and the required advance payment, which is typically set at a minimum of 10% of the total lease value.[219] When effectively implemented, the tender system has the potential to generate substantial public revenue while promoting transparency, efficiency, and accountability in urban land administration. The process generally entails land preparation, public announcement of tenders, submission of applications accompanied by fees and bid securities,

[214] Ibid
[215] Melese Worku and Mehari BA, "Review on Measuring Land Use and Land Value Changes in Ethiopia," *Journal of Entrepreneurship & Organization Management*, Vol. 7, No. 1, 2018. pp. 1-6
[216] Ibid
[217] Ibid
[218] Proclamation No. 721/2011, Arts. 8–11
[219] Ibid

evaluation of bids based on predefined criteria, selection of successful bidders, contract execution, and subsequent monitoring of payments by the relevant revenue authorities.[220]

In practice, however, the system has fallen short of these objectives. Evidence from court decisions and audit reports points to persistent problems of corruption, rent-seeking, and administrative inefficiency.[221] Notably, the highest bid per square meter does not necessarily guarantee success, as the selection process incorporates multiple weighted criteria, which can reduce transparency and create opportunities for discretionary decision-making.[222] A further challenge lies in the sharp and often unsustainable escalation of tender prices, which frequently exceed both benchmark values and average lease rates.[223] In Bahir Dar, for instance, winning bids for residential and commercial plots have consistently surpassed average tender prices, as documented in the study by Seid et al. 2020 in the following table.[224]

Table 5: Land Lease Tender Prices in Bahir Dar City (2013/14–2019/20) (in ETB/m²)

Year	Residential Land			Commercial Land		
	Minimum	Mean	Maximum	Minimum	Mean	Maximum
2013/14	841	3,126	7,016	403	3,757	16,006
2014/15	3,800	6,251	11,731	1,619	5,751	15,101
2015/16	1,466	13,323	22,110	910	4,291	15,501
2016/17	9,101	15,580	25,000	1,151	7,222	28,550
2017/18	7,555	19,759	45,000	4,100	10,266	25,600
2018/19	14,200	26,602	39,005	3,927	16,966	30,005
2019/20	30,000	39,254	56,200	6,002	23,851	28,650

Source: Seid Hussen Yimam et al., 2022, p. 16

The table shows a sharp rise in minimum, mean, and maximum lease tender prices per square meter for residential and commercial land in Bahir Dar over seven years.[225] For example, the

[220] Ibid
[221] Supra note 207, p. 16
[222] Supra note 133; see also The Revised Amhara National Regional State Urban Land Lease Holding Regulation, Council of the Regional Government Regulation No. 103/2012, *Zikre Hig*, Year 17, No. 23, Art. 16(2) (hereinafter "Regulation No. 103/2012").Under this regulation, the lease tender price carries a weight of 80 per cent, while the advance payment set at a minimum of 10 per cent of the total lease price, which accounts for 20 per cent. The bidder with the highest combined score is declared the winner; in the event of a tie, priority is given to a female bidder or, alternatively, the winner is determined by lottery.
[223] Ibid
[224] Ibid
[225] The study finds that the average lease tender price for commercial land is consistently lower than that of residential land, contrary to benchmark pricing and standard urban land price theory. This anomaly is largely explained by structural differences in plot characteristics. Commercial plots tend to be larger and are often located in pe-

mean residential price increased from 3,126 ETB/m² in 2013/14 to 39,254 ETB/m² in 2019/20, while the maximum rose from 7,016 ETB/m² to 56,200 ETB/m², far exceeding benchmark rates. This trend distorts land markets and undermines the predictability and credibility of the leasehold system and also negatively affects revenue mobilization and equitable access to land.[226] Studies suggest that this escalation is driven by the state's effective monopoly over urban land supply and administrative constraints in delivering serviced land.[227] Under conditions of rapid urbanization, restricted supply creates persistent demand-supply imbalances, pushing prices upward.[228] At the same time, urban land is increasingly treated as a speculative asset, with competitive bidding and informal resale further inflating prices.[229] Although high tender prices may boost short-term revenue, they ultimately undermine sustainable revenue mobilization and effective land value capture, as prices reflect artificial scarcity and speculative behavior rather than underlying market fundamentals.[230] This, obviously weaken the fiscal and developmental objectives of the leasehold system.

Once land is transferred, whether by allotment or tender, the central issue becomes payment. The lease law provides two modalities: advance payment and annual lease payment.[231] Lessees must first make an advance payment, no less than 10% of the total lease price, based on the bid, with an optional discount for those able to pay the full amount upfront.[232] These provisions are meant to motivate lessees and provide municipalities with immediate revenue, but in practice, few take this option given the high total lease amounts.[233] The main payment method is annual installments, calculated by dividing the remaining balance (after deducting the advance payment) by

ripheral expansion areas, making high per-square-meter bids less feasible and less attractive. In contrast, strong and growing demand for housing has intensified competition for residential plots, driving up their tender prices.

[226] Supra note 207, p.17

[227] See for example, Nesru H. Koroso and Jaap A. Zevenbergen, "Urban Land Management under Rapid Urbanization: Exploring the Link between Urban Land Policies and Urban Land Use Efficiency in Ethiopia," *Cities*, Vol. 153, No. 105269, 2024, pp. 1–15; Berihu Asgele Siyum, "Urban Land Management System in Ethiopia: An Empirical Study of Policy Implementation," *Public Administration*, No. 2, 2024, pp. 103–117,

[228] Ibid

[229] Ibid

[230] Ibid

[231] Ibid

[232] Regulation No.103/2012, Art. 32 (2). In Amhara Region, a lessee who can disburse all of the lease payments upfront in 1 year can obtain a discount of 5% of the total lease payment.

[233] Ibid

the lease period, which varies by land use.[234] Lessees also pay interest at the prevailing Commercial Bank of Ethiopia loan rate, starting after a grace period tied to the type of development.[235]

The key question is whether payments such as advance payments, annual installments, and interest allow urban centers to capture the true value of land over time. A central limitation of the system is that lease prices are fixed for the duration of the contract, and the law does not provide mechanisms for periodic adjustment or contract revision.[236] As a result, lease payments fail to reflect increases in land values or account for inflation over time. The only significant additional revenue arises at the point of transfer of leasehold rights, where the government captures a portion of the capital gain after reimbursing the lessee for prior payments, improvements, and an additional 5% of the transfer value.[237] However, this potential source of revenue is substantially weakened in practice by widespread informal transactions and simulated contracts, often structured at undervalued prices or disguised as debt settlements.[238] Consequently, municipalities are unable to fully capture unearned land value increments, resulting in significant revenue losses driven by weak administrative enforcement and entrenched networks linking lessees, brokers, and purchasers.[239]

Another critical challenge concerns the collection and enforcement of land lease obligations. The central issue is whether key lease-related payments such as advance payments, annual installments, interest, and payments arising from unearned gains are effectively collected in accordance with legal provisions and contractual terms, and whether robust enforcement mechanisms exist to ensure compliance by delinquent lessees.[240] This concern extends beyond financial obligations to include contractual development duties, particularly construction start-up and completion re-

[234] Ibid
[235] Proclamtion No. 721/2011, Art. 15
[236] In many countries, lease payments are periodically reviewed to align with market value.
[237] Supra note 133
[238] Ibid
[239] Ibid
[240] Adelegne Aytenew, Tegegne Gebre-Egziabher, and Berhanu Woldetensae, "Urban Land Policy and Its Administration in Addis Ababa: A Perception Study," *Frontiers in Sustainable Cities*, Vol. 7, 2025; Zelalem Yirga, "Critical Analysis of Ethiopian Urban Land Lease Policy Reform Since the Early 1990s," FIG Congress 2014, Kuala Lumpur, Malaysia, 16–21 June 2014. These forms of payment are provided under various provisions of urban land lease legislation and implementing regulations; see Proclamation No. 721/2011 and Regulation No. 103/2012.

quirements, which are often weakly monitored and inconsistently enforced.[241] In some instances, urban centers report meeting or even exceeding planned land lease revenue targets.[242] However, such aggregate performance figures often conceal significant underlying enforcement weaknesses.[243] In the majority of cases, lease revenues are not collected and enforced strictly in line with the law and contractual arrangements, reflecting systemic gaps in monitoring, follow-up, and sanctioning mechanisms.[244] These weaknesses are further compounded by institutional constraints and administrative discretion in enforcement practices, which reduce the effectiveness of lease contracts as binding fiscal instruments.[245] For example, the study by Wudu and Tadesse demonstrates that the performance of Bahir Dar City between 2017 and 2020 reflects this mixed and often inconsistent enforcement pattern (see Table 5).[246]

Table 6: Land Lease Revenue Collection Performance of Bahir Dar City (2017–2020)

Year	Plan (Birr)	Actual (Birr)	Actual vs Plan
2017	160,000,000	194,269,842	121.4%
2018	220,000,000	204,747,900	93.1%
2019	190,000,000	175,452,757	92.3%
2020	250,000,000	271,750,370.08	109%
2021	316,000,000	144,905,949.28	45.9%
Average	**227,200,000**	**198,225,363.67**	**87.2%**

Source: Wudu Muluneh and Tadesse Amsalu, 2022, p.9

The table shows that, despite fluctuations and the sharp shortfall in 2021, Bahir Dar largely met its targets during the five-year period, even surpassing targets in 2017 and 2020.[247] In 2019/20, Bahir Dar city administration planned to collect 250 million Birr in lease revenue but actually collected around 292 million Birr. Similar studies confirm that lease revenue constitutes a major share of municipal revenue: in cities of Amhara and Tigray, it contributed 21–45% in 2003–2004[248], while in Dire Dawa, Mekelle, and Bahir Dar it accounted for 27%, 45%, and 56% respectively between

[241] Ibid, These forms of obligations are also well illustrated under various provisions of urban land lease legislation and implementing regulations; see Proclamation No. 721/2011 and Regulation No. 103/2012.
[242] Ibid
[243] Ibid
[244] Ibid
[245] Ibid
[246] Wudu Muluneh and Tadesse Amsalu, "Financing Urban Infrastructure through Land Leasing: Evidence from Bahir Dar City, Ethiopia," *arXiv Papers*, No. 2211.12061, 2022, p. 9
[247] Ibid. These fluctuations are associated with security conditions in the city, under which the land and housing markets generally decline.
[248] Supra note 86

2010/11 and 2014/15.[249] At first glance, these figures appear encouraging. Yet, lease payment collection remains far below potential. The growth in revenue is concentrated in larger cities, driven by rising tender prices per square meter and extensive land allocations for housing and manufacturing.[250] Moreover, empirical studies and official reports reveal that many urban centers fail to collect annual installments, interest, and unearned gains as required by law and contracts.[251] In some cases, lessees have defaulted for over a decade without sanction, highlighting the absence of robust enforcement mechanisms comparable to tax collection.[252]

The problem is compounded by weak cadastral and record-keeping systems.[253] Most parcels remain unregistered in digital cadastres, while paper-based records are fragmented and disorganized, undermining systematic follow-up.[254] Institutional fragmentation further aggravates the problem: responsibility is split between land management offices, which oversee land use rights and advance payments, and revenue offices, which administer annual collections.[255] In practice, both offices downplay lease enforcement in favor of other duties, land administration in one case, and tax revenue collection in the other.[256] More critically, horizontal coordination between them is weak, often reduced to fruitless exchanges of correspondence and blame shifting.[257] Finally, urban centers lack adequate human, technical, and fiscal capacity to manage lease revenue collection effectively.[258] Studies show shortages of skilled personnel and leadership in both land and revenue offices.[259] As a result, urban administrations frequently allocate land to cooperatives, collect only advance payments, and passively wait for lessees to pay annual installments.[260]

[249] Supra note 246
[250] Ibid
[251] Ibid
[252] Supra note 133
[253] Ibid
[254] Ibid
[255] Solomon Dargiee, Walter Timo de Vries, Pamela Durán-Díaz, and Gebeyehu Belay, "Analyzing the Effects of Institutional Merger: Case of Cadastral Information Registration and Landholding Right Providing Institutions in Ethiopia," *Land*, Vol. 10, No. 4, 2021, pp. 1–17.
[256] Ibid
[257] Supra note 133. One of the letters issued in 2019/20 contained a list of 326 delinquent lessees with accumulated land lease arrears amounting to 108.8 million Birr, and indicated that the actual number of defaulting lessees could be higher due to the absence of a well-organized cadastral information system.
[258] Ibid
[259] Supra note 213; See also Mitiku Alemayehu, Achamyeleh Gashu, and Teshome Taffa, "Exploring Institutional Capacity of Urban Land Delivery and Administration for Housing Development in Bahir Dar, Ethiopia: An Institutional Analysis," *Cogent Social Sciences*, Vol. 9, 2023
[260] Ibid

Some cities have experimented with ad hoc revenue mobilization teams conducting door-to-door visits to identify delinquents, but such measures remain unsystematic and unsustainable.[261]

In conclusion, while Ethiopia's urban land leasehold system was introduced as a transformative mechanism for managing land use and mobilizing public revenue, its potential remains largely untapped due to persistent structural, legal, and institutional constraints. Although some urban centers, such as Bahir Dar, have shown periods of strong performance in land lease revenue collection, these gains are undermined by the dominance of administrative allotment, outdated benchmark prices, limited land supply, and weak enforcement of lease payment obligations. The absence of a functional land market, inadequate cadastral systems, fragmented institutional mandates, and poor inter-agency coordination further erode the system's efficiency and equity. Comparisons with international best practices, where leasehold tenure is integrated with competitive pricing, transparent valuation, and robust governance, highlight the urgent need for Ethiopia to recalibrate its land policy and administrative approach. Strengthening legal frameworks, modernizing land information systems, regularly updating benchmark prices, and building institutional capacity are essential for the leasehold system to fulfill its intended role in supporting urban development and municipal finance. In parallel, many experts also advocate for the introduction of a property tax system as an alternative and complementary source of sustainable urban revenue.[262]

4.4.3 Urban Land Permit Fees

As noted above, the introduction of the urban land leasehold system as the principal tenure arrangement did not fully replace the earlier permit-holding (old possession) system.[263] Despite repeated policy attempts to convert all urban landholdings into leasehold tenure, a substantial share of urban land in Ethiopia remains under the permit system.[264] Empirical studies indicate that permit tenure continues to represent a significant proportion of urban landholdings in many cities.[265] These holdings are primarily governed by Proclamation No. 47/1975, as subsequent

[261] Ibid
[262] Tom Goodfellow, "Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia," *African Affairs*, Vol. 116, No. 465, 2017, pp. 549–572.
[263] Taye Minale and Habtamu Sitotaw, supra note 204
[264] Ibid
[265] Supra note 133

lease proclamations preserved the legal validity of pre-existing rights.[266] While lease payments are collected from leasehold land in accordance with the urban land lease proclamations and related regulations, annual land rent, which is commonly referred to as permit fees, is collected from permit-holding land.[267] In this regard, Proclamation No. 80/1976 continues to regulate the assessment and collection of urban land rent and house taxes related to permit holdings, together with relevant regional municipal revenue laws.[268] Accordingly, the base for permit land fees includes all landholdings established prior to the introduction of the lease system and not exempted under applicable legislation.[269]

In principle, permit land rent rates are determined by city councils within ranges set by regional governments, based on proposals submitted by municipal executives.[270] These rates are expected to vary by land use categories and land grades and align land charges with both the economic value of land and the fiscal needs of municipalities.[271] In practice, however, empirical evidence reveals significant deficiencies in rate-setting.[272] The existing fee structure often lacks a clear methodological foundation and shows little correlation with municipal revenue requirements or the economic capacity of landholders.[273] Instead, rates are frequently determined through administrative discretion rather than systematic valuation approaches.[274] As a result, permit land rents remain extremely low and are seldom revised, severely limiting their effectiveness as a municipal revenue instrument. Moreover, the absence of rational differentiation across land use categories further undermines equity and efficiency.[275] This pattern is clearly illustrated by the findings of the MoUDC study, as summarized in the following table.[276]

Table 7: Average Permit Land Fee Rate of All Land Grades in Three Cities by Land Use Type (ETB/m^2)

Cities	Land Use Types	Aver-

[266] Ibid
[267] Ibid
[268] Supra note 262
[269] Ibid
[270] Ministry of Urban Development and Construction, *Recommendation and Implementation Strategy on the Study of Permit Land Holding Annual Fee in Three Pilot Cities (Bahir Dar, Dire Dawa and Mekelle)*, December 2020.
[271] Ibid
[272] Supra note 133
[273] Ibid
[274] Ibid
[275] Ibid
[276] Supra note 270, p. 14

	Resi-dence	Busi-ness	Social	Indus-try	Gov't Budgetary Bodies	Public Enter-prise	NGOs	House Built for Rent	age
Bahir Dar	0.076	2.38	1.84	0.72	1.74	2.10	1.72	–	1.51
Dire Dawa	0.16	1.86	1.17	0.64	1.29	1.51	1.05	–	1.10
Mekelle	1.56	2.06	1.02	1.39	–	–	1.39	–	1.48
Average	0.60	2.10	1.34	0.92	1.52	1.81	1.39	1.39	1.36

Source: MoUDC, 2020, p. 14

The table reveals significant variation in permit land fee rates across cities and land-use categories. Residential land rent in Mekelle is substantially higher than in other cities, while Bahir Dar records the lowest rate. These disparities do not reflect systematic differences in land values, urban demand, or municipal fiscal needs. Rather, they indicate that fee-setting practices are largely discretionary and lack a coherent valuation framework. The exceptionally low residential rate in Bahir Dar, for example, points to a clear underpricing of urban land relative to its economic value. Similar inconsistencies are evident in the differentiation of permit fees by land grade, which is intended to capture variations in location and development potential. However, as the above-mentioned study demonstrates, this differentiation is neither systematic nor consistently applied across grades in the three cities.[277]

Table 8: Average Permit Land Fee Rate of the Three Cities for All Land Uses by Land Grade (ETB/m²)

Cities	Land Grades					Average
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	
Bahir Dar	2.04	1.83	1.58	1.21	0.90	1.51
Dire Dawa	1.40	1.54	1.17	0.78	0.60	1.10
Mekelle	2.07	1.33	0.99	–	–	1.48

Source: MoUDC, 2020, p. 15

Although higher-grade land generally commands slightly higher fees, variation across grades remains minimal and fails to reflect the substantial differences in land values associated with location advantages. Mekelle sets the highest rate for Grade 1 land, followed closely by Bahir Dar, while Dire Dawa records the lowest. Yet, the overall level of these fees is extremely low relative to prevailing urban land values. These structural weaknesses are further evident in the wide gap between permit land fees and actual market prices. A comparative analysis by MoUI across selected cities shows that permit fees are significantly lower than both lease auction prices and

[277] Supra note 270, p. 15

broker-mediated market values. The study by MoUDC summarizes these disparities across different land sub-grades in the follwing table.[278]

Table 9: Comparison of Permit Land Fee Rates with Auction and Broker Prices by Land Subgrades in Selected Cities (ETB/m²)

Land Grade	Mekelle			Bahir Dar			Dire Dawa		
	Permit (Benchmark Price)	**Auction**	**Broker** (Local Market Price)	**Permit** (Benchmark Price)	**Auction**	**Broker** (Local Market Price)	**Permit** (Benchmark Price)	**Auction**	**Broker** (Local Market Price)
1/1	1.78	160.27	267.20	0.17	173.20	208.26	1.80	—	137.01
1/2	1.51	126.77	225.00	—	—	—	1.60	101.75	100.91
1/3	1.46	78.55	247.92	—	—	—	1.40	—	76.72
2/1	1.70	90.57	274.61	0.12	61.80	158.97	1.60	—	72.83
2/2	1.41	85.09	224.32	—	—	—	1.40	54.05	51.03
2/3	1.46	60.16	170.36	—	—	—	—	—	—
3/1	1.55	77.90	148.19	0.03	110.20	114.42	1.40	—	46.29
3/2	1.49	73.93	135.07	—	—	—	1.20	48.37	29.50
3/3	1.50	50.82	124.32	—	—	—	1.00	—	29.61
4	—	—	—	0.04	20.61	108.33	0.80	47.25	25.11
5	—	—	—	0.02	N/A	90.96	0.60	18.00	—

Source: MoUDC, 2020, p. 25

The table reveals a striking disparity between permit land fees and prevailing land values. In Mekelle, for example, the permit rate for Grade 1/1 land is 1.78 ETB/m², compared to 160.27 ETB/m² under auction and 267.20 ETB/m² in broker-based transactions. Similar gaps exist in Bahir Dar and Dire Dawa, where permit fees account for only a negligible fraction of market values—often less than one percent. This disparity indicates that the permit system fails to capture land value increments generated by urban development, infrastructure investment, and market demand, resulting in substantial foregone municipal revenue.[279] These structural weaknesses are reflected in extremely poor fiscal performance. Evidence from Addis Ababa shows that between 2013/14 and 2017/18, lease revenue accounted for approximately 98% of total urban land revenue, while permit land rent contributed only 2%.[280] Comparable patterns are observed in

[278] Supra note 270, p. 25
[279] Supra note 262
[280] Ibid

other cities, with a municipal baseline survey by MoUDC (2010/11–2014/15) confirming that permit fees constitute only a marginal share of municipal revenue.[281]

Table 10: Contribution of Permit Land Fee Revenue to Total Municipal Revenue

Cities	Contribution of Prmit Fee to Total Revenue
Bahir Dar	1.5%
Dire Dawa	1%
Mekelle	1.5%

Source: MoUDC, 2016, p. 33

The table indicates that permit land fees contribute only a negligible share of total municipal revenue. By contrast, lease revenues dominate urban land income, which accounts for approximately 86% in Mekelle and 97% in Bahir Dar, confirming the leasehold system as the primary fiscal instrument for land-based revenue in Ethiopia.[282] Several structural and administrative factors explain the weak performance of permit fees. First, the fee base is tied to land area rather than value, preventing the system from capturing increases in land values driven by urban growth, infrastructure investment, and rising demand. Second, compliance is weak that annual rents are rarely collected through systematic billing, and many permit holders pay only when seeking municipal services. Third, administrative constraints such as incomplete cadastral records, the absence of GIS-based registries, weak enforcement mechanisms, and unclear exemption rules further undermine effective revenue collection.

Consequently, permit land fees make only a marginal contribution to municipal finance and support an insignificant share of urban capital investment.[283] Addressing these shortcomings requires comprehensive reform aimed at enhancing both equity and fiscal relevance. In this regard, an "affordable rate scenario," positioned between market-based prices and floor lease rates, offers a pragmatic middle path.[284] Its gradual implementation supported by improved cadastral

[281] Ministry of Urban Development and Housing, *Overall Municipal Revenue Baseline Study in Three Cities of Ethiopia (Bahir Dar, Mekelle and Dire Dawa)*, September 2016, p. 33.
[282] Ibid
[283] Hafte Gebrihet, "Determinants of Urban Land Lease Market in an Emerging Economy: Empirical Evidence from Ethiopia," *International Journal of Economics and Business Administration*, Vol. 8, No. 4, January 2020, pp. 450–470.
[284] Ibid; See also supra note 207, p. 32

systems, clearer legal frameworks and stronger enforcement would be essential to unlock the substantial untapped revenue potential of permit-held land.[285]

4.5 Municipal Revenue Administration: Institutional Arrangements, Practices, and Challenges

Municipal revenue administration refers to the institutional arrangements, procedures, and practices through which ULGs assess, collect, and manage revenues to finance local public services.[286] Its primary objectives are to ensure efficient revenue mobilization, promote fiscal equity, and strengthen voluntary taxpayer compliance.[287] The literature underscores that effective revenue administration depends on context-appropriate procedures and strong institutional capacity, including skilled personnel, technical expertise, and reliable administrative systems.[288] Core functions include taxpayer and property identification, classification, registration, and valuation, as well as effective systems for assessment, billing, collection, and enforcement.[289] Where capacity is weak and procedural frameworks are unclear, challenges such as inaccurate valuation, tax evasion, and corruption tend to emerge, undermining both fiscal equity and efficiency.[290]

The organizational structure of municipal revenue administration varies across regions. In the Amhara Region, larger cities are required to establish Revenue Departments (**የከተማ ገቢዎች መምሪያ**), while smaller urban centers operate through Revenue Offices (**ገቢዎች ጽህፈት ቤት**) or municipal Revenue Centers (**የከተማ ገቢ ማዕከል**), depending on their administrative status.[291] Regardless of institutional form, these units administer both state-assigned taxes and municipal own-source revenues through specialized units embedded in revenue assessment and collection processes.[292] Through these arrangements, ULGs implement revenue sources defined in regional legislation alongside locally introduced sources recognized in municipal regulations. Against this

[285] Ibid
[286] Maria Emilia and Hernando Garzón, Supra note 3
[287] Ibid
[288] Sania Sami and Mohammad-Reza Daroudi, "Understanding the Revenue Structure of Municipalities in the Context of Achieving Sustainable Development," *International Journal of Scientific Research and Management (IJSRM)*, Vol. 5, No. 2, 2017, pp. 5152–5162
[289] Ibid
[290] Ibid
[291] See, for example, Amhara Revenue Bureau, *Organizational Unit Restructuring and Human Resource Management Directive No. 007/2019* (Amharic Version), Arts. 2(3-5) & 2(7).
[292] Interview with Belete Alemayehu, Annex VI, May 17, 2024

institutional backdrop, the following section examines the practices and challenges of municipal revenue administration in Ethiopia.

4.5.1 Fiscal Autonomy and Institutional Capacity Constraints

Guaranteeing fiscal autonomy and building the institutional capacity of ULGs through an iterative intergovernmental framework are crucial elements in municipal revenue administration.[293] Understanding these dimensions requires an examination of the institutional arrangements, practices, and challenges of urban governance in Ethiopia. In this regard, the federal charters for Addis Ababa and Dire Dawa, as well as regional city proclamations governing other urban areas, formally recognize the authority of ULGs to introduce, determine, and collect municipal revenues.[294] ULGs are also empowered to prepare their own budgets and utilize locally generated revenues to finance infrastructure and public services within the framework of regional and federal policies.[295] In institutional terms, urban councils exercise legislative authority, while executive and judicial organs perform their respective roles in local revenue administration.[296] At least formally, this arrangement reflects a degree of devolution consistent with Article 50(4) of the FDRE Constitution, which assigns local governance functions to regional states.[297]

In practice, however, this autonomy is significantly constrained. Regional administrations frequently issue binding municipal revenue regulations that define revenue categories, set tariff ceilings, and prescribe collection procedures.[298] Consequently, legislative authority over key fiscal parameters, particularly rate and tariff determination, is partially or fully centralized at the regional level, if not federal level. This limits ULGs' discretion to introduce new revenue instruments or design locally responsive tariff structures, and constrain fiscal innovation and local adaptability.[299] Although framed as administrative harmonization, such practices effectively reduce local fiscal autonomy and contrast with earlier historical arrangements in which land- and

[293] Enid Slack, "How Much Local Fiscal Autonomy Do Cities Have? A Comparison of Eight Cities around the World," IMFG Perspectives No. 19, 2017.
[294] See chapter three of this disseration; See also Ritam Chaurey and Megha Mukim, "Decentralization in Ethiopia: Who Benefits?," *World Bank Publications – Reports*, No. 23574, The World Bank Group, 2015.
[295] Ibid
[296] ibid
[297] Ibid
[298] Interview with Atsede Hailu, Annex VI, March 6, 2024.
[299] Ibid

property-related revenues allowed greater local discretion.[300] Thus, despite the constitutional commitment to decentralization, the federal system itself vests significant control over land and property revenues in regional states, enabling further regulatory centralization in this domain.[301]

Recent developments reveal some variation across regions.[302] For exmaple, in Oromia, higher-grade cities are permitted to enact their own municipal revenue laws. Similarly, Tigray and Hara-ri adopt comparatively flexible approaches by establishing general regulatory principles rather than rigid tariff schedules. In contrast, regions such as Amhara maintain more prescriptive frameworks that closely regulate municipal revenues. In smaller towns without independent ad-ministrative status, fiscal discretion is minimal, as revenue governance is effectively determined by woreda councils through standardized model regulations. These layered interventions signifi-cantly limit the capacity of ULGs to design context-specific revenue systems aligned with local economic conditions and development priorities. Moreover, although ULGs formally control budget preparation and revenue utilization, regional interference remains common and many municipalities lack the institutional capacity to exercise even these limited powers effectively. [303]

The exercise of fiscal autonomy is further constrained by weak institutional capacity.[304] Effective municipal revenue administration depends on organizational strength, skilled human resources, adequate material and technological resources, and reliable information systems.[305] Empirical evidence from interviews and focus group discussions indicates substantial deficiencies across these dimensions. Revenue departments are often understaffed and lack personnel with technical expertise in valuation, auditing, and tax administration. High staff turnover exacerbates these constraints, as employees are frequently transferred from unrelated sectors and leave after short periods.

Material and technological limitations further undermine performance.[306] Many municipal offic-es operate in inadequate facilities and lack essential equipment such as computers, printers, and

[300] Ibid
[301] See chapter three of this disseration
[302] World Bank, supra note 121, pp. 15-22; Feyissa Tolessa, Supra note 127, pp. 86-89
[303] Ibid
[304] Edson Mbedzi and Tendayi Gondo, "Fiscal Management in Dangila Municipality, Ethiopia: Performance and Policy Implications," *Theoretical and Empirical Researches in Urban Management*, Vol. 5, No. 5(14), 2010, pp. 95–119; Feyissa Tolessa, Supra note 127, pp. 89-90
[305] Supra note 286
[306] Ibid

communication tools. Limited transport resources restrict field inspections, enforcement, and taxpayer follow-up, while budget constraints reduce operational efficiency and staff motivation. In addition, most municipalities rely on manual record-keeping systems, which impede the development of reliable taxpayer databases and increase the risk of inaccuracies and data loss. The absence of integrated digital systems significantly weakens efficiency, transparency, and accountability in revenue administration.

Public participation in municipal revenue governance also remains limited.[307] Although both legal frameworks and academic literature emphasize citizen engagement as essential for transparency and compliance, municipalities rarely involve residents in decisions related to revenue policy, service charges, or local development priorities. Interviews suggest that weak relationships between revenue offices and residents undermine trust and reduce voluntary compliance. While some collaboration exists with government agencies and business associations, broader engagement with residents, civil society, and media remains limited, constraining revenue mobilization potential.

Overall, the challenges of municipal revenue administration in Ethiopia arise not only from constrained fiscal autonomy but also from weak institutional capacity. Strengthening both the legal framework governing municipal finance and the administrative capabilities of ULGs is therefore essential for improving revenue performance and supporting broader reforms, particularly in property taxation and urban service financing. Although ULGs are formally empowered to set service charges within regional tariff ceilings and urban classifications, variations in institutional capacity and local economic conditions significantly shape their ability to exercise this authority. The interaction between constrained autonomy and limited capacity thus continues to define the structural challenges of municipal revenue administration in Ethiopia.

4.5.2 Operational Gaps in Municipal Revenue Administration

a) Revenue Rate and Tariff Determination

Revenue rate setting constitutes a central element of municipal fiscal governance because it determines the elasticity of local revenue bases. The theory of fiscal federalism assumes that ULGs

[307] Ibid

should determine service charges and municipal fees in accordance with local economic conditions, urban development needs, and the ability of residents to pay.[308] In practice, however, several structural gaps limit the responsiveness of municipal revenue systems.[309] One major constraint is the limited discretion granted to ULGs in determining revenue rates. In many regions, municipal revenue regulations prescribe tariff ceilings and detailed schedules for different revenue categories. Although these rules can be justified to maintain uniformity and prevent excessive local taxation, they restrict municipalities from adjusting rates to reflect local conditions such as rising service delivery costs or local economic dynamics. As a result, municipal tariffs often become outdated and fail to reflect prevailing local conditions that distant regional authorities cannot easily detect.[310]

A further limitation lies in the weak analytical and institutional basis of revenue rate setting within regional ranges.[311] In many ULGs, tariff decisions are not supported by systematic cost analysis, revenue potential assessments, or socio-economic studies of taxpayers' ability to pay.[312] Instead, municipalities often adopt rates from regional model regulations or revise them incrementally without comprehensive evaluation. This practice is compounded by institutional capacity constraints, as many municipal revenue departments lack the technical expertise, reliable data systems, and analytical tools required for economic analysis, property valuation, or revenue forecasting. Moreover, the process of tariff determination rarely involves meaningful participation from urban residents, business communities, or civil society organizations, which undermines transparency and voluntary compliance.[313] These shortcomings suggest that improving municipal revenue performance requires greater local discretion in rate setting, stronger analytical and administrative capacity, and more inclusive and transparent decision-making processes.

b) Identification, Classification, and Registration of Revenue Sources

One of the foundational functions of municipal revenue administration is the systematic identification, classification, and registration of revenue sources and liable residents within ULG juris-

[308] Supra note 293
[309] World Bank, supra note 121, pp. 15-22; Feyissa Tolessa, Supra note 127, pp. 86-89
[310] Ibid
[311] Interview with Atsede Hailu, Annex VI, March 6, 2024; Teshager Alemu, supra note 127, pp. 73-74
[312] Ibid
[313] Ibid

dictions.[314] These processes are essential for expanding the revenue base and sustaining the buoyancy of municipal finance.[315] In practice, however, ULGs exhibit persistent weaknesses in performing these functions. Evidence from the Amhara Region indicates that routine identification and registration of taxpayers and revenue-generating activities receive limited administrative attention. As noted by experts in the regional MoUI, "not much attention is placed on such essential administrative tasks." [316] In most municipalities, taxpayer registration occurs primarily when new businesses are established or during periodic presumptive tax assessments conducted every three to five years, and even then largely for shared taxes rather than municipal own-source revenues.[317] Similar findings emerge from studies in the Oromia Region, which show that many urban residents and taxable activities remain outside municipal registries, resulting in significant untapped revenue potential.[318] The absence of systematic identification, classification, and registration mechanisms undermines both equity and efficiency in municipal revenue administration, increasing the risks of underassessment, informality, and revenue leakage.

Addressing this gap requires a shift from passive systems that rely on voluntary compliance to proactive administrative practices that systematically identify, classify, and register chargeable activities and residents.[319] Such efforts cannot be undertaken by municipal revenue offices alone. Effective revenue identification depends on strong coordination with other municipal departments, including those responsible for land administration, urban development and infrastructure, trade regulation, and transport management, whose functions directly intersect with the municipal revenue base.[320] In some cases, specific revenue streams such as construction-related fees, road-use charges, and vehicle services can be administered by specialized municipal units and services like parking and solid waste collection shall be outsourced to private providers.[321] For many other sources, however, revenue departments have not yet established robust information-sharing and coordination mechanisms with relevant institutions.[322] Strengthening such

[314] Supra note 293
[315] Ibid
[316] Interview with Aynalem Belete, Annex VI, December 21, 2025.
[317] Ibid
[318] Teshager Alemu, supra note 127, pp. 50-58
[319] Supra note 293
[320] Teshager Alemu, supra note 127, pp. 50-58
[321] Supra note 293
[322] Interview with Atsede Hailu, Annex VI, March 6, 2024

interdepartmental collaboration is therefore essential for broadening the revenue base, improving compliance, and enhancing the efficiency and equity of municipal revenue administration.

c) Valuation Systems in Municipal Revenue Administration

Valuation is a core component of municipal revenue administration, as it establishes a fair, consistent, and accurate basis for levying taxes, fees, and charges.[323] A credible valuation system supports efficient revenue generation and promotes both horizontal and vertical equity, ensuring equal treatment of similar properties and proportionate contributions from higher-value assets. The literature further underscores that transparent and reliable valuation practices reduce disputes and strengthen public trust in municipal revenue systems.[324] In Ethiopia, however, valuation practices remain fragmented and weakly regulated. Regional and municipal frameworks generally rely on two approaches: ad valorem charges, based on a percentage of property or service value, and specific charges, imposed as fixed amounts per unit.[325] Both methods depend on accurate and consistent assessment mechanisms, which are often lacking in practice.[326]

However, ULGs face significant challenges in implementing effective valuation systems due to shortages of skilled personnel, limited technological capacity, and weak institutional frameworks.[327] Accurate valuation requires specialized expertise, reliable data, and appropriate tools, yet many municipal revenue offices lack these prerequisites. Evidence from interviews in the Amhara Region indicates that valuation often relies on rough estimates, externally supplied data, or informal negotiations with residents.[328] Such practices create inconsistencies, increase disputes, and undermine perceptions of fairness, particularly as revenue demands intensify.[329] Moreover, valuation exercises are rarely conducted on a regular or systematic basis, despite rapidly changing urban property values and service usage.[330] The absence of periodic reassessment constrains municipalities' ability to capture land value increments and mobilize adequate revenue. Establishing transparent, routine, and technically robust valuation systems, supported by

[323] Supra note 293
[324] Ibid
[325] See for example, Regulation No. 220/2024; Regulation No. 007/2024
[326] Teshager Alemu, supra note 127, pp. 66
[327] Ibid
[328] Interview with Atsede Hailu, Annex VI, March 6, 2024
[329] Ibid
[330] Ibid

skilled personnel and modern data management technologies, is therefore essential for improving revenue performance and advancing sustainable urban finance.

d) Revenue Assessment, Collection, and Enforcement

Municipal revenue assessment, collection, and enforcement constitute the core operational processes through which local governments determine liabilities, receive payments, and ensure compliance.[331] These functions are particularly critical in developing country contexts, where local revenue systems often face inefficiencies, limited administrative capacity, and weak enforcement mechanisms.[332] Obviously, effective collection translates the identification and valuation of revenue bases into actual fiscal resources and strengthens the capacity of ULGs to finance urban services and infrastructure. The literature identifies two complementary approaches to compliance.[333] The deterrence approach relies on enforcement measures and penalties to discourage evasion, while the behavioral approach emphasizes taxpayer education, transparency, and trust to promote voluntary compliance. In practice, effective municipal revenue administration requires a balanced application of both approaches. In ULGs of Ethiopia, revenue collection generally follows schedules prescribed under regional and municipal regulations, including annual, monthly, and service-based payment systems, as repeatedly noted above.

Despite these formal arrangements, municipal revenue collection in many Ethiopian ULGs remains largely reactive and dependent on voluntary declarations by residents.[334] Limited administrative capacity, inadequate staffing, and logistical constraints significantly weaken the ability of municipalities to monitor compliance, conduct audits, and enforce payment obligations.[335] Many small towns operate with only a single collection center, while even larger cities such as Bahir Dar and Mekelle struggle to meet growing demand despite partial decentralization to sub-city administrations.[336] Short collection periods and long queues further discourage compliance. Empirical evidence and interviews identify additional factors undermining collection performance,

[331] Supra note 228
[332] Ibid
[333] Tewachew Molla and Yosef Workeluele, "Examining the Tax Administration Law of Ethiopia in Light of the Tax Compliance Theories," *Mizan Law Review*, Vol. 16, No. 2, 2022, pp. 273–304.
[334] Teshager Alemu, supra note 127, pp. 66
[335] Ibid
[336] Supra note 270

including poor urban service delivery, limited transparency and accountability, low public trust in municipal institutions, and weak enforcement practices.[337] Although regional regulations authorize sanctions such as property seizure and sale these measures are rarely applied in practice due to institutional constraints and reliance on under-resourced local enforcement units (የቀበሌ ደንብ አስከባሪዎች).[338] Strengthening municipal revenue collection therefore requires a dual strategy: enhancing voluntary compliance through improved transparency, public awareness, and stakeholder engagement, while simultaneously building enforcement capacity through adequate staffing, logistical support, and institutional reform.

e) Complaint Handling and Revenue Dispute Resolution

Complaints and disputes are inherent in municipal revenue administration and therefore require efficient and accessible resolution mechanisms.[339] Effective complaint-handling and dispute resolution systems are essential components of sound municipal revenue governance, as they safeguard taxpayers' procedural rights, enhance accountability, and build public trust, and, if possible promote voluntary compliance while ensuring effective revenue collection.[340] Regional municipal revenue regulations generally establish basic frameworks for complaints and appeals, often modeled on federal and regional tax administration systems.[341] These frameworks typically follow a multi-tier structure, beginning with internal administrative review (Review Councils), followed by quasi-judicial bodies (Tax Appeal Commissions), and ultimately judicial review through the courts.[342] However, the literature consistently criticizes these mechanisms as cumbersome, costly, and lacking sufficient independence.[343] Additional concerns include short appeal periods and requirements for advance payments before appeals can proceed, which may deter taxpayers from seeking redress.[344] These limitations are particularly pronounced in municipal contexts, where complaint-handling institutions are often weak, under-resourced, and unevenly implemented across ULGs.

[337] Ibid
[338] Ibid
[339] Supra note 228
[340] Ibid
[341] See for example, Regulation No. 220/2024; Regulation No. 007/2024
[342] Ibid
[343] Aschalew Ashagre, "Adjudication of Tax Disputes within the Tax Authority in Ethiopia: Critical Reflections on the Law and the Practice," *Bahir Dar University Journal of Law*, Vol. 11, No. 1, 2020, pp. 35–66.
[344] Ibid

Evidence from interviews in the Amhara Region and prior studies reveals significant variation in practice.[345] In larger cities such as Bahir Dar, Gondar, and Dessie, ad hoc complaint-hearing committees operate within municipal revenue departments to address disputes. In smaller towns, however, no comparable structures exist, and municipal disputes are handled within general tax administration bodies. In both contexts, complaint-handling mechanisms remain largely informal and ad hoc, as no permanent institutional units are dedicated to managing taxpayer grievances. Review councils, for example, often function as temporary committees composed of revenue officials, while accessible and continuously operating Tax Appeal Commissions are absent in most urban centers.

This situation delays complaint handling and dispute resolution and may effectively deny timely access to justice. Interviews further indicate that many residents perceive the complaint system as complex and inaccessible, leading them to prefer paying disputed amounts rather than pursuing formal appeals.[346] This tendency is reinforced by the relatively small monetary value of many municipal charges and their direct linkage to service delivery. As a result, the complaint and dispute resolution framework remains underutilized and institutionally weak, and limit transparency, weakening taxpayer confidence, and undermining the perceived legitimacy of municipal revenue administration. Strengthening these mechanisms, through the establishment of permanent complaint-handling structures, improved accessibility of appeal procedures, and systematic integration of taxpayer feedback into revenue management, would significantly enhance the efficiency, accountability, and fairness of municipal revenue systems.

4.6 Recent Developments: A Two-Pronged Reform Strategy for Municipal Revenue and Property Taxation

Following the adoption of the 2005 Urban Development Policy, the Ethiopian government has renewed its focus on strengthening the fiscal capacity of ULGs.[347] This shift has been reinforced by international and regional commitments including the Sustainable Development Goals

[345] Interview with Atsede Hailu, Annex VI, March 6, 2024
[346] Ibid
[347] Ministry of Urban Development and Construction, *Urban Institutional and Infrastructure Development Program (UIIDP): Program Operations Manual (POM)*, Vol. 1, 6 February 2020.

(SDGs–2030), Agenda 2063, and the Addis Ababa Action Agenda, which, in particulalr, emphasize sustainable urban development, decentralization, and domestic resource mobilization.[348] Support from development partners such as the World Bank, GIZ, USAID, and UN-Habitat has further catalyzed reform efforts in urban governance and municipal finance.[349] Within this policy context, a series of institutional and policy initiatives has emerged to modernize municipal revenue systems and address growing fiscal pressures associated with rapid urbanization and rising demand for infrastructure and services.[350] Collectively, these initiatives signal a gradual shift toward strengthening own-source revenues, reducing reliance on intergovernmental transfers, and building a more structured and resilient system of urban finance.

A central driver of this reform agenda is the Urban Revenue Reform Project Office (URRP), established in 2009 within the MoUI (formerly MoUDC), with branch offices in Addis Ababa, Dire Dawa, Bahir Dar, and Mekelle.[351] The Office seeks to rationalize existing municipal revenue instruments and introduce a modern property tax system to create a more coherent, equitable, and administratively feasible framework. Its structure includes units for property tax reform, municipal revenue reform, capacity building and communication, systems development and technology, and administration. This institutional design reflects a dual focus on substantive legal reform and institutional capacity building in municipal revenue and property tax administration, which this dissertation defines as a two-pronged reform approach.

Preparatory work has included pilot studies in Bahir Dar, Mekelle, and Dire Dawa, and comparative analysis of international experiences from countries such as the Netherlands, the United States, Vietnam, Cambodia, Rwanda, and South Africa.[352] Key outputs include baseline studies of municipal revenue systems, assessments of property markets and valuation practices, and the development of computerized revenue administration systems.[353] Draft legal and policy instruments such as a property tax proclamation, valuation and mapping guidelines, model regional

[348] Ibid; see also The World Bank, *Ethiopia: Second Urban Institutional & Infrastructure Development Program*, Report No. P179713, March 14, 2024, pp. 1–15.
[349] Ibid
[350] Ibid; For different policy documents prepared by the Ministry of Urban and Infrastructure (MoUI), see the Urban Revenue Reform Project Office (URRPO) website, available at URRPO About Page and https://urrpo.gov.et/projects/ (last accessed 13 December 2025).
[351] Interview with Atsede Hailu, Annex VI, March 6, 2024
[352] Ibid
[353] Ibid

regulations, and technical manuals have also been prepared.[354] These efforts culminated in the formulation of a new Urban Finance Strategy and the revision of the 2005 Urban Development Policy to incorporate stronger urban governance and financing frameworks.[355]

The Urban Finance Strategy represents a major policy milestone.[356] It identifies structural weaknesses on both the revenue and expenditure sides, including limited fiscal decentralization, weak revenue identification systems, disconnection from land-based revenues, inefficient land use, poor collection and enforcement practices, and deficiencies in budgeting, procurement, and financial management. In response, the strategy prioritizes strengthening own-source revenues, enhancing land-based financing, modernizing property taxation, and improving municipal revenue administration. While emphasizing revenue mobilization, it also recognizes the continued importance of intergovernmental transfers, municipal borrowing, and public–private partnerships, particularly in the short term. Within this framework, the reform adopts a two-pronged approach: modernizing existing revenue instruments and introducing a new property tax system. It prioritizes six key revenue sources (property tax, lease revenue, business service fees, permit fees, hotel occupancy fees, and road user charges) based on their revenue potential and administrative feasibility.[357] Model laws and technical frameworks have been developed for each instrument, aiming to create a more diversified and integrated municipal revenue system.[358]

These initiatives mark a significant policy shift toward strengthening the fiscal capacity of ULGs. Some reforms have already been implemented, including revisions to municipal revenue instruments in Addis Ababa and legislative updates in regions such as Amhara and Oromia.[359] More recently, a federal property tax framework has been introduced under Proclamation No. 1365/2025 and, accompanied by, a model regional law to facilitate nationwide implementation.[360] Despite these advances, the reform process remains fragmented and only partially institutionalized.[361] Many initiatives have been implemented through donor-supported, project-based

[354] Ibid
[355] Ibid
[356] Ministry of Urban Development and Infrastructure, *Urban Development Finance Strategy* (Amharic), document submitted for decision, July 2022.
[357] Ibid
[358] Interview with Atsede Hailu, Annex VI, March 6, 2024
[359] See Chapter Seven of this dissertation.
[360] Proclamation No. 1365/2025; Ministry of Finance, "The … Regional State Property Tax Proclamation No. …/2025," *A Model Regional Property Tax Law*, 2025 (hereinafter "Regional Model Law").
[361] Interview with Atsede Hailu, Annex VI, March 6, 2024

structures without full integration into permanent government institutions.[362] Coordination among key actors including the MoF, MoR, MoJ, regional governments, and ULGs remains limited and often *ad hoc*. As a result, several initiatives, including computerized systems and property registration programs, have stalled following the withdrawal of external support.[363] Moreover, a number of proposed legal instruments remain in draft form, reflecting limited ownership and unresolved concerns regarding their design.[364] The integration of multiple revenue instruments within a coherent property tax framework is also incomplete, raising concerns about potential overlaps, double taxation, and increased burdens on urban residents.[365]

More fundamentally, the reform agenda has not been sufficiently aligned with broader institutional and legal frameworks governing urban governance.[366] Issues such as the legal status of ULGs, fiscal autonomy, land tenure systems, and property rights remain weakly integrated into ongoing revenue reforms.[367] Unlike international experiences discussed in Chapter Two, Ethiopia's municipal revenue and proeprty tax reforms have not been accompanied by parallel reforms in local governance and land administration.[368] This omission would undermine outcomes and sustainability. Overall, while the current reform agenda holds considerable promise for addressing long-standing weaknesses in urban finance, its effectiveness will depend on the extent to which these initiatives are consolidated into a coherent, institutionalized framework supported by adequate administrative capacity and sustained political commitment.

4.7 Interim Conclusion

This chapter examined the structure, sources, and administration of municipal revenues and assessed recent reform initiatives aimed at strengthening the fiscal capacity of ULGs in Ethiopia. The analysis shows that the current municipal revenue system is characterized by structural fragmentation, limited fiscal autonomy, and weak administrative capacity. These conditions constrain ULGs' ability to meet the growing demand for urban infrastructure and services, exacer-

[362] Ibid
[363] Ibid
[364] Ibid
[365] Ibid
[366] Ibid
[367] Ibid
[368] See Chapter Two, Section 2.7 of this dissertation.

bate vertical fiscal imbalances, and sustain reliance on external funding sources. Such dependence, in turn, undermines institutional autonomy and weakens accountability to urban residents.

The chapter identifies overarching constitutional and legal gaps, as well as administrative, operational, and design and implementation deficiencies across both external and internal (own-source) revenue sources. *First*, the analysis shows that municipal finance is only weakly articulated within Ethiopia's dual federal system and predominantly rural-oriented decentralization framework. In the absence of clear constitutional provisions at both federal and regional levels, the fiscal powers of ULGs are largely derived from regional city proclamations and municipal revenue regulations. These instruments define key elements of revenue generation, including tax bases, rates, and enforcement procedures. However, such regional frameworks constrain ULGs' ability to design and implement revenue instruments that respond to local economic conditions and urban development needs.

Second, the chapter identifies intergovernmental fiscal transfers (IGFTs), municipal borrowing, and foreign development assistance as the principal external financing sources for ULGs under regional city proclamations. However, their contribution remains limited due to legal and implementation constraints. Regional grants, which are now the most significant source for many ULGs, are undermined by outdated allocation formulas, limited transparency, inadequacy, unpredictability, political influence, and weak oversight. Moreover, ULGs do not directly participate in national revenue-sharing arrangements and instead depend on discretionary regional transfers, in which they have limited influence. Municipal borrowing, despite its potential, remains highly centralized, lacks a clear legal framework, and is rarely utilized due to regulatory restrictions, weak municipal creditworthiness, and underdeveloped capital markets. Similarly, foreign technical and financial assistance, though important for infrastructure and capacity building, is largely project-based, externally driven, unpredictable, and weakly integrated with efforts to strengthen domestic municipal revenue mobilization.

Third, the chapter finds that own-source revenues constitute the most important but underutilized component of ULGs financing. Although regional municipal revenue regulations recognize a range of instruments including municipal taxes, rents and investment income, service charges, sales of goods and services, and other capital receipts, their fiscal contribution remains limited

due to structural, legal, and administrative constraints. Weak local economic bases, inadequate service and infrastructure provision, and ineffective collection and enforcement systems significantly constrain revenue mobilization. Municipal taxes, particularly the building tax inherited from earlier socialist frameworks, remain outdated and poorly administered, and service charges and semi-commercial revenues are undermined by weak enforcement and limited technical capacity.

The chapter examines the administration of municipal own-source revenues in detail and identifies significant institutional and operational challenges. Although ULGs are formally responsible for assessing, collecting, and managing revenues, their effectiveness is constrained by limited fiscal autonomy, shortages of skilled personnel, inadequate technological infrastructure, and weak information systems. Fiscal autonomy and administrative capacity are closely interlinked and constitute the primary constraints on effective revenue mobilization. These limitations undermine core administrative functions, including tariff setting, taxpayer idenfitifcation and registration, valuation, assessment, enforcement, and dispute resolution. As a result, administrative efficiency is reduced, fiscal equity is weakened, and voluntary compliance among urban residents is compromised.

Finally, the chapter examines Ethiopia's recent two-pronged ULGs financing reform initiatives. The first prong focuses on strengthening and rationalizing existing municipal revenue instruments, particularly land-based revenues, service charges, and municipal fees, through improved legal frameworks, enhanced administrative systems, and stronger revenue management. The second prong introduces a modern property tax system as a stable and sustainable revenue source capable of capturing urban land and property values to support long-term development. Key institutional measures, including the URRPO, the Urban Finance Strategy, pilot studies in three selected cities, and the development of draft legal and technological frameworks such as property valuation systems and computerized revenue administration platforms, have played a central role in advancing these reforms. The identification of six priority revenue instruments i.e. property tax, lease revenue, permit fees, business service charges, hotel occupancy fees, and road user fees reflects an effort to diversify and structure municipal revenue. In this context, the adoption of the federal property tax framework under Proclamation No. 1365/2025 and Regional Model

Law marks a significant policy shift toward positioning property tax as a cornerstone of urban finance.

Despite these advances, the reform process remains fragmented and only partially institutionalized. Many initiatives have been implemented through temporary, donor-supported projects and have yet to be fully integrated into permanent government structures. Coordination among key institutions including the MoF, MoR, Ministry of MoUI, and regional and ULGs remains limited, and several proposed legal instruments are still in draft form. Moreover, the reform agenda is not fully aligned with broader institutional and governance frameworks, including the constitutional status of ULGs, fiscal decentralization, and urban land and property rights. As a result, while the two-pronged strategy represents a promising shift toward strengthening land-based revenues and introducing property taxation, its effectiveness ultimately depends on complementary institutional reforms. These include enhancing municipal fiscal autonomy, strengthening revenue administration, modernizing land and property information systems, and improving coordination across levels of government. These issues are further examined in subsequent chapters, which explore the legal, institutional, and policy foundations necessary for effective property tax reform.

CHAPTER FIVE

URBAN LAND GOVERNANCE AND PROPERTY TAX REFORM: INSTITUTIONAL NEXUS AND FISCAL IMPLICATIONS

5.1 Introduction

As noted in Chapter Two, land constitutes a critical institutional nexus through which property rights, land governance, and land revenue intersect to shape local public finance systems. The literature and comparative country experiences consistently show that ULG financing and property tax reforms are not merely technical fiscal instruments but are structurally embedded in land tenure and property regimes, as well as land administration systems.

This chapter addresses the third specific objective of the dissertation by examining the institutional nexus between urban land and state revenue. Section 5.2 establishes the analytical framework by conceptualizing this nexus and explaining the fiscalization gap in Ethiopia. Section 5.3 critically examines the contemporary urban land governance framework, identifying key structural gaps in constitutional design, tenure arrangements, protection of land rights, expropriation practices, planning systems, cadastral and land information infrastructures, valuation mechanisms, and dispute resolution processes. This analysis draws on both secondary sources and primary data from interviews and Delphi consultations. Section 5.4 analyzes property tax reform as an institutional lever for addressing these deficiencies and strengthening the linkage. The chapter concludes in Section 5.5 with an interim synthesis that consolidates the main findings and establishes the analytical foundation for subsequent chapters.

5.2 Urban Land-Revenue Nexus and the Fiscalization Gap in Ethiopia

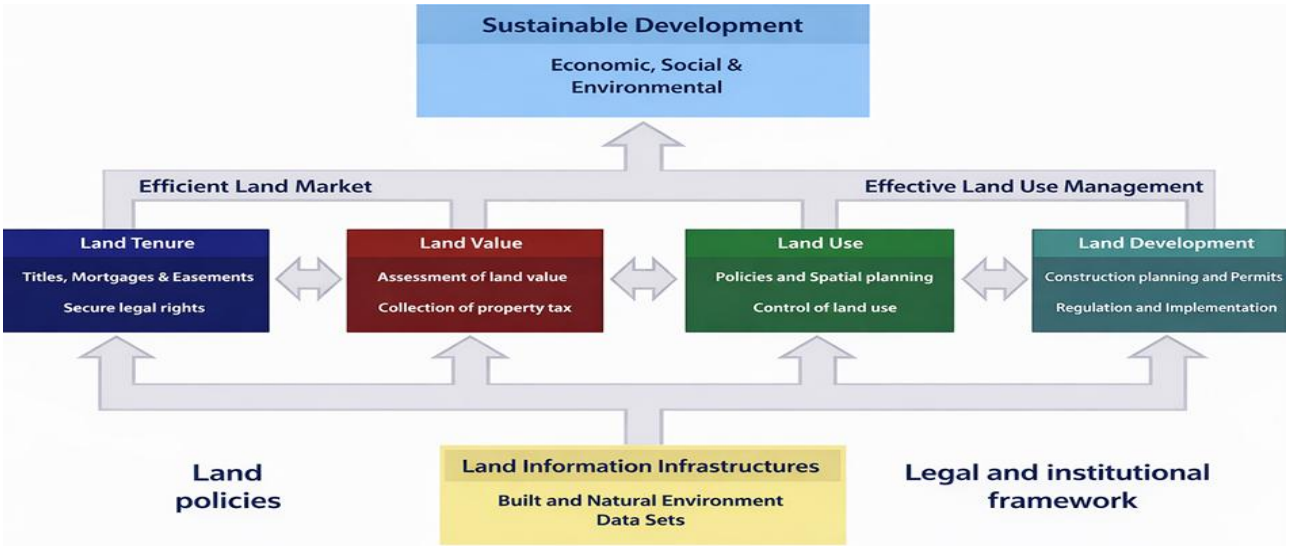
Land occupies a structurally distinctive position in every country's political economy and functions simultaneously as a factor of production, a store of wealth, a basis of identity, and a source of public revenue.[1] In urban contexts, this multidimensional role is intensified by agglomeration effects, infrastructure concentration, and rapid land value appreciation, particularly under condi-

[1] See generally, FAO, *Land Tenure and Rural Development*, FAO Land Tenure Studies No. 3, 2002, pp. 3–6.

tions of accelerated urbanization.[2] Consequently, urban land governance and property rights constitute not merely administrative concerns but a central institutional arena through which states mediate competing objectives of efficiency, equity, legitimacy, and fiscal sustainability.[3] Within this framework, the capacity to convert land values into public revenue, particularly through property tax and other land-based instruments, serves as a critical indicator of state capacity and the quality of local governance.[4]

At the conceptual level, land governance refers to the ensemble of legal rules, institutional arrangements, and decision-making processes governing land tenure, land use, land value, and land development.[5] Its operational counterpart, land administration, encompasses cadastral systems, land registration, valuation mechanisms, and spatial data infrastructures that enable the identification, regulation, and taxation of land, as the following figure illustrates.[6]

Figure 2: Global Perspective of Modern Land Administration Systems



(Source: Enemark, 2005, p. 7)

[2] UN-GGIM, *The Application of Geospatial Information: Land Administration and Management*, 13 July 2015; UN-Habitat, 2002, 5-6

[3] Ibid

[4] George E. Peterson, *Unlocking Land Values to Finance Urban Infrastructure*, The World Bank, Trends and Policy Options No. 7, 2009, pp. 10–11.

[5] UN-Habitat, *Land Governance: A Review and Analysis of Key International Frameworks*, Report No. 1, 2017.

[6] Stig Enemark, "Understanding the Land Management Paradigm," FIG Commission 7 Symposium on Innovative Technologies for Land Administration, 19–25 June 2005, USA, p. 7; Siraj Sait, "Land-based Finance for Sustainable Urban Development in Africa: Challenges and Prospects," *African Journal on Land Policy and Geospatial Sciences*, Vol. 3, No. 3, 2020, pp. 96–113.

The figure shows that the various components of land governance are not functionally separable. Rather, they constitute an integrated institutional system in which the clarity of property rights, the reliability of land information, and the effectiveness of administrative enforcement jointly determine the extent to which land can serve as a stable fiscal base.[7] Where urban land governance is weak, fragmented, or inconsistent, property tax reforms tend to underperform regardless of their legal or technical sophistication. Conversely, well-designed and effectively implemented property tax systems can generate reciprocal governance effects by strengthening tenure security, expanding rights, improving cadastral systems, and enhancing administrative accountability.

From a theoretical standpoint, the relationship between land governance and land revenue is best understood through competing and complementary traditions of property theory. Classical liberal theories associated with scholars such as John Locke and Adam Smith conceptualize private property as foundational to economic productivity, investment incentives, and efficient taxation.[8] These traditions are further refined within the framework of New Institutional Economics, particularly in the work of Ronald Coase and Hernando de Soto, which emphasizes that well-defined, enforceable, and transferable property rights reduce transaction costs, facilitate market exchange, and enable effective fiscal extraction through property taxation.[9] In contrast, socialist and Marxian traditions, rooted in the work of Karl Marx and Friedrich Engels, challenge the distributive consequences of private land ownership, advocating instead for state or collective control of land.[10] While such systems may advance equity objectives, they often weaken the informational and market-based foundations required for valuation and taxation. A third analytical strand, associated with Elinor Ostrom, advances the theory of common property regimes, demonstrating that collective ownership structures can be viable under appropriate institutional conditions, though they introduce additional complexity in fiscal design and enforcement.[11]

[7] Stig Enemark, "Managing Rights, Restrictions and Responsibilities in Land," GSDI-11 World Conference, Rotterdam, The Netherlands, 15–19 June 2009, p. 2.
[8] See Gershon Feder and David Feeny, "Land Tenure and Property Rights: Theory and Implications for Development Policy," *The World Bank Economic Review*, Vol. 5, No. 1, pp. 135–153.
[9] Abraham Bell and Gideon Parchomovsky, "A Theory of Property," *Cornell Law Review*, Vol. 90, No. 3, 2005, pp. 531–615.
[10] Ibid
[11] Edella Schlager and Elinor Ostrom, "Property-Rights Regimes and Natural Resources: A Conceptual Analysis," *Land Economics*, Vol. 68, No. 3, 1992, pp. 249–262.

Bridging these traditions, the "bundle of rights" framework conceptualizes property not as a monolithic entitlement but as a disaggregated set of rights such as access, withdrawal, management, exclusion, and alienation distributed across actors and institutions, as the following table illustrates.

Table 11: Bundle of Rights Distribution.

Level of Authority	Rights	Authorized Entrants	Author-ized Users	Claimant	Proprietor	Owner
Operational Level	Access	√	√	√	√	√
	Withdrawal		√	√	√	√
Collective Choice	Management			√	√	√
	Exclusion				√	√
	Alienation					√

Source: Adapted from Schlager and Ostrom (1992, P. 252)[12]

As shown in the table, operational rights confer basic land-use benefits but limited control, whereas collective-choice rights provide progressively greater authority over land decisions, benefit streams, and transferability.[13] The strength of this bundle is closely associated with tenure security and investment incentives, as well as with fiscal legitimacy.[14] Where rights are clearly defined and enforceable, the state's claim to tax land and property gains normative and practical credibility.[15] Conversely, fragmented, insecure, or politically contingent rights undermine both compliance and administrative feasibility and, as a result, constrain revenue mobilization.[16] This analytical perspective is reinforced by contemporary development frameworks advanced by institutions such as the World Bank[17], UN-Habitat[18] , and the Food and Agriculture Organization[19], which converge on the proposition that effective property taxation depends on robust land governance systems. These include comprehensive cadastral coverage, reliable valuation practices,

[12] Ibid
[13] Ibid
[14] See generally, Denise R. Johnson, "Reflections on the Bundle of Rights," *Vermont Law Review*, Vol. 32, pp. 247–272.
[15] Ibid
[16] Ibid
[17] See generally, Klaus Deininger, Harris Selod, and Anthony Burns, *The Land Governance Assessment Framework (LGAF): Identifying and Monitoring Good Practice in the Land Sector*, The World Bank, 2012.
[18] UN-Habitat, *Fit-for-Purpose Land Administration: Guiding Principles for Country Implementation*, Report No. 2, 2016.
[19] FAO, *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)*, revised 10th Anniversary Edition, May 2022.

transparent land markets, and institutional coordination across levels of government.[20] The implication is clear and simple that property tax reform is not merely a fiscal or technical exercise but a broader institutional transformation embedded within the architecture of land governance and proeprty rights regime.[21]

Within this integrated framework, land-based financing operates through a cyclical process of value creation, capture, and reinvestment.[22] Public investments in infrastructure and urban services generate land value increments, which can be captured through fiscal instruments such as property taxes, betterment levies, and development charges, and subsequently reinvested to sustain urban development.[23] However, this cycle is highly sensitive to institutional quality. Weak land administration systems, incomplete cadastral records, and fragmented governance structures disrupt the linkage between land value and public revenue, producing what may be characterized as a "fiscalization gap" in urban land governance.[24] It is within this analytical context that the Ethiopian experience must be situated. The histricolegal evolution of urban land tenure in Ethiopia reveals a persistent tension among three competing objectives such as tenure security, equitable access to land, and the fiscalization of land value.[25] These tensions are not incidental but are structurally embedded in the shifts across successive political periods.[26]

In Ethiopia, land use and tenure systems can be traced back to time immemorial and were largely characterized by diverse and complex customary governance arrangements.[27] Landholding was predominantly rural and highly differentiated, governed by multiple local systems, most notably *rist* in the north, a kinship-based system granting land rights through ancestral claims and *gult* in the south, a state-granted right to collect tribute or taxes from land.[28] The situation created what

[20] Krishna Gupta, "New Institutional Economics: Exploring Property Rights," *The Millennium Post*, 24 October 2020, available at https://www.millenniumpost.in/sundaypost/beacon/new-institutional-economics-exploring-property-rights-422025 (last accessed 27 December 2025).
[21] Ibid; See also Siraj Sait, supra note 6, p. 93
[22] Supra note 4, pp. 10-11
[23] Siraj Sait, supra note 6, p. 97
[24] See generally, supra note 4
[25] Ibid
[26] Ibid
[27] For the comprehensive undertsnding of evolution of urban land tenure in Ethiopia See, for example, Daniel Woldegebriel, *Land Rights and Expropriation in Ethiopia*, Doctoral Thesis, Royal Institute of Technology, 2013; Brightman Gebremichael, "Heartrending or Uplifting: The Ethiopian Urban Land Tenure System Reform and Its Reflection on Tenure Security of Permit Holders," *Journal of Developing Societies*, Vol. 33, No. 3.
[28] John Markakis, *Ethiopia: Anatomy of a Traditional Polity*, Oxford: Clarendon Press, 1974, p. 160.

is known as a "tributary system," characterized by the extraction of economic surplus from an autonomous peasantry by military-noble elite. [29] Formal legal recognition of private urban land ownership emerged only through constitutional, statutory, and administrative reforms beginning in the early twentieth century.[30] Despite the prominent institutional changes and their fiscal implications, these reforms established relatively strong tenure security and legally enforceable property rights in urban areas.[31] In principle, this institutional configuration provided a foundation for public revenue mobilization and enabled the introduction of modern land and property tax. The structural conditions for fiscal extraction further improved as land rights became identifiable, transferable, and documented through emerging cadastral practices.

In addition to attempts to measure and classify land through the *qelad* system in the nineteenth century, developments such as the 1907 decree[32] and subsequent legal instruments—including the 1931[33] and 1955[34] Constitutions and the 1960 Civil Code[35], collectively entrenched private land and property ownership and reinforced legal protections for landholders within a centralized governance framework. However, the concentration of land ownership among political and economic elites undermined equitable access and constrained the political feasibility of broad-based tax.[36] Consequently, the fiscal potential of urban land was only partially realized.[37] This outcome illustrates that strong property rights alone are insufficient to sustain effective land-based revenue systems without inclusive access to land and capable municipal institutions. The resulting imbalance between tenure security, distributive equity, and fiscal capacity contributed to mounting social and political tensions, with land emerging as a central grievance culminating in the 1974 revolution.[38]

[29] See generally, Berhanu Abegaz, *A Tributary Model of State Formation in Ethiopia: 1600–2015*, Springer International Publishing, 2018.
[30] Ibid
[31] Richard Pankhurst, *State and Land in Ethiopian History*, The Institute of Ethiopian Studies, 1966, p. 55.
[32] Imperial Government of Ethiopia, "The 1907 Decree," referred to in Ibid, pp. 149–151.
[33] Ethiopian Constitution of 1931, His Imperial Majesty Haile Selassie I, 16 July 1931, Arts. 27, 77, & 78.
[34] The Revised Constitution of 1955, His Imperial Majesty Haile Selassie I, 4 November 1955, Arts. 44 and 130(d).
[35] The Civil Code of the Empire of Ethiopia, *Negarit Gazeta*, Extraordinary Proclamation No. 165/1960, Year 19, Book III, Arts. 1463–1477 and 1535–1552 (hereinafter the 1960 Civil Code).
[36] Daniel Woldegebriel, Supra Note 27, pp. 53-54; Brightman Gebremichael, Supra Note 27, P. 4
[37] Ibid
[38] Ibid

The advent of the Derg regime marked a radical institutional rupture in the land governance system of Ethiopia. By nationalizing rural and urban land and abolishing private ownership, it dismantled the legal, market, and institutional foundations of land value formation.[39] These measures were ideologically grounded in Marxist–Leninist principles and justified as a corrective to landlordism, land speculation, tenant exploitation, and widespread tax evasion under the imperial system.[40] In this framework, land tax was replaced by administratively determined rents and fees, effectively severing the link between land value, market signals, and public revenue.[41] While the reforms were framed in redistributive and equity-oriented terms, they generated significant unintended consequences, including widespread tenure insecurity, weakened investment incentives, and a breakdown of reliable valuation signals necessary for effective tax.[42] In theoretical terms, the Derg experience illustrates the fiscal limitations of highly state-dominant property regimes in the absence of credible administrative, cadastral, and informational infrastructures. [43] It demonstrates that while nationalization may address distributive concerns, it can simultaneously undermine the long-term capacity of the state to mobilize sustainable land-based revenue.

The post-1991 period introduced a hybrid institutional model centered on public ownership and leasehold rights.[44] Under the urban land leaseholding system, urban land governance is further regulated through related legislation on urban planning[45], land registration[46], expropriation[47],

[39] Government Ownership of Urban Land and Extra Houses, Proclamation No. 47/1975, *Negarit Gazeta*, Year 34, No. 41, Arts. 3(1), 3(2) and 13(1) (hereinafter Proclamtion No. 47/1975)
[40] Ibid
[41] Urban Land and Urban Houses Tax Proclamation No. 80/1976, *Negarit Gazeta*, Year 35, No. 25. (hereinafter Proclamation No. 80/1976)
[42] Brightman Gebremichael, Supra Note 27, PP. 5-6
[43] Ibid
[44] The Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995, *Federal Negarit Gazeta*, Year 1, No. 1, Arts. 40(3) and 89(5) (hereinafter FDRE Constitution); A Proclamation to Provide for the Lease Holding of Urban Lands, Proclamation No. 80/1993, *Negarit Gazeta*, Year 53, No. 40 (hereinafter Proclamation No. 80/1993); Re-enactment of Urban Lands Lease Holding Proclamation No. 272/2002, *Federal Negarit Gazeta*, Year 8, No. 19 (hereinafter Proclamation No. 272/2002); Urban Lands Lease Holding Proclamation No. 721/2011, *Federal Negarit Gazeta*, Year 18, No. 4 (hereinafter Proclamation No. 721/2011).
[45] Urban Planning Proclamation No. 574/2008, *Federal Negarit Gazeta*, Year 14, No. 29. (hereinafter Proclamation No. 574/2008)
[46] Urban Landholding and Land-Related Property Registration Proclamation No. 1381/2024, *Federal Negarit Gazeta*, Year 31, No. 56. (hereinafter Proclamation No. 1381/2024)
[47] Expropriation of Landholdings for Public Purposes, Payment of Compensation and Resettlement of Displaced People Proclamation No. 1161/2019, *Federal Negarit Gazeta*, Year 25, No. 90. (hereinafter Proclamation No. 1161/2019)

and, more recently, valuation[48] and taxation[49]. Collectively, these reforms were justified by the objectives of correcting governance failures under the previous regime, aligning land use with market-oriented policies, mobilizing land-based revenue, and promoting planned urban development.[50] However, despite successive amendments and the development of new legal regimes intended to reconcile state control with market-oriented allocation mechanisms, the system has remained structurally constrained.[51] The coexistence of leasehold and permit regimes, restrictions on transferability, and expansive expropriation powers have perpetuated tenure insecurity and legal ambiguity.[52] More critically, the fiscal architecture has become increasingly dependent on non-recurrent lease revenues rather than stable and recurrent property tax.[53] This has produced a misalignment between land governance and municipal finance, thereby weakening the sustainability and predictability of urban revenue systems.[54]

From a comparative institutional perspective, the historical evolution of urban land tenure in Ethiopia reveals a recurring pattern in which successive regimes prioritized particular dimensions of land governance efficiency, equity, or state control at the expense of others. This prevented the emergence of a balanced system capable of simultaneously supporting efficient land markets, equitable access, and sustainable fiscal capacity.[55] The result is a fragmented land governance framework in which the institutional foundations of effective ULG financing and property taxation, such as clear rights, reliable valuation, comprehensive cadastral coverage, and administrative coherence remain only partially developed.[56]

Accordingly, this chapter advances the proposition that ULG financing and property tax reform in Ethiopia cannot succeed in isolation from broader reforms in urban land governance. The ef-

[48] Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024, *Federal Negarit Gazeta*, Year 31, No. 34 (hereinafter Proclamation No. 1357/2024)
[49] Federal Property Tax Proclamation No. 1365/2025, *Federal Negarit Gazeta*, Year 31, No. 32 (hereinafter Proclamation No. 1365/2025)
[50] Supra Note 43-48, Preambles
[51] Daniel Woldegebriel, "Land Rights in Ethiopia: Ownership, Equity, and Liberty in Land Use Rights," FIG Working Week, 6–10 May 2012, pp. 15–20; see also Brightman Gebremichael, supra note 27, pp. 6–9.
[52] Ibid
[53] Seid Hussen, Hans Lind, and Belachew Yirsaw, "Understanding Urban Land Leasing System as a Strategic Value Capture Instrument to Enhance Urban Revenue in Ethiopia: A Case Study of Bahir Dar City," *Economies*, Vol. 10, No. 6, 2022.
[54] Ibid
[55] Supra note 51
[56] Ibid

fectiveness of property taxation depends not only on tax policy design but also on the institutional nexus linking land tenure, land administration, land markets, and state capacity. Unless these structural constraints are addressed, efforts to strengthen land-based revenue mobilization are likely to remain limited, perpetuating weak fiscal capacity and incomplete governance reform. This conceptual and historical foundation informs the subsequent analysis of Ethiopia's contemporary legal and institutional framework and the interaction between land governance and property tax reform.

5.3 Contemporary Urban Land Governance Framework in Ethiopia: Identifying Structural Gaps

Under the constitutional regime of public land ownership and leasehold-based urban tenure, both justified on equity grounds, Ethiopia has undertaken extensive reforms in urban land governance. However, these reforms have not fully resolved entrenched tenure insecurity and governance constraints. A substantial body of literature shows that reforms in leasehold administration, urban planning, land registration, valuation, and institutional restructuring have remained fragmented, unevenly implemented, and weakly connected to municipal finance and land-based revenue mobilization.[57] Consequently, the relationship between land governance and fiscalization of urban land remains structurally weak. These conditions shape both the opportunities and constraints of contemporary property tax reform and highlight the need for a more coherent framework aligning property rights, governance institutions, administrative capacity, and municipal finance systems. Against this backdrop, this section critically examines the post-1991 urban land governance framework to identify systemic gaps that continue to constrain effective land administration and sustainable fiscal development in urban Ethiopia.

5.3.1 Constitutional Foundations of Urban Land Governance

Understanding the constitutional foundations of land governance is essential for analyzing Ethiopia's urban land regime and its revenue-generation capacity.[58] The contemporary framework

[57] Zerfu Hailu (ed.), *Land Governance Assessment Framework Implementation in Ethiopia: Final Country Report*, The World Bank, 2016, pp. 1–17.

[58] See, for example, Elias Nour, "Urban Land Lease in Ethiopia: The Need to Examine Preambular Justifications in *the* Laws," *Ethiopian Civil and Commercial Law Series,* Vol. 10, 2020, pp. 51–72.

emerged from the post-1991 political and economic transition, which combined market-oriented reforms with continued public ownership of land, strong state control, and intensified ethnic federalism.[59] This hybrid model has fundamentally shaped the constitutional, legal, institutional, and fiscal architecture of urban land governance. Although the reforms appeared to depart from the socialist economy, they did not fundamentally alter the constitutional conception of land ownership. Instead, market mechanisms were introduced within a predominantly state-centric and ethnically structured governance system.[60] Consequently, the post-1991 liberalization of land relations has remained partial and tightly circumscribed by pervasive state control over land governance.

Scholarly debate on the constitutional foundations of land governance reflects deep normative contestation, commonly framed around competing principles of liberty (and efficiency) and equity (or fairness).[61] Liberal scholars criticize the Constitution for rejecting private ownership and marketability of land, arguing that this constrains individual liberty, economic efficiency, and the revenue mobilization capacity of urban centers.[62] In contrast, egalitarian perspectives defend public ownership as a mechanism to ensure broad access to land, prevent concentration, and protect vulnerable groups, including peasants, pastoralists, and the urban poor.[63] A third strand foregrounds ethnic identity, rooted in post-1960s political struggles, arguing either that the Constitution inadequately empowers ethnic groups over land or that it risks national fragmentation by devolving excessive authority to ethnically defined regions.[64]

These divergent interpretations suggest that the Constitution reflects a compromise among competing principles rather than a coherent adoption of any single paradigm. As Muradu Abdo observes, Ethiopia's constitutional land regime combines the imperial legacy of individual liberty, the Derg-era emphasis on egalitarian access, and an identity-based framework grounded in ethnic

[59] Ibid
[60] Zemen Haddis, "Access to Land and Tenure Security in Ethiopia's Ethnic-Based Administration System," *African Journal on Land Policy and Geospatial Sciences*, Vol. 5, No. 3, 2022.
[61] Ayalneh Bogale, and Benedikt Korf, *Land Tenure in Ethiopia: Continuity and Change, Shifting Rulers, and the Quest for State Control*, CAPRi Working Paper No. 91, September 2008, pp. 1–2; Muradu Abdo, "Land Rights under Ethiopia's 1995 Constitution," *Ethiopian Civil and Commercial Law Series*, Vol. 10, 2020, pp. 15–18.
[62] Wibke Crewett et als, Ibid
[63] Ibid
[64] Ibid

federalism.[65] This compromise has shaped subsequent federal and regional land laws, many of whose practical implications remain unsettled.[66] Empirical studies further indicate that the departure from socialist-era state ownership has been largely formal, while urban centers continue to struggle to modernize land administration and effectively harness rising urban land values under conditions of public ownership and contested identity claims.[67]

The constitutional attempt to balance these competing perspectives is further complicated by ambiguities in the treatment of land. The Constitution defines land both as the "property of the State and the peoples" and as the "common property of the Nations, Nationalities, and Peoples of Ethiopia," without clearly specifying ownership or the legal nature of such common property.[68] This formulation implicitly recognizes land as a collective resource, despite the absence of explicit treatment of land rights under Article 39, the constitutional basis for group rights.[69] Although the Constitution broadly protects private property, it explicitly prohibits the sale or exchange of land, limiting private ownership to buildings and permanent improvements.[70] This establishes a usufruct-based system in which individuals hold only limited and conditional rights over urban land.

Moreover, the Constitution is largely silent on access to urban land for ordinary residents, addressing land allocation mainly in relation to investors through lease-based arrangements.[71] Consequently, the scope, duration, and transferability of urban land-use rights remain unclear, resulting in uneven constitutional protection that prioritizes investment-oriented access while leaving

[65] Muradu Abdo, Supra note 61

[66] Bezabih Tibebu, "Land Law Responses towards Arbitrary Eviction of 'Non-Indigenous' Rural Peasants in *Benishangul*-Gumuz Region," *Bahir Dar University Journal of Law*, Vol. 12, No. 2, 2022, pp. 261–302. Most regional states formally adopt the land-related provisions of the FDRE Constitution. However, some regional constitutions add an ethnic dimension by linking land-related rights to constitutionally recognized "indigenous" groups. For example, the constitutions of Benishangul-Gumuz, Oromia, and Harari recognize special land-related entitlements for groups such as the Berta, Gumuz, Shinasha, Mao, Komo, Oromo, and Harari peoples. This framework has been criticized for institutionalizing differentiated access to land and administrative authority, with implications for equality and tenure security. Empirical studies further suggest that these arrangements have, in some contexts, contributed to displacement and contestation over land rights during the past three decades. See generally: The Benishangul-Gumuz Regional State Revised Constitution Proclamation No. 31/2003 (Preamble, Paras. 1–4; Arts. 2 & 39); Harari Revised Regional Constitution (1995) (Arts. 8 & 39); Oromia Regional State Revised Constitution Proclamation No. 46/2001 (Preamble, Para. 1; Art. 2).

[67] Ibid

[68] FDRE Constitution, Art. 40 (3)

[69] Bezabih Tibebu, Supra note 66

[70] FDRE Constitution, Art. 40 (1 & 2) cum (7)

[71] Ibid, Art. 40 (6)

residents' rights weakly articulated. Ambiguity also characterizes the role of the state and the allocation of land administration powers. By designating the state as the sole custodian and administrator of land, the Constitution entrenches exclusive public control over allocation, regulation, and administration, reducing individual interests to derivative and conditional use rights.[72] At the same time, key concepts such as "land utilization" and "land administration" remain undefined, creating uncertainty in the vertical division of powers among federal, regional, and local governments.[73] This institutional indeterminacy has produced fragmented authority, intergovernmental contestation, and uneven implementation across urban centers.[74]

Overall, although the Constitution seeks to reconcile liberty, equity, and identity, its ambiguities continue to generate uncertainty in urban land governance, with significant implications for tenure security, administrative coherence, and land value mobilization. Studies consistently show that the post-1991 constitutional settlement has constrained the expansion of property rights, weakened land governance institutions, and limited the capacity to capture rising urban land values.[75] These constraints manifest in restricted access, limited transferability, weak judicial protection of land rights, and persistent confusion between ownership and usufruct rights. More broadly, ambiguity in property rights and governance authority has contributed to inconsistent legislation, administrative overreach, and judicial uncertainty, reinforcing the structural weaknesses that continue to characterize Ethiopia's urban land governance system.

5.3.2 Multiplicity of Tenure Systems and Informality

As noted above, contemporary urban land governance in Ethiopia formally adopts the leasehold system as the principal form of urban land tenure and land administration. The latest leasehold law envisages the conversion of land held under the former permit system and the regularization of informal holdings into a unified leasehold regime.[76] In practice, however, this objective has largely not been achieved, and diversity persists amid rapid urbanization. A substantial proportion of urban land continues to be held under heterogeneous tenure arrangements, including permit holdings, kebele or government housing, condominium schemes, and extensive informal set-

[72] Ibid, Art. 89 (5)
[73] Ibid, Arts. 51 (5), 55 (2)(a) and 52 (2)(d)
[74] Supra Note 98
[75] See generally, Brightman Gebremichael, Supra Note 27
[76] Proclamation No. 721/2011, Art. 6

tlements.[77] Empirical studies consistently show that leasehold plots constitute only a limited share of total urban land, as many cities have struggled to develop and transfer lease land at scale and beyond the levels initially anticipated.[78]

Permit holdings, historically allocated either freely or at nominal cost and subject to fixed annual ground rent and house tax during the Haile Selassie and Derg regimes, remain widespread in many urban centers, particularly in inner-city areas.[79] Government or kebele houses, originating from the 1975 nationalization of urban land and extra houses and subsequently expanded through housing programs for government officials and civil servants, also constitute a significant share of the urban housing stock.[80] These kebele houses continue to be administered by the Agency for Government Houses at the federal level and by kebele administrations, the lowest administrative units within regional states, under distinct legal and regulatory regimes.[81] Newly constructed government housing, by contrast, is developed and managed by corporate entities such as the Federal Housing Development Corporation and regional housing development enterprises operating under policy guidance and regulatory directives issued by the MoUI.[82] The FDRE Constitution grants both federal and regional governments authority to levy and collect revenue from properties they respectively own, thereby creating parallel fiscal and administrative arrangements within the public housing sector.[83] More recently, condominium housing programs, introduced to response to the grwoing acute housing shortages among low- and middle-income households, have generated another distinct tenure category characterized by collective land rights combined with fragmented ownership of built structures.[84] This system has established a separate legal and administrative regime governing land use rights, ownership, registration, and the management of

[77] Achamyeleh Gashu, "Land Rights in Peri-urban Areas of Ethiopia: Insights for Reform," *Ethiopian Civil and Commercial Law Series*, Vol. X, 2020, pp. 139–162.
[78] Ibid
[79] UN-Habitat, *Condominium Housing in Ethiopia: The Integrated Housing Development Programme*, 2011, pp. 1–2.
[80] See generally, Bethel Terefe, *A Policy Challenge in a Period of Transition to Market-Oriented Economy: The Case of Kebele Residential Houses in Woredas 4 and 7*, MA Thesis, Addis Ababa University, July 2003.
[81] See, for example, Agency for Government Houses Establishment Proclamation No. 555/2007, *Federal Negarit Gazeta*, Year 14, No. 2, Arts. 2(8) and 63.
[82] See, for example, Federal Housing Corporation Establishment Council of Ministers Regulation No. 398/2017, *Federal Negarit Gazette*, Year 23, No. 19; Federal Housing Corporation Establishment Council of Ministers (Amendment) Regulation No. 427/2018, *Federal Negarit Gazette*, Year 24, No. 48; The Revised Federal Housing Corporation Housing and Estate Management Directive No. 870/2022; Amhara National Regional State Housing Development Enterprise Regulation No. 192/2020, *Zikre Hig*, Year 13, No. 13.
[83] FDRE Constitution, Arts. 96 (6) & 97 (6)
[84] Supra note 79

multi-story residential and commercial buildings, further contributing to institutional and tenure complexity within the urban land governance framework.[85]

Alongside these formal but non-lease tenure arrangements, informal and extra-legal settlements have expanded rapidly in both inner-city neighborhoods and urban peripheries.[86] The literature links this growth to chronic land shortages, unaffordable lease prices, weak regulatory enforcement, and limited institutional capacity for timely land delivery.[87] In many small and secondary towns, informal holdings constitute a dominant share of built-up areas, while even major cities exhibit extensive informality at their margins.[88] Although federal and regional governments have enacted legislation aimed at enforcement and regulation to curb this growth, these measures have largely proven ineffective.[89] Studies indicate that enforcement efforts have been constrained by political instability, growing urban housing demand, and limited institutional capacity to prevent new informal developments or remove existing ones.[90] At the same time, regularization programs have not been implemented as envisaged in law.[91] Existing initiatives often face legal time constraints, weak institutional capacity, limited political commitment, and administrative inconsistencies.[92] In some cases, these partial interventions have inadvertently generated tenure insecurity, encouraged further informal landholding, and undermined coherent land administration.[93]

The multiplicity of tenure regimes in urban Ethiopia has significant implications for both urban land governance and the implementation of a harmonized land-based revenue system.[94] Ongoing property tax reform is therefore constrained by structural tenure fragmentation, as effective land revenue mobilization presupposes clearly defined, legally recognized property units supported by reliable registration, valuation, and ownership or use-right records. Without the systematic conversion of permit holdings, the regularization of informal settlements, and the harmonization of tenure categories, a unified lease revenue and property tax regime is likely to remain narrow, un-

[85] Condominium Proclamation No. 370/2003, *Federal Negarit Gazeta*, Year 9, No. 95.
[86] Wolelaw Getahun and Brightman Gebremichael, "The Leasehold System and Drivers of Informal Land Transactions in Bahir Dar City, Ethiopia," *Journal of Eastern African Studies*, Vol. 16, No. 3, 2022, pp. 415–433.
[87] Ibid
[88] Ibid
[89] Proclamation No. 721/2011, Art. 6
[90] Haile Geletu, *Regularization of Urban Informal Landholdings: The Case of Adama City*, LL.M Thesis, Addis Ababa University, January 2019.
[91] Ibid
[92] Ibid
[93] Ibid
[94] Supra note 53

evenly applied, and politically contested. Disparties also also generate technical challenges related to valuation, tenure security, administrative feasibility, and broader governance considerations.[95] Consequently, whether and how to tax properties within a multi-tenure framework remains a contested issue in property tax reform design, as reflected in repeated discussions with members of the federal property tax reform task force.[96] However, certain tenure forms remain structurally less amenable to conventional property taxation, while in others such as the permit system existing revenue mechanisms already operate, meaning additional taxation may simply increase fiscal burdens without improving efficiency.[97] This underscores that tenure harmonization is both a land governance and revenue reform priority; without it, property taxation risks reinforcing inequities, generating political resistance, and delivering limited gains in sustainable urban revenue mobilization.

The complexity becomes clearer when the implications of different tenure forms are considered individually. Government-owned properties are often inefficient targets for taxation, as such measures largely recycle public resources while requiring complex intergovernmental coordination and consideration of statutory exemptions and public service mandates.[98] Urban commons similarly pose conceptual and administrative challenges related to ownership definition, valuation, and the appropriateness of taxation from both governance and equity perspectives.[99] Taxing subsidized housing, particularly condominium units for low- and middle-income households, raises distributive concerns by potentially shifting fiscal burdens onto vulnerable groups, risking housing insecurity, political resistance, and weakened tax morale.[100] Such properties also generate limited net revenue once administrative costs are considered. Informal settlements present even more significant legal, political, and administrative challenges. Unclear property rights, unreliable cadastral records, and tenure insecurity complicate valuation and enforcement, while taxation without parallel tenure regularization may discourage formalization, exacerbate vulner-

[95] Supra note 77
[96] Authors' participant observation, August 28-31, 2025. In fact, the majority of task force members regard such preconditions as obstacles used to delay or resist the reform. They instead prefer to introduce the tax and address challenges through implementation and gradual learning.
[97] Martim O. Smolka and Claudia M. De Cesare, "Property Taxation and Informality: Challenges for Latin America," *Land Lines*, Vol. 18, No. 3, 2006, pp. 14–19.
[98] Martin Grote and Jean-François Wen, *How to Design and Implement Property Tax Reforms*, IMF How To Notes No. 24/006, 2024, pp. 10–12.
[99] Ibid
[100] Ibid

ability, and weaken compliance.[101] Extracting revenue from extra-legal holdings may also place the state in a contradictory position as both regulator and tacit recognizer of informality. Overall, these tenure-specific constraints suggest that effective property taxation in multi-tenure urban systems requires and is inseparable from broader tenure restructuring.

5.3.3 Security and Legal Protection of Urban Land Rights

Secure land tenure and the protection of property rights are widely recognized in the literature as foundational components of effective land governance and land-based revenue systems. [102] They strengthen investment incentives, stabilize land values, and improve the reliability of valuation, registration, and compliance mechanisms essential for sustainable revenue mobilization. [103] While conventional scholarship often assumes that clearly defined property rights must precede effective property taxation, emerging perspectives increasingly emphasize a reciprocal relationship in which land revenue mobilization itself can contribute to consolidating and legitimizing property rights. [104] This suggests that land tenure and land revenue systems are mutually constitutive rather than strictly sequential. Consequently, contemporary property tax reforms are often accompanied by measures aimed at strengthening the security and legal protection of urban land rights. [105]

Conceptually, tenure security refers to the certainty that land rights will be recognized and protected against competing claims or arbitrary dispossession. [106] The literature commonly assesses tenure security along three dimensions.[107] The first is the objective (de jure) dimension, which concerns the legal status of rights in terms of clarity, duration, enforceability, and formal legal protection. The second is the de facto dimension, which reflects how rights operate in practice, shaped by social norms, institutional performance, and customary arrangements. The third is the perceived dimension, capturing landholders' subjective expectations regarding tenure stability

[101] Ibid
[102] Supra note 98; Kiky K. Abdillah, Azima A. Manaf, and Abd H. Awang, "Land Tenure Security for Low-Income Residents' Urban Livelihoods: A Human Development Approach Review of Temporary Occupation License," *Land Use Policy*, Vol. 119, 2022, p. 5.
[103] Ibid
[104] Tom Goodfellow and Olly Owen, "Thick Claims and Thin Rights: Taxation and the Construction of Analogue Property Rights in Lagos," *Economy and Society*, Vol. 49, No. 3, 2020, pp. 406–432.
[105] Ibid
[106] Grenville Barnes and Stig Enemark, "Land Tenure Security: An Essential Component of Responsible Land Administration," FIG Working Week 2020, Amsterdam, the Netherlands, 10–14 May 2020.
[107] Ibid

and the likelihood of eviction. The latter two dimensions are generally treated as subjective aspects of tenure security. In both objective and subjective dimensions, tenure insecurity reflects underlying weaknesses in land governance and constrains effective land revenue mobilization. [108]

In Ethiopia, the introduction of the urban leasehold system in 1993 marked a fundamental restructuring of urban land relations and signaled a shift from a predominantly socialist toward a more market-oriented framework.[109] Since then, the legal and institutional framework governing urban land has undergone successive reforms, initially shaped by the developmental state orientation of the EPRDF government and more recently by the "homegrown economic reform" agenda under the PP administration. Over the past three decades, the land leasehold proclamations have sought, albeit with varying emphasis, to promote market-based allocation, stimulate private investment, enhance transparency and competition, mobilize land-based revenues, and support urban infrastructure provision.[110] Further amendments are currently under consideration, although they have not yet concluded and entered into force.[111]

However, doctrinal and empirical literature, though not always explicitly focused on land revenue, consistently suggests that tenure security remains constrained by structural features of the leasehold regime and persistent implementation gaps, as discussed in the following paragraphs. As also highlighted in the models presented in Section 3.2, such *de jure*, *de facto*, and perceived tenure insecurities weaken investment incentives, erode institutional trust, and undermine the credibility and administrative feasibility of land-based revenue instruments, including property taxation. Triangulation through interviews, FGDs, and Delphi consultations further corroborates this pattern, identifying tenure insecurity and negative landholder perceptions as significant constraints to ongoing property tax reform, as elaborated in the subsequent discussion.[112]

Regarding the objective dimension of tenure security, several doctrinal studies have examined the constitutional and policy foundations of the leasehold system and its alignment with core tenure-security criteria, including clarity and breadth of rights, duration, protection against arbi-

[108] Ibid
[109] Proclamation No. 80/1993, Preamble
[110] See Proclamation No. 272/2002 and No. 721/2011, preambles
[111] Aksah Italo, "Parliament to Phase Out Urban Freehold Tenure: A New Bill Aspires to Revise Lease Rates Every Three Years," Vol. 25, No. 1283, 1 December 2024.
[112] See Annex- I, II, III

trary deprivation, and enforceability.[113] The literature consistently identifies structural weaknesses that help explain the contested adoption of the leasehold tenure structure, gaps in the legal framework, and the limited effectiveness of the urban land lease system. The adoption of Proclamation No. 721/2011, in particular, triggered sustained debate among urban residents, policymakers, and researchers, including concerns over constitutionality and legislative procedure.[114] Over time, this debate has increasingly shifted toward substantive legal issues, implementation gaps, and the resulting implications for tenure security.

Substantively, a key issue affecting tenure security concerns the clarity, scope, and stability of land rights. A central element is the explicit prohibition of alternative forms of landholding, and the mandatory conversion of prior possessions and the regularization of informal settlements into leasehold tenure.[115] Although the uniform formalization of urban landholding has long been regarded in the literature as necessary for improving governance and market transparency, the short transition period, coupled with ambiguities in conditions and procedures, has sparked insecuirty, generated public discontent and contributed to persistent implementation gaps.[116] A related concern involves the legally prescribed modes of acquiring urban land leasehold.[117] By excluding previously used approaches such as negotiation and restricting acquisition to auction and allotment, the framework narrows access channels.[118] The associated price determination mechanisms, particularly benchmark price setting and tender-based valuation, have been widely viewed as contributing to access constraints, market distortions, administrative inefficiencies, and tenure uncertainty.[119] Duration security constitutes another substantive issue, as the law provides fixed-term leases (ranging from 15 to 99 years) without clear guarantees of renewal.[120]

[113] Brightman Gebremichael, supra note 27; Addiswork Tilahun and Logan Cochrane, "The Rush to the Peripheries: Land Rights and Tenure Security in Peri-Urban Ethiopia," *Land*, Vol. 10, No. 193, 2021; Legesse Tigabu, "The Ethiopian Urban Land Lease Holding Law: Tenure Security and Property Rights," *Jimma University Journal of Law*, Vol. 6, 2014; Elias N. Stebek, "Challenges in Access to Urban Land for Business Activities under Ethiopian Law: Between Oligarchy and Broad-based Private Sector," *Mizan Law Review*, Vol. 9, No. 1, 2015, pp. 37–82.
[114] Belachew Mekuria, "Overview of the Core Changes in the New Ethiopian Urban Land Leasehold Legislation," *Mizan Law Review*, Vol. 5, No. 2, 2011, pp. 313–318
[115] Proclamation No. 721/2011, Arts. 5-6
[116] Yared Berhe, "Conversion of Old Possessions to Leasehold and Its Implication on Tenure Security of Holders of Old Possessions," *Mekelle University Law Journal*, Vol. 3, No. 1, 2015, pp. 88–118; Haile Geletu, *Regularization of Urban Informal Landholdings: The Case of Adama City*, LL.M Thesis, Addis Ababa University, January 2019.
[117] Proclamation No. 721/2011, Art. 7
[118] Elias Nour, Supra note 113
[119] Ibid; Proclamation No. 721/2011, Arts. 8-15
[120] Proclamation No. 721/2011, Arts. 17-19

This departure from perpetual permits is said to expose landholders to administrative discretion and uncertainty and to weaken perceived tenure security.[121] Finally, restrictions on transferability, mortgaging, and the use of land as capital contributions further constrain tenure security and economic autonomy.[122] Such limitations reduce the capacity of urban land to function fully as a productive asset, while uncertainty regarding rights, obligations, and regulatory boundaries may dampen investment incentives and undermine the broader developmental role of urban land markets.[123]

Protection against arbitrary deprivation constitutes another frequently raised concern in the literature. The law provides for termination of use rights and land clearance in cases of breach of lease conditions, lease expiry, expropriation for public purposes, or urban redevelopment.[124] However, scholars frequently note that vague definitions of public purpose, broad administrative discretion, weak compensation practices, and limited judicial oversight remain significant challenges.[125] The prevailing compensation regime is therefore widely criticized for insufficiently reflecting the economic value of landholdings and for failing to address the socioeconomic disruptions associated with eviction.[126] In addition, planning-related parcel reductions are legally not considered compensable.[127] Such limitations are commonly viewed as weakening tenure security, undermining livelihood stability, and eroding public confidence in land governance institutions. Enforceability of land rights also remains constrained. The leasehold law establishes administrative tribunals to adjudicate disputes, mainly those related to clearance and compensation, expeditiously before they reach regular courts.[128] However, concerns persist regarding the independence and professionalism of these tribunals and restrictions on access to regular courts for disputes related to public purpose, procedural legality, and compensation adequacy, which reduce effective checks on executive authority.[129] These gaps have left urban landholders across

[121] Brightman Gebremichael, Supra note 27
[122] Proclamation No. 721/2011, Art. 24
[123] Brightman Gebremichael, Supra note 27
[124] Proclamation No. 721/2011, Arts. 25-27
[125] Daniel Woldegebriel, "Expropriation of Urban Property: A Reflection on the New Expropriation Laws," *Ethiopian Civil and Commercial Law Series*, Vol. 10, 2020, pp. 231–258.
[126] Ibid
[127] Proclamation No. 721/2011, Art. 6 (2)
[128] Proclamation No. 721/2011, Arts. 29-30
[129] Jetu Edosa, "Urban Land Disputes Resolution Methods in Ethiopia," *Ethiopian Civil and Commercial Law Series*, Vol. X, 2020, pp. 73–110.

tenure categories in prolonged legal uncertainty regarding their rights, obligations, and fiscal liabilities.

These and other legal gaps are further compounded by persistent practical challenges in land governance and urban land markets. Several empirical studies indicate that limited attention and few concrete measures have been taken to strengthen tenure security during urban expansion and redevelopment, both in peri-urban areas and inner cities.[130] Related studies also highlight a structural demand–supply imbalance, whereby urban land is supplied mainly through administrative allotment and tender mechanisms while demand continues to raise due to urbanization, demographic growth, and speculative investment dynamics.[131] ULGs often lack the institutional autonomy and technical capacity required to service, develop, and prepare land for lease, which exacerbates supply constraints.[132] This imbalance has been associated with opaque allocation practices and rapidly rising, often unaffordable, land values, which have led to land shortages, increasing informality, and tenure insecurity. [133] Emerging evidence further suggests that the leasehold system may disproportionately benefit politically connected actors, patronage networks, large-scale investors, and wealthier households, potentially undermining equity objectives commonly cited to justify public land ownership.[134] Moreover, the system has created conditions conducive to corruption, rent-seeking, speculative land hoarding, and informal land transactions- dynamics that ultimately weaken effective land value capture and property taxation.[135]

5.3.4 Expropriation-Centric Urban Land Acquisition

Under the current land policy, all land is publicly owned and its sale or exchange is constitutionally prohibited. Urban land acquisition is formally governed by the leasehold system, under

[130] See generally, Achamyeleh Gashu, "Land Tenure in the Changing Peri-Urban Areas of Ethiopia: The Case of Bahir Dar City," *International Journal of Urban and Regional Research*, Vol. 38, No. 6, 2014, pp. 1970–1984; Prosper Turimbumbumwe, Adane Mehari, and Behailu Melesse, "Factors Affecting Tenure Security for Legal Landholders in Urban Areas: The Case of Bahir Dar City, Ethiopia," *Journal of African Real Estate Research*, Vol. 6, No. 2, 2021.

[131] Elias Nour, Supra note 113

[132] See generally, Mitiku Alemayehu, Achamyeleh Gashu, and Teshome Taffa, "Exploring Institutional Capacity of Urban Land Delivery and Administration for Housing Development in Bahir Dar, Ethiopia: Institutional Analysis," *Cogent Social Sciences*, Vol. 9, No. 2, 2023.

[133] See generally, Endale Kidanemariam, *An Assessment of Urban Lands Lease Holdings Proclamation No. 721/2011 Implementation: A Case Study of Yeka Sub-City Administration, Addis Ababa, Ethiopia*, MSc Thesis, Addis Ababa University, November 2016.

[134] Ibid

[135] Ibid

which ULGs serve as the sole suppliers and administrators of land. As a result, the urban land market has proven insufficient to meet the rapidly growing demand for urban land driven by accelerated urbanization and spatial expansion. Given the restrictive nature of both rural and urban land access regimes, the state has increasingly relied on expropriation as the dominant mechanism for acquiring land for urban expansion, redevelopment, residential demand, private investment, and public infrastructure provision. Historically[136], expropriation procedures in Ethiopia have been regulated through a scattered and evolving set of legal instruments, including the Civil Code[137], the FDRE Constitution, the Expropriation Proclamation No. 455/2005[138], the Urban Lands Lease Proclamation No. 721/2011[139], and, more recently, the Expropriation Proclamation No. 1161/2019[140]. This dispersed and overlapping regulatory framework has made expropriation and compensation a defining and yet institutionally complex dimension of urban land governance. The resulting legal ambiguity and practical challenges have intensified recurrent criticisms and resistance to expropriation laws and practices.[141] This has clear and significant implications for tenure security and public trust in land governance institutions, including land revenue extraction.[142]

The current expropriation laws of Ethiopia define expropriation as the compulsory acquisition of land use rights for public purposes, subject to compensation and due process, which are widely documented in the literature as core principles.[143] In practice, however, the application of these principles has attracted sustained criticism. Key shortcomings include a vague and expansive definition of public purpose, the exclusion of land value from compensation, weak and inconsistent valuation standards, limited rehabilitation and resettlement mechanisms, and inadequate

[136] For a detailed historical development of expropriation laws in Ethiopia, see, for example, some of the earlier works on the subject: Daniel Weldegebriel, "The History of Expropriation in Ethiopian Laws," *Mizan Law Review*, Vol. 7, No. 2, 2013, pp. 283–308; Daniel Weldegebriel, "Expropriation of Urban Property: A Reflection on the New Expropriation Laws," *Ethiopian Civil and Commercial Law Series*, Vol. X, 2020, pp. 231–258.

[137] The Civil Code, Arts. 1460-1488

[138] Expropriation of Landholdings for Public Purposes and Payment of Compensation Proclamation No. 455/2005, *Federal Negarit Gazette*, 11th Year, No. 43.

[139] Proclamation No. 721/2011

[140] Expropriation of Landholdings for Public Purposes, Payment of Compensation and Resettlement of Displaced People Proclamation No. 1161/2019, *Federal Negarit Gazette*, 25th Year, No. 90.

[141] Daniel Weldegebriel, Supra note 136

[142] Ibid

[143] FDRE Constitution, Art. 40(7); Urban Lands Lease Holding Proclamation No. 721/2011, Art. 31; Expropriation of Landholdings for Public Purposes, Payment of Compensation and Resettlement of Displaced People Proclamation No. 1161/2019, Art. 4; for an in-depth understanding of the principles, see Muradu Abdo, "Reforming Ethiopia's Expropriation Law," *Mizan Law Review*, Vol. 9, No. 2, 2015, pp. 302–340.

grievance redress mechanisms.[144]Empirical studies consistently show that expropriation practices in urban areas remain top-down, weakly participatory, and socially disruptive.[145] Low-income urban communities are disproportionately affected, while limited judicial oversight and weak resettlement frameworks continue to undermine tenure security and public trust.[146] In several cases, expropriation powers have been exercised with minimal scrutiny, resulting in land being taken without adequate assessment of necessity or economic efficiency and, in some instances, reallocated to private operators or diverted to unintended uses.[147] These practices have generated recurrent disputes, resistance, and, at times, the destruction of public and private investments, exposing deeper structural weaknesses in urban land governance and land-based revenue mobilization.[148] The new law, Proclamation No. 1161/2019, was adopted to address these gaps and introduced clearer procedural safeguards, improved compensation standards, and rehabilitation provisions.[149] However, recent studies indicate that persistent concerns remain regarding valuation methodologies, institutional independence, technical capacity, and effective enforcement, particularly in rapidly urbanizing contexts.[150]

Recent literature and comparative country experience consistently show that reliance on compulsory land acquisition alone is neither efficient nor equitable. [151] Countries such as Germany, Japan, and Botswana are known to complement expropriation with voluntary and incentive-based instruments such as negotiated purchase, leasehold resumption, land exchange, public–private partnerships, and land readjustment.[152] Such tools have been shown to reduce displacement, promote participation, lower conflict, and improve land value capture by aligning development gains with landholders' interests, as experiences from countries such as Cambodia, Indonesia,

[144] Muradu Abdo, Ibid.
[145] Manaye Zegeye, "The Right to Participation in Development: The Case of Addis Ababa Redevelopment Program," *Ethiopian Civil and Commercial Law Series*, Vol. X, 2020, pp. 73–110.
[146] Ibid
[147] Ibid
[148] Ibid
[149] Birhanu Kassa, *Changes in the Legal Framework of Land Expropriation Law of Ethiopia: Legal Analysis from Land Tenure Security Perspective*, LL.M Thesis, Hawassa University, November 2022.
[150] Ibid
[151] Achamyeleh Gashu, "Land Readjustment as an Alternative Land Development Tool for Peri-Urban Areas of Ethiopia," *Property Management*, Vol. 33, Iss. 1, 2015, pp. 36–58.
[152] Ibid

and Tanzania demonstrate, albeit to varying degrees.[153] Compared to expropriation, these instruments distribute costs more equitably and strengthen governance legitimacy and fiscal outcomes.

In Ethiopia, although such alternative mechanisms are not explicitly prohibited, their application remains constrained by constitutional ambiguity, weak recognition of land use rights as economic assets, and the absence of implementing regulations.[154] As urbanization accelerates, continued reliance on an expropriation-dominated model has proven socially disruptive, fiscally inefficient, and administratively costly, generating disputes, weakening tenure security, and imposing high compensation and resettlement burdens.[155] Analytically, this dependence reflects deeper structural weaknesses in land markets, valuation systems, and local fiscal capacity. As the literature explains, expropriation and property taxation are linked through a bidirectional relationship.[156] On the one hand, expropriation-centric land regimes are less conducive to effective property tax reform. On the other hand, where land values cannot be effectively captured through market-based instruments or recurrent property taxation, governments tend to rely on compulsory acquisition to finance urban development. In this sense, property tax reform is not merely a revenue measure but a governance instrument with the potential to reduce dependence on expropriation by enabling municipalities to finance infrastructure and services without widespread displacement.

In general, Ethiopia's continued reliance on expropriation as a dominant mechanism of urban land acquisition reflects deeper structural weaknesses in land markets, valuation systems, and municipal fiscal capacity. While intended to facilitate urban development under public land ownership, an expropriation-centric approach tends to undermine tenure security, public trust, and incentives for investment, thereby weakening the institutional foundations necessary for effective land value capture and property taxation. As discussed in the conceptual models above, sustainable urban finance requires a balanced framework that strengthens tenure security, improves valuation and cadastral systems, and expands recurrent land-based revenues, reducing

[153] Erwin Geuder-Jilg, *Land Acquisitions and Their Impacts on Peace, Security and Stability: Conflict-Relevant Dimensions of Large-Scale Land Investments and Land Grabbing*, Land Acquisitions Discussion Paper No. 43, October 2014, pp. 9–10.
[154] Supra note 151
[155] Abera Hailemariam, *The Impact of Basha Wolde Chilot's Relocation Programme on Assets Associated with Housing*, Kimmage Development Studies Centre, 2017.
[156] Tracey Epps, "Taxation and Expropriation," *Otago Law Review*, Vol. 13, No. 1, 2013, pp. 145–166.

dependence on compulsory acquisition while enhancing governance legitimacy and fiscal sustainability.

5.3.5 Urban Planning and Land Use Regulations

Urban planning provides the institutional and spatial foundation for land use, infrastructure provision, and development intensity that, in trun, shape property values and land-based revenue systems.[157] As a strategic framework, it organizes urban space to balance economic, social, and environmental objectives, regulate land-use allocation, control sprawl, and improve infrastructure efficiency.[158] Land-use regulation and zoning govern development through controls on building type, height, density, and placement and allocate land across residential, commercial, and industrial uses and safeguarding public welfare.[159] These tools define economic and revenue potential, while land grading assesses quality, service access, and development intensity.[160] Property identification and classification translate these attributes into enforceable tax bases. Together, this planning–grading–classification nexus underpins transparent, equitable, and efficient property tax.[161] Comparative evidence shows that developed countries benefit from mature cadastral systems, effective regulation, and reliable valuation, whereas developing countries face capacity constraints, informality, and incomplete records that weaken tax performance.[162]

In Ethiopia, modern urban planning is relatively recent. Historically centralized and top-down approaches produced largely unplanned expansion.[163] Over the past three decades, decentralization has shifted responsibilities to subnational governments, while the federal level retains policy

[157] Engida Esayas, "Urban Planning & Land Management Challenges in Emerging Towns of Ethiopia: The Case of Arba Minch," *Journal of Urban and Environmental Engineering*, Vol. 7, No. 2, 2013, pp. 340–348; Eduardo Gomes, Eduarda Marques da Costa, and Patricia Abrantes, "Spatial Planning and Land-Use Management," *Land*, Vol. 13, No. 1, 2024.
[158] Ibid
[159] Mohammed Khalfan, Hassan Al Amri and Wrenwick E. Manahan, "The Effects of Zoning Regulations and Land Use Planning on Property Values in Sultanate of Oman," *Journal of Information Systems Engineering & Management*, Vol. 10, No. 43s, 2025, pp. 910–931.
[160] Ibid
[161] Tianyuan Wang, Li Wan and Helen XH Bao, "Land-Use Efficiency and Local Government Revenue: Evidence from 272 Chinese Cities Using a Novel Structural Equation Modelling Approach," *Environment and Planning B*, Vol. 52, No. 4, 2025, pp. 804–822.
[162] Ibid
[163] Nadine Appelhans, *Urban Planning and Everyday Urbanisation: A Case Study on Bahir Dar, Ethiopia*, PhD Thesis, HafenCity University, 2017, p. 23; Ahmedtofik Mohammed, *The Challenges of Land Use Plan Implementation in Major Towns Surrounding Addis Ababa City: The Case of Laga Tafo Laga Dadi Town*, MSc Thesis, Addis Ababa University, February 2024.

oversight and technical support.[164] A key milestone is the Urban Planning Proclamation No. 574/2008, which established a hierarchical system across national, regional, and urban levels.[165] It introduced two binding instruments: the Structural Plan, a long-term citywide framework, and the Local Development Plan (LDP), a shorter-term, site-specific tool operationalizing the former. [166] The legal framework requires plans to be participatory, demand-driven, council-approved, and publicly accessible.[167] Once approved, they are binding, and development requires prior authorization.[168] Responsibilities are distributed across federal, regional, and local institutions, with municipalities responsible for preparation, implementation, permitting, and infrastructure management.[169] Ministerial standards define seven land-use categories and regulate their proportions and compatibility, supported by federal and regional oversight bodies. [170]

Despite these reforms, implementation remains limited. By 2023, fewer than a quarter of urban centers had functional plans, with the greatest deficits in small and medium towns where rapid change outpaces capacity.[171] Planning is often technocratic, weakly institutionalized, and unevenly enforced, resulting in sprawl, uncontrolled land-use conversion, and dense settlements with inadequate infrastructure.[172] Weak planning also constrains land grading and property classification, undermining valuation and taxation. [173] Existing grading systems are often outdated, omit key value determinants, and rely on manual processes with limited GIS integration, reducing accuracy and responsiveness. [174]

[164] Ibid
[165] Proclamation No. 574/2008, Arts. 7 & 59.
[166] Ibid, Arts. 8 cum 9-12
[167] Ibid, Arts 15-17
[168] Ibid, Arts. 18-20
[169] Ibid, Arts. 25, 28, 35, 55-58
[170] MoUDC, *Revised Standards for Structure Plan Preparation and Implementation*, May 2012, p. 4; Nadine Appelhans, supra note 163, p. 65.
[171] See generally, Diress Ahmed and Daniel Lirebo, "The Practice of Urban Planning in *Managing* Urban Expansion: The Case of Level-I Towns in Southern Ethiopia," *Landscape Architecture and Regional Planning*, Vol. 9, No. 2, 2024, pp. 38–53.
[172] See generally, Zewditu Mulugeta, "Assessment of the Existing Structural Plan Implementation Situation in *Injibara* Town, Amhara Regional State, Ethiopia," *International Journal of Advanced Multidisciplinary Research*, Vol. 4, Iss. 4, 2017.
[173] Abraha Tesfay, Getachew Berhan and Melesse Asfaw, "Developing Conceptual Land Grade Model for Bench Mark Lease Price Determination Using Fuzzy Analytical Hierarchy Process and GIS Approach: A Case of Woldiya City, Ethiopia," *Civil and Environmental Research*, Vol. 8, No. 5, 2016.
[174] Ibid

These constraints are primarily institutional and policy-related. The absence of a coherent national land-use policy has led to fragmented and reactive development.[175] Capacity deficits such as limited skilled personnel, financing, infrastructure, data systems, and public participation further weaken performance. Poor integration between planning and land administration functions (allocation, registration, valuation, and taxation) undermines both spatial governance and revenue mobilization.[176] Addressing these challenges requires stronger institutional and technical capacity, improved coordination, sustainable financing, robust data systems, and participatory, evidence-based planning to support effective urban management and fiscal sustainability.[177]

5.3.6 Urban Land Registration, Cadastre, and Information Systems

Cadasters are parcel-based information systems recording tenure, value, and land use, which form a core pillar of land administration.[178] They comprise fiscal (valuation and taxation), legal (ownership and boundaries), and multipurpose (integrated fiscal, legal, spatial, and environmental) systems.[179] Together with land registration, they underpin tenure security, land-use regulation, and property valuation.[180] In their absence, governance and revenue mobilization become arbitrary, inefficient, weakly enforced, and contested.[181] Comparative evidence shows a strong, mutually reinforcing relationship between cadastral development and property taxation, and cadasters enable efficient taxation, while revenue reforms finance cadastral modernization.[182] Effective systems require completeness, accuracy, regular updating, and interoperable data. However, high financial and technical demands have constrained conventional models in developing contexts, prompting a shift toward fit-for-purpose, incremental approaches.[183]

In Ethiopia, urban cadastral development remains weak, even relative to rural registration.[184] Earlier systems relied on traditional measurement and informal documentation. [185] Although

[175] Ibid
[176] Ibid
[177] Interview with Dereje Mossie, Annex VI, March 7, 2024.
[178] Jaap Zevenbergen, *Systems of Land Registration: Aspects and Effects*, NCG-Netherlands, 2002, p. 27.
[179] Ibid
[180] Supra note 4, pp. 10-11
[181] Ibid
[182] Ibid
[183] Supra note 2, p. 13
[184] Abebe Mulat, "Urban Land Holding Registration Law in Ethiopia," *Ethiopian Civil and Commercial Law Series*, Vol. 10, 2020.

formal principles emerged under the 1907 land law and the 1960 Civil Code, implementation was limited until pilot initiatives in the 1990s[186], later reinforced by the 2005 Urban Land Policy and the 2011 lease law.[187] A comprehensive framework only emerged with the Urban Landholding Registration Proclamation No. 818/2014, which established a legal cadastre recording rights, restrictions, and responsibilities. [188] It aimed to strengthen tenure security, improve land markets, reduce disputes, and enhance revenue mobilization through parcel surveys, systematic or sporadic registration, and unique parcel identifiers.[189] Institutionally, it created federal (MoUI) and regional (BoUI) registration bodies, though implementation remains concentrated at higher levels with limited local presence.[190]

Policy efforts under the Growth and Transformation Plan targeted large-scale adjudication and registration, supported by Systematic Adjudication and Registration (SAR) pilots in major cities. The plan targeted adjudication and registration of roughly 1.6 million and 1.2 million urban landholdings across 91 cities.[191] Replicable Systematic Adjudication and Registration (SAR) pilots were launched in Addis Ababa, Adama, Mekelle, Hawassa, and Bahir Dar.[192] Progress, however, has been slow. For example, in Dire Dawa, only 4,039 of 14,709 properties (27.46%) were registered and taxed in 2019, leaving 72.54% outside the revenue system.[193] In Mettu Town, only 2,503 of 14,709 properties (17.02%) were registered, with 82.98% outside the tax

[185] Ibid
[186] Ibid
[187] FDRE Government, *The National Urban Development Policy*, March 2005, pp. 2–5.
[188] Proclamtion No. 721/2011, Preamble, Art. 2 (5) & 4
[189] Urban Landholding and Land-related Property Registration Proclamation No. 1381/2025, *Federal Negarit* Gazette, 31th Year No. 56, Preamble and Art. 4 (hereinafter Proclamation No. 1381/2025)
[190] See for exmaple, Definition of Powers and Duties of the Executive Organs Proclamation No. 1263/2021, *Federal Negarit Gazette*, 28th Year, No. 4, Art. 31(hereinafter Proclamation No. 1263/2021); A Proclamation Issued to Provide for the ReEstablishment, Organization and Determination of their Powers and Duties of the Amhara National Regional State Executive Organs Proclamation No. 300/2025, *Zikre hig*, 28th Year, No. 4, Art. 27
[191] FDRE, *Growth and Transformation Plan II (GTP II): Federal Urban Land and Land Related Registration and Information Agency*, FDRE, Addis Ababa, Ethiopia, 2015; Solomon Dargie, Walter de Vries, Pamela Durán-Díaz and Gebeyehu Belay, "Performance Evaluation of the Urban Cadastral System in Addis Ababa, Ethiopia," *Land*, Vol. 9, 2020.
[192] Melkamu Belachew, "The Role of Legislation on Urban Land Registration Enforcement in Ethiopia: The Case of Amhara National Regional State," *The International Journal of Ethiopian Legal Studies*, Vol. 8, No. 1, 2023, pp. 112–135.
[193] Markos Belayhun, "The Roles of Establishing Real Property Registration System for Municipal Property Taxation in the Case of Dire Dawa, Ethiopia," *Journal of World Economic Research*, Vol. 10, No. 2, 2021, pp. 37–47.

net.[194] Empirical evidence reveals substantial coverage gaps: large shares of urban properties remain unregistered and outside the tax system, while registered parcels often suffer from incomplete records, inaccuracies, weak updating, and poor data integration.[195] These limitations significantly constrain their fiscal utility.

These outcomes reflect interrelated legal, institutional, and technical constraints, as articulated in Zevenbergen's systems approach.[196] Legally, gaps and inconsistencies persist despite reforms, including unclear mandates, weak coordination, and procedural complexity, which delay registration and raise transaction costs.[197] Institutionally, fragmentation between land allocation and cadastral bodies produces duplication, inconsistency, and inefficiency, compounded by limited capacity, weak infrastructure, inadequate financing, low political commitment, and low public awareness.[198] [199] Technically, reliance on two-dimensional cadastres is increasingly inadequate in dense urban settings with vertical development, mixed uses and complex rights.[200] In this regard, three-dimensional cadastres can improve valuation accuracy and tax equity but it requires

[194] Tesfaye Kinde, "The Practice of Land Registration System to Support Property Taxation in Ethiopia: Case Study of Mettu Town," *International Journal of Scientific Research*, Vol. 7, Iss. 8, 2021, pp. 77–80.

[195] Ibid.; see also Getiso Detamo, *Certification over Certification as Urban Land Tenure Challenge: The Case of Hadiyya Zone*, LL.M Thesis, Hawassa University, May 2018; Yenenesh Nigussie and Temesgen Abraham, "Modern Cadastral Systems and Sustainable Land Management in Secondary Cities: A Geospatial Performance Assessment from Bale Robe, Ethiopia," *Scientific African*, Vol. 29, 2025.

[196] Daniel Tadesse, "Reflections on the Situation of Urban Cadaster in Ethiopia," in *Proceedings of the Africa* Local *Government Action Forum Phase VI*, 7 April 2006; Melkamu Belachew, "Growing Initiatives for the Improvement of Cadastre in Urban Amhara: Potentials, Prospects, Challenges," *FIG Working Week 2009: Surveyors' Key Role in Accelerated Development*, Eilat, Israel, 3–8 May 2009; Yan F. Zhang et al., *Unlocking Ethiopia's Urban Land and Housing Markets: Urban Land Supply and Affordable Housing Study Synthesis Report*, World Bank, 2019; *Review of the Legal Cadastre of the Government of Ethiopia: Issues and Policy Recommendations Report*, World Bank, November 2016; Jaap Zevenbergen, "A Systems Approach to Land Registration and Cadastre," *Nordic Journal of Surveying and Real Estate Research*, Vol. 1, 2004.

[197] Supra note 184; Legesse Tigabu, supra note 113; Ababa Biruk, *Legal and Institutional Frameworks for Urban Landholding Registration: A Case Study of Addis Ababa*, LL.M Thesis, Addis Ababa University, June 2017. Although Proclamation No. 818/2014 addressed some gaps, inconsistencies with subsidiary directives, unclear supervisory authority across government tiers, and procedural complexities, such as adjudication prerequisites, duplicative applications, and prolonged suspension of titles, continue to weaken tenure security, raise transaction costs, and delay coverage.

[198] Supra note 184

[199] See generally, Yan F. Zhang et al., *Unlocking Ethiopia's Urban Land and Housing Markets: Urban Land Supply and Affordable Housing Study Synthesis Report*, World Bank, 2019.

[200] See generally, Bekele Bedada and Amezene Reda, "Development of 3D Urban Cadastre and Property Registration System: Case Study in Bahir Dar City," *International Journal of Research and Innovations in Earth Science*, Vol. 2, Iss. 3, 2015.

substantial legal, institutional, and technological readiness, indicating the need for phased adoption aligned with broader reforms.[201]

From a systems perspective, these challenges are mutually reinforcing rather than purely technical and do not facilitate effective property tax enforcement. Addressing the problem in the advent of proeprty tax requires legal harmonization, stronger institutional coordination, sustained investment in digital infrastructure and human capacity, and fit-for-purpose, incremental approaches, including phased adoption of advanced tools such as 3D cadastres. Property tax reform should be aligned as both a driver and outcome of cadastral development. Recent reforms signal progress. The Urban Landholding Registration Proclamation No. 818/2014 has been replaced by Proclamation No. 1381/2025, which expands registration to immovable property, clarifies institutional roles, and promotes integrated, technology-driven systems with improved interoperability across planning, valuation, and taxation.[202] Complementary reforms, notably the Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024 and the Property Tax Proclamation No. 1365/2025, further strengthen the legal framework, improving prospects for effective urban land governance and land-based revenue mobilization.[203]

5.3.7 Property Valuation Systems and Land Monetization Capacity

Real property valuation (appraisal) refers to the professionally regulated estimation of the most probable monetary value of a legally defined property interest for a specified purpose at a given point in time and constitutes a foundational pillar of modern land administration systems.[204] It underpins core functions including property taxation, market transactions, rental determination, mortgage lending, and compensation assessment.[205] Contemporary valuation practice typically relies on three principal methodological approaches: the sales comparison approach, which derives value from comparable market transactions; the income capitalization approach, which estimates value based on anticipated income streams from income-generating assets; and the cost approach, which calculates value from replacement cost adjusted for depreciation and land value

[201] Ibid
[202] Proclamation No. 1381/2025, Preamble, Par. 1-5 & Art. 5 (4)
[203] Proclamation No. 1357/2024, Preamble; Proclamation No. 1365/2025, Preamble
[204] Habtamu Bishaw, "Real Property Valuation in Expropriation in Ethiopia: Bases, Approaches and Procedures," *African Journal of Land Policy and Geospatial Sciences*, Vol. 2, No. 3, 2019, pp. 40–51.
[205] Ibid

where market evidence is limited.[206] Valuation may be conducted either through individual appraisal, which entails a detailed analysis of specific property attributes, or mass appraisal, which employs standardized data infrastructures and econometric modelling to enhance administrative efficiency, valuation consistency, and horizontal equity, particularly in property taxation.[207] Although robust valuation systems can strengthen fiscal equity and efficiency by improving tax base accuracy and compliance, their effectiveness varies widely across contexts, often constrained in developing countries by fragmented legal frameworks, weak data infrastructures, limited institutional capacity, and low market transparency.[208]

In Ethiopia, property valuation has historically evolved in a fragmented and weakly institutionalized manner and without nationally standardized methodologies, professional accreditation mechanisms, and coherent regulatory oversight. Valuation practices have largely been confined to expropriation compensation, court-ordered disposals, and collateral assessment under dispersed legal provisions.[209] The predominance of the replacement-cost approach, particularly in expropriation contexts, where compensation excludes land value due to public ownership, has frequently produced valuations that diverge from market realities and contributed to compensation inconsistencies, disputes, and perceived inequities.[210] This situation largely arises from gaps in the legal framework and the absence of explicit recognition of the economic value land. The issue has long been linked to Article 40(8) of the FDRE Constitution and Article 12 (1 & 2) of Expropriation Proclamation No. 1161/2019, which recognize only improvements made on land as private property and, consequently, as the principal compensable interests during expropriation. As a result, compensation practices tend to focus on buildings or other developments rather than on the underlying economic value of land-use rights themselves, which often constitute the primary sources of revenue. This approach frequently contributes to the systematic undervaluation of urban land and property during expropriation.

[206] Arvydas Bagdonavičius and Steponas Deveikis, "Individual and Mass Valuation – Present and Future Practices," *FIG Working Week 2005 and GSDI-8,* 16–21 April 2005.
[207] Ibid
[208] Sung-Hoon Kang and Bong-Joon Kim, "Designing a Valuation System for Property Tax: The Case of Zanzibar, Tanzania," *Land*, Vol. 11, 2022.
[209] Supra note 204
[210] See generally, Habtamu Bishaw, Hans Lind, and Belachew Yirsaw, "Understanding the Bases and Approaches of Mortgage Valuation in Ethiopia," *Journal of African Real Estate Research*, Vol. 5, Iss. 1, 2020; Bereket Amare, Yasin Yakob, and Girmay Kahssay, "Real Property Valuation Approaches and Its Accuracy in Hawassa City," *Ethiopian Journal of Engineering and Technology*, Vol. 1, 2021.

Similar limitations are evident in financial-sector valuation practices. Banks frequently rely on simplified replacement-cost techniques and often exclude land value from collateral assessments, based on the assumption that land-use rights cannot reliably be liquidated to settle debt obligations in cases of default.[211] This approach reduces transparency in credit valuation, reinforces conservative lending practices, and constrains the potential of land assets to support broader capital formation. Taken together, these institutional and legal deficiencies have weakened valuation reliability, undermined compensation fairness, and contributed to tenure insecurity. More importantly, they have limited the integration of valuation systems with land value capture instruments and broader land-revenue mobilization strategies. The resulting misalignment has constrained the fiscal potential of urban land, which is particularly consequential amid the ongoing property tax reform efforts in Ethiopia, where credible, market-aligned valuation systems are critical for fiscal sustainability, distributive equity, and policy legitimacy.[212]

Empirical studies consistently underscore that, until recently, the absence of a coherent national valuation policy, certified professional valuers, and a dedicated regulatory authority has led to *ad hoc*, committee-based valuation practices marked by methodological inconsistency and procedural opacity.[213] Despite statutory restrictions on formal land marketability, land values continue to shape de facto property transactions, indicating that market-based signals remain analytically relevant for valuation purposes.[214] Strengthening valuation practice therefore requires institutionalized standards, professional accreditation systems, improved data infrastructures, ethical oversight mechanisms, and methodological alignment with both domestic property regimes and internationally recognized valuation norms.[215] As a result of these institutional gaps, land-based fiscal instruments and value capture mechanisms, particularly land leasing and property taxation, remain underutilized and are strongly conditioned by state land ownership and the limited application of market-oriented valuation methods.[216] Policy recommendations commonly emphasize

[211] Ibid.; See also Amare Sida, Yasin Yakob, and Girmay Kahssay, "Real Property Valuation Approaches and Its Accuracy in Hawassa City," *Ethiopian Journal of Engineering and Technology*, Vol. 1, No. 427, 2021.
[212] Muluneh Beyene, "The Interplay between Real Property Valuation and Taxation in Dire Dawa City Administration: Exploring Practices and Standards," *African Journal on Land Policy and Geospatial Sciences*, Vol. 5, Iss. 2, 2022, pp. 329–343.
[213] Habtamu Bishaw et al., supra note 210.
[214] Ibid
[215] Ibid
[216] Supra note 53; Tom Goodfellow, "Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia," *African Affairs*, Vol. 116, No. 465, pp. 549–572.

establishing an independent and transparent national valuation framework, ensuring regular updating of land values, expanding the use of land-based revenue instruments, and strengthening the technical and institutional capacity of local authorities to support effective implementation.[217]

Recent legislative reforms, notably the Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024 and the Property Tax Proclamation No. 1365/2025, represent a significant institutional shift toward professionalized valuation practice, standardized methodologies, and recurrent property taxation. These reforms aim to enhance transparency, promote market-informed valuation, and strengthen fiscal capacity through more systematic land value capture. However, their effectiveness remains contingent on broader land governance conditions, including tenure security, cadastral completeness, administrative capacity, and market transparency, all of which continue to pose structural constraints to equitable valuation and sustainable land revenue mobilization in Ethiopia.

5.3.8 Grievance Handling and Land Dispute Resolution

Effective access to justice and strong judicial protection of property rights are central to land governance and revenue mobilization.[218] This is particularly critical in rapidly urbanizing contexts like Ethiopia, where overlapping claims over scarce and high-value land are widespread.[219] Empirical evidence identifies land disputes as a major source of grievance among public authorities, private and institutional landholders, informal settlers, and peri-urban communities, including smallholder farmers.[220] Typical disputes involve boundaries, land-use restrictions, expropriation and compensation, valuation, lease administration, revenue obligations, ownership and title, transfers, joint ownership, inheritance, divorce, and land exchange.[221] When poorly managed, such disputes often escalate into broader political, social, and economic crises.[222] The literature

[217] Ibid
[218] Supra note 17, P. 10
[219] The Hague Institute for Innovation of Law, *Justice Needs and Satisfaction in Ethiopia*, 1 December 2020, p. 157.
[220] For some detailed accounts of urban land dispute resolution, see Sayeh Kassaw, Tilahun Dires, Worku Nega and Reinfried Mansberger, "Land Tenure Disputes and Resolution Mechanisms: Evidence from Peri-Urban and Nearby Rural Kebeles of Debre Markos Town, Ethiopia," *Land*, Vol. 10, No. 10, 2021; Fraol Udessa and Dagnachew Adugna, "Urban Land Dispute and Resolution Mechanisms in Two Selected Ethiopian Towns: From Good Governance Perspective," *Urban Science*, Vol. 11, 2025; Rebira Kibret and Muhammed Kebie Hillo, "Individual and State Land Dispute Management System in Ethiopia: Appraisal of the Legislative Framework," *Üniversitepark Bülten*, Vol. 7, No. 2, 2018, pp. 96–107.
[221] Ibid
[222] Ibid

consistently shows that unresolved disputes hinder urban development and infrastructure delivery, deter investment, foster informality and land grabbing, erode state legitimacy, and weaken revenue mobilization.[223] At the household level, they impose significant costs, including lost time and income, stress-related health effects, disrupted social relations, and reduced productivity.[224] Urban land disputes thus reflect deeper institutional and political economy failures rather than isolated legal incidents.

Despite their scale, dispute resolution remains underdeveloped in urban land governance.[225] Historically, disputes in Ethiopia were handled through customary institutions and administrative intervention rather than specialized judicial mechanisms. Contemporary urban land laws offer no comprehensive framework, in contrast to rural land regimes that recognize negotiation, conciliation, arbitration, and customary processes.[226] Instead, dispute resolution is fragmented across civil procedure and sector-specific laws on leaseholding, expropriation, registration, and municipal administration.[227] Although city charters and regional laws establish social and municipal courts, these are often absent, weak, or jurisdictionally limited in land matters.[228] In practice, the lack of effective alternative dispute resolution shifts the burden to regular courts, which face structural constraints, limited independence, inadequate resources, high costs, delays, distance, language barriers, and insufficient expertise in land law.[229] Consequently, the constitutional guarantee of access to adjudication by a competent body remains difficult to realize.

Recent laws increasingly establish administrative tribunals to resolve disputes between landholders and the state.[230] The Urban Lands Lease Proclamation No. 721/2011[231] requires complaints

[223] Ibid
[224] Ibid
[225] Supra note 129
[226] Rural Land Administration and Use Proclamation No. 1324/2024, *Federal Negarit Gazette*, 30th Year, No. 58, Arts. 40 & 41; see also "Rural Land Use Disputes in Bahir Dar Zuria Woreda Community of Ethiopia," *International Journal of Agricultural Social Economics and Rural Development*, Vol. 4, No. 1, 2024, pp. 37–49.
[227] Supra note 129
[228] See, for example, The Addis Ababa City Government Revised Charter Proclamation No. 311/2003, *Federal Negarit Gazeta*, 9th Year, No. 24, Arts. 39 & 41 (hereinafter Proclamation No. 311/2003); The Revised Amhara Region Urban Re-Establishment, Organization and Determination of Their Powers and Duties Proclamation No. 245/2017, *Zikre Hig*, 21st Year, No. 25, Arts. 76–83 (hereinafter Proclamation No. 245/2017).
[229] Supra note 129
[230] For a detailed discussion on the procedures of these administrative agencies, see Rebira Kibret, *The Power of Administrative Agencies Concerning Urban Land Dispute Settlement: The Case Study on Dukem and Burayu City Administrations*, Unpublished LL.M Thesis, Addis Ababa University, February 2019, p. 65.
[231] Proclamation No. 721/2011, Arts. 28-40

to proceed through the administering authority and an appellate tribunal and the Expropriation Proclamation[232] similarly establishes complaint-hearing bodies and appeal councils before reaching the courts. Comparable approaches appear in recent land administration and property taxation laws. For example, the Urban Landholding and Land-related Property Registration Proclamation No. 1381/2025[233] establishes an Adjudication Grievance Handling Tribunal, while the Real Estate Development and Real Property Marketing and Valuation Proclamation[234] provides for complaint-hearing committees. Likewise, the Property Tax Proclamation[235] creates review councils and tax appeal commissions. These frameworks prioritize administrative tribunals but generally permit subsequent appeals to regular courts, typically High Courts.

This shift toward administrative tribunals reflects a broader move to deliver faster, lower-cost, and technically informed adjudication.[236] In Ethiopia, however, their effectiveness remains empirically contested and institutionally constrained. Tribunals often lack legal expertise, procedural consistency, and institutional independence.[237] Members are frequently appointed on administrative or political grounds, while the same authorities that issue contested decisions establish and finance the reviewing bodies. Capacity limitations further weaken legal interpretation and procedural safeguards.[238] Access to justice is also restricted by narrow review mechanisms, with key issues such as public purpose, legality of land clearance, and land-use decisions partly insulated from full judicial scrutiny.[239] Although justified by efficiency and development needs, these limits risk undermining due process and property rights. Moreover, gaps persist: some areas, notably lease administration and land-use regulation, lack clear dispute-resolution mechanisms, and the Urban Planning Proclamation No. 574/2008 provides none despite high dispute potential.

In sum, grievance handling and urban land dispute resolution remain among the most neglected aspects of land governance in Ethiopia. Legal fragmentation, weak institutional capacity, and procedural constraints undermine access to justice, tenure security, and public confidence. As

[232] Proclamation No.1161/2019, Arts. 18-19 cum 2 (17) and 2 (18)
[233] Proclamation No. 1381/2025, Art. 21
[234] Proclamation No. 1357/2024, Arts. 23-30.
[235] Proclamation No. 1365/2025, Arts. 22-34
[236] Supra note 230
[237] Ibid
[238] Ibid
[239] Supra note 129

urbanization intensifies land scarcity and competition, unresolved disputes are likely to escalate, with adverse effects on development, investment, and fiscal sustainability. Addressing these challenges requires a coherent and integrated framework that strengthens judicial capacity and independence, professionalizes and insulates administrative tribunals, and incorporates appropriate alternative and customary mechanisms suited to urban contexts. Without such reforms, urban land governance will remain conflict-prone, inequitable, and institutionally fragile, with limited readiness for effective property tax reform.

5.4 Practices and Challenges of Good Urban Land Governance and Service Delivery

Good land governance is widely recognized in the literature as a fundamental prerequisite for reconciling competing interests in land use, sustaining functional urban land markets, and ensuring effective land-based revenue mobilization.[240] In Ethiopia, urban land governance operates within a multi-tier institutional framework involving federal, regional, and municipal actors, which frequently produces overlapping mandates and blurred lines of authority, as discussed above. At the federal and regional levels, the MoUI and corresponding BoUIs are responsible for policy formulation and the establishment of national and regional standards, while ULGs are formally mandated to manage day-to-day land administration. However, the effectiveness of this multi-tier framework remains constrained.[241]

Despite the formal decentralization framework, detailed federal and regional directives continue to shape operational procedures, apparently limiting local discretion and context-sensitive implementation.[242] Moreover, the longstanding institutional bifurcation between urban and rural land administration, combined with recent attempts by several regional states to establish unified land administration bureaus, has introduced new coordination challenges, regulatory inconsistencies, and institutional ambiguities rather than fully resolving earlier fragmentation.[243] These governance constraints are further compounded by persistent capacity deficits, including shortages

[240] Supra note 17, P. 10
[241] Zerfu Hailu, *Land Governance Assessment Framework Implementation in Ethiopia: Final Country Report*, World Bank, January 2016, pp. 1-4.
[242] Ibid
[243] Ibid

of technical expertise, financial resources, institutional infrastructure, and skilled personnel.[244] Collectively, such structural limitations weaken regulatory enforcement, service delivery effectiveness, governance credibility, and ultimately the capacity of municipalities to mobilize land-based revenues.

Evidence from key informant interviews reinforces these institutional observations and highlights the practical implications of these structural arrangements.[245] Interviews with experts from the ANRS BoUI and the BoLA indicate that overlapping mandates, combined with a deeply embedded administrative culture of awaiting top-down directives from federal and regional authorities, frequently result in delayed decision-making, cautious bureaucratic behavior, and limited responsiveness at local levels. This reflects broader tensions within Ethiopia's decentralization framework, where formal devolution of responsibilities has not been matched by corresponding fiscal autonomy, institutional clarity, or administrative discretion.

Interviewees further noted that the recent establishment of BoLA has partially addressed the historical rural–urban administrative divide but has simultaneously introduced new mandate ambiguities vis-à-vis the BoUI.[246] This is particularly evident because many urban land governance policies, technical standards, and regulatory frameworks continue to originate at the federal level through the MoUI, thereby sustaining vertical institutional dependence.[247] Consequently, the emerging institutional bifurcation at the regional level has generated persistent challenges related to operational mandates, reporting hierarchies, and accountability arrangements. Since land and property administration, particularly housing development and administration, remains closely intertwined with broader urban governance functions housed within the BoUI framework, institutional boundaries remain fluid, coordination mechanisms insufficiently institutionalized, and administrative efficiency remains constrained.[248] Interviewees suggested that these tensions may persist despite recent efforts to clarify mandates through the Definition of Powers and Duties of

[244] Ibid
[245] Interview with Aynalem Belete, Annex VI, December 21, 2025; Interview with Abinet Amsalu, Annex VI, December 28, 2025
[246] Ibid
[247] Habtamu Sitotaw Semahagne and Brightman Gebremichael, "Land Governance Power Delegation in Federal Systems: Notion, Manner and Country Practices," *Regional & Federal Studies*, 2025, pp. 1–26; Yonotan Tesfaye Fessha and Zemelak Ayitenew Ayele, "Who's the Boss? Questioning the Constitutional Authority of Federal Regulation of Local Government," *Ethiopian Journal of Federal Studies (EJFS)*, Vol. 3, No. 1, 2016, pp. 81–108.
[248] Interview with Aynalem Belete, Annex VI, December 21, 2025; Interview with Abinet Amsalu, Annex VI, December 28, 2025

the Executive Organs Proclamation No. 300/2025, noting that inter-institutional tensions were themselves a central concern during the proclamation's formulation.[249]

These institutional dynamics are consistent with broader empirical evidence from Ethiopian cities. Studies grounded in good governance frameworks developed by UN-Habitat, UNDP, and the World Bank consistently identify persistent challenges in transparency, accountability, public participation, rule of law, equity, and service delivery effectiveness in urban land administration.[250] Evidence from Addis Ababa, Mekelle, Gelan and Lega Tafo Lega Dadi, Gondar, and Debre Markos collectively points to ongoing difficulties in implementing good governance principles.[251] The findings indicate widespread bureaucratic opacity, limited public engagement, corruption risks, weak regulatory oversight, and inadequate institutional capacity as recurring governance constraints. These deficiencies not only undermine service delivery quality and public trust but also weaken municipal fiscal performance.

Findings from key informant interviews, FGDs, and Delphi consultations conducted for this study broadly corroborate these patterns and provide additional institutional and practical nuance. Expert participants consistently highlighted procedural complexity, limited public awareness of land administration processes, weak institutional communication, delays in service provision, inconsistent administrative decisions, and insufficient opportunities for meaningful public participation.[252] In particular, land policy and governance experts have identified weak digital land information systems, evolving institutional mandates, and persistent capacity constraints as

[249] Ibid.; see also Proclamation No. 300/2025, Arts. 26, 27, 32 & 33; Planning and Development Bureau, Government of the Amhara National Regional State, *Institutional System Improvement Study*, April 2025 (on file with the author). The study highlights institutional role conflicts between the BoLA and the BoUI across key areas of urban land governance, particularly in planning authority, land allocation, development control, and infrastructure coordination.

[250] Wael Zakout, Babette Wehrmann, and Mika-Petteri Törhönen, *Good Governance in Land Administration: Principles and Good Practices*, FAO and World Bank, 2009, p. 16.

[251] Jemal Geru, *Assessment of Good Governance Practices and Challenges for Urban Land Development and Management in Addis Ababa City: A Case of Bole Sub-City*, MSc Thesis, Ambo University, July 2023; Hafte G. Gabrihet and Pregala Pillay, "Urban Land Governance in Ethiopia: Empirical Evidence from Mekelle City," *Journal of Public Administration*, Vol. 56, Issue 3, 2021; Fraol Udessa, Dagnachew Adugna and Liku Workalemahu, "Challenges to the Practice of Good Governance in Urban Land Use Planning: The Case of Two Selected Ethiopian Towns," *Sustainability*, Vol. 15, No. 9, 2023; Ergo Beyene, Achamyeleh Gashu and Amare Sewnet, "Examining the Practice of Urban Governance Using UN-Habitat Urban Governance Index in Gondar City, North West Ethiopia," *Cogent Social Sciences*, Vol. 9, Iss. 1, 2023; Moges Atalele and Getachew Melaku, "Practices and Challenges of Urban Land Governance in Debre Markos City Administration," *Discover Sustainability*, Vol. 6, 2025.

[252] Interview with Aynalem Belete, Annex VI, December 21, 2025; Deplhi response

critical challenges in urban land governance, limiting transparency, accountability, and administrative responsiveness.[253] Collectively, both primary and secondary evidence suggest that governance deficits are not merely technical shortcomings but reflect deeper institutional coordination problems, administrative incentive structures, and evolving governance arrangements. Where these structural conditions persist, land markets tend to become distorted, tenure insecurity remains unresolved, and opportunities for land-based revenue mobilization remain underexploited.

Finally, these governance deficits have direct implications for ongoing property tax reform, as also emphasized during key informant interviews, FGDs and Delphi consulations. Effective property taxation depends fundamentally on equity, transparency, public trust, and reliable land administration services.[254] As the literature also establishes, where governance conditions are weak or land administration services are inconsistently delivered, the expansion of the property tax base becomes constrained and incentives for taxpayer compliance are correspondingly weakened.[255] Such environments may also facilitate corruption, rent-seeking behavior, speculative landholding, and inefficient land use, thereby limiting prospects for land value capture and sustainable municipal finance.[256]

Overall, both the literature and primary evidence suggest that many Ethiopian urban local governments lack the institutional readiness to address these governance challenges effectively in the short to medium term. Persistent deficits in participation, transparency, equity, and tenure security reinforce a cyclical dynamic in which weak governance undermines service delivery and revenue mobilization, which in turn constrains institutional capacity for reform. Addressing these challenges therefore requires an integrated governance reform approach that aligns tenure security, administrative capacity development, digital land information systems, institutional transparency mechanisms, and fiscal instruments such as property taxation. Without such systemic reforms, urban land governance is likely to remain vulnerable to inefficiency, inequity, and institutional fragility, thereby limiting both sustainable urban development and the effectiveness of land-based revenue systems.

[253] Ibid
[254] Ibid
[255] See Chapter Two of this dissertation.
[256] Ibid

5.5 Property Tax Reform as an Institutional Lever in Urban Land Governance

While property taxation requires improved land governance, the literature also regards it as a key institutional instrument for strengthening tenure arrangements, expanding property rights, and improving land administration.[257] Both theoretical and empirical studies generally show that property tax systems both depend on and reinforce coherent property rights regimes, reliable cadastral and land information systems, and professional valuation practices.[258] They can incentivize efficient land use, discourage speculative landholding, and help internalize land value increases generated by public investment, thereby supporting land value capture.[259] Land governance scholarship further frames property taxation as an accountability mechanism that links taxpayers to local authorities, encouraging transparency and improved administrative performance.[260] Across these perspectives, a consistent insight is that the effectiveness of property taxation is closely intertwined with the quality of property rights regimes and broader land governance institutions.

Comparative experiences indicate a mixed and context-dependent relationship between property tax reform and land governance. In many developed countries, effective property taxation has been underpinned by strong property rights regimes, mature land markets, comprehensive cadastral systems, and institutionalized planning frameworks.[261] These conditions have enabled property tax regimes in Europe, the USA, Canada, and Australia to sustain relatively stable systems, although they continue to face political resistance, valuation disputes, and periodic legitimacy challenges.[262] By contrast, in many developing and transitional economies, weak property rights regimes, governance deficits in land administration, incomplete registration systems, informality, and limited administrative capacity have constrained the effective implementation of recurrent property taxation. This has been confirmed by UN-Habitat in its study on property tax in fragile

[257] Volkan Çağdaş and Vildan Kurt, "Property Taxation and Land Management," *2nd FIG Regional Conference*, Marrakech, Morocco, 2–5 December 2003; Sarmite Barvika, "The Role of the Property Tax in Sustainable Land Management and Planning: The Latvian Experience," 8 July 2020.
[258] Ibid
[259] Ibid
[260] FAO, *Decentralization and Rural Property Taxation*, Rome, 2004, p. 19.
[261] Richard M. Bird and Enid Slack, "Land and Property Taxation in 25 Countries: A Comparative Review," *CESifo DICE Report*, No. 3, 2005, pp. 34–42.
[262] UN-Habitat, *Property Tax Regimes in Europe*, The Global Urban Economic Dialogue Series, 2013, pp. 5–11.

and extremely fragile states in many parts of Asia and Africa.[263] Recognizing these structural constraints, some countries have adopted fit-for-purpose approaches that align tax reform with incremental improvements in land governance.[264] Rwanda and Tanzania illustrate such efforts in Africa, while Vietnam and Brazil demonstrate how gradual integration of property taxation with land registration, planning systems, and cadastral development can support institutional consolidation in transitional tenure contexts.[265] Overall, these comparative experiences suggest that property tax reform is most likely to succeed when embedded within broader land governance strengthening rather than when pursued as a narrowly technical fiscal intervention.

Insights from interviews and FGDs conducted in Addis Ababa and Bahir Dar illuminate both the potential and structural constraints of property tax reform within existing urban land tenure arrangements and land administration practices. Respondents expressed broad consensus that property taxation could provide a more stable and equitable revenue base than existing land-related charges, such as lease premiums and permit fees and also addressing land governance challenges by enhancing property rights certainty, improving property identification and registration, standardizing valuation practices, reducing discretionary land-related decision-making, curbing speculative holding, and strengthening the fiscal link between residents and local governments.[266] At the same time, some interviewees viewed property taxation as a potential constraint on property rights, particularly if implemented within already weak land administration systems characterized by incomplete and outdated records, poor coordination between land administration and revenue authorities, and limited administrative capacity to identify, register, and value property.[267]

Another major concern relates to disparities in institutional readiness across urban centers. As one researcher involved in the Delphi process observed, "urban centers are not at the same stage of performance in land administration," noting that acute capacity constraints, limited digitization, and continued reliance on manual records hinder many cities' ability to manage the proper-

[263] UN-Habitat, *Land and Property Taxation in Fragile States*, 2023; UN-Habitat, *Property Tax Regimes in East Africa*, 2013.
[264] Ibid.; see also UN-Habitat, *Fit-for-Purpose Land Administration: Guiding Principles for Country Implementation*, 2016.
[265] Ibid
[266] Interview with Abinet Amsalu, Annex VI, December 28, 2025; Delphi expert opinion, Seid Hussein, Round I, Annex VII.
[267] Ibid

ty tax–land governance nexus effectively. [268] This view was widely shared, and consensus emerged by the third Delphi round.[269] However, there was no consensus regarding the need for changes to existing land policy. One Delphi participant affiliated with the ruling party argued that policy reform is not necessary as the tax could be imposed separately on land use rights and ownership of improvements and collected jointly.[270] This position appears reflected in the Property Tax Proclamation, which adopts the principle of separate assessment and joint collection of taxes on land use rights, and buildings and improvements.[271]

In contrast to this view, a land policy and governance expert cautioned that "taxing land and buildings without expanding urban property rights and ensuring good land governance is impossible, as thin rights only produce tiny taxes."[272] He further argued that assessing the value of land for tax purposes while simultaneously maintaining that land has no compensable value during expropriation constitutes a constitutional and policy contradiction that must be addressed to sustain property tax reform.[273] Similarly, a tax law expert emphasized that property tax reform without prior or parallel investment in property rights, land information systems, valuation capacity, and inter-institutional coordination would likely render tax administration inefficient and inequitable.[274] Indeed, in such circumstances, substantial portions of urban land, particularly informal, unregistered, or non-valued properties, remain outside the tax net. Overall, the primary data underscore that property tax reform can function as an effective institutional lever only when embedded within broader land governance reforms that strengthen property rights, data systems, and administrative coherence.

In the Ethiopian context, the relationship between property taxation and urban land governance is especially salient, given the structural gaps in land governance outlined in Section 3.4. The introduction of property taxation has coincided with legislative reforms in leasehold administration, expropriation and compensation, property valuation, registration, and cadastral development as discussed in the same section. Property tax reform, as initiated under the MoUI as part of

[268] Ibid
[269] Ibid
[270] Ibid
[271] Proclamtion No. 1365/2025, Art. 5
[272] Interview with Sisay Zenebe, Annex VI, August 14, 2024; Interview with Amdemichael Getachew, Annex VI, December 7, 2024.
[273] Ibid
[274] Ibid

broader land governance and municipal finance reforms, should therefore be understood not as a discrete fiscal intervention but as a potential institutional lever capable of revealing and incrementally addressing systemic weaknesses in land governance.[275] In this sense, property taxation represents not merely a revenue instrument but a broader governance reform pathway with the potential to enhance transparency, stabilize urban finance, and strengthen the fiscal social contract between urban residents and local governments.

The new property tax legislation, particularly the regional model law, explicitly situates property taxation within the broader land governance framework and clarifies its institutional role.[276] It defines taxable property to include land use rights (leasehold rights and old possession rights) as well as buildings and land improvements, which are assessed separately but taxed jointly.[277] The law provides for taxation based on assessed market value, with taxable value capped at 25% of market value and tax rates generally ranging from about 0.2–1% for land use rights and 0.1–1% for buildings and improvements.[278] It also requires systematic property classification and the maintenance of two public registers: a valuation roll, which records periodic property valuations, and a tax roll, documenting tax liabilities, exemptions, and payments in lieu of taxes.[279]

From a land governance perspective, recent property tax laws seek to play an integrative role by recognizing existing hybrid urban land tenure arrangements and introducing clearer land, property, and land-use classifications, as well as more market-oriented valuation procedures, into land administration.[280] This reflects an institutional shift toward closer alignment between land rights documentation, valuation practices, and municipal revenue systems, as widely documented in the literature. However, property tax may not resolve entrenched challenges such as tenure insecurity, institutional fragmentation, or weak administrative capacity alone. Its effectiveness as a catalytic instrument for integrating land governance and municipal finance depends on parallel reforms, particularly improvements in tenure security, registration systems, valuation capacity, and

[275] See generally, Ministry of Urban Development and Housing, *Overall Municipal Revenue Baseline Study in Three Cities of Ethiopia (Bahir Dar, Mekelle and Dire Dawa)*, September 2016, p. 33.
[276] Proclamtion No. 1365/2025, Preamble Para. 3; Regional Model Property Tax Proclamtion…/2026, Preamble Para. 3 (hereinafter the Regional Model Law)
[277] Proclamtion No. 1365/2025, 2 (1) & 7 , (3) (5)
[278] Ibid, Arts. 2 (3 & 5) & 11
[279] Ibid, Arts. 8-10
[280] Ibid, Arts. 2 (4) & 21

institutional coordination.[281] To support coherent implementation, both the Property Tax Proclamation and the regional model law define the powers and functions of land administration and tax administration bodies at federal, regional, and local levels and establish coordination obligations among them.

5.6 Interim Conclusion

This chapter examines the urban land governance system in Ethiopia through the interconnected lenses of land tenure and property rights, land administration, and land-based revenue mobilization to address the dissertation's third research objective: assessing how existing property rights and land administration shape the rationale and design of ongoing property tax reform as a crucial means of financing ULGs. Drawing on doctrinal legal analysis, multidisciplinary literature, and insights from interviews, FGDs, and Delphi consultations, it argues that property tax reform, as a key instrument for financing urban local governments, cannot be understood as a purely fiscal intervention but is deeply embedded in the broader institutional configuration of urban land governance.

The chapter first reviews the conceptual and theoretical foundations of the urban land governance–land revenue nexus, including property rights theories, land governance models, land administration functions, land value capture, and relevant policy experiences. It then briefly traces the evolution of Ethiopia's urban land tenure system across the Imperial (pre-1974), Derg (1974–1991), and post-1991 periods. The primary focus, however, is the contemporary urban land governance framework, examining the design features, operational dynamics, and structural gaps shaping current land administration practices and ongoing land-based revenue reforms, particularly property taxation, within broader efforts to strengthen urban finance.

The findings indicate that urban land governance in Ethiopia is marked by structural fragmentation, constitutional ambiguity over land ownership, conditional property rights, weak cadastral and valuation systems, and uneven institutional capacity. These factors both necessitate property tax reform and constrain its design. Public land ownership and restricted transferability of land-use rights complicate valuation, reduce market transparency, and limit effective land value fiscalization, while incomplete registration, tenure pluralism, and informality narrow the taxable base

[281] See Chapter Two of this dissertation.

and hinder equitable implementation. Historical analysis further shows that successive regimes have produced layered institutional legacies, from relatively secure but inequitable imperial tenure, to the Derg's equity-focused yet insecure system, to the post-1991 hybrid leasehold model, all of which continue to shape contemporary land governance and the trajectory of property tax reform.

The chapter further shows that valuation systems, cadastral infrastructure, urban planning, and dispute resolution mechanisms remain unevenly developed and poorly integrated, undermining tenure security, administrative efficiency, public trust, and property tax effectiveness. Primary data corroborate these institutional constraints, highlighting fragmented governance, limited local government capacity, inconsistent service delivery, and public skepticism toward land administration. Recent reforms, including Proclamations No. 1161/2019, 1336/2024, 1357/2024, 1365/2025, and 1381/2024, as well as the ongoing amendment of the Land Leasehold Proclamation, signal a shift toward professionalized valuation, improved cadastral systems, and stronger integration of land administration with municipal finance. However, the chapter argues that the effectiveness of these reforms will depend less on formal legal adoption than on institutional capacity, coordination, data systems, tenure security, and overall governance quality.

Overall, the chapter shows that ongoing property tax reform is both a response to and a potential driver of broader land governance transformation in urban Ethiopia. While existing property rights regimes and land administration systems constrain implementation, the reform has the potential to strengthen property rights protection, expand market mechanisms, improve cadastral systems, professionalize valuation, enhance transparency, and deepen the fiscal social contract between urban residents and local governments. Realizing this potential, however, requires coordinated governance that addresses tenure security, institutional coherence, administrative capacity, and public trust. The chapter therefore concludes that property tax reform in Ethiopia is fundamentally a governance reform embedded in the institutional architecture of land rights and land administration, rather than merely a technical fiscal policy exercise.

CHAPTER SIX

A HISTORICAL AND LEGAL EVOLUTION OF PROPERTY TAX AND REFORM IN ETHIOPIA:

FROM ANCIENT LAND TRIBUTES TO PROCLAMATION NO. 1365/2025

6.1 Introduction

Property tax is among the oldest instruments of public finance, rooted in ancient tributes and medieval land levies. In Ethiopia, these practices evolved over centuries, shaped by successive political, legal, and institutional transformations in public governance, land administration, and fiscal policy. The modern legal and institutional framework emerged in the 1940s and developed under the imperial regime until the 1974 revolution. The Derg regime radically replaced land taxes with rents and fees, restricting urban property taxation primarily to houses. Following the 1991 regime change, property taxation remained largely dormant until municipal reform initiatives began in 2011, culminating in the Federal Property Tax Proclamation No. 1365/2025 after over a decade of legal, technical, and political challenges. Its adoption has been contentious, with divergent views among policymakers, scholars, and civil society regarding its socioeconomic, legal, and political implications.

As demonstrated in the preceding chapters, contemporary challenges in ULG financing and property tax reform cannot be fully understood without situating them within their historical trajectory. This chapter therefore addresses the fifth objective of the dissertation by examining how historical legacies of land governance, taxation practices, and state structures continue to shape current institutional arrangements and reform dynamics. It adopts a doctrinal and historical-legal approach, drawing on legal texts, policy frameworks, and relevant literature to trace the evolution of property taxation from traditional systems to the contemporary reform framework. The chapter is structured as follows. Section 6.2 examines land-based tributes and traditional taxation systems in the pre-1940s period. Section 6.3 reviews early reform efforts to institutionalize modern property taxation between 1941 and 1974. Section 6.4 analyzes property taxation under the Derg regime and its institutional disruptions. Section 6.5 considers developments in the post-

1991 federal period. Section 6.6 provides an overview of post-2011 reform initiatives and the adoption of Proclamation No. 1365/2025. The chapter concludes in Section 6.7 with an interim synthesis that draws out key historical and legal insights and their implications for ongoing property tax reform in Ethiopia.

6.2. The Era of Tribute and Traditional Taxation (Pre-1940s)

Ethiopia, one of the world's oldest continuously sovereign states, has developed a complex and evolving system of land- and property-based taxation rooted in its political, cultural, and religious traditions. As widely recognized in the historical literature, this period reflects a dynamic trajectory of state formation, political authority, land tenure systems, and taxation practices.[1] From a fiscal perspective, it is best understood as an era of tribute-based and traditional taxation, characterized by both continuity and gradual transformation.[2] For analytical clarity, this section is divided into three sub-parts: (i) land-based tributes and taxation in ancient and medieval Ethiopia; (ii) reform efforts in the modern period (1855–1935); and (iii) colonial reforms during the Italian occupation (1935–1941).

6.2.1 Land Based Tributes and Taxes in Ancient and Medieval Ethiopia

Ancient and medieval Ethiopian history spans the period from the Aksumite civilization (c. 1st–10th centuries AD) through the Zagwe dynasty and the restoration of the Solomonic dynasty in 1270, which had continued in different forms until 1974.[3] During this period, state revenue was closely tied to prevailing land tenure systems and the decentralized structure of governance. [4]

[1] For a comprehensive account of the ancient, medieval, and modern history of Ethiopia, see generally Sergew Hable Sellassie, *Ancient and Medieval Ethiopian History to 1270*, Haile Selassie I University, 1972; and Bahru Zewde, *A History of Modern Ethiopia: 1855–1991*, James Currey, 2001. It is worth noting that revenue exactions during this period did not constitute taxes in the modern or strict sense, as they were characterized more by tributary and quasi-feudal obligations than by formalized systems of public taxation.

[2] For an extensive treatment of taxation prior to the 1940s, see Richard Pankhurst, *Economic History of Ethiopia: 1800–1935*, Haile Selassie University Press, 1968, pp. 504–544.

[3] Ibid. Although historians commonly extend the history of Ethiopia to the periods of Punt (c. 2800–500 BCE) and DʿMT (c. 500 BCE–100 CE), which provided the antecedents of northern Ethiopian civilization, this article begins with Aksum, as it marks the emergence of formal governance and is better documented in the literature. In addition, for clarity, the analysis in this section extends only to the emergence of modern Ethiopia in 1855.

[4] Siegbert Uhlig (ed.), *Encyclopaedia Aethiopica*, Vol. 2, D–Ha, "Gébér," Otto Harrassowitz GmbH & Co. KG, Wiesbaden, 2005; see also Richard Pankhurst, "Tribute, Taxation and Government Revenues in Nineteenth and Early Twentieth Century Ethiopia," *Journal of Ethiopian Studies*, Vol. 5, No. 2, 1967, pp. 37–87.

Moreover, given low levels of urbanization and a predominantly agrarian economy[5], the fiscal regime was largely shaped by customary norms and oral traditions. [6] These arrangements institutionalized land as the primary locus of political power, administrative authority, and fiscal extraction and this structural understanding that endured well into the twentieth century.[7] Land was widely regarded as a divine endowment ultimately vested in the monarch, such that the emperor held theoretical ownership of all land and exercised authority by granting large tracts to nobles, church leaders, state servants, and local rulers.[8] Provincial and local authorities, which functioned as intermediaries, collected tributes and taxes on behalf of the imperial center and remitted the proceeds after retaining a portion for their own administration and sustenance.[9] This decentralized fiscal structure reinforced royal legitimacy and political hierarchy while institutionalizing a stratified social order.[10] Tax obligations were typically discharged in kind and through services such as livestock, grain, artisanal goods, or labor, which often rendered the system arbitrary, burdensome, and regressive for peasant households.[11]

During the Aksumite period, as in many ancient dynastic states, taxation took the form of obligatory tributes imposed on conquered and subordinate regions.[12] These were largely in-kind payments and served as central mechanisms of political control and resource mobilization, partucllry in the heigh days of the civilization. The Zagwe period (c. 1137–1270) was a transformative era marked by a centralized, religion-based state that expanded church land grants and refined tribute systems. This shaped land administration and revenue extraction practices until the

[5] See generally Ronald J. Horvath, "The Wandering Capitals of Ethiopia," *The Journal of African History*, Vol. 10, No. 2, 1969, pp. 205–219; Frederick C. Gamst, "Peasantries and Elites without Urbanism: The Civilization of Ethiopia," *Comparative Studies in Society and History*, Vol. 12, No. 4, 1970, pp. 373–392.

[6] Muradu Abdo, *Legal History and Traditions: Teaching Material*, Justice and Legal System Research Institute, 2009, p. 242. It is also important to note that there were periods during which foreign land tax systems were imposed in Ethiopia. A notable example is the Egyptian occupation of Harar from 1875 to 1885, during which Egyptian laws on land and taxation were introduced and applied. Similarly, laws developed by Italy for its African colonies under the framework of *Africa Orientale Italiana* were implemented in Eritrea from 1890 to 1941 and in Ethiopia during the Italian occupation from 1936 to 1941.

[7] See generally Berhanu Abegaz, "Persistent Stasis in a Tributary Mode of Production: The Peasant Economy of Ethiopia," *Journal of Agrarian Change*, Vol. 5, No. 3, 2005, pp. 121–122.

[8] Siegbert Uhlig (ed.), *Encyclopaedia Aethiopica*, Vol. 4, O–X, "Tributes and Traditional Taxation," Otto Harrassowitz GmbH & Co. KG, Wiesbaden, 2010.

[9] Ibid.; see also Daniel Woldegebriel, *Land Rights and Expropriation in Ethiopia*, PhD Thesis, KTH Royal Institute of Technology, 2013, pp. 41–42. Revenue collected by church leaders and servants was used by the church for religious functions and was not required to be transferred to the state.

[10] Bahru Zewde, Supra note 1, P. 14.

[11] Ibid

[12] Gebrie Worku Mengesha, *Tax Accounting in Ethiopian Context*, 2nd ed., Alem Printing Press, 2008, pp. 2–12.

restoration of the Solomonic state. The early period of the Solomonic dynasty, which traced its legitimacy to a claimed descent from King Solomon and the Queen of Sheba, was marked by feudal land administration and heavy taxation to fund the military and territorial expansion.[13] Royal chronicles, particularly those of Emperor Yéshaq (r. 1414–1430) and Emperor Zär'a Yaʿeqob (r. 1434–1468), indicate a gradual consolidation of fiscal practices, with more structured articulation of vassal obligations in the form of livestock, agricultural produce, textiles, and precious metals, reflecting the agrarian character of the economy.[14] Prior to the mid-fifteenth century, tax remained localized and informal, embedded in customary and religious practices, with limited reliance on written rules or centralized administration.[15] A degree of formalization emerged with normative texts such as the *Fäwse Mänfäsawi* and the *Fetha Nagast*, which codified aspects of governance and obligations between rulers and subjects.[16] Although not tax codes in the modern sense, these texts contributed to the normative foundations of fiscal authority. Nonetheless, fiscal practices remained heterogeneous and loosely institutionalized, reflecting a political economy centered on tribute rather than standardized taxation.[17] Royal chronicles remain the principal sources for this period, documenting tributary relations and the scope and organization of early fiscal arrangements.[18]

Fiscal practices in Muslim-governed territories introduced an additional layer of complexity to Ethiopia's already fragmented tax regime. Where Muslim rulers exercised control, they imposed the *Gizya* (poll tax) on non-Muslim, primarily Christian, populations.[19] Rooted in Islamic juris-

[13] Ibid.; Mamman Musa Adamu, "The Legend of Queen Sheba, the Solomonic Dynasty and Ethiopian History: An Analysis," *African Research Review*, Vol. 3, No. 1, 2009, pp. 468–482.
[14] Ibid
[15] Aberra Jembere, *An Introduction to the Legal History of Ethiopia: 1434–1974*, Lit Verlag, 2000, p. 231. Kings and local rulers often referred to the Holy Bible and the Holy Qur'an to assert tax obligations and payments, and this gradually became embedded as a customary norm.
[16] Ibid. The *Fäwse Mänfäsawi*, compiled around 1450 under Emperor Zär'a Yaʿeqob, is a codified legal text consisting of 62 mainly spiritual provisions drawn from biblical and canonical sources, intended to regulate religious and customary practices through formalized rules. The *Fetha Nagast*, originally written in Arabic in the thirteenth century and later translated into Geʿez during the reign of Zär'a Yaʿeqob around 1450, served as the supreme legal code, combining ecclesiastical and secular rules and governing various matters until the early twentieth century. These texts shaped not only legal thought but also state taxing power and land governance.
[17] Ibid.; see also Zuzanna Augustyniak, "The Genesis of the Contemporary Ethiopian Legal System," *University of Warsaw Studies of the Department of African Languages and Cultures*, No. 46, 2012, pp. 101–115.
[18] Siegbert Uhlig (ed.), *Encyclopaedia Aethiopica*, Vol. 4, O–X, "Tributes and Traditional Taxation," Otto Harrassowitz GmbH & Co. KG, Wiesbaden, 2010.
[19] Siegbert Uhlig (ed.), *Encyclopaedia Aethiopica*, Vol. 2, D–Ha, "Gizya," Otto Harrassowitz GmbH & Co. KG, Wiesbaden, 2005.

prudence, the tax functioned both as a revenue instrument and as a marker of political subordination as well as protection and limited religious autonomy in return. In frontier and contested areas, the *Gizya* often overlapped with existing tribute obligations to the Christian polity, which produced dual fiscal burdens and administrative ambiguity.[20] This dynamic became particularly pronounced during the campaigns of Ahmad ibn Ibrahim al-Ghazi (r. 1527–1543), when the tax was extended across large parts of the Christian highlands.[21] Typically collected in kind, it operated as both an economic exaction and a symbol of shifting sovereignty. The episode underscores the close interrelationship between taxation, religious authority, and political control in pre-modern Ethiopia, where fiscal systems reflected broader struggles over legitimacy and state formation.

Following the defeat of Ahmad Gragn, the Solomonic state moved to reassert and consolidate earlier administrative and fiscal practices. Historical evidence shows that Emperor Gälawdewos (r. 1540–1559) introduced the "Queima" tax in the 1550s, likely to rehabilitate his kingdom after the war.[22] This consolidation became more structured during the reign of Emperor Zä Dengel (r. 1603–1605), who introduced clearer territorial units for governance and tax collection.[23] A central organizing principle of this period is captured in the maxim "man is free, land is tributary," which reflects the prevailing legal logic that individuals were formally free, while access to land entailed obligatory tribute.[24] Peasants retained cultivation rights but were required to provide tribute in kind, labor services, and agricultural produce to the state, landlords, or the church, which demonstrates the close fusion of land tenure and fiscal obligations.[25] At times, this arrangement assumed the features of a tributary mode of production, in which 'surplus' extraction sustained a hierarchical structure of power.[26] As such nobles, provincial authorities, clergy, and military leaders depended on transfers from the peasantry and urban producers. Other social

[20] Abdulmalik Abubaker, "Taxes, Tax Payers and Collectors—Pre and Post Menelik: Harari Experience," *Journal of Accounting and Taxation*, Vol. 9, No. 3, 2017, pp. 23–35. For example, many of the regions under *Gizya* continued to pay tribute to the Christian emperor.
[21] Supra note 19
[22] Ishikawa Hiroki, "Cattle Tax 'Queima' in Northern Ethiopia during the Oromo Migration Period," *Journal of African Studies*, Vol. 2006, No. 69, 2006, pp. 45–57. The tax continued and was abolished only by Emperor Yohännes I in 1667 due to its heavy burden and public dissatisfaction under his predecessor.
[23] Supra note 18
[24] Ibid.; see also Donald Crummey, *Land and Society in the Christian Kingdom of Ethiopia, From the 13th to the 20th Century*, 2000, p. 74.
[25] Berhanu Abegaz, Supra note 7
[26] Supra note 18

groups were also integrated into this system. For example, artisans met obligations through production quotas such as iron tools or woven cloth, merchants paid duties on profits and transactions of their trade, and pastoralists and hunters were subject to various in kind levies. However, although the system appeared broadly inclusive, the scale and intensity of the burden fell disproportionately on rural landholders. For example, in the early sixteenth century, the Portuguese envoy Francisco Álvares recorded substantial annual tributes from provinces such as Gojjam and Begemidir, which were highly productive and supplied regular tributes of cloth, grain, and other goods to the royal court.[27] In the seventeenth century, Jesuit sources described annual gold contributions from Énnarya and periodic grain and livestock exactions in Dambéya.[28] In addition to these periodic and formal requirements, rural populations were expected to provide food and lodging to traveling officials and soldiers, which further intensified the fiscal burden.[29]

In the pre-modern period, the cities of Harar and Gondar illustrate early forms of urban governance, albeit within distinct legal, cultural, land tenure, and fiscal systems. The Emirate of Harar, which emerged in the thirteenth century and reached its peak in the sixteenth, developed a relatively advanced system of land tenure and taxation grounded in Islamic legal traditions.[30] The city of Harar is also recognized as having maintained autonomy despite complex economic and political relationships with surrounding Oromo and Somali groups and increasing pressure from the Turco-Egyptian occupation.[31] Its administration maintained systematic records of land and house ownership, required the authentication of immovable property through Qadi courts, and provided for the issuance of formal title deeds (*huja*) by the Emir.[32] Taxes such as *kharaj* (land tax) and *ushr* (tithe) applied irrespective of ownership status, alongside additional levies on

[27] Ibid.; see also Mathilde Alain, "Dicono li Ethiopi': Ethiopian Contributions to Francisco Álvares's Travel Account to Ethiopia (c.1540)," *Modern Humanities Research Association Working Papers in the Humanities*, No. 18, 2023, pp. 5–14. For the province of Gojjam alone, annual tribute to the central king reportedly included 3,000 mules, 3,000 horses, and 3,000 pieces of cloth.

[28] See Leonardo C. Shabot and Andreu M. d'Alòs-Moner, "The Jesuit Mission in Ethiopia (16th–17th Centuries): An Analytical Bibliography," *Aethiopica*, No. 9, 2006, pp. 190–212. According to the missionary Manoel de Almeida, Énnarya annually contributed between 1,000 and 1,500 *wäqet* (gold ounces), and Dambéya was required to deliver one load of grain per household each year and one out of every ten animals every three years.

[29] Supra note 18

[30] Supra note 20; see also Abdul Azim, "Kharaj and Land Proprietary Right in the Sixteenth Century: An Example of Law and Economics," *Journal of Objective Studies*, Vol. 19, No. 1, 2008, pp. 29–44.

[31] See generally Richard A. Caulk, "Harär Town and Its Neighbours in the Nineteenth Century," *The Journal of African History*, Vol. 18, No. 3, 1977, pp. 369–386.

[32] Supra note 20

property authentication and registration.[33] The fiscal system also included specialized taxes such as *Anka* (collected from threshing floors), *hudad* or *badal* (paid in lieu of labor on public agricultural land), and *Kalab* (earmarked for military maintenance).[34] These practices indicate a comparatively sophisticated approach to land administration and revenue extraction, as well as a differentiated and functionally organized fiscal structure.

Gondar's historical significance begins with its establishment as the imperial capital in the early seventeenth century, which marked a decisive shift from a mobile court to a relatively permanent administrative center. During the Gondarine period (1632–1769), the revival of the imperial apparatus and the establishment of Gondar as the imperial capital fostered the development of urban land relations and taxation.[35] Land tenure came to operate through a dual system of *rist* (hereditary rights) and *gult* (land grants), which linked fiscal extraction and tribute, through labor and agricultural produce, to hierarchical political power.[36] The growth of urban institutions led to land registration and surveying practices, which further supported an emerging framework for property-related revenue. For example, under the reign of Emperor Iyyāsu I (r. 1682–1706), when Gondar reached its peak as a political and cultural center, taxation and land grant regulation became central components of imperial governance.[37] Given the growing importance of markets, artisanal production, and long-distance trade, land taxes were levied on commercial activities based in the city.[38] Thus, although no uniform or codified property tax system existed, fiscal obligations remained closely tied to landholding, imperial authority, and hierarchical social structures, which underscore the embeddedness of state revenue within broader governance arrangements.

[33] Ibid
[34] Ibid
[35] Berhanu Abegaz, Supra note 7, pp. 57–84; Sisay Sahile, *A Critical Edition and Annotated Translation of the Late Nineteenth and Early Twentieth Century Treatise: Tārik Zamədra Gondar (The History of the Land of Gondar)*, PhD Dissertation, Universität Hamburg, June 2021, pp. 6–7.
[36] Ibid.; see also Habtamu Mengistie, "Rethinking Property and Society in Gondärine Ethiopia," *African Studies Review*, Vol. 52, No. 3, 2013, pp. 89–106.
[37] Ibid. Emperor Iyyasu I is remembered for his critical role, as reflected in the saying commonly cited by oral *historians* of the city: 'ፋሲል የተከለው ኢያሱ የደለደለው' ("What Fasil founded, Iyyasu made firm"). Emperor Fasilides (r. 1632- 1667) is renowned for establishing Gondar as the capital city in 1636, which marked the beginning of the Gondarine period.
[38] Ibid

The onset of the Zemene Mesafint, or Era of the Princes (1769–1855), marked a period of acute political fragmentation in which central imperial authority was reduced to a nominal presence in Gondar and regional lords exercised de facto power. Although some characterize it as a tradition of independence and self-government, the fragmentation and recurrent conflict and economic decline clearly weakened administrative coordination and fiscal coherence.[39] In the absence of a strong central authority, regional rulers asserted autonomous control over taxation and revenue extraction, which led to a proliferation of overlapping and often arbitrary fiscal demands, such as land taxes, tribute, war levies, hospitality obligations, and ceremonial exactions.[40] Such revenue systems lacked consistency and equity and reflected the militarized and patronage-based nature of governance. The intensification of fiscal extraction, combined with weak accountability, enabled widespread abuse by tax collectors and local elites.[41] For example, in Shäwa, arbitrary appropriation or use of force was the common method of collecting tax and tribute from the peasants and this had caused conflict between the appropriators and producers.[42] For rural peasants and smallholders, in particular, the system became increasingly unpredictable and coercive.[43] In response, many adopted evasive strategies, such as concealing produce, underreporting yields, bribing officials, or relocating to less accessible areas to avoid taxation and forced labor.[44] While such practices offered short-term relief, they disrupted local economies and reinforced distrust between rulers and subjects.[45] The Zemene Mesafint thus represents a period in which fiscal practices shifted from instruments of governance to mechanisms of exploitation, entrenching patterns of resistance that continued to shape state-society relations in subsequent periods.

6.2.2 Reforms Attempt in Modern History of Ethiopia (1855-1935)

The evolution of property-related taxation in modern Ethiopia is closely linked to the state-building and modernization efforts initiated during the reign of Emperor Tewodros II (r. 1855–1868). This period marked a decisive departure from the highly decentralized and extractive fis-

[39] Berhanu Abegaz, Supra note 7, PP. 80-81
[40] Ibid
[41] Habtamu Mengistie, Supra note 36
[42] Dechasa Abebe, *A Socio-Economic History of North Shäwa, Ethiopia (1880s–1935)*, PhD Thesis, University of South Africa, 2015, p. 103. Such methods were common and continued until Menilek became king, particularly during wars and conflicts.
[43] Ibid
[44] Ibid
[45] Ibid

cal practices of the Zemene Mesafint. Although it cannot be said fully successful, Tewodros II's reforms sought to re-establish centralized imperial authority and rationalize fiscal administration within a largely traditional framework.[46] Key measures included the removal of redundant internal customs posts, efforts to curb abuses by military officials, and the introduction of the country's first systematic tax records.[47] The Emperor also attempted to tax previously exempt church lands to finance the state, a measure that encountered strong resistance.[48] Despite these initiatives, the regime faced persistent difficulties in mobilizing revenue and remained fiscally constrained, as other rulers did.[49] Subsequent rulers, including Emperor Yohannes IV (r. 1872–1889) and Emperor Menelik II (r. 1889–1913), largely maintained and expanded these fiscal arrangements.[50] These regimes continued to rely heavily on in-kind taxation and labor obligations to consolidate imperial authority and finance territorial expansion, particularly into the southern and western regions.[51] While these measures contributed to administrative centralization and revenue consolidation, they did not fundamentally alter the hierarchical land tenure systems and dependent on agrarian surplus extraction.

Taxes and tributes during this period were shaped by prevailing land tenure arrangements, notably the *rist* and *gult* systems, which varied across regions and structured both the nature and distribution of taxation.[52] In the northern highlands, the *rist* system provided inheritable land rights

[46] Richard Pankhurst, Supra note 4

[47] Ibid. For example, the Emperor annually received substantial cash revenues, including about 190,000 Maria Theresa thalers from Tigray and 47,000 thalers from Bagemder, in addition to tribute in livestock.

[48] Fasil Merawi, "Emperor Tewodros II and the Antithesis between Modernity and Tradition in Ethiopia," *International Journal of European Studies*, Vol. 6, No. 1, pp. 5–11.

[49] Richard Pankhurst and Germa-Selassie Asfaw, *Tax Records and Inventories of Emperor Téwodros of Ethiopia, 1855–1868*, School of Oriental and African Studies, 1979, pp. 170–173. Explaining his difficulties to Queen Victoria's envoy Hormuzd Rassam in June 1866, Téwodros remarked: "The people of my country… would sooner bury their money in the ground than trade with it or pay me a percentage out of it." When the envoy mentioned the existence in Britain of taxes on horses and male servants, Téwodros responded: "Mr. Rassam, you do not know the Abyssinians. Were I to tax their mules, horses, and domestic servants, not one of them would ride; every man would become his own servant."

[50] Bahru Zewde, "Economic Origins of the Absolutist State in Ethiopia (1916–1935)," *Journal of Ethiopian Studies*, Vol. 17, 1984, pp. 1–29.

[51] Ibid

[52] See generally Daniel Woldegebriel, Supra note 9, pp. 41–58; Wibke Crewett, Ayalneh Bogale, and Benedikt Korf, *Land Tenure in Ethiopia: Continuity and Change, Shifting Rulers, and the Quest for State Control*, CAPRi Working Paper No. 91, 2008, pp. 5–19. *Rist* was a group right derived from familial lineage and passed down through generations but, as a general rule, it was inalienable. In contrast, *gult* did not confer ownership of land but rather the authority to administer it and collect tribute from landholders in return for military or administrative service, and it was generally non-heritable. Despite differences in tenure security, revenue obligations applied under both systems.

based on lineage and granted relative tenure security, subject to tax obligations. In contrast, in the south, lands incorporated during expansion were largely classified as state or crown land and redistributed to the ruling class and officials, church institutions, and imperial appointees, effectively transforming local populations into tenant cultivators.[53] Under the *gult* system, land grants conferred fiscal authority on nobles and officials, who collected tribute, often amounting to up to one-third of agricultural produce and labor services.[54] Land directly administered by the emperor remitted revenue to the crown, while other categories generated shared revenues among the church (*sämon*) and local officials (*melkegna*).[55] Semi-autonomous regions, such as Jimma Abbaa Jifaar, retained limited autonomy by paying tribute rather than being fully integrated into the imperial fiscal system.[56] The existance of additional landholding categories, such as *gabbar* (tenant-held land), *siso* (requiring one-third produce payment), *rist-gult* (heritable land tied to state service), and *sämon* (church-assigned land), further illustrate the complexity and hierarchy of the system, in which revenue flowed through multiple layers from peasants to local authorities and ultimately to the emperor.[57]

Beyond *rist*- and *gult*-based obligations, individuals and communities were subject to a wide range of fiscal and quasi-fiscal duties tied to land access. These included *feré géber* (land tax), *asrat* (tithe to the state and church), military conscription, corvée labor, hospitality obligations, and religious contributions.[58] The cumulative burden rendered the system highly extractive and regressive, disproportionately affecting rural cultivators. Reform efforts under Emperor Menelik II included the formalization of the *asrat* tithe as a fixed share of agricultural output in 1892 and the introduction of new levies, such as cattle and elephant hunting taxes, to support emerging state functions and infrastructure development, including the construction of the Djibouti-Addis Ababa railway.[59] These measures contributed to a gradual shift toward monetization; available evidence indicates that by 1902 approximately 57 percent of state revenue was collected in cash. However, the measures had limited or uneven reach and in-kind payments and labor obligations

[53] Ibid
[54] Ibid
[55] Ibid; See also Supra note 42, PP. 102-130
[56] Ibid
[57] Ibid
[58] Ibid
[59] Richard Pankhurst, "Ethiopian Tax Documents of the Early Twentieth Century," *Journal of Ethiopian Studies*, Vol. 11, No. 2, 1973, pp. 157–166.

persisted across much of the country.[60] This dual structure was accompanied by arbitrary enforcement and taxpayer resistance, including evasion strategies such as concealing produce or refusing to make cash payments.[61]

Another notable development was the formalization of the *qalad* system as a method of land measurement in the late nineteenth century, which played an important role in structuring landholding arrangements and securing revenue for the state and the military, particularly in the southern, southwestern, and eastern regions.[62] Together with the broader process of monetization, these initiatives laid the groundwork for the gradual emergence of a more formal property tax regime.[63] Although earlier rulers, including Emperor Tewodros II, had attempted land surveys, it was Emperor Menelik II who more systematically implemented land classification and measurement. The reform categorized land into infertile (*tef*), semi-fertile, and fertile (*lame*) classes, and tax or tribute obligations were higher for lame land than for tef land, which reflects differences in productive potential.[64] In regions without *qälad* measurement, taxation was based on large, undivided land units treated as a single taxable plot (አንድ የግብር መሬት).[65] This provided a basic framework for land revenue collection that persisted until the 1974 land reform and, in some respects, continues to influence regional practices today, as market-based land value assessment remains largely absent in rural areas. [66]

Despite these developments, the emergence of an efficient and equitable tax system remained limited due to structural and administrative constraints, particularly inaccurate land measurement, weak record-keeping, limited administrative capacity, ambiguous land rights, and low bureaucratic incentives.[67] At the same time, important steps were taken toward legal and institutional formalization. For example, tax and land laws began to be issued in various legal forms,

[60] Ibid
[61] Ibid
[62] See generally Temesgen Gebeyehu, "Land Tenure, Land Reform and the Qalad System in Ethiopia: 1941–1974," *Journal of Asian and African Studies*, Vol. 46, No. 6, 2011, pp. 567–577; see also Supra note 750, p. 13. Measurement practices were already in use in Begémdir and began in Shäwa in the 1890s, later spreading to other provinces. The inventory and measurement of lands in Shäwa was completed in 1880. See Supra note 64, p. 103.
[63] Richard Pankhurst, Supra note 4
[64] Ibid
[65] Supra note 42, P. 105
[66] Temesgen Gebeyehu, Supra note 62. In the 1920s, a farmer with *lame* land was required to pay 80 birr per *gasha*, while *tef* land was taxed at 10 birr per *gasha*.
[67] Daniel Woldegebriel, Supra note P. 9, PP. 41-58

such as *awaj* (proclamations), *demb* (regulations), and *ti'ezaz* (orders), and was disseminated through traditional channels such as the *negarit* and *meleket* in communal spaces, and later through emerging print media, including newspapers such as *Aimiro* (from 1906) and *Berhanena Selam* (from 1925).[68] A further turning point occurred in 1907, when the state for the first time formally recognized private ownership of urban land and articulated tax based on land value as a policy objective.[69] Although limited in scope and enforcement, this marked an early step toward the institutionalization of property taxation within a more structured legal framework. The establishment of the Ministry of Finance and In-House Treasury (*Yegenzebina Yeguada Ministry*) with a Department of Tax in 1907, helped formalize fiscal policy, modernize tax collection, and manage state finances and property.[70]

However, the reforms initiated were significantly stalled during the final years of the emperor's reign due to his deteriorating health and the resulting succession disputes and administrative disruptions.[71] A persistent problem was the tardiness of assessors in appraising the quantity of harvests and land fertility. In an effort to address this, Lij Iyasu (1913–1916) introduced the practice of relying on the oath of the peasant, which states, "ከብት ከበረቴ እህል ከመሬቴ ያጥፋብኝ," which can be translated as "may God destroy my cattle and crops," to ensure compliance with and the accuracy of tax obligations through moral or divine sanction.[72] The situation also forced provincial rulers to introduce new taxes of their own. For example, in 1920, Ras Haylu of Gojjam introduced *yäçhes geber* (hut tax), which led people to live collectively in a single house, while newly married couples often remained in their parents' homes longer to avoid the tax. [73]

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[68] Tsegaye Beru, "Brief History of the Ethiopian Legal Systems: Past and Present," *International Journal of Legal Information*, Vol. 41, No. 3, 2013, pp. 335–388.

[69] Richard Pankhurst, *State and Land in Ethiopian History*, Institute of Ethiopian Studies, 1966, p. 212.

[70] Ministry of Finance, "A Brief History of the Ministry of Finance," 29 January 2021, available at Ministry of Finance Facebook Page (accessed 25 January 2026).

[71] Daniel Dejene, *Land Tenure Reform and Socioeconomic Structures in Däbrä Marqos (Gojjam), Ethiopia: c.1901–1974*, PhD Thesis, University of South Africa, 2020, p. 65.

[72] Supra note 50, P. 15

[73] Geremew Eskezia, "The Taxation System of Ras Haylu Täklä Haymanot of Gojjam: 1907-1932," *Ethiopian Journal of Social Sciences*, Vol. 4, No. 1, 2018, pp. 1–16 (p. 9). The tax was so unpopular that a taxpayer in the district of *Méçha* expressed the grievance in a poem, ironically stating:

ጎመኔን ቀንጥሼ ጥሬዉን በላሁት፣
እንዳላበስለዉም የጢሱን ፈራሁት።

"I ate my cabbage raw, as I could not cook it for fear of the smoke." The reference to "smoke" alludes to the hut tax, reflecting the fear that visible signs of domestic activity, such as cooking fires, would expose households to tax as-

As Regent, Haile Selassie initiated various modernization efforts through a centralized government and undertook key reforms to address inefficiencies in the traditional fiscal system.[74] One of the most important measures was the abolition of unpaid labor under the *gabbar* system, whereby farmers were required to provide labor and tribute to landowners. Beginning in 1923, he also sought to eliminate the slave trade and the institution of slavery, which were intertwined with the social and labor-based taxation system.[75] Another notable reform was the expansion of cash-based taxation, particularly through the use of the Maria Theresa thaler, which was ciritical to reduce reliance on in-kind payments and promote a market economy.[76] He also initiated land surveying reforms and promoted land measurement to support more equitable taxation with the goal of resolving the problem of lack of accurate land records.[77] In terms of administration, he pursued the centralization of fiscal control by strengthening the authority of the central government and reducing the autonomy of provincial governors who had previously collected and retained taxes.[78] In 1929, a new regulation was enacted requiring the *asrat* tithe to be paid in cash rather than in kind, in order to ensure a more equitable tax system.[79] In 1930, the first paper money was printed so that financial transactions and tax collection could be made easier.[80]

The promulgation of the 1931 Constitution established a legal foundation for modern governance, including a more uniform fiscal framework and greater recognition of land tenure rights, particularly *rist* tenure.[81] The constitution replaced the *Fetha Nagast* and provided that government revenue and expenditure be administered through an annual budget, supervised by the Ministry and ratified by the Emperor and Parliament.[82] Thereafter, tax legislation was enacted through formal parliamentary processes, incorporated preambles and definitions, and was public-

sessment and enforcement. The grievance persisted even after the tax was converted into *yä qula geber* (head tax), payable by all adults, whether living together or alone.

[74] Supra note 93

[75] Supra note 50, PP. 15-16

[76] Ibid

[77] Ibid. See also Peter Schwab, "The Tax System of Ethiopia," *The American Journal of Economics and Sociology*, Vol. 29, No. 1, 1970, pp. 77–88.

[78] Ibid

[79] Ibid

[80] Supra note 70

[81] Bahru Zewde, supra note 1, pp. 128–148. In reinforcing the security of tenure, Chapter 8 of the 1931 Constitution guaranteed the inviolability of the property rights of the Emperor, the royal family, and others. Property could be expropriated only in cases of ascertained public utility and after due compensation had been paid. See supra note 50, p. 14.

[82] Ethiopian Constitution of 1931, promulgated by His Imperial Majesty Haile Selassie I, 16 July 1931, Arts. 30–47 cum Art. 55.

ly promulgated by the *Tsehafi Te'ezaz* in accordance with constitutional requirements.[83] In 1935, a land law (*awaj*) introduced an annual *qurt geber* (fixed tax) of 30 thalers per *gasha*. The law acknowledged the multiplicity of *geber* obligations imposed on different plots of *gäbbar* land, the difficulties associated with supplying tribute, particularly expensive and inaccessible goods such as honey, and the burden of multiple labor obligations. It therefore sought to rationalize taxation in relation to land administration by simplifying the fiscal regime, reducing overlapping duties, and abolishing *yämar geber* (honey tax) and corvée labor.[84] However, despite these reforms, the system neither fell short of establishing a comprehensive and systematic property tax regime nor did it moblize revenue adequate to finanace piblic expendiuree.[85]

6.2.3 Italian Occupation Period Reforms (1935–1941)

The Italian occupation introduced sweeping reforms aimed at dismantling existing indigenous administrative hierarchies, land tenure systems, and fiscal arrangements, particularly in urban centers and areas under strong colonial control.[86] Parallel to the large-scale appropriation of agricultural land, extensive urban planning activities and land confiscation were undertaken to create segregated zones and to build infrastructure for Italian settlers.[87] Most traditional land-based taxes and tributary obligations, especially those associated with the *rist* and *gult* systems, were abolished.[88] An exception was *asrat*, a one-tenth produce tax, which the colonial administration selectively retained in certain regions for administrative convenience rather than policy coherence.[89] Instead of formal taxation, the Italian regime relied heavily on compulsory labor obligations (corvée) as a substitute form of fiscal extraction.[90] Ethiopians were compelled to provide

[83] Ibid, Arts. 48-49
[84] Taddese Lencho, "Towards Legislative History of Modern Taxes in Ethiopia: 1941–2008," *Journal of Ethiopian Law*, Vol. 25, No. 2, 2012, pp. 104–158 (p. 106); Teshome Mulat, *Agricultural Taxation in Ethiopia*, A Report Prepared for the Policy Analysis Division, FAO Economic and Social Policy Department, 1992, pp. 12–13.
[85] Giulia Mascagni, *Tax Revenue Mobilisation in Ethiopia*, PhD Thesis, University of Sussex, November 2013, p. 16.
[86] Bahru Zewde, Supra note 1, PP. 179–183
[87] Haile M. Larebo, *The Myth and Reality of Empire Building: Italian Land Policy and Practice in Ethiopia (1935–1941)*, PhD Thesis, School of Oriental and African Studies, February 1990, pp. 92–110 & 193; Mulatu Wubneh, *Planning for Cities in Crisis: Lessons from Gondar, Ethiopia*, Springer, 2023, pp. 191–214.
[88] Siegbert Uhlig (ed.), *Encyclopaedia Aethiopica*, Vol. 1, A–C, "Asrat," Otto Harrassowitz GmbH & Co. KG, Wiesbaden, 2003.
[89] Ibid
[90] Ibid

unpaid labor for colonial infrastructure projects, including road construction, military installations, and public buildings, often justified under the pretext of civic duty and development.[91]

The colonial reform served multiple strategic purposes. It, in particular, enabled the Italian regime to extract labor without instituting a formal tax system and, at the same time, to undermine indigenous property rights and dismantle established local governance institutions.[92] This disruption weakened traditional authority structures and eroded public trust in state institutions, with effects that mirrored broader colonial patterns across Africa. At the same time, however, the occupation introduced elements of a modern fiscal logic by linking taxation more explicitly to the role of the state in land governance and public administration.[93] A notable example is the emergence of municipal taxation, which later became an important revenue source in the post-liberation period.[94] As a result, following liberation in 1941, the government of Emperor Haile Selassie initiated a series of administrative, legal, and fiscal reforms aimed at reasserting sovereignty and recentralizing administrative and fiscal authority, as will be discussed in the following section.

6.3 Early Reform Efforts to Institutionalize Modern Property Tax (1941-1974)

This period represents a foundational phase in the development of modern property tax law in Ethiopia.[95] As the crown restored, the state undertook administrative, legal, and fiscal reforms to rebuild authority, modernize governance, and strengthen revenue capacity through more standardized, monetized, and legally codified tax systems.[96] These reforms formed part of a broader state-building agenda aimed at centralizing fiscal power, reducing the autonomy of regional elites, and transitioning from fragmented, customary-based systems to statutory forms of taxation.[97] Key institutional developments such as the strengthening of the monetary system and the introduction of the *Negarit Gazeta* as the official legal gazette created a conducive environment

[91] Ibid
[92] Haile M. Larebo, Supra note 87
[93] Ibid
[94] Ibid; See also Supra note 85
[95] Supra note 87, PP. 16-24
[96] László Vértesy and Teketel Bekalo, "Public Administration Developments in Ethiopia under Three Different Regimes," *Croatian and Comparative Public Administration*, Vol. 22, No. 3, 2022, pp. 403–430 (pp. 406–409).
[97] Ibid

for reform and marked a shift from tributary practices to a cash-based tax regime.[98] The establishment of a bicameral parliament and the gradual emergence of a formal separation of powers under the 1955 Revised Constitution facilitated the issuance of modern legal instruments, including proclamations, decrees, and regulations, although ultimate authority remained with the Emperor.[99] Tax laws were enacted to replace feudal obligations with standardized monetary payments, formalized state control over tax collection, and contributed to the professionalization of public administration.[100] The urban sector also began to witness the emergence of municipal taxation and property valuation systems, which laid the groundwork for subsequent reforms.[101] However, the legislative process remained largely executive-driven, with tax laws drafted by appointed experts and promulgated under imperial authority, with only limited parliamentary involvement.[102]

Despite these institutional limitations, the period is notable for the introduction of several landmark property tax laws. Land remained central to the reform agenda as the foundation of political authority, economic production, and taxation. Efforts to recentralize state power sought to reduce the influence of regional governors and standardize taxation through a national land tax.[103] In 1941, Emperor Haile Selassie issued a land tax decree that introduced salaried officials, redirected taxes from *gabbars* directly to the state by removing landlords as intermediaries, and abolished traditional dues such as compulsory labor and in-kind contributions.[104] This marked a significant departure from the fragmented feudal practices that had endured for centuries and was further refined through subsequent amendments. The reorganization of the Ministry of Finance and In-House Treasury as the Ministry of Finance in 1943, along with the extension of its presence into the provinces through *Bejirond* offices, helped unify and centralize fiscal policy and

[98] See Negarit Gazeta Establishment Proclamation, 1942, Proc. No. 1, *Negarit Gazeta*, Year 1, No. 1.
[99] Assefa Fiseha, "Legislative-Executive Relations in the Ethiopian Parliamentary System: Towards Institutional and Legal Reform," in Jaap de Visser, Nico Steytler, Derek Powell and Ebenezer Durojaye (eds), *Constitution-Building in Africa*, Nomos Verlagsgesellschaft, 2015, pp. 239–270.
[100] The Revised Constitution of 1955, promulgated by His Imperial Majesty Haile Selassie I, 4 November 1955, Art. 103.
[101] Daniel Woldegebriel, Supra note 9, P. 54;
[102] Supra note 99
[103] Decree No. 1/1942, Art. 9(71). The law, in addition to establishing a secular administration, for the first time referred to the administration of cities. See also Regulations on the Administration of the Church, *Negarit Gazeta*, Decree No. 2/1942.
[104] Daniel Woldegebriel, Supra note 9, P. 54

land tax collection.[105] These measures laid the institutional foundation for a more modern and centralized fiscal system, with distinct governance and tax arrangements for rural and urban areas. This section therefore examines the principal legal and institutional changes of the period, focusing on rural and urban land tax reforms.

6.3.1 Rural Property Tax Reform

Rural property tax reforms during this period were undertaken alongside the reorganization of provincial boundaries and administrative restructuring.[106] The 1942 Land Tax Proclamation constituted the first formal land tax law.[107] It introduced a regulatory framework for the assessment and collection of *asrat* and aimed to modernize fiscal administration by dismantling feudal landholding arrangements, replacing in-kind taxation with monetary payments, and consolidating fiscal authority within a centralized state apparatus.[108] The law curtailed the autonomous tax powers of regional elites by establishing uniform tax rules and requiring peasants to pay directly to the central treasury. It set annual land tax rates of 15, 10, and 5 ETB per *gasha* for fertile, semi-fertile, and poor land, respectively.[109] The Ministry of Interior was authorized to issue regulations on land measurement and classification, to be implemented by local administrators.[110] In areas where land had not yet been measured, taxes were assessed based on the 1935 law, but at half the prescribed rate.[111] Taxes were payable annually by 10 December, with legal penalties for non-compliance, including liability for unpaid taxes and associated court costs.[112] Taxpayers

[105] Supra note 70

[106] Supra note 84, P. 84. Teklay Ghizat Administration Decree No. 1/1942, Year 1, No. 6 (Hereinafter Decree No. 1/1942). The law standardized territorial administration by dividing the country into 12 provinces (*Taklai Ghizat*) and establishing a uniform three-tier system (*Awraja*, *Woreda*, and *Meslene) that l*ater refined through amendments such as Decree No. 6/1946.

[107] Proclamation to Provide for a Tax on Land, *Negarit Gazeta*, Proclamation No. 8/1942, Year 1, No. 1; see also Wogene Yirko, "History of the Post-War Ethiopian Fiscal System," in Eshetu Chole (ed.), *Fiscal Decentralization in Ethiopia*, Addis Ababa University, 1994, pp. 322 and 339. Haile Selassie I's measure of direct individual taxation, without the involvement of intermediary notables, and which in effect centralized the taxation system, significantly weakened the economic base of regional nobles.

[108] Ibid.

[109] Proclamation No. 8/1942, Art. 3

[110] Ibid, Art. 7

[111] Ibid, Art. 7 (1)

[112] Ibid, Arts. 3(2) & 4

aggrieved by land classification or measurement could appeal to the provincial governor, whose decision was final.[113]

In 1944, a new land tax law was adopted, repealing the 1942 law.[114] It retained the two principal land-based taxes (*asrat* and land tax), preserved the tripartite classification of land by fertility, and authorized the Minister of Finance, with approval from the Council of Ministers, to adjust tax rates.[115] The law also grouped provinces according to prevailing political and traditional configurations.[116] The reform aimed to address assessment challenges, reduce collection costs, and simplify the fiscal relationship between the state and landholders by consolidating multiple charges into a unified land tax.[117] This framework was clarified by the Land Tax (Interpretation) Proclamation No. 93/1947, which confirmed that voluntary contributions to religious and educational institutions were unaffected, and by Land Proclamation No. 84/1947, which revised penalties for tax defaults.[118] Subsequent measures, including Land Tax Proclamation No. 106/1949 and Legal Notice No. 257/1962, addressed deficiencies in land measurement and classification.[119] Notably, the 1962 regulation mandated the reclassification of measured land and introduced a five-tier classification system for unmeasured *gebbar* land.[120] It also established a Land Classification Commission and codified detailed procedures for appeals and exemptions, thereby enhancing administrative clarity.[121] A more comprehensive overhaul followed with Proclamation No. 230/1966, which further centralized taxation, reduced the power of local hereditary rulers (*balabbat*), and abolished *siso* and *rist-gult* landholding arrangements.[122] It also required taxpayers to pay directly to the state, eliminating intermediaries in tax collection and retention.[123] Despite these reforms, the regime attracted criticism for increasing the tax burden on peasants, ap-

[113] Ibid, Art.7(2)
[114] See generally, Land Tax Proclamation No. 70/1944, *Negarit Gazeta*, 4th Year, No. 2.
[115] Ibid, Preamble, Art.4 & 5
[116] Supra note 84, P. 109. The law grouped provinces into three categories. In Wellega, Sidamo, Illubabor, Gemu Gofa, and Kafa, rates were set at 15, 10, and 5 birr per *gasha* for fertile, semi-fertile, and poor land, respectively; the same rates applied in Shoa, Harar, Arussi, and Wollo. In contrast, Gojjam, Tigre, and Beghemder retained the 1927 rates, likely due to resistance rooted in strong attachment to traditional land tenure and taxation systems.
[117] Ibid
[118] Land Tax Interpretation Proclamation No. 93/1947, *Negarit Gazeta*, 7th Year, No. 3.
[119] Tilahun Dires, "The Historical Development of Real Property Tax Laws in Ethiopia: A Critical Review of the Laws," *International Journal of Graduate Research and Review*, Vol. 7, No. 1, 2021, pp. 1–10 (p. 3)
[120] Ibid
[121] Ibid
[122] A Proclamation to Amend the Land Tax Proclamation of 1944, Proclamation No. 230/1966, *Negarit Gazeta*, Year 25, No. 9.
[123] Ibid

plying flat rates without adequate regard to land size, allowing regional inconsistencies, and favoring certain land tenure arrangements.[124] These shortcomings reinforced existing socioeconomic inequalities and generated discontent, particularly when combined with agricultural income taxation, which applied similar principles and classifications. [125]

This period is known for the introduction of several sector-specific and benefit-based taxes to expand public revenue for social services and comepelemnt land tax.[126] The Education Tax Proclamation No. 94/1947 imposed a proportional levy on all landholdings based on their size and fertility, with the aim of financing the expansion of public education.[127] Accordingly, interprovincial variations in tax rates were common and shaped by factors such as the degree of land fertility, the rigor of classification standards, and the extent of land surveying.[128] Originally, the tax applied only to rural land and was collected alongside land and agricultural income taxes. In the 1970s, it was extended to urban areas, imposing a 30% surcharge on urban property and introducing progressive taxation on personal emoluments, which represented an early step toward a more diversified revenue base.[129] A distinctive feature of the education tax was its local character and alignment with the benefit principle because all revenues were earmarked exclusively for educational services within the province where they were collected.[130] A Local Education Board was established to oversee tax collection and disbursement, reporting to the Ministry of Finance.[131] Meanwhile, the Ministry of Education, with the Board's approval, classified schools

[124] John Markakis, *Ethiopia: Anatomy of a Traditional Polity*, Shama Books, 2006, p. 441.

[125] Ibid; Supra note 84, P. 109. Land tax is based on ownership (wealth) and is payable regardless of income, whereas income tax is based on returns from the land. However, this distinction is technical and was not widely understood. It, thus, caused resistance in provinces such as Gojjam due to fears of higher tax burdens and land measurement.

[126] Supra note 119, PP. 3-4

[127] Education Tax Proclamation, *Negarit Gazeta*, Proclamation No. 95/1947, 7th Year, No. 3, Preamble and Art. 3.

[128] Ibid. For example, the provinces of Harar, Shewa, Wollo, and Arsusi paid ETB 15, 12, and 4.50 for fertile, semi-fertile, and non-fertile lands respectively, and ETB 6 for unmeasured lands. In the provinces of Wellega, Sidamo, Illubabur, Gemu Gofa, and Kefa, the tax paid was ETB 13.50, 12, and 4.50 for fertile, semi-fertile, and non-fertile lands respectively, and ETB 6 for unmeasured lands. In Shewa, land was graded as first, second, and third class, and an education tax was paid at the rates of ETB 6, 4.50, and 1.50 respectively. In the provinces of Gojjam, Begemidir, and Tigrai, land was not measured, and different rates were applied based on agricultural income and land tax.

[129] Ibid; See also Additional Education Tax Proclamation No. 279/1970; personal emoluments were taxed at the rate of 0.50 ETB on monthly earnings of 50.00 - 100.00 ETB and at the rate of 2 percent on all monthly earnings in excess of 100.00 ETB.

[130] Proclamation No. 95/1947, Art. 8

[131] Ibid, Arts.2-7 cum Art.9

into elementary, secondary, and higher education categories.[132] Revenues were allocated primarily to support provincial elementary schools, with Addis Ababa functioning independently by managing its own revenues and infrastructure. [133]

Similarly, the Health Tax Law of 1959 was introduced to support the expansion of public health services.[134] As with the education tax, health tax rates were determined by land fertility classifications, and funds collected were transferred by the Ministry of Finance to the Ministry of Health for the exclusive purpose of health infrastructure and service development.[135] Consequently, provincial tax rates differed significantly, influenced by critical factors such as soil fertility, land classification criteria, and the degree of land surveying.[136] The tax was later extended to urban areas, where residents were required to pay an additional 30% of their annual municipal tax.[137] In 1954, a cattle tax was introduced to expand the rural tax base and promote fiscal parity between agricultural and pastoral communities.[138] Rates varied by animal type: 0.50 ETB per camel, 0.25 ETB per head of cattle, horse, or mule, 0.10 ETB per donkey, 0.05 ETB per sheep or goat, and 1.00 ETB per pig.[139] A complementary regulation issued the same year outlined procedures for livestock enumeration in each *mikitel woreda* (subdistrict), to be carried out with the assistance of local chieftains and elders.[140]

6.3.2 Emergence of Urban Property Tax and Municipal Fiscal Systems

While rural property tax reform dominated the post-1940 fiscal agenda, largely due to limited urbanization and low levels of formal property formation, urban property tax gradually emerged as a significant component of the fiscal system. The fact that early rural reforms not only dis-

[132] Ibid
[133] Ibid, Art. 10(1).
[134] The Health Tax Decree No. 37/1959, *Negarit Gazeta*, 18th Year, No. 14, Preamble.
[135] Ibid., Art. 7; see also Health Tax Administration Order No. 22/1960, *Negarit Gazeta*, 19th Year, No. 11, Art. 2.
[136] Ibid, Art. 3. The proclamation set health tax rates for the provinces of Harar, Shewa, Wollo, and Arsusi at ETB 15, 12, and 4.50 for fertile, semi-fertile, and non-fertile lands respectively. Similarly, Wellega, Sidamo (now Sidama), Illubabur (now Iluababora), Gemu Gofa (now Gamogofa), and Kefa paid the same rates. In Shewa Amhara, 'rist' landholders paid health tax based on land grade, from ETB 6 for first and second grade land to ETB 0.60 for third to eighth-grade land annually. In Gojjam, Begemidir, and Tigrai, where land was unmeasured and paid an additional 30% of their expected income taxes annually.
[137] Eshetu Chole, "Towards a History of the Fiscal Policy of the Pre-Revolutionary Ethiopian State: 1941–74," *Journal of Ethiopian Studies*, Vol. 17, 1984, pp. 88–106.
[138] Proclamation to Provide for Cattle Tax, Proclamation No. 142/1954, *Negarit Gazeta*, 14th Year, No. 1, Preamble.
[139] Ibid, Art. 2
[140] Rules Issued Pursuant to the Cattle Tax Proclamation No. 187/1954, *Negarit Gazeta*, 14th Year, No. 1, Art. 2.

mantled tributary structures but also established the legal and institutional basis for extending fiscal authority into urban areas presented an opportunity. As urbanization accelerated, particularly in Addis Ababa and other emerging towns, the state began developing legal, administrative, and revenue instruments tailored to municipal governance.[141] This marked a parallel development in municipal revenue and property tax as a crucial instrument to finance public services, infrastructure, and administrative functions.[142] Although contemplated as early as 1942[143], a key institutional shift occurred in 1945, when municipal governance was reorganized into a two-tier system comprising a policy-making municipal council and an administrative unit headed by a *kentiba* (mayor) or town officer responsible for day-to-day management.[144] Municipalities were granted authority to levy taxes and fees, including those on immovable property, local transport, and various services.[145] However, rate-setting remained subject to central approval and publication, which represents a calibrated balance between local autonomy and central oversight.[146]

Proclamation No. 74/1945 provided the legislative basis for introducing urban property tax measures. In particular, Legal Notice No. 86/1945 standardized the assessment of land and buildings within municipalities.[147] Under this framework, tax rates were calculated by tax officers based on a city's projected revenue needs, then approved by the mayor, endorsed by the municipal council, and publicly posted each September.[148] Property owners were notified in writing if their property was assessed for the first time or if its value increased by more than 5 percent compared to the previous year.[149] Taxpayers were granted the right to appeal within 25 days, triggering a mandatory hearing by the municipal council within 30 days, which could confirm,

[141] Tamirat Delelegn, "The Legal Basis of Self-Rule in Ethiopian Cities," *Journal of Ethiopian Law*, Vol. 26, No. 1, 2013, pp. 39–93 (PP. 45-50)
[142] Supra note 119, PP. 4-6
[143] See Teklay Ghizat Administration, Decree No. 1/1942, Year 1, No. 6, Parts 74, 75 and 76.
[144] Proclamation to Provide for the Control of Municipalities and Townships, Proclamation No. 74/1945, *Negarit Gazeta*, 4th Year, No. 7, Art. 11. The law, though not a tax law per se, recognized urban centers such as Addis Ababa, Harar, Gondar, Jimma, Dessie, and Dire Dawa as Municipalities, while classifying other urban centers as Townships and granting them revenue-raising powers.
[145] Ibid
[146] Ibid, Art. 11(v)
[147] Municipalities General Rate Assessment Rules Legal Notice 86/1945, Art. 4
[148] Legal Notice 86/1945, Arts. 7 & 11.
[149] Ibid, Arts. 9 & 10.

revise, or annul the assessment.[150] Legal representation was permitted, and exemptions applied to government buildings, religious institutions, and recognized charitable premises.[151]

On this basis, additional legal instruments introduced more specific urban revenue and property tax mechanisms. For example, the Municipal General Rate Order for Addis Ababa established a detailed and location-sensitive system of property classification and tax.[152] The city was divided into three area classes, each further subdivided into three categories based on proximity to main roads.[153] Within each class, properties were categorized by accessibility: first-category plots had direct access to main roads, second-category plots were within 150 meters, and third-category plots were located beyond that distance.[154] Tax rates were then assessed based on both location and plot size, declining progressively across area classes and categories.[155] This system integrated spatial differentiation with plot size in determining tax obligations and reflects a geographically sensitive approach to property taxation based on land value, accessibility, and development potential, and marking an early shift toward greater equity and fiscal rationality in urban tax.[156]

In 1948, Amendment Legal Notice No. 118/1948 revised key elements of the existing framework. It introduced a 2 percent tax on the rental value of buildings used for commercial purposes, applicable where monthly rent exceeded ETB 10, and assigned assessment responsibilities to the Addis Ababa Municipal Taxes Assessment Committee, which strengthened institutional oversight.[157] A more substantive reform followed with the 1964 Land and Building Tax Regulation, which repealed the 1948 amendment and introduced a more structured system, where land

[150] Ibid
[151] Ibid, Arts. 4 & 6
[152] See generally, Addis Ababa Municipal General Rate Order Legal Notice 87/1945
[153] Ibid, Schedule I; Key commercial and residential zones such as Piazza, Merkato, Kolfe, Arat Kilo, and Sidist Kilo were designated as first-class areas.
[154] Ibid
[155] Ibid. In first-class areas, first-category owners paid ETB 2 annually for plots up to 50 m², ETB 4 for plots between 50 and 100 m², and ETB 4 for each additional 100 m². Residents in the second and third categories paid ETB 3 for plots up to 500 m², ETB 5 for plots between 500 and 1000 m², and ETB 5 per additional 1000 m². In second-class areas, first-category residents paid ETB 2 for plots up to 500 m², ETB 3 for plots between 500 and 1000 m², and ETB 3 per additional 1000 m², while those in the second and third categories paid ETB 1, ETB 2, and ETB 2, respectively, for the same size ranges. In third-class areas, first-category owners paid ETB 1 for plots up to 500 m², ETB 2 for plots between 500 and 1000 m², and ETB 2 per additional 1000 m², whereas second- and third-category owners paid as little as ETB 0.25, ETB 0.50, and ETB 0.50, respectively. Overall, tax liabilities declined from first- to third-class areas, with the highest rates applied to the most accessible locations
[156] Supra note 85, PP. 16-24
[157] The Amendment Legal Notice 118/1948, Art. 2

taxes were based on a formal grading scheme and building taxes continued to rely on rental value and property use.[158] Land was classified into three principal zones, with further sub-grading that enabled more differentiated and market-sensitive assessments.[159] The inclusion of exemptions for public-purpose properties such as government offices, schools, hospitals, and religious institutions represents an emerging concern for equity within the tax system.[160]

Further institutional consolidation occurred in 1968 with the adoption of the Addis Ababa Land Tax Classification Regulation, which was issued under Article 6 of Legal Notice No. 301/1964. The new law formally established land classification standards and authorized periodic reassessment by the Land and Building Assessment Department.[161] This marked a shift toward greater administrative rationality and legal formalization in urban tax. The model subsequently diffused to other municipalities such as Nazareth (now Adama), which introduced a municipal tax system closely modeled on that of Addis Ababa.[162] However, in many other urban centers, municipal tax regulations were not locally tailored but were instead established at the provincial level. Provinces such as Arussi, Wellega, Sidamo, Shoa, and Illubabor issued their own municipal tax schedules through the Ministry of the Interior.[163] These regulations ensured administrative uniformity and consistent tax collection across towns and limited rate differentiation for major centers allowed modest sensitivity to local conditions.[164] This approach reflects a pragmatic balance between standardization and local fiscal needs.

[158] Addis Ababa Land and Building Tax Regulation Legal Notice No. 301/1964, Arts. 3(3), 6 & 8
[159] Ibid, Schedule I
[160] Ibid, Art. 12
[161] Addis Ababa Land Tax (classification) Regulations, Legal Notice No. 341/1968, *Negarit Gazeta*, 27th Year, No. 21, Arts. 3& 4
[162] See Nazareth Municipality Rates, 1968, Legal Notice No. 339, issued pursuant to Municipalities Proclamation No. 74/1945.
[163] See generally, Arussi Teklay Gizat Municipalities Rates and Fees Regulations, Legal Notice No. 369/1969, *Negarit Gazeta*, 28th Year, No. 20; Rates, Dues and Fees Regulations for the Municipalities of Welega Teklay Gizat, Legal Notice No. 372/1969, *Negarit Gazeta*, 28th Year, No. 27; Sidamo Teklay Gizat Municipalities Rates and Fees Regulations, Legal Notice No. 378/1969, *Negarit Gazeta*, 29th Year, No. 5; Rates, Dues and Fees Regulations for the Municipalities of Shoa Teklay Gizat, Legal Notice No. 385/1970, *Negarit Gazeta*, 29th Year, No. 21; Rates, Dues and Fees Regulations for the Municipalities of Illubabor Teklay Gizat, Legal Notice No. 386/1970, *Negarit Gazeta*, 29th Year, No. 24.
[164] Supra note 84, p. 146

6.3.3 Reform Impacts and Structural Constraints

As noted above, post-1940s property tax reforms marked a clear shift from a tributary logic of obligation toward a more rationalized and statutory conception of taxation in both rural and urban Ethiopia. During this period, property tax laws showed progress in legal clarity and administrative organization. The introduction of percentage-based rates, land classification frameworks, and assessment methods based on land grades and rental values reflected increasing sophistication in policy design.[165] The growing involvement of municipalities and provincial administrations in implementation also signaled a gradual recognition of subnational contexts, even though legislative authority remained centralized.[166] Despite these advances, the legal framework remained underdeveloped. The laws were generally brief and accessible but lacked detailed provisions on taxpayer rights, assessment procedures, enforcement mechanisms, and appeals.[167] Their scope was largely confined to rural areas and small urban centers, while urban property taxation remained limited to a few major cities, particularly Addis Ababa. This imbalance constrained the broader institutionalization of urban fiscal systems. Moreover, the centralized and executive-driven nature of tax legislation limited responsiveness to local conditions and weakened representation of regional interests.[168]

Property taxation during this period extended beyond land and buildings to include assets such as livestock and vehicles, which shows an effort to broaden the tax base. More broadly, it formed part of a wider state-building agenda linking fiscal reform with administrative restructuring, land tenure reform, and economic modernization.[169] In revenue terms, these efforts initially achieved notable success and demonstrated the potential of property taxation as a sustainable source of public finance. For example, between 1950 and 1959, property tax contributed approximately 18.1% of total tax revenue.[170] However, these gains proved difficult to sustain. For example, during the 1960s, the share of property tax declined to about 10.01% of total revenue.[171] This downturn was driven by political tensions over land reform and weakened administrative capacity, and

[165] Supra note 119, pp. 2-6
[166] Supra note 141, pp. 45-50
[167] Supra note 84, pp. 108-110 & 145-149
[168] Ibid
[169] Ibid
[170] Wogene Yirko, Supra note 107, P. 322
[171] Ibid

a policy shift toward trade and income taxes.[172] At the same time, growing dissatisfaction with inequities in landholding and taxation, particularly among rural populations, undermined the legitimacy of the system. These dynamics exposed the structural limits of the reform agenda and contributed to the broader political crisis that culminated in the 1974 revolution, after which many of the earlier gains in property taxation were effectively reversed.

6.4 Property Taxation under the Derg Regime (1974–1991): Revolutionary and Socialist Restructuring

The 1974 revolution marked a decisive rupture in the fiscal and politicoeconomic history of Ethiopia and abruptly erevresed the reform path initiated in the 1940s. Following the overthrow of Emperor Haile Selassie and the dissolution of Parliament, legislative authority shifted to the Derg, a military junta operating under a Marxist–Leninist framework.[173] Lawmaking became highly centralized and ideologically driven. While primary legislation was issued by the Provisional Military Administrative Council (PMAC), and later by the National Shengo, subsidiary instruments were delegated to the Council of Ministers and sectoral ministries.[174][175] The regime restructured the state and economy along socialist lines, most notably by abolishing private ownership of land and major means of production, including industries, commercial enterprises, and banks.[176] Landmark proclamations nationalized all rural and urban land, including extra houses, effectively dismantling private real estate markets.[177] This transformation redefined property relations and shifted the fiscal base away from land taxation toward state-controlled rents and production-based levies.

Administratively, the Derg retained elements of the imperial provincial structure but replaced local governance with Peasant Associations (PAs) in rural areas and Kebele Urban Dwellers'

[172] Ibid, P. 323
[173] Supra note 96
[174] Ibid
[175] Supra note 99
[176] Fasil Nahum, "Socialist Ethiopia's Achievements as Reflected in its Basic Laws," *Journal of Ethiopian Law*, Vol. 11, 1980.
[177] Public Ownership of Rural Lands Proclamation No. 31/1975, *Negarit Gazeta*, Year 34, No. 26 (hereinafter Proclamation No. 31/1975), Art. 3; Government Ownership of Urban Land and Extra Houses Proclamation No. 47/1975, *Negarit Gazeta*, Year 34, No. 41 (hereinafter Proclamation No. 47/1975), Arts. 3 and 13.

Associations (KUDAs) in urban centers.[178] These entities functioned as grassroots extensions of central authority, responsible for implementing land reform and facilitating revenue collection. In line with its ideological stance, which viewed property taxation as a feature of capitalist exploitation, the regime repealed key imperial-era property tax laws, including the Land Tax Proclamation No. 70/1944.[179] This move dismantled the institutional and legal foundations of property taxation and signaled a fundamental shift in fiscal philosophy.[180] Property-based taxation was delegitimized and replaced by collectivist mechanisms such as land-use fees, state rents, and revenues from public enterprises. In effect, the Derg rejected the earlier, albeit evolving, framework of property taxation, both rural and urban, and substituted it with a system rooted in state ownership, centralized control, and redistribution.

6.4.1 Abolition of Rural Land Tax and the Shift to Land Use Fees

The Derg's rural property tax reform was a continuation of its radical land reform, which abolished private rural land ownership and nationalized all land as the collective property of the Ethiopian people.[181] The reform aimed to eliminate feudalism by redistributing up to 10 hectares per family, enforced through Peasant Associations (PAs), while prohibiting land sales, mortgages, and leasing.[182] This fundamentally altered the foundations of the rural land tax system developed since the 1940s. Accordingly, the Rural Land Use Fee and Agricultural Activities Income Tax Proclamation No. 77/1976 was adopted to repeal earlier land tax laws and the agricultural income tax components of previous income tax legislation and require farmers to pay land use fees and income tax on agricultural income.[183] In essence, land tax was replaced by land use fees (or rents), while rural housing remained outside the tax base. The reform marked a decisive departure from earlier property tax regimes by combining non-market-based land use fees with agricultural income taxation within a unified legal and administrative framework. This model, in

[178] Proclamation No. 31/1975, Arts. 8–11; Proclamation No. 47/1975, Arts. 22–30; see also Peasant Associations Organization and Consolidation Proclamation No. 71/1975, *Negarit Gazeta*, 35th Year, No. 15; Urban Dwellers' Associations Consolidation and Municipalities Proclamation No. 104/1975, *Negarit Gazeta*, 36th Year, No. 5.
[179] Proclamation No. 31/1975, Art. 32; Proclamation No. 47/1975, Art. 42
[180] Supra note 176
[181] Proclamation No. 31/1975, Preamble, Arts. 3-6
[182] Ibid
[183] Rural Land Use Fee and Agricultural Activities Income Tax Proclamation No. 77/1976, *Negarit Gazeta*, 35th Year, No. 19, Arts. 3, 4 and 12.

many respects, persists today, as the revenue is decentralized to regional states and governed under regional laws.[184]

Under Proclamation No. 77/1976, the collection of land use fees was organized through a structured system of registration and administration. Agricultural communes, peasant associations, cooperatives, and authorized individuals were required to submit annual lists of farmers to the nearest tax office by 30 Tikimt, while government agricultural organizations declared their landholdings in hectares.[185] The tax office then registered farmers and holdings separately, forming the basis for assessment.[186] Fees were fixed and uniform: Birr 5 for members of agricultural communes, Birr 10 for non-members, and Birr 2 per hectare for government agricultural organizations.[187] Tax authorities were empowered to verify landholdings without a court order to ensure compliance.[188] Collection took place annually between 1 Tahsas and 30 Miazia. The tax office directly collected fees from government farms and higher-income farmers (those with annual agricultural income exceeding Birr 1,200), while local tax collectors handled payments from lower-income farmers and commune members.[189] These collectors were required to remit revenues, along with payer lists and receipts, to the tax office by 30 Miazia, ensuring administrative control and accountability within a centralized system.[190] The agricultural income tax followed a distinct procedure, although it is not the focus of this discussion.[191] One of the innovative provsion was that taxpayers were allowed to deduct all 'necessary expenses' including an allowance for depreciation of capital assets used in agricultural activities.[192] For both forms of government revenue, the law provided procedural rules, including appeal mechanisms, penalties, and

[184] Supra note 84, PP. 112-113
[185] Proclamation No. 77/1976, Arts. 5-6
[186] Ibid, Art. 7
[187] Ibid, Art. 8
[188] Ibid, Art. 9
[189] Ibid, Art. 10
[190] Ibid, Art. 11
[191] Ibid, Arts. 12-28 was imposed on all farm income, requiring annual self-declaration, classification into income brackets, and payment within specified periods, with assessment based on estimated or actual output. The system combined simplified flat taxes for low-income farmers with progressive rates for higher incomes, enforced through centralized oversight, record-keeping, and appeal procedures
[192] Ibid, Art. 24

delegated authority to issue further regulations, all of which remained centralized within government institutions.[193]

The introduction of Proclamation No. 77/1976 marked a discontinuity in the rural property tax system and fundamentally redefined the legal and fiscal basis of rural land revenue collection. This shift from land tax toward fees and rents has made direct comparison with earlier property-based systems difficult in the literature. Nonetheless, examining this framework remains essential for analytical continuity and for understanding how fiscal instruments adapted to broader ideological and institutional transformations.[194] Its legacy is enduring, as many regional states still retain legal structures that closely reflect the design of land use fees and agricultural income taxation. These measures advanced the Derg's objectives of centralizing revenue administration, promoting collectivization, and reinforcing state ownership of land.[195] Amendment Proclamation No. 152/1978 further strengthened the system by increasing both land use fees and agricultural income tax rates.[196] Land use fees were fixed based on land size and fertility, with preferential rates for cooperative members, while agricultural income tax was progressive, based on earnings.[197] Overall, these socialist instruments reshaped rural fiscal relations by combining revenue mobilization with egalitarian and collectivist goals, supported by administrative and institutional restructuring.[198] They marked a decisive departure from property tax and left a durable institutional imprint that persists today.

6.4.2. Urban Land Rent and House Tax

Like its rural counterpart, the Derg nationalized all urban land and "extra" houses without compensation and transferred their management to local community structures, later organized as Urban Dwellers' Associations (UDAs).[199] This reform replaced private ownership with a state-controlled tenure system aimed at eliminating landlordism, redistributing housing, and enabling

[193] Ibid, Arts. 29-45
[194] Supra note 84, PP. 112-113
[195] Teshome Mulat, "Tax Financing of Government Agricultural Expenditure in Ethiopia," *Ethiopian Journal of Economics*, Vol. 1, No. 1, 1992.
[196] Rural Land Use Fee and Agricultural Activities Income Tax Amendment Proclamation No. 152/1978, *Negarit Gazeta*, 39th Year, No. 2.
[197] Ibid
[198] Teshome Mulat, Supra note 84, PP. 20-22
[199] Government Ownership of Urban Land and Extra Houses Proclamation No. 47/1975, *Negarit Gazeta*, Year 34, No. 41, Preamble, Arts. 3 and 11.

planned urban development.[200] This transformation necessitated a corresponding shift in the urban land and property revenue system. Accordingly, the Urban Land Rent and Urban Houses Tax Proclamation No. 80/1976 was enacted to impose land rent (permit fees) and retain taxation on houses.[201] It aligned fiscal policy with the socialist legal order and, by abolishing earlier urban land taxes, marked a decisive break from the post-1945 framework.

The model remained in force until recently under regional municipal revenue regulations and urban land laws. Although framed as a mechanism for mobilizing revenue to support urban infrastructure and services, the system remained highly centralized.[202] Municipalities and town administrations were not permitted to collect land rent or house taxes without regulations issued by the Ministry of Interior in consultation with the Ministry of Public Works and Housing.[203] In Addis Ababa, this authority was vested in the Awraja Court, acting in coordination with the Ministry.[204] Despite the ostensibly local nature of these revenues and the role of UDAs, only 5% of collections was allocated to municipalities, thereby significantly constraining local fiscal autonomy.[205]

In terms of design, Proclamation No. 80/1976 introduced a structured and differentiated system of urban land rent and house taxation. Urban land was classified into three grades based on location and size, forming the basis for a tiered rent assessment. [206] Legal possessors were required to pay annual rent (due by Yekatit 30), calculated according to land grade, size, and designated use (residential or commercial). [207] For residential plots up to 500 square meters, rates were set at 0.06 ETB, 0.04 ETB, and 0.02 ETB per square meter for Grade I, II, and III land, respectively, with higher rates applied to larger plots and intermediate bands for mid-sized holdings. [208] Com-

[200] Ibid
[201] Urban Land and Urban Houses Tax Proclamation No. 80/1976, *Negarit Gazeta*, 35th Year, No. 25, Art. 3.
[202] Ibid, Preamble
[203] Ibid, Art. 17 cum art. 19.
[204] Ibid, Art. 17 cum art. 19.
[205] Ibid, Art. 13 the Ministry of Public Works and Housing was required to allocate 5% of rent and tax revenues to Municipalities or Town Administrations.
[206] Ibid, art. 4 and 6 (1)
[207] Ibid, Art. 5 1 (a), and 8 cum the Schedule1 & 2
[208] Ibid, Schedule 1. The rental rates were set at 0.16 ETB per square meter for Grade 1 land, 0.14 ETB for Grade 2, and 0.12 ETB for Grade 3. Progressive intermediate rates were applied to land sizes ranging from 501 to 1,000, 1,001 to 1,500, and 1,501 to 2,000 square meters.

mercial land followed a similar structure, albeit with adjusted rates, capped at 0.06 ETB per square meter for Grade I land.[209]

In contrast, the urban house tax was based on assessed rental value rather than land characteristics.[210] Properties with annual rental values exceeding 100 ETB were assessed by the Ministry of Public Works and Housing or its delegates, while lower-value properties were assessed with the involvement of urban dwellers' cooperatives. [211] The tax was progressive, ranging from 1% for properties valued up to 600 ETB to 4.5% for those exceeding 6,000 ETB.[212] These design features reflect a dual system combining administratively determined land rent with value-based taxation on buildings, aligned with the broader socialist framework of state land ownership. Exemptions included public spaces, religious sites, non-profit institutions, government offices funded by the central treasury, and dwellings with an annual rental value below 300 ETB.[213] However, the law remained vague on the treatment of diplomatic and consular properties, merely noting that these would be addressed through future legislation.

Once assessments were completed, they were forwarded to the municipality or, in its absence, the town administration, which was responsible for notifying taxpayers through registered mail or personal delivery.[214] Where direct notification was not possible, notice could be served by posting it on the taxpayer's property or through publication in official newspapers, with the cost borne by the taxpayer.[215] This stepwise procedure aimed to ensure due process while minimizing disputes over insufficient notice. To address grievances, the law established a Tax Appeals Committee and defined a structured appeal process.[216] Taxpayers could challenge assessments or denials of exemptions within 30 days before the Committee and, if dissatisfied, appeal to the Awraja Court, provided the assessed tax had been paid in full. The municipality or town administration retained a corresponding right of appeal under the same conditions. Compliance was

[209] Ibid, Schedule 2. Rent rates were set at up to 0.06 ETB/sq. m for Grade 1, up to 0.04 ETB/sq. m for Grade 2, and up to 0.02 ETB/sq. m for Grade 3.
[210] Ibid, Art. 6 (1&2)
[211] Ibid, Art. 6
[212] Ibid, Schedule 3
[213] Ibid, Art. 14 and 15
[214] Ibid, Art. 6 (5) and 7
[215] Ibid, Art. 8
[216] Ibid, Art. 9-12

enforced through both financial and criminal sanctions.[217] A monthly penalty of 5% was imposed on unpaid rent or taxes, capped at 50%, and violations of the proclamation or its regulations constituted offences under the then Penal Code.[218] These enforcement measures, combined with available exemptions, reflect an attempt to balance deterrence with equity within the tax system.

The relative comprehensiveness and administrative detail of Proclamation No. 80/1976 help explain its long-standing application, reinforced by subsequent amendments and implementing regulations, particularly in Addis Ababa. Pursuant to Article 19(2), Addis Ababa adopted its own Land Rent and House Tax Regulation, repealing earlier instruments such as Legal Notice No. 301/1964 and Legal Notice No. 341/1968.[219] The regulation retained the three-grade classification system, applied differential rent rates, and established procedures for determining house rents and tax liabilities, largely mirroring the structure of Proclamation No. 80/1976.[220] Further refinement occurred in 1979 through two key legal measures.

First, Proclamation No. 161/1979 amended the original framework by introducing a more differentiated approach to land rent assessment.[221] While maintaining fixed rates per square meter, it required consideration of three factors: urban land grading (with sub-classifications), land use (residential or commercial), and plot size.[222] This replaced the earlier uniform schedule with a more context-sensitive system aligned with land characteristics and intended use. Second, a regulation issued by the Ministry of Urban Development and Housing, pursuant to Article 19 (1) of the Proclamation, introduced additional land-use categories such as agricultural, commercial, and service plots, and delegated classification authority to relevant administrative bodies.[223] It also categorized urban centers outside Addis Ababa into four groups based on size, with corresponding rent and house tax schedules.[224] Finally, it designated municipalities or urban administrative

[217] Ibid, Art. 14 and 15
[218] Ibid, Art. 16 & 18
[219] Ibid.; see also Addis Ababa Land Use Rent and House Tax, Legal Notice No. 36/1976, *Negarit Gazeta*, 35th Year, No. 25.
[220] Ibid
[221] Urban Land Rent and Urban Houses Tax (Amendment) Proclamation No. 161/1979, *Negarit Gazeta*, 38th Year, No. 9.
[222] Ibid
[223] Provincial Urban Land Rent and Urban House Tax Regulations, Legal Notice No. 64/1979, *Negarit Gazeta*, 38th Year, No. 9.
[224] Ibid, Art. 4

centers as official points of payment, which reinforces local administrative roles within an otherwise centralized fiscal framework.

6.4.3 Reform Implications and Revenue Performances

The coming to power of the socialist military regime marked a decisive departure from the post-1940s modern property tax reforms. While some elements of the imperial framework persisted, they were fundamentally reshaped to reflect a socialist model prioritizing state ownership and centralized control over local autonomy and the market economy. The above discussion also shows that, despite improvements compared to previous periods, tax laws remained generally brief and lacked the technical and administrative sophistication required for consistent implementation. In fact, Proclamation No. 80/1976 and its amendments stand out as relatively comprehensive and durable exceptions that remained in use until recently. However, at its core, the period represented a significant setback in the development of property taxation and local financing. In particular, the abolition of private ownership, tenure insecurity, and the reduction of protections for property rights dismantled the legal and institutional foundations necessary for a functioning property revenue and value capture system.[225] In rural areas, property taxation effectively disappeared due to the absence of private landholding and the exclusion of housing from the tax base.[226] In urban areas, although housing taxes were formally retained, the absence of market-based property relations and the constraints of a command economy rendered them largely ineffective and fiscally insignificant.[227]

Normative restrictions and policy reversals are also reflected in actual revenue performance. For example, property-related taxes accounted for only 3.04% of total tax revenue between 1970 and 1979, declining further to 2.08% in the 1980s.[228] The downturn stemmed from interrelated factors such as the abolition of private ownership undermined valuation and compliance, centralized planning deprioritized local revenue generation, and weak decentralization limited administrative

[225] See generally, Seid Hussen, Hans Lind and Belachew Yirsaw Alemu, "Understanding Urban Land Leasing System as a Strategic Value Capture Instrument to Enhance Urban Revenue in Ethiopia: A Case Study of Bahir Dar City," *Economies*, Vol. 10, No. 6, 2022.
[226] See Tilahun Dires and Misganaw Gashaw, "Issues of Design in Ethiopia's Property Tax Reform: Lessons from Previous Legislative Regimes and Other Jurisdictions," *Bahir Dar University Journal of Law*, Vol. 13, No. 1, 2022, pp. 197–198.
[227] Ibid
[228] Wogene Yirko, Supra note 107

capacity.[229] Empirical studies also indicate that, from the late 1970s onward, the overall growth of agricultural tax revenue declined from 9.32% (1965–1975) to 4.44% (1976–1991).[230] This declining performance indicates both a shift in the tax structure and broader economic stress under the command economy.[231] Local tax offices and land administration institutions, particularly PAs and UDAs, functioned primarily as extensions of central authority and lacked the mandate, expertise, and accountability required for effective tax administration.[232] Consequently, local governments lost fiscal autonomy, and the institutional infrastructure for property taxation deteriorated. This legacy of centralization and weakened local capacity continues to shape Ethiopia's property tax system and governance framework.

6.5 Property Tax in the Post-1991 Period: From Continued Decline to Reform

Following the fall of the Derg in 1991, the EPRDF-led government pledged to establish a decentralized system of governance and a market-oriented economy.[233] In practice, however, it retained core features of prior land policy and local governance.[234] The Transitional Charter[235], subsequent laws[236], and the FDRE Constitution entrenched a dual federal structure that allocates expenditure responsibilities[237] and revenue powers[238] only between the federal and regional governments.[239] This has left the status and institutional design of local governments to regional

[229] Ibid
[230] Supra note 195
[231] Ibid
[232] Supra note 226
[233] See also John M. Cohen, *Transition toward Democracy and Governance in Post Mengistu Ethiopia*, Harvard Institute for International Development, Development Discussion Paper No. 493, June 1994.
[234] Ibid
[235] See generally, Transitional Period Charter of Ethiopia No. 1/1991, *Negarit Gazeta*, 50th Year, No. 1.
[236] A Proclamation to Provide for the Establishment of National/Regional Self-Governments, Proclamation No. 7/1992, *Negarit Gazeta*, 51st Year, No. 2; A Proclamation to Define the Sharing of Revenue between the Central Government and the National/Regional Self-Governments, Proclamation No. 33/1992, *Negarit Gazeta*, 22nd Year, No. 7; A Proclamation to Define the Powers and Duties of the Central and Regional Executive Organs of the Transitional Government of Ethiopia, Proclamation No. 41/1993, *Negarit Gazeta*, 52nd Year, No. 26; A Proclamation to Amend the Definition of Powers and Duties of the Central and Regional Executive Organs of the Transitional Government of Ethiopia, Proclamation No. 73/1993, *Negarit Gazeta*, 53rd Year, No. 4.
[237] The Constitution of the Federal Democratic Republic of Ethiopia, Proclamation No. 1/1995, *Federal Negarit Gazeta*, 1st Year, No. 1, Arts. 51 and 52 (hereinafter FDRE Constitution).
[238] Ibid, Arts. 96, 97, 98 and 99. Revenue powersare classified as federal, state, concurrent, or undesignated. Although the titles refer to the "power of taxation," they do not deal strictly with taxes alone but also include non-tax revenues such as fees, charges, rents, and other sources.
[239] Anwar Shah, "A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance," in Anwar Shah (ed.), *Local Government in Industrial Countries*, Public Sector Governance and Ac-

discretion.[240] Regional states accordingly re-established rural and urban local governments and defined their powers, functions, and revenue sources through city proclamations and municipal revenue regulations.[241] This process did not yield robust local governments capable of effective governance or revenue mobilization.[242] At the same time, land remained constitutionally vested in the state and the peoples and government a sole custodian.[243] The federal government legislates on land use and conservation, while regional states administer land and levy fees on usufruct rights.[244] Nonetheless, access to land, tenure security, land markets and revenues, and the quality of land administration remain contested.[245] The evolving rural-centered development strategy and ethnically based federal system have further complicated local governance and land administration, particularly in urban areas.[246] These structural constraints have limited the development of land value capture instruments and hindered efforts to reverse the decline in property tax law and administration that began under the Derg.[247]

Regional constitutions[248] designate land-use fees and agricultural income tax as the primary revenue sources of woredas (RLGs), with state councils[249] enacting enabling laws for their assess-

countability Series, World Bank, 2006, pp. 27–35. This approach resembles classical federations such as United States, Australia, and Canada, where powers are primarily allocated between federal and state governments. By contrast, modern constitutions such as those of Germany, Switzerland, India, Brazil, and Nigeria establish three tiers of government and assign taxation powers, including property taxes, service charges, and fees, to local governments. The FDRE Constitution, however, restricts even intergovernmental transfer and revenue-power directives within the two-tier federal structure. See generally, FDRE Constitution, Arts. 94 and 100.

[240] FDRE Constitution, Art. 50(4)

[241] Zemelak Ayitenew, *Local Government in Ethiopia: Design Problems and Their Implications*, A Discussion Paper Prepared for a Workshop by Good Governance Africa–Eastern Africa organized under the theme "The Burden of Victory," 10 February 2022.

[242] Ibid

[243] FDRE Constitution, Arts. 40 (3) & 89(5)

[244] FDRE Constitution, Arts. 51(5), 52(2)(d)) & 97 (2)

[245] Brightman Gebremichael, "Heartrending or Uplifting: The Ethiopian Urban Land Tenure System Reform and Its Reflection on Tenure Security of Permit Holders," *Journal of Developing Societies*, Vol. 33, No. 3, 2017; Seid Hussen, supra note 225. This contrasts with other post-transition economies, where property tax reforms sought to mobilize revenue, restructure land ownership, and incentivize efficient land use through market-based valuation and cadastral improvements.

[246] Samson Kassahun and Alok Tiwari, "Urban Development in Ethiopia: Challenges and Policy Responses," *The IUP Journal of Governance and Public Policy*, Vol. 7, No. 1, 2012, pp. 59–65; Zemelak Ayitenew, supra note 241.

[247] Ibid; See also Tom Goodfellow, Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia, African Affairs, Vol. 116, 2017, PP. 549-572;

[248] See, for example, The Revised Constitution of the Amhara National Regional State Approval Proclamation No. 59/2001, *Zikre Hig*, 7th Year, No. 2, Art. 86(2)(f); The Revised Oromia Region Constitution, Proclamation No. 46/2002, Art. 79(2)(h).

[249] Amhara National Regional State Rural Land Use Payment and Agricultural Activities Income Tax Proclamation No. 161/2008; Oromia National Regional State Revised Rural Land Use Payment and Agricultural Income Tax Proclamation No. 131/2007.

ment and collection. Although regional constitutions are largely silent on ULGs, regional states have established municipalities through city proclamations[250] that define their powers, functions, and revenue bases; the charters[251] of Addis Ababa and Dire Dawa perform a similar role in their jurisdictions. Municipal revenues, typically classified under account codes (1701–1799), include municipal taxes, land-related rents, service charges, fees, and capital receipts.[252] These are governed mainly by regional regulations and outdated laws from earlier regimes. However, neither these outdated frameworks nor newer regional laws have enabled the effective introduction of land-based financing instruments, including modern property tax.[253] For example, urban land lease revenues on newly transferred land and permit (land rent) fees on existing holdings do not capture underlying land values or meet revenue expectations.[254]

The absence of structured land-based revenue sources and value-capture instruments is paradoxical in a rapidly urbanizing context and has, in effect, constrained the capacity of ULGs to finance growing demand for services and infrastructure.[255] A central weakness is the underutilization of land-based instruments.[256] House taxes, which are the only property tax in true sence, lack a sound legal and administrative foundation and often still operate under the outdated Proclamation No. 80/1976.[257] Lease payments and permit fees are similarly constrained by legal gaps, weak cadastral and valuation systems, poor documentation, and limited technical and administrative capacity for enforcement and compliance.[258] Systemic deficiencies in land governance such as insecure tenure, the separation of land and building ownership, and widespread informality

[250] See, for example, The Revised Proclamation Issued to Provide for the Re-Establishment, Organization and Determination of the Powers and Duties of Urban Centers in the Amhara National Regional State, Proclamation No. 245/2017, *Zikre Hig*, 21st Year, No. 25, Arts. 11(2)(j) cum 72; The Revised Oromia Regional State Cities Establishment Proclamation No. 195/2015, *Megelata Oromia*, Year 24, No. 4, Art. 11(1)(d) cum 52.

[251] Addis Ababa City Government Revised Charter Proclamation No. 361/2003, *Federal Negarit Gazeta*, 9th Year, No. 86, Art. 52; Dire Dawa Administration Charter Proclamation No. 416/2004, *Federal Negarit Gazeta*, 10th Year, No. 60, Art. 43.

[252] Ibid.; see also, for example, Oromia Urban Development and Housing Bureau, *Model Regulations on Taxes on Revenue Sources of Oromia Urban Centers*, June 2020; Amhara National Regional State Revised Municipal Revenue Tariff Administrative Council Regulation No. 220/2024.

[253] See, for example, Derarsa Shambel, *Examining Real Property Taxation System in Oromia Regional State Urban Centers: The Law and Practice*, LL.M Thesis, Jimma University School of Law, January 2023; Yibeltal Mequanent, *Examining Valuation Practices and Challenges Facing Property Tax Collection in Amhara National Regional State: In the Case of Bahir Dar City Administration*, MSc Thesis, Bahir Dar University, June 2020.

[254] Ibid

[255] Seid Hussen, Supra note 225; Tom Goodfellow, Supra note 247

[256] Ibid

[257] Ibid

[258] Ibid

further depress revenue performance.[259] These conditions impede property identification, registration, and valuation, as well as billing, collection, and enforcement. Reform has been limited. Fiscal policy has historically prioritized federal and regional revenues, leaving local revenue systems underdeveloped.[260] It is such legal and practical gaps that called for the launch of nationwide property tax reform in 2011.

6.6 Post-2011 Property Tax Reform and the Adoption of Proclamation No. 1365/2025

The federal government launched a nationwide municipal revenue and property tax reform was initiated in 2011.[261] The property tax component, however, faced prolonged delays due to legal, institutional, and political constraints.[262] Constitutionally, disputes over the status of local governments and the allocation of property tax powers persisted until resolved by a joint resolution of the two Houses in 2023, which defined property tax as a regional tax, allocated lawmaking authority between federal and regional governments, and assigned collection and use to ULGs. Institutionally, public ownership of land, weak cadastral systems, incomplete property data, and limited technical capacity within ULGs constrained effective implementation. Politically, property tax is a sensitive direct tax—visible, immobile, and payable annually regardless of income—posing challenges for low-income households and businesses. These factors help explain why the reform remained centralized and largely non-transparent at the federal level until its public release in 2019.

The reform was predominantly federal-driven, led largely by the MoUI's Property Tax Project Office with the support of donor organizations and experts.[263] Consultation with regional governments, municipalities, taxpayers, and other stakeholders was limited.[264] This approach risks misalignment with local conditions and raises concerns about legitimacy, local ownership, and long-term viability. In many respects, it reproduces a historical pattern of top-down fiscal legisla-

[259] Ibid
[260] Alemayehu Negash Soressa and Bekalu Tilahun Gebreslasie, *Property Taxation in North-east Africa: Case Study of Ethiopia*, Lincoln Institute of Land Policy Working Paper No. WP09NEA1, 2009.
[261] Supra note 226
[262] Ibid
[263] Ibid
[264] Ibid

tion, with limited scope for negotiation, adaptation, or local learning. Centralization is further reflected in the federal preparation of a model proclamation for regional states, which may erode subnational autonomy under the guise of harmonization.[265] Amid delays, Addis Ababa and regions such as Amhara and Oromia amended the "roof and wall tax" in 2023–2024 as interim revenue measures.[266] These reforms, particularly in Addis Ababa, provoked strong resistance due to rate changes, revised valuation methods, and higher tax burdens, underscoring the contentious nature of property tax.[267] Despite these challenges, the federal government proceeded with reform and able to adopt Proclamation No. 1365/2025 as a nationwide framework.[268]

The adoption of Property Tax Proclamation No. 1365/2025 marks a critical juncture in Ethiopia's fiscal and urban governance history. It introduces a local and market-oriented property tax system incorporating key features of modern legislation.[269] However, it advances this model without corresponding reforms in decentralization and local government empowerment, property rights and land administration, or municipal revenue collection and utilization, as discussed in the previous chapters of this dissertation.[270] Obviously, this misalignment limits the effectiveness of the reform.

From the perspective of fiscal federalism, property taxation is appropriately assigned to local governments, although some degree of central coordination may be justified in the early stages. In Ethiopia, however, this balance remains skewed. While ULGs are formally entrusted with responsibilities for rate setting, administration, and revenue use, federal and regional authorities retain decisive control over legislative design, valuation, and implementation. The largely centralized reform process, coupled with the preparation of a federal model law, further constrains local discretion, reducing ULGs to implementers of centrally defined rules rather than autonomous fiscal actors. Although such centralization may be defensible in the initial phase given ca-

[265] MoF, "The … Regional State Property Tax Proclamation No. …/2025," *A Model Regional Property Tax Law*, 2025 (hereinafter "Regional Model Law").
[266] See generally, Zelalem Teferra, "'Roof and Wall' Tax Rate Reform in Addis Ababa: The Legal Conundrum and Socio-economic Pitfalls," *Mizan Law Review*, Vol. 19, No. 1, 2025, pp. 63–92.
[267] Ibid
[268] Federal Property Tax Proclamation No. 1365/2025, *Negarit Gazeta*, Year 31, No. 32, Art. 41(1) (hereinafter Proclamation No. 1365/2025), Art. 3 (1)
[269] Ibid, art. 2 (4)
[270] Supra note 226

pacity constraints, the long-term sustainability of the reform depends on parallel efforts to deepen decentralization and strengthen local institutional capacity.

A similar tension arises in relation to property rights and land administration. As indicated in Chapter Five, effective property taxation requires clear, secure, and transferable rights. It also requires reliable identification and classification of taxable property, as well as effective cadastral and valuation systems and efficient billing, collection, and enforcement mechanisms. However, Ethiopia's public land ownership framework, weak property rights arrangements, and limited administrative infrastructure constrain the development of functional property markets, valuation systems, and taxation. This, in turn, undermines the credibility and sustainability of the reform.

In general, property tax reform in Ethiopia reflects a dual dynamic of transformation and continuity. It departs from fragmented and outdated regimes by introducing a coherent, valuation-based framework, yet simultaneously reproduces entrenched features such as centralization, limited participation, and weak administrative alignment. These tensions are not incidental but intrinsic to the reform. Accordingly, the significance of Proclamation No. 1365/2025 lies less in its formal design than in the contradictions it exposes. The attempt to implement market-based property taxation within a centralized and institutionally constrained system underscores the limits of technocratic reform in the absence of supportive conditions. Ethiopia's experience thus demonstrates that property tax reform is not merely a technical exercise but depends on institutional fit, political legitimacy, and proper sequencing. Without parallel reforms to strengthen property rights, enhance local autonomy, and build administrative capacity, centralized marketization risks producing a system that is formally modern but substantively fragile.

6.7 Interim Conclusion

This article traces the historical and legal evolution of property taxation in Ethiopia, from ancient land tributes to the recent enactment of Federal Property Tax Proclamation No. 1365/2025. Organized into four historical phases, the analysis highlights how land policy, local governance, and fiscal capacity have collectively shaped the development of property taxation. The discussion demonstrates that property taxation is not new to Ethiopia. In the pre-1940s period, taxation

was predominantly tribute-based, embedded in hierarchical semi-feudal, feudal, and religious systems, where land functioned not only as a productive asset and revenue source but also as a mechanism of political and social control. From the mid-19th century, efforts emerged to modernize and rationalize property taxation through land measurement and cash-based payments. This was followed by a more aggressive phase of reform during the Italian Occupation (1936–1941), when colonial authorities sought to dismantle traditional land and taxation practices. Post-liberation reforms under the imperial regime (1940s–1974) sought to centralize and formalize rural and urban property tax frameworks, although limited administrative capacity and gaps in valuation, assessment, and enforcement constrained their effectiveness. During the socialist Derg era (1974–1991), the abolition of private land ownership and the nationalization of property disrupted historical continuity, eroding the institutional foundations of property taxation and weakening the fiscal role of property taxation.

In the post-1991 federal period, decentralization and legal reforms created opportunities to institutionalize property taxation. Efforts during this time included the introduction of the urban land leaseholding system and municipal revenue codes. However, these measures remained fragmented and failed to establish a robust and consistent system of land-based revenue and property taxation. Fiscal reforms prioritized income and consumption taxes over property taxation, while existing land-based revenue sources were further undermined by outdated legal frameworks, weak valuation systems, widespread informality, and deficient cadastral and registration structures. Consequently, local governments continued to rely heavily on intergovernmental transfers and external support. These structural deficiencies necessitated comprehensive reform, initiated in 2011 and culminating over a decade later in the adoption of Proclamation No. 1365/2025. The new legal framework aims to rationalize property taxation, clarify administrative responsibilities across federal, regional, and local governments, and enhance revenue mobilization while promoting transparency, equity, and fiscal accountability.

The historical genealogy of property taxation in Ethiopia demonstrates that the Ethiopian tax system is not new to property taxation, which extends beyond a mere fiscal instrument and reflects broader struggles over land, authority, and state legitimacy. Each period of transformation, feudal, imperial, socialist, or federal, illustrates how legal, administrative, and political choices shaped the design, operational capacity, and normative legitimacy of property tax systems. The

recent reform represents a pivotal turning point, offering an opportunity to align property taxation with contemporary governance and urban development objectives. However, the success of Proclamation No. 1365/2025 depends on effectively addressing persistent challenges in valuation, assessment, enforcement, and administrative capacity. Understanding this historical trajectory is critical for policymakers and researchers alike; as the adage warns, "those who cannot remember the past are condemned to repeat it." A historically grounded perspective is therefore essential for designing and implementing property tax systems capable of supporting sustainable revenue mobilization, decentralized governance, and broader socio-economic development in Ethiopia.

CHAPTER SEVEN

THE QUEST FOR PROPERTY TAX REFORM IN ETHIOPIA: UNDERSTANDING AREAS OF CONTENTIONS AND CONSENSUS

7.1 Introduction

Since the 1990s, global property tax reform has increasingly viewed property tax as an efficient instrument for financing ULGs, particularly in the context of rapid urbanization. Anchored in theories of fiscal decentralization, local governance, and land value capture, these reforms emphasize revenue mobilization, local fiscal autonomy, improved land governance, and distributive equity, as noted in Chapter Two. Comparative experience, however, shows that such objectives remain politically contested and institutionally uneven. The post-2011 reform in Ethiopia reflects this global trajectory and also reveals distinct political, institutional, and socio-economic tensions. As national reforms stalled, various revenue-driven measures emerged in Addis Ababa and regional states such as Oromia Region and Amhara Region. Both of these national and regional measures have generated different forms of contestation among policymakers, business actors, taxpayers, and civil society actors, both in support of and against the reforms. It is within this context that Property Tax Proclamation No. 1365/2025 and the regional Model Law were adopted. Drawing on doctrinal analysis, interviews, and Delphi-round expert insights, this chapter examines the principal reform drivers, areas of contestation and consensus, and whether the current framework resolves or institutionalizes these tensions.

The chapter is organized into six sections. Section 7.1 outlines the analytical framework and situates Ethiopia's reform within post-1990s global trends. Section 7.2 identifies the principal reform drivers. Section 7.3 examines contemporary controversies, including reforms in Addis Ababa, Oromia, and Amhara, and debates surrounding Proclamation No. 1365/2025. Section 7.4 presents findings from the Delphi rounds. Section 7.5 evaluates the extent to which the enacted framework reflects the identified reform drivers. Section 7.6 concludes by assessing whether the reform constitutes a coherent settlement or an institutional compromise that leaves key tensions unresolved.

7.2 Quest for Property Tax Reform in Ethiopia: Reform Drivers and Tensions

The drive for property tax reform in Ethiopia stems from persistent structural weaknesses in ULG finance, which have failed to bridge the widening gap between expenditure demands and available revenues and have constrained national capacity to manage rapid urbanization.[1] Post-2011 reform efforts were initially driven by fiscal pressures, although progress remained limited for more than a decade.[2] The launch of the 2019 Homegrown Economic Reform Agenda subsequently reframed local fiscal constraints as a broader macroeconomic concern linked to declining tax-to-GDP ratios, rising public debt, and the untapped value of urban land and property.[3] These justifications, however, remain contested.[4] Concerns regarding equity, affordability, rising rents and living costs, inflationary effects, and weak administrative capacity reveal the political and institutional fragility of the reform, as well as the risks of low compliance and declining public trust.[5]

As the preceding chapters demonstrate, the reform process is shaped not only by revenue imperatives and tax burdens, but also by deeper constraints in local governance, municipal finance, and land and property regimes.[6] Consistent with post-1990s global trends in property tax reform, deficiencies in these structural areas explain both the rationale for reform and the limits of implementation.[7] Historical examination of the evolution of property taxation in Ethiopia further confirms that its trajectory has been shaped by changing political regimes, land tenure systems, local governance structures, and the evolving role of urban centers.[8] Despite variations across political

[1] See generally, MoF and MoUI, *Urban Development Finance Strategy*, document submitted to the Council of Ministers for decision, July 2022.
[2] Tom Goodfellow, "Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia," *African Affairs*, Vol. 116, No. 465, 2017, pp. 549–572.
[3] FDRE, *A Homegrown Economic Reform Agenda: A Pathway to Prosperity (2020–2030)*, March 2020, pp. 10 and 16; FDRE Ministry of Finance, *National Medium-Term Revenue Strategy (NMTRS) (2024/25–2027/28)*, Addis Ababa, August 2024.
[4] Samuel Bogale, "With a New Tax on the Horizon, Regions Envision Fiscal Independence," *The Reporter Newspaper*, available at: The Reporter Newspaper (last accessed on 25 December 2025).
[5] Ibid
[6] See Chapter Two of this dissertation.
[7] William J. McCluskey and Riël C.D. Franzsen, "Property Tax Reform in Africa: Challenges and Potential," paper presented at the 2016 World Bank Conference on Land and Poverty, World Bank, Washington, D.C., 14–18 March 2016.
[8] See Chapter Six of this dissertation.

and economic systems, these factors have consistently defined both the possibilities and constraints of property taxation. Together, they shaped the institutional and fiscal conditions that culminated in the adoption of Federal Property Tax Proclamation No. 1365/2025.[9]

These structural and historical conditions also explain why consensus regarding the necessity, rationale, and underlying drivers of property tax remains limited. A review of media coverage, public interviews, political debates, policy workshops, and stakeholder forums indicates that property taxation has become one of the most contested fiscal reforms in Ethiopia during the past three years, both before and after the enactment of Proclamation No. 1365/2025.[10] Public discussions consistently raise concerns regarding affordability, equity, valuation methods, administrative readiness, and the socio-economic impact of the tax, particularly on fixed-income urban residents.[11] At the same time, proponents frame the reform as a necessary instrument for strengthening municipal finance, financing urban infrastructure, and modernizing land-based revenue systems.[12] The intensity of these debates shows that property taxation in Ethiopia is not merely a technical fiscal measure, but a politically and socially contested institutional transformation tied to broader questions of urban governance, land rights, state capacity, and fiscal decentralization, as observed in the countries examined in Chapter Two.

[9] Ibid

[10] See for example, Amanuel Yelkal, "Debate Rages over Mandate to Collect Property Tax," *The Reporter Ethiopia*, 1 October 2022, available at: The Reporter Ethiopia (last accessed on 27 November 2025); Bersabeh Gebre, "Property Tax Stirs a Fiscal Tempest," *Addis Fortune News*, 14 October 2023, available at: Addis Fortune News (last accessed on 27 November 2025); Zelalem Takele, "News Analysis: Public Discourse Begins Before Government Ratifies Controversial Property Tax Law," *Addis Standard*, 12 October 2023, available at: Addis Standard (last accessed on 27 November 2025); Addisu Deresse, "Property Tax Leaves Addis Ababans in Shock," *Ethiopian Business Review*, Vol. 11, No. 118, June 2023; Hagos Gebereamlak, "Taxes, Taxes, Taxes: Will New Rules Solve Problems or Break Backs?" *The Reporter*, 3 August 2024, available at: The Reporter Magazines (last accessed on 27 November 2025); Mihret Alem, "Burgeoning Tax Burden Strains Residents, Businesses," *Birr Metrics*, 12 September 2024, available at: Birr Metrics (last accessed on 27 November 2025); Aksah Italo, "Property Tax Plan Spurs Battle Over Costs, Equity, Economic Survival," *Addis Fortune*, Vol. 25, No. 1288, 3 January 2025, available at: Addis Fortune (last accessed on 27 November 2025); Zelalem Takele, "News: Parliament Approves Property Tax Bill amid Concerns over Its Impact on Fixed-Income Citizens," *Addis Standard*, 14 January 2025, available at: Addis Standard (last accessed on 27 November 2025); Capital News, "Property Tax Law Ratified Despite Concerns from Parliamentarians," *Capital News*, 20 January 2025, available at: Capital Ethiopia (last accessed on 27 November 2025); *Addis Standard*, "Parliament Approves Property Tax Bill amid Concerns over Its Impact on Fixed-Income Citizens," News, 14 January 2025, available at: Addis Standard (last accessed on 27 November 2025).

[11] Ibid

[12] Ibid

Limited consensus generates political resistance and undermines the long-term legitimacy and implementation of the new framework. In part, this stems from the nature of property taxation itself. As a direct and highly visible tax, it is particularly vulnerable to opposition from affected groups.[13] Drawing on doctrinal analysis and Delphi-based expert insights, this study reveals divergent understandings of the principal drivers and objectives of the reform and underscores the need for broader consensus-building through stakeholder engagement, public consultation, and sustained communication to enhance legitimacy and implementation capacity.[14]

Overall, this synthesis demonstrates that property tax reform in Ethiopia is driven primarily by fiscal necessity and has only recently begun to incorporate the broader objectives reflected in post-1990s global reform experiences. Institutional misalignment, combined with centralized control, weak local autonomy, and underdeveloped property rights and administrative systems, is likely to continue constraining implementation. Consequently, successful implementation requires not only a robust legal and institutional framework for tax collection and enforcement, but also parallel efforts to strengthen ULG autonomy, enhance municipal revenue capacity, and modernize land governance and property administration systems.[15] Without such institutional alignment, reform efforts risk remaining fragmented and incomplete. Understanding these interacting drivers and constraints is therefore essential not only for explaining the trajectory of property tax reform in Ethiopia, but also for informing a more coherent, context-sensitive, and institutionally grounded reform pathway.

7.3 Understanding Areas of Contentions and Consensus in the Post 2011 Property Tax Reform

Despite its perceived advantages and the degree of consensus claimed in the formulation of Proclamation No. 1365/2025, the reform remains contentious, and its implementation is expected to face further resistance, as noted in the previous section. This has delayed national reform and

[13] Roy Kelly, "Implementing Sustainable Property Tax Reform in Developing Countries," in Richard M. Bird and Jorge Martinez-Vazquez (eds.), *Taxation and Development: The Weakest Link?*, Studies in Fiscal Federalism and State-Local Finance Series, 2014.
[14] Ibid
[15] See generally, Martin Grote and Jean-François Wen, *How to Design and Implement Property Tax Reforms*, International Monetary Fund Note No. 006, September 2024.

prompted city administrations and regional states to revise their municipal revenue laws, even amid divided public opinion. The Addis Ababa City Administration's amendment of Proclamation No. 80/1976, in particular, triggered sustained political and socio-economic opposition. This section examines areas of contention and consensus by analyzing debates surrounding the federal proclamation, the "roof and wall" tax reforms in Addis Ababa, and the comparatively muted responses to revisions of municipal revenue legislation in selected regional states.

7.3.1 The Revision of Roof and Wall Tax in Addis Ababa

The Addis Ababa City Administration, like other urban centers in the country, has long collected land rent (from older holdings) and house tax (commonly known as the roof and wall tax) under Proclamation No. 80/1976, as well as lease payments from leasehold arrangements under the relevant lease laws.[16] However, as noted in Chapter Five, revenue from land rent and house tax has remained negligible. The city expected the national property tax reform to address these gaps, but delays in implementation resulted in continued revenue losses and an inability to capture rising urban land values.[17] Consequently, the city introduced revisions to tax administration under Proclamation No. 80/1976. Through a letter issued in April 2023, later interpreted by a court as a directive, the City Administration revised the applicable rates and valuation procedures and required compliance under threat of civil and criminal liability.[18]

The revision was based on a study conducted by the Provisional Property Tax Project Office, which had been established to assess the existing property tax system, identify gaps, and propose evidence-based reforms.[19] The measure was justified under Proclamation No. 80/1976 and the Revised Charter Proclamation No. 311/2003, both of which authorize the city to generate revenue from sources including land rent and house tax and to revise related mechanisms when nec-

[16] See generally the discussion under Chapter Six.

[17] See generally, Zelalem Teferra, "'Roof and Wall' Tax Rate Reform in Addis Ababa: The Legal Conundrum and Socio-Economic Pitfalls," *Mizan Law Review*, Vol. 19, No. 1, pp. 63–92.

[18] ደብዳቤ፣ የአዲስ አባባ ከተማ አስተዳደር የፋይናንስ ቢሮ (ለመሬት ልማትና አስተዳደር ቢሮ፣ ለመሬት ይዞታ ምዝገባና መረጃ ኤጀንሲ እና ለገቢዎች ቢሮ)፣ "የቤት ግብር ማሻሻያ ተግባራዊ እንዲደረግ ስለማሳወቅ ይመለከታል"፣ ቀን 03/08/2015 ዓ.ም፣ ቁጥር ፋ/ቢ/2/64/2249፤ ደብዳቤ፣ የአዲስ አባባ ከተማ አስተዳደር ገቢዎች ቢሮ፣ "ለሚመለከታቸዉ የመስተዳደሩ አካላትና ክፍለ ከተሞች - የቤት ግብር ማሻሻያ ተግባራዊ እንዲደረግ ስለማሳወቅ"፣ ቀን 05/08/2015 ዓ.ም፣ ቁጥር 10/1/9357/15.

[19] ኢትዮጵያ ኢንሳይደር፣ "በአዲስ አባባ ተግባራዊ ሊደረግ የታቀደው የቤት ግብር ማሻሻያ ምን ዝርዝር ይዟል?"፣ 13 May 2023፣ available at: ኢትዮጵያ ኢንሳይደር (last accessed on 27 November 2025).

essary.[20] In line with this mandate, the city had previously adopted Legal Notice No. 36/1976, which sets out the applicable rates and assessment methods in Addis Ababa.[21] As an early initiative preceding the national property tax reform, the measure effectively served as a testing ground for the broader reform process, and stakeholder reactions reflected the wider controversies surrounding contemporary property tax reform in Ethiopia.

The revision targeted tax rates and assessment procedures that had remained unchanged for nearly fifty years and sought to better reflect current urban conditions and demand. Accordingly, buildings were categorized into four land grades and two service types (residential and commercial), and further classified by construction material into wooden and mud structures, condominiums, and reinforced concrete villas.[22] A corresponding monthly rental rate was assigned to each category, ranging from 146 ETB to 444 ETB per square meter.[23] Total tax liability is determined by multiplying the applicable rate by the property's floor area and then by 12 to calculate the annual obligation.[24] Although the 'study' characterizes the measure as a non-revision, it substantially departs from, and effectively modifies, the framework established under Proclamation No. 80/1976 and related laws, which require house tax to be calculated as a percentage of annual rental value using a progressive rate ranging from 1% for properties valued up to ETB 600 to 4.5% for those exceeding ETB 6,000, as set out in the schedule.[25]

The law further provides that annual rental value shall be determined by the Minister of Public Works and Housing or designated bodies, with the participation of the UDCA for lower-value properties, before submission to local administrations for implementation.[26] The revised Roof and Wall Tax primarily aims to increase revenue for public services, infrastructure, and urban development.[27] The study found that, out of 1,020,528 buildings in the city, only 891,000 (87%)

[20] Urban Land and Urban Houses Tax Proclamation No. 80/1976, *Negarit Gazeta*, 35th Year, No. 25, Art. 19(2); The Addis Ababa City Government Revised Charter Proclamation No. 311/2003, *Federal Negarit Gazeta*, 9th Year, No. 24, Art. 52(6).
[21] Addis Ababa Land Use Rent and House Tax, Legal Notice No. 36/1976, *Negarit Gazeta*, 35th Year, No. 25.
[22] Supra note 18
[23] Ibid
[24] Ibid
[25] Proclamation No. 80/1976, Arts. 5 (1)(b), 6 (2) cum schedule 3
[26] Ibid, Art. 6 (3-5)
[27] **የአዲስ አባባ ከተማ ኮሙኒኬሽን ቢሮ፣ "የጣሪያና ግድግዳ ግብርን በተመለከተ ለማንዛቤ"፣** 16 June 2023፣ available at: Facebook Post (last accessed on 27 November 2025).

are eligible for taxation, and only 182,842 (18%) actually pay.[28] Of those who comply, more than 90% contribute between 1 and 500 ETB annually. Such widespread non-compliance and minimal contributions from compliant taxpayers significantly constrain the city's revenue-generating capacity.[29] The study further compares property tax performance in selected Global South cities such as Lima (57.5%), Manila (59.2%), Lusaka (74.6%), Bogotá (57.1%), Tunis (57.1%), and Nairobi (20%) with Addis Ababa, where the contribution stands at only 0.08%.[30]

In response, the City Administration plans to reassess about 300,000 additional properties, including condominium units, and mobilize up to 6 billion ETB from the revised tax—ten times the 600 million ETB collected in 2022/23 and approximately 4.28% of the approved 2023/24 budget of 140.2 billion ETB.[31] To ease the burden, improve compliance, and build public trust, it introduced transitional relief measures allowing taxpayers to pay 50% of the estimated rent for residential properties and 75% for offices.[32] Although not explicitly stated in the directive, the Bureau of Revenue indicated that discretionary relief may be granted to vulnerable groups such as pensioners, while exemptions continue to apply to places of worship, embassies, government offices, and NGOs.[33] The city also strengthened property registration and valuation systems and temporarily prohibited rent increases and evictions linked to the revised tax until July 7, 2023.[34]

The revision of the house tax and related measures by the Addis Ababa City Administration has triggered strong opposition from property owners, political parties, professional associations, and

[28] Ibid
[29] Ibid
[30] Ibid
[31] Mihret Alem, supra note 10; Ethiopian Tribune Editor, "Property Tax in Addis Ababa Generates Billions in Revenues, With Hefty Five Percent Penalties for Late Payment," *Ethiopian Tribune*, 25 June 2023, available at: Ethiopian Tribune (last accessed on 25 December 2025).
[32] Ibid
[33] Selamawit Mengesha, "City Admin to Rake in 6 B Br From Walls and Roofs but Property Tax Waits in Wings," *The Reporter Ethiopia*, 24 June 2023, available at: The Reporter Ethiopia (last accessed on 25 December 2025); ዳዊት ታየ፣ "በአዲሱ ቤት ግብር ተመን ላይ የተደረገዉ ክርክር፣" *Reporter*, 25 June 2023, available at: Reporter (last accessed on 25 December 2025).
[34] Elias Tegegn, "City Admin Launches Building Census for Property Taxation," *The Reporter Ethiopia*, 4 March 2023, available at: The Reporter Ethiopia (last accessed on 25 December 2025); የአዲስ አበባ ገቢዎች ቢሮ፣ "መግለጫ፡ ተግባራዊ የተደረገው የቤት ግብር ማሻሻያ የቤት ኪራይ ለመጨመር ምክንያት ሊሆን አይችልም"፣ ኢዜአ፣ አዲስ አበባ ሰኔ 14/2015፣ available at: ENA (last accessed on 25 December 2025).

academia.[35] The tax increased individual liabilities by more than tenfold and was introduced abruptly, without a transition period or adequate prior notice, generating widespread financial pressure and undermining public trust.[36] It is widely perceived as unfair and unaffordable, particularly for low- and fixed-income households, regardless of property value appreciation.[37] This concern is especially pronounced among condominium owners who waited for years on registration lists and acquired units through government-backed schemes such as the 40/60 and 20/80 programs, while still servicing loans with interest.[38] In response, many landlords have increased rents, and some businesses have reduced staff to offset higher costs, thereby intensifying inflationary pressures, housing unaffordability, and unemployment.[39]

It is important to recall that the Derg regime introduced the roof and wall tax at a time when the government was the sole landowner and private individuals were prohibited from renting properties beyond their own residences, let alone increasing rents. By contrast, the current context is markedly different, with private individuals now constituting the majority of landholders, many of whom are likely to pass the increased tax burden onto tenants.[40] The business community, particularly real estate developers, has also raised concerns, noting that the revised tax has increased liabilities by 20 to 30 times compared to previous rates, thereby threatening business continuity and employment.[41] Furthermore, the implementation process has generated governance and corruption concerns due to discretionary local enforcement and alleged informal manipulation of rates and property assessments. Independent consultant Mr. Yared Hailemeskel described the rushed tax revision as "ill-conceived," arguing that it reflected pressure to satisfy World Bank

[35] Molla Mitiku, "Analysis: New Tax on Condominium Houses Ignites Controversy, Concerns Arise over Legal Implications, Potential Social Crisis," *Addis Standard*, 3 July 2023, available at: Addis Standard (last accessed on 25 December 2025).
[36] Ibid
[37] Ibid
[38] Ibid
[39] Ibid
[40] *Ethiopian Real Estate News*, "New Property Taxes Expected to Decimate Real Estate Investors in Ethiopia?", 30 September 2023, available at: Ethiopian Real Estate News (last accessed on 25 December 2025); **እዮብ ውብነህ**፣ "**የቤት ግብር ተመን ማሻሻያው በአተገባበሩ ላይ ክፍተቶች እንዳሉበት የንግዱ ማኅበረሰብ አባላት ገለጹ**፣" *Addis Maleda*, 23/06/2023, available at: Addis Maleda (last accessed on 25 December 2025).
[41] Ibid

conditions and could trigger unrest among citizens already burdened by income and consumption taxes.[42]

In July 2023, as part of what it described as peaceful advocacy in the public interest, the Enat Party filed a lawsuit against the Finance Bureau of the Addis Ababa City Administration before the Federal Administrative Procedure Bench of the Federal High Court, challenging the legality of the revised roof and wall tax.[43] The party argued that the measure, which was based solely on an administrative study and a letter, lacked a proper legal basis, was issued without lawful authority, and failed to comply with Administrative Procedure Proclamation No. 1183/2020. The City Administration, in response, contended that the Enat Party lacked standing to sue, had no legally protected rights or interests at stake, and that the claim was barred by the statute of limitations.[44]

The City Administration further argued, in the alternative, that no specific directive identifiable by reference number had been enacted for cancellation and maintained that the measure merely constituted a lawful reimplementation of Proclamation No. 80/1976.[45] It asserted that the proclamation remained valid and characterized the action as a legitimate exercise of its authority to strengthen revenue collection through renewed enforcement. In January 2024, however, the court unanimously rejected the preliminary objections and ruled that the measure adopted by the Finance Bureau constituted a directive that had not been issued in accordance with Proclamation No. 1183/2020.[46] The court further held that the measure lacked the force of law under Article 56(2) and therefore had no binding legal effect.[47] The Finance Bureau subsequently appealed to

[42] Addis Standard, Interview with Mr. Yared Hailemeskel, founder and manager of YHM Investment Consulting Private Limited, 3 July 2023, available at: Addis Standard (last accessed on 25 December 2025).

[43] እናት ፓርቲ እና ለአዲስ አበባ ከተማ አስተዳደር ፋይናንስ ቢሮ፣ የፌዴራል ከፍተኛ ፍርድ ቤት ልደታ አስተዳደር ምድብ ችሎት፣ መዝገብ ቁጥር 301593፤ ቢቢሲ፣ "በአዲስ አበባ የቤት ግብር ማሻሻያ ተግባራዊ እንዳይሆን በፍርድ ቤት ያሳገደው ክስ ምን ይዟል?"፣ 4 የካቲት 2025፣ available at: BBC Amharic (last accessed on 25 December 2025)፤ ሰለሞን መ·ጩ፣ "የእናት ፓርቲ ክስ እና የፍርድ ቤት ውሳኔ፣" ዶቸ ቬለ፣ ጥር 26 2017፣ available at: Deutsche Welle Amharic (last accessed on 25 December 2025)፤

[44] ናርዶስ ዮሴፍ፣ "ፍርድ ቤት የህግ መሰረት የለዉም ባለዉ ግብር ማስከፈያ መመሪያ ላይ ከተማ አስተዳዳሩ ምላሽ ሰጠ፣" *Reporter*, 23 February 2025, available at: Reporter (last accessed on 25 December 2025).

[45] Ibid

[46] ሰለሞን መ·ጩ, supra note 43; See also Federal Administrative Procedure Proclamation No. 1183/2020, *Federal Negarit Gazette*, 26th Year, No. 32.

[47] ሰለሞን መ·ጩ፣ supra note 43

the Supreme Court, where the case remains pending, while the City Administration has continued collecting the tax into its third consecutive fiscal year.[48]

The Ethiopian Federal Advocates Association (EFAA), in line with its mandate to uphold the rule of law, also formally challenged the revision and requested clarification from the City Administration on four key issues.[49] The EFAA quention the city's legal authority to amend Proclamation No. 80/1976, the legitimacy of imposing revised roof and wall taxes, the consistency of the measures with the proclamation, related regulations, and amendment procedures; and whether the administrative measure complied with the procedural safeguards outlined in Administrative Procedure Proclamation No. 1183/2020.[50] Although EFAA President Tewodros Getachew stated that legal action would be taken if no response was provided, no formal reply was issued, and the city continued tax collection while the EFAA took no further action.[51]

In addition to the political party and the professional association, the revision and enforcement of the Roof and Wall Tax without formal legal amendments or broader national reform have triggered serious legal controversy among scholars, experts and the public. The measure has been widely feared to generate significant economic, social, and political consequences in Addis Ababa and growing frustration in other parts of the country. Renowned legal scholars such as Tadesse Lencho[52] and Yohannes Woldegebriel[53], while supporting the need for property tax reform and the replacement of the outdated Proclamation No. 80/1976, have criticized the measure as manifestly unlawful. Experts from the MoF and MoUI interviewed for this study expressed

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[48] **ናርዶስ ዮሴፍ፣** supra note 44

[49] **ደብዳቤ፣ የኢትዮጵያ ፌዴራል ጠበቆች ማኅበር፣ ለአዲስ አበባ** Addis Ababa **ከተማ አስተዳደር ፋይናንስ ቢሮ፣ ቁጥር ኢ/ፌ/ጠ/ማ/000/007፣ ቀን** 18 **መስከረም** 2016።

[50] Ibid

[51] **ታምሩ ፅጌ፣ "የጣሪያ እና ግድግዳ ግብር ስርዓቱን ተከትሎ ዉይይት ተደርጎበት ህግ ሆኖ ሊወጣ ይገባል እንጂ በቀላጤ የሚወሰን ጉዳይ አይደለም አቶ ቴዎድሮስ ጌታቸዉ፣ የኢትዮጵያ ፌዴራል ጠበቆች ማህበር ተጠባባቂ ፕሬዚዳንት፣"** *ሪፖርተር*፣ 8 October 2023፣ available at: Reporter (last accessed on 25 December 2025); Samuel Bogale, "Flaws in Roof, Wall Tax Law Embattles Bar Association, City Admin," *The Reporter Ethiopia*, 7 October 2023, available at: The Reporter Ethiopia (last accessed on 25 December 2025).

[52] Ibid.; see also Reporter, Interview with Dr. Taddese Lencho in Samuel Bogale, "Controversial Property Tax Proposes Selective Exemptions," *The Reporter Ethiopia*, 23 September 2023, available at: The Reporter Ethiopia (last accessed on 25 December 2025).

[53] Yohannes Woldegebriel, "Addis Abeba Tests the Limits of Legal Tax Reform," *Addis Fortune*, 1 July 2023, available at: Addis Fortune (last accessed on 25 December 2025); **አንባቢ፣ "በግዳጅ እንዲተገበር የተጠየቀዉ የቤት ግብር ማሻሻያ ህጋዊ አይደለም፣"** *Reporter*, 11 June 2023, available at: Reporter (last accessed on 25 December 2025); Bersabeh Gebre, "The Burden of Soaring Property Taxes Dawns on Homeowners," *Addis Fortune*, 24 June 2023, available at: Addis Fortune (last accessed on 25 December 2025).

similar views, arguing that the city acted prematurely and should have awaited the national reform process.[54] They contend that implementing tax revisions through administrative action, without amending the relevant proclamations and regulations, violates principles of legality and fairness, particularly because the policy disregards taxpayers' ability to pay and imposes excessive penalties.[55] For example, taxpayers who fail to pay on time are subject to a 5% monthly penalty on overdue amounts and may also incur criminal liability.[56] Such measures are not only onerous but also inconsistent with established principles of the country's tax administration laws.

While the measure significantly changed tax rates and assessment procedures, it fails to clarify the legal status of the document (directive or regulation) as well as its relationship with Proclamation No. 80/1976 and related laws.[57] While Proclamation No. 80/1976 assigns the Minister of Public Works and Housing the authority to determine annual rent as the tax base, Amendment Proclamation No. 161/1978 grants the Minister of Urban Development and Housing the power to issue implementing regulations.[58] Moreover, Proclamation No. 80/1976 vested the authority to issue regulations applicable to Addis Ababa in the Awraja Court, acting in consultation with the Minister of Public Works and Housing, for the effective implementation of its provisions.[59] Accordingly, Legal Notice No. 36/1976, enacted by the Addis Ababa Municipal Administration to implement Proclamation No. 80/1976, explicitly repealed Legal Notices No. 301/1964 and No. 341/1968, which had previously empowered municipalities to set rates and assessment procedures under the Municipalities and Townships Proclamation No. 74/1945.[60]

The question that remains unanswered, therefore, is how the Addis Ababa City Administration was able to revise tax rates and assessment procedures through administrative letters and studies in 2023. It may be argued that the City derives such authority from its charter, which empowers

[54] Interview with Belete Alemayehu, Annex VI, May 17, 2024; Interview with Dereje Mossie, Annex VI, March 7, 2024. The concern has persisted even after the adoption of Proclamation No. 1365/2025. In particular, because the contentious Roof and Wall Tax has already generated substantial revenue for the city, there are concerns that Proclamation No. 1365/2025 may result in significantly lower property tax revenue. Interview with Asmamaw Mulugeta, Annex VI, January 17, 2026.
[55] Ibid
[56] Ibid
[57] Supra note 19
[58] Proclamation No. 80/1976, Art. 6(2–4); Urban Land Rent and Urban Houses Tax (Amendment) Proclamation No. 161/1979, *Negarit Gazeta*, 38th Year, No. 9, Art. 2(2).
[59] Proclamation No. 80/1976, Art. 19 (2),
[60] Legal Notice No. 36/1976, Art. 4

it to determine sources of municipal revenue, as noted above. However, the central issue remains unresolved is how the Finance and Revenue Bureaus could introduce binding directives through a mere administrative letter in the absence of, and prior to, a city proclamation or regulation enacted to amend or implement Proclamation No. 80/1976? Under the existing hierarchy of laws, the measure adopted by the city, later interpreted as a directive, failed to comply with the procedural requirements of Proclamation No. 1183/2020 and therefore lacked legal validity. Moreover, given the decades-long dormancy of property taxation in Ethiopia, the issue arguably required a comprehensive nationwide reform process. Instead, the city's apparent rush to increase revenue, likely driven by delays in national property tax reform, generated significant legal and political controversy.

7.3.2 The Revision of Regional Municipal Revenue Regulations

As noted in Chapter Four, municipal revenues are levied and collected through municipal revenue regulations of regional states and, in part, inherited laws from previous regimes.[61] Regional municipal revenue regulations largely govern municipal taxes, rents, profits, fees, and charges. However, land-based revenues such as urban land use rent and house tax have been regulated by Proclamation No. 80/1976, and urban land lease revenues are governed by federal and regional leaseholding laws. Thus, property taxes has been limited mainly to houses, with a modern property tax framework capable of capturing rising urban land and property values effectively absent. Permit fees and house taxes continue to be administered under outdated legal frameworks, and in many urban centers collection has been discontinued as administrative costs outweigh revenue yields. Lease laws also remain contentious, as they insufficiently regulate lease revenue and are complex in both design and administration.

As a result, land-based revenue sources generally lack a coherent legal and administrative foundation and are characterized by legal ambiguity, technical weaknesses, and institutional constraints.[62] In response, regional states have primarily revised municipal revenue laws governing service fees and charges rather than addressing core land-based instruments such as rents, leases,

[61] See generally chapter four of this disseration
[62] Ibid

and house taxes.[63] Consequently, ULGs have continued to lose revenue and have been unable to capture rising urban value, while regional governments have largely refrained from substantive reforms in anticipation that the national property tax reform would address these gaps.[64] However, prolonged delays in the national reform have limited its effectiveness in this regard. Unlike the Addis Ababa City Administration, regional states have generally not undertaken decisive amendments to Proclamation No. 80/1976, although some have introduced incremental adjustments through revisions of municipal revenue regulations.[65]

In Oromia Region, the regional government adopted model regulation on municipal revenue for all ULGs in 2020.[66] The regulation sought to establish minimum standards for revenue determination and administration and allow ULGs to enact implementing laws.[67] Although the rationale for adopting the model framework was not made explicit, the regulations revised municipal revenue sources and formally recognized the tax of houses within urban boundaries through a roof-and-wall tax.[68] The tax base and rates were primarily determined by construction materials, with limited consideration of building value or land size across categories of ULGs.[69] ULGs subsequently incorporated these provisions into local laws and began implementation, though outcomes varied according to the availability and quality of property data.[70] In cities such as Sheger City, which is established in 2022 as a mega-city surrounding Addis Ababa, implementation was relatively assertive and generated resistance comparable to that observed in Addis Ababa.[71] In

[63] Interview with Atsede Hailu, Annex VI, March 6, 2024; Interview with Aynalem Belete, Annex VI, December 21, 2025.
[64] Ibid
[65] Ibid
[66] Oromia Urban Development and Housing Bureau, *Model Regulations on Taxes on Revenue Sources of Oromia Urban Centers*, June 2020. In fact, the region had amended the Municipalities Revenue Tariff Regulations three years earlier. See Oromia National Regional State Revised Municipalities Revenue Tariff Regulations No. 007/2017.
[67] Ibid
[68] Ibid. Studies show that the number of houses built illegally exceeds those constructed in accordance with the law in many urban centers of the region. Moreover, there is no effective and efficient real property registration system in the city, as the existing system does not meet essential requirements such as completeness, accuracy, timely updating, and the sharing of property records.See generally, Feyissa Tolessa, *Local Government Financing in Oromia Regional Administrations: Particular to City Administrations*, LL.M Thesis, Jimma University, July 2019
[69] Ibid
[70] Feyissa Tolessa, Supra note 68
[71] Derarsa Shambel, *Examining Real Property Taxation System in Oromia Regional State Urban Centers: The Law and Practice*, LL.M Thesis, Jimma University, January 2023, pp. 50–51.

most other urban centers, however, enforcement remained limited and opposition comparatively muted.[72]

Similarly, the Amhara Region revised its municipal revenue regulation in 2024.[73] The revised framework amended key revenue categories, including taxes on municipal services, rental and investment income, service charges, sales of goods and services, and other capital receipts.[74] However, regarding rate determination, the regulation clearly deferred house taxation to the forthcoming property tax law, now Proclamation No. 1365/2025.[75] Interviews with the regional BoUI and informal accounts from residents of Bahir Dar nevertheless suggest that house tax liabilities increased after 2024/25.[76] This has created uncertainties regarding their legal basis. Despite this ambiguity, the reform has not generated the level of public attention or contestation observed in Addis Ababa or Sheger City. This divergence reflects uneven regional reform trajectories and broader challenges of coherence, transparency, and public engagement in subnational fiscal reform.

Beyond the experiences of the Amhara Region and Oromia Region, other regional states, including Central Ethiopia Regional State, have adopted similar laws.[77] The federal government has also encouraged regional states and ULGs to revise municipal revenue frameworks in line with the services they provide.[78] Overall, these reforms reflect incremental efforts to strengthen local revenue mobilization amid delays in national property tax reform.[79] While they signal growing recognition of the need to enhance municipal revenue bases, they largely avoid addressing the

[72] Ibid

[73] Amhara National Regional State Revised Municipal Revenue Tariff Administrative Council Regulation No. 220/2024; the law was enacted to amend the previous Regulation No. 135/2015. See Revised Urban Administrations and Municipalities Revenue Title and Tariff Determination Council of Regional Government Regulation No. 135/2015, *Zikre Hig*, Year 21, No. 12, Art. 2(1) (hereinafter Regulation No. 135/2015).

[74] Ibid

[75] Ibid, schedule 1

[76] Interview with Aynalem Belete, Annex VI, December 21, 2025; the researcher also confirmed this through informal accounts from residents of Bahir Dar.

[77] See Central Ethiopia Regional state Government Municipal Revenue Type and Tax Rate Regulation No. 150/2023. The Central Ethiopia Regional State was officially established as an independent regional state in 2023, following the reorganization of zones formerly administered under the Southern Nations, Nationalities and Peoples' Region (SNNPR). Regulation No. 150/2023 was subsequently adopted to govern revenue collection in newly structured cities and municipalities, replacing the previous legal framework of the SNNPR.

[78] See gnerally, MoUI, Municipal Service Standards Implementation and Service Delivery Performance Evaluation, Directive No. 738/2013

[79] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.

structural deficiencies of land-based tax.[80] Regional states have generally refrained from substantive house-tax reforms, likely because of administrative constraints, political sensitivity, concerns over public resistance, and expectations of a national framework.[81] Consequently, these initiatives reveal limited areas of deeper contestation or consensus beyond a broad policy interest in expanding local revenues.

7.3.3 Controversies in the Adoption of Proclamation No. 1365/2025

Property tax reform is among the most politically sensitive areas of fiscal policy because it implicates contested issues of land governance and directly affects property owners, businesses, and local governments, many of whom resist measures that increase tax liabilities, as emphasised in Chapters Two and Four of this dissertation.[82] This sensitivity is amplified by the visible and recurrent nature of property tax.[83] Global property tax reforms are generally driven by efforts to modernize outdated systems, strengthen municipal revenue for urban infrastructure and services, and promote more progressive tax.[84] However, such reforms often generate concerns over fairness, particularly where poorly designed measures disproportionately burden low-income or elderly residents in rapidly urbanizing areas or discourage investment, especially in the real estate sector.[85] These challenges are frequently compounded by weak administrative capacity, inaccurate or outdated property registries, and resistance from influential interest groups.[86] Reform strategies and implementation mechanisms therefore vary across jurisdictions and reflect differing political, economic, and administrative conditions.[87] The concerns and challenges to which Proclamation No. 1365/2025 is no exception are thus consistent with broader global experiences of property tax reform. 59 countries

[80] Ibid
[81] Ibid
[82] See generally, Richard M. Bahl, Jorge Martinez-Vazquez, and Joan Youngman, *Making the Property Tax Work: Experiences in Developing and Transitional Countries*, Lincoln Institute of Land Policy, 2008; Richard M. Bird and Enid Slack, *International Handbook of Land and Property Taxation*, Cheltenham: Edward Elgar, 2004; Roy Kelly, *Property Tax Reform in Developing Countries*, Lincoln Institute of Land Policy, 2013.
[83] Ibid
[84] Ibid
[85] Ibid; Supra note 15
[86] Ibid
[87] Ibid

Studies, though limited and piecemeal, have long emphasized the need for comprehensive reform of the outdated property tax system.[88] They also demonstrate how the system has consistently failed to achieve both revenue and non-revenue objectives, including local government empowerment, equity, efficient land use, and urban development.[89] In response, the government launched a reform initiative in 2011 by establishing a Property Tax Project Office under the MoUI, conducting pilot studies in selected cities, and preparing draft legislative frameworks for nationwide implementation.[90] Despite these efforts, the reform stalled for more than a decade because of political instability, economic constraints, anticipated public resistance, fiscal federalism concerns, and weak administrative capacity.[91] In the 2020s, however, the government renewed its commitment to property tax reform, returning the issue to public and policy debate.[92] Upon closer examination, this renewed momentum appears to have depended significantly on political pressure from the ruling party. Despite continuing contestation, Federal Property Tax Proclamation No. 1365/2025 was adopted during Parliament's 15th regular session with ten votes in favor and four against.[93]

Given the growing contestation and concerns, the accelerated adoption appears unusual. The rapid process may be associated with the politicization of the reform and the relative homogeneity of the House of Peoples' Representatives (HoPRs), which reduces partisan fragmentation and legislative opposition.[94] This context underscores the need to critically examine the controversies, debates, and competing narratives shaping the reform process in recent years. Accordingly, this section draws on parliamentary debates, media reports, and other relevant sources to identify

[88] Supra note 2; see also Alemayehu Negash Soressa and Bekalu Tilahun Gebreslasie, *Property Taxation in Northeast Africa: Case Study of Ethiopia*, Lincoln Institute of Land Policy Working Paper No. WP09NEA1, 2009; Tilahun Dires and Misganaw Gashaw, "Issues of Design in Ethiopia's Property Tax Reform: Lessons from Previous Legislative Regimes and Other Jurisdictions," *Bahir Dar University Journal of Law*, Vol. 13, No. 1, 2022, pp. 197–198.

[89] Ibid

[90] Supra note 1

[91] Tilahun Dires and Misganaw Gashaw, Supra note 87

[92] See generally, Dawit Shimelis, Jonse Gedefa, and Liwaaddine Fliss, *The Primacy of Domestic Resource Mobilization in Ethiopia*, United Nations Office of the Special Adviser on Africa, Best Practices Series, 2022.; Hagos Gebereamlak, "Taxes, Taxes, Taxes: Will New Rules Solve Problems or Break Backs?", *The Reporter Magazines*, 3 August 2024, available at: The Reporter Magazines (last accessed on 25 December 2025).

[93] *Addis Insight*, "Ethiopia Approves Landmark Property Tax Law Amid Debate on Economic Impact," 14 January 2025, available at: Addis Insight (last accessed on 25 December 2025); *Addis Fortune*, "Parliament Enacts Sweeping Property Tax, Dividing Lawmakers Over Fairness, Economic Impact," 19 January 2025, available at: Addis Fortune (last accessed on 25 December 2025).

[94] Interview with Wasihun Abate, Annex VI, March 8, 2024.

the principal perspectives and contentious issues surrounding property tax reform in Ethiopia before examining expert opinions in the next section.

Support and contestation have been equally pronounced with respect to various aspects of property taxation, its administration, and its broader socio-economic implications. Many government officials, members of the HoPRs, and government-affiliated experts support the reform as a necessary instrument for financing urbanization, strengthening urban local governments, and rationalizing land use. For example, the Minister of Finance, Ahmed Shide, and State Minister Eyob Tekalign (currently Governor of the National Bank of Ethiopia), have repeatedly emphasized the role of property taxation in modernizing the economy, improving land administration, enhancing local service delivery, and expanding urban infrastructure.[95] They have also highlighted the government's broader commitment to increasing domestic revenue through legal reform and the modernization of tax administration systems.[96]

Similarly, Mr. Desalegn Wedaje, Chair of the Planning, Budget, and Finance Committee of the HoPR, stated that the newly introduced property tax is intended to strengthen domestic revenue mobilization and reduce the habitual dependence of regional and local governments on federal transfers.[97] He further justified the reform as a mechanism for addressing urban economic inequality by taxing rising property values, protecting low-income and vulnerable groups through exemptions and relief measures, strengthening urban governance through legal and institutional reforms, and promoting transparency through public consultation and participation.[98] In the same vein, Wasihun Abate, Senior Advisor to the MoF, explained that the tax on land and buildings is designed to capture rising urban property values and expand the revenue base of subnational governments while safeguarding low-income residents and those unable to contribute to financing public goods and services.[99] Urban revenue experts within the MoUI likewise maintain that,

[95] *Ethiopian Business Review*, "Finance Minister Ahmed Shide Pushes for Stronger Tax Collection to Fund Record Budget," *Daily News*, 11 July 2025, available at: Ethiopian Business Review (last accessed on 25 December 2025); *Addis Standard*, "Parliament Approves Property Tax Bill amid Concerns over Its Impact on Fixed-Income Citizens," News, 14 January 2025, available at: Addis Standard (last accessed on 25 December 2025).
[96] Ibid
[97] Ibid.; see also Anteneh Aklilu, "Property Tax Law Ratified Despite Concerns from Parliamentarians," *Capital Ethiopia*, 20 January 2025, available at: Capital Ethiopia (last accessed on 25 December 2025).
[98] Ibid
[99] Bersabeh Gebre, "Property Tax Stirs a Fiscal Tempest," *Addis Fortune News*, 14 October 2023, available at: Addis Fortune News (last accessed on 25 December 2025).

despite public concern, property tax constitutes a modern and internationally recognized instrument for financing ULGs, particularly in contexts of rapid urbanization.[100] Other experts further argue that Ethiopian ULGs currently possess few viable alternatives for sustainably capturing rising local land and property values.[101]

On the other hand, many have raised serious concerns regarding economic equity and the financial burden that property taxation may impose on vulnerable groups. Desalegn Chanie and Abebaw Desalegn, Members of Parliament representing the opposition National Movement of Amhara (NaMA), expressed strong opposition during parliamentary debates and public discussions, arguing that the proposed tax would disproportionately burden low- and fixed-income earners, particularly government employees and small business owners.[102] Instead, they called for reductions in public expenditure and improvements in tax efficiency.[103] They also advocated for a fairer distribution of revenue across different levels of government and criticized prevailing fiscal priorities, contending that the proceeds would likely finance controversial or low-impact projects, such as corridor development initiatives, rather than essential urban services and infrastructure.[104]

Similarly, Ewnetu Alene, Chair of the Standing Committee on Democratic Affairs of the HoPR, cautioned that weak enforcement capacity, administrative deficiencies, and tax administration malpractices, including corruption, could disproportionately burden low-income urban residents

[100] See, for example, "Revenue Mobilization Remains Headache for Ethiopian Cities," *Ethiopian Business Review*, Vol. 11, No. 112, November 2022, available at: Ethiopian Business Review (last accessed on 25 December 2025); Addisu Deresse, "Property Tax Leaves Addis Ababans in Shock," *Ethiopian Business Review*, Vol. 11, No. 118, June 2023, available at: Ethiopian Business Review (last accessed on 25 December 2025). **ኢትዮጵያ ብሮድካስቲንግ ኮርፖሬሽን"ኢትዮጵያ የታክስ ሥርዓቷን ለማጠናከር እና የገቢ ግብር አማራጮቿን ለማስፋት የምታከናውናቸው ተግባራት የሚበረታታ ነው::"፣** 22 April 2023፣ available at: EBC Facebook Post (last accessed on 25 December 2025). In this regard, Abebe Zeleul, Senior National Advisor at UN-Habitat, and Haile Gebreyohannes, Senior Urban Revenue and Finance Specialist, justified the introduction of property tax by emphasizing the growing fiscal pressures facing Ethiopian cities, the inadequacy of existing municipal revenue sources, and the need for sustainable financing mechanisms to support urban infrastructure and public service delivery. Hanan Morsy, Deputy Executive Secretary (Programme) and Chief Economist at the United Nations Economic Commission for Africa (UNECA), justified the ongoing tax reforms as efforts to modernize the tax system and expand the tax base.

[101] Ibid.; see also Ethiopian Broadcasting Corporation, "**የሕዝብ ተወካዮች ምክር ቤት የንብረት ታክስ ረቂቅ አዋጅን አጸደቀ፣**" 14 January 2025, available at: EBC Facebook Post (last accessed on 25 December 2025).

[102] *Addis Fortune*, supra note 93; Samuel Bogale, "With a New Tax on the Horizon, Regions Envision Fiscal Independence," *The Reporter Ethiopia*, 14 January 2023, available at: The Reporter Ethiopia (last accessed on 25 December 2025).

[103] Ibid

[104] Ibid

and thereby undermine the broader distributive objectives of the reform.[105] In a parliamentary hearing, Daniel Waktola, President of the Ethiopian Pharmaceutical Manufacturers Association (EPMA), argued that imposing property taxation on pharmaceutical manufacturers could threaten the viability of an already struggling sector characterized by low returns and high production costs.[106] Others have also raised concerns about the impact of the tax on real estate developers and rental prices, arguing that increased tax liabilities may be passed on to tenants through higher rents, thereby undermining housing affordability, particularly for low- and middle-income urban residents.[107] Some further contend that excessive taxation could discourage private real estate investment and slow housing supply in rapidly urbanizing cities.[108]

Other experts have also argued that property tax will not be free from the existing legal, institutional, and practical challenges facing tax administration to date such as informality, compliance problems, and administrative inefficiency.[109] Tadesse Lencho, a prominent tax scholar and legal expert, likewise supports the introduction of property tax, emphasizing both its historical foundations in Ethiopia and its consistency with principles of fiscal equity in the context of rapid urbanization and growing wealth concentration.[110] However, he argues that the legitimacy and effectiveness of the reform depend heavily on careful legislative design, institutional preparedness, and implementation capacity, particularly with respect to strengthening the fiscal and administrative autonomy of local governments .[111]

[105] *Addis Standard*, "News: Parliament Approves Property Tax Bill amid Concerns over Its Impact on Fixed-Income Citizens," 14 January 2025, available at: Addis Standard (last accessed on 25 December 2025); *Addis Insight*, "How to Calculate Property Tax in Ethiopia," 18 January 2025, available at: Addis Insight (last accessed on 25 December 2025).

[106] Aksah Italo, "Property Tax Plan Spurs Battle Over Costs, Equity, Economic Survival," *Addis Fortune*, Vol. 25, No. 1288, 3 January 2025, available at: Addis Fortune (last accessed on 25 December 2025).

[107] *Miles Africa*, "Impact of the New Property Tax Policy on Affordable Housing in Addis Ababa," 26/06/2023, available at: Miles Africa (last accessed on 25 December 2025); *Addis Standard*, "News: Parliament Approves Property Tax Bill amid Concerns over Its Impact on Fixed-Income Citizens," 14 January 2025, available at: Addis Standard (last accessed on 25 December 2025); Eden Sahle, "Development That Redraws the Rent Line," *Addis Fortune*, Vol. 27, No. 1357, 2 May 2026, available at: Addis Fortune (last accessed on 25 December 2025).

[108] Ibid

[109] Brook K. Abebe, "Progressive Tax Intentions Bring Regressive Outcomes for Low Income Earners," *Addis Fortune*, 15 June 2024, available at: Addis Fortune (last accessed on 25 December 2025); *Addis Standard*, "Commentary: Rising Taxes, Shrinking Wallets: How Ethiopia's Fiscal Reforms Strain Low-Income Households amid High Inflation, Stagnant Wages," 18 August 2025, available at: Addis Standard (last accessed on 25 December 2025).

[110] Samuel Bogale,With a New Tax On The Horizon, Regions Envision Fiscal Independence, The Reporter Ethiopia, January 14, 2023 https://www.thereporterethiopia.com/29754/ scholars such as Dr Tadesse Lencho,

[111] Ibid

In general, the discussion in this section, based on a critical review of media reports and public debates, shows that the principal concern centers on the risk of overburdening vulnerable urban populations already affected by inflation, rising housing costs, and insecure tenure. Public narratives surrounding property taxation remain deeply divided. State-owned media outlets such as Ethiopian Broadcasting Corporation, Fana Broadcasting Corporate, and *The Ethiopian Herald* largely frame the reform in developmental and technical terms, emphasizing its potential to expand municipal revenue, strengthen urban infrastructure, and promote sustainable urban finance in line with international practice. By contrast, private outlets such as *Addis Standard*, *The Reporter*, and *Addis Fortune* emphasize inflationary pressures, weak local government capacity, urban inequality, and deficiencies in land administration, while criticizing limited transparency and inadequate public consultation. Public opinion likewise reflects widespread distrust and concern that taxation in the absence of secure land tenure and effective administration may deepen existing structural problems and provoke resistance.

To sum up, despite differing political and institutional perspectives expressed in various ways, the controversies surrounding Ethiopia's property tax reform and the adoption of Proclamation No. 1365/2025 largely center on common issues. These include the allocation of taxing powers, the institutional readiness of local governments, the structure of property rights and land administration, and the potential inflationary effects of the tax on the broader economy, all of which reflect many of the tensions associated with post-1990s global property tax reforms. At the same time, both proponents and critics generally acknowledge the importance of property taxation and the need for reform, even though substantial disagreements remain over design and implementation. Some advocate gradual implementation, greater transparency, sustained public engagement, and technical reforms such as GIS-based valuation and digital cadastral systems. Others emphasize targeted relief measures, including exemptions, deferrals, and preferential treatment for vulnerable groups, as mechanisms to reduce public resistance, enhance equity, and strengthen the legitimacy of the reform.

7.4 Expert Insights from Delphi Rounds: Contentions and Consensuses

The preceding sections demonstrate that property tax reform in Ethiopia has been highly contentious and the process has generated divergent views regarding its necessity, timing, design, and potential socio-economic consequences. These tensions have been particularly evident in parliamentary debates and media narratives over the past several years, which disclose a politically and institutionally divided landscape. As discussed in Section 7.3, the controversies surrounding the reform threatened to stall its momentum, and Federal Property Tax Proclamation No. 1365/2025 was ultimately adopted largely because of the ruling party's political influence and the relative homogeneity of the HoPR. Parliamentary deliberations show that many members, primarily from the ruling party, supported the reform as a necessary mechanism to finance urbanization, strengthen urban local governments, and rationalize land use, while opposition members raised significant concerns. Similar ambivalence emerged in stakeholder workshops, public consultation forums, political party statements, and media discussions.

The principal objections to the reform center on fears that property tax may impose excessive burdens on urban residents and businesses and could intensify inflationary pressures, increasing housing unaffordability for low- and fixed-income groups, raising rental costs, and exacerbating financial strain on real estate developers and manufacturers. Concerns have also been raised regarding the feasibility of implementing property taxation within a context characterized by weak local government capacity, unresolved property rights and tenure insecurity, and underdeveloped land administration systems. These structural limitations are widely perceived as likely to undermine effective valuation, administration, and enforcement. In addition, disparities in institutional capacity and economic development across ULGs may produce inconsistent implementation, inter-city disparities, unequal taxpayer burdens, and weakened local governance unless supported by a more coherent and harmonized national framework.

Another major concern relates to the risk of corruption and rent-seeking within municipal land and revenue administration systems, which may undermine both the fairness and efficiency of property tax administration. Overall, the mixed reactions expressed across political institutions, expert communities, and public platforms reflect differing priorities, competing policy preferences, and the absence of broad consensus regarding the reform. This persistent ambivalence un-

derscores the importance of clearer public communication, stronger stakeholder engagement, and more inclusive deliberative processes to strengthen legitimacy and facilitate effective implementation.

Given the early and contentious nature of the reform, as well as the absence of broad consensus, the Delphi method was considered an appropriate tool for systematically gathering and synthesizing expert perspectives and assessing the possibility of building convergence on the drivers of property tax reform in Ethiopia.[112] To this end, two closed-ended questions incorporating open-ended components were developed based on the literature, comparative experiences from other countries, and Ethiopia's historical experience with property taxation, and were subsequently circulated to the expert panel via email.[113] The first question posed to the panel was: "Does Ethiopia need property taxation at this stage?".[114] This opening question sought to capture expert views regarding the necessity, timing, and urgency of introducing or reforming property taxation. In the accompanying explanatory email, panelists were invited to reflect not only on revenue mobilization objectives, but also on the broader economic, social, political, and administrative implications of implementing property taxation within Ethiopia's contemporary urban context. Expert opinions were sharply divided, particularly during the first Delphi round, as illustrated in Table 1.

Table 12: The Need for Property Taxation in Ethiopia (Delphi Rounds 1–3)

Delphi Round	Does Ethiopia need to have property taxation now?			
	Yes		No	
	Number	Percentage	Number	Percentage
Round 1	22	53.7%	19	46.3%
Round 2	29	70.7%	12	29.3%
Round 3	34	82.9%	7	17.1%

Source: Delphi Survey Results, 2025

As the table shows, of the 41 experts, 53.7% (n = 22) supported the introduction of property taxation, while 46.3% (n = 19) opposed it. This divergence, particularly evident in the first Delphi round, reflects the complex and contested nature of property taxation, both in Ethiopia's historical experience and in

[112] For discussion on the role of the Delphi method in tax research, see Chris Evans, Evgeny Guglyuvatyy and Natalie P. Stoianoff, "Applying the Delphi Method as a Research Technique in Tax Law and Policy," *Australian Tax Forum* Vol. 30, 2015, pp. 69–204; and Chris Evans, "Unravelling the Mysteries of the Oracle: Using the Delphi Methodology to Inform the Personal Tax Reform Debate in Australia," *eJournal of Tax Research* Vol. 5, No. 1, 2007, pp. 105–113.

[113] See Annex V

[114] Ibid

comparative international practice.[115] These differing perspectives largely stem from contrasting understandings of the principal drivers and objectives of property tax reform, as reflected in the academic literature and in contemporary tax administration and urban governance realities in Ethiopia. Analysis of the open-ended responses, supplemented by follow-up email and telephone communications, provided deeper insight into the reasoning underlying these positions. [116]

Opponents of the reform, most of whom were affiliated with the private sector and civil society organizations, considered the introduction of property taxation untimely and raised several substantive and administrative concerns consistent with earlier discussions. Nearly all emphasized the potential adverse effects of the tax amid rising prices and inflation, arguing that taxing land and landed property, as a major economic asset, could further intensify inflationary pressures by increasing the cost of other goods and services. They also argued that introducing land taxation under the current land policy framework is conceptually and operationally inconsistent.

Notably, two academic panelists questioned how the government could justify taxing bare land while maintaining that land has no market value and providing no compensation for use rights in cases of expropriation of undeveloped land.[117] This apparent policy contradiction, they argued, risks undermining public trust in both the tax system and the broader land governance regime. Additional concerns included implementation challenges, anticipated taxpayer resistance, and the limited readiness of existing institutional frameworks. Several experts highlighted weak municipal capacity to administer and enforce property taxation effectively. Others warned that, in a context of weak tax administration and systemic corruption, the reform could exacerbate existing inequalities in land and housing markets.

In contrast, proponents emphasized Ethiopia's persistently low tax-to-GDP ratio, the fiscal constraints of ULGs, and the growing demand for urban infrastructure and services. They underscored the urgency of property tax reform as a mechanism for strengthening local revenue gener-

[115] See Enid Slack and Richard M. Bird, *OECD Working Papers on Fiscal Federalism* No. 18, 2014; see also Isaac William Martin, *The Permanent Tax Revolt: How the Property Tax Transformed American Politics*, Stanford University Press, 2008. The history of property taxation has been marked by persistent public resistance, ranging from medieval peasant uprisings to colonial tax rebellions and modern opposition to land taxation. Such tensions often arise from perceptions of unfairness, unequal tax burdens across social classes, and the use of tax revenues without corresponding public benefits.

[116] See Section 1.6 of Chapter One of this dissertation.

[117] Tom Goodfellow and Olly Owen, Thick Claims and Thin Rights: Taxation and the Construction of Analogue Property Rights in Lagos, Economy and Society Vol. 49, No. 3, 2020, PP. 406–432

ation and supporting sustainable urban development. Experts, particularly those in federal and regional government institutions, noted the absence of alternative value-capture instruments capable of mobilizing rising urban land values. One senior official in the municipal revenue department of the MoUI observed that brokers and speculators currently capture gains from rising urban land values, which is driven largely by speculation and informal market activity, without contributing to public revenue. Overall, proponents view property taxation as a key instrument for addressing structural weaknesses in municipal finance and land administration, including inequality, corruption, and inefficient land use.

As Table 4 shows, Round 2 reflected a clear shift in opinion, with 70.7% (n = 29) in favor and 29.3% (n = 12) opposed. By Round 3, a substantial convergence had emerged: 82.9% (n = 34) supported the reform, while 17.1% (n = 7) remained opposed. This iterative process highlights the value of structured engagement in building consensus and clarifying the drivers of reform. However, the initial polarization is analytically significant, reflecting broader concerns associated with property taxation itself.

Despite the growing consensus, complete alignment was not achieved, as a persistent minority remained opposed across both the second and third rounds. Importantly, this minority did not reject property taxation per se; rather, their concerns centered on the institutional capacity of ULGs, the prevailing culture of municipal revenue administration, and the historical trajectory of land policy in Ethiopia. This suggests that disagreements extend beyond technical design issues to deeper questions of institutional readiness, political feasibility, and the social legitimacy of property taxation.

Accordingly, it was necessary to examine whether commonly cited theoretical justifications for property taxation are applicable in the Ethiopian context. To this end, a subsequent question presented three widely recognized justifications, asking panelists to assess whether each constitutes a genuine driver of reform, as summarized in Table 2.[118]

Table 13: Expert Insights on Drivers of Property Tax Reform in Ethiopia (Delphi I-III)

Question/Drivers	**Round I (n = 41)**		**Round II (n = 41)**		**Round III (n = 41)**	
	No.	(%)	No.	(%)	No.	(%)

[118] Annex III

Question/Drivers	Round I (n = 41)		Round II (n = 41)		Round III (n = 41)	
Which of the following is the main driver of property tax reform in Ethiopia?						
a) Strengthening revenue mobilization and empowering ULGs	6	14.6	3	7.3	1	2.4
b) Enhancing property rights and improving urban land administration practices	8	19.5	2	4.9	1	2.4
c) Ensuring social equity and supporting wealth redistribution	3	7.3	0	0.0	1	2.4
d) A combination of all the above factors	14	34.1	36	87.8	38	92.7

Source: Delphi Survey Results, September-December 2024

The Delphi results indicate a clear shift from division to near-consensus on the drivers of property tax reform in Ethiopia. In Round I, responses were dispersed across competing rationales, with only 34.1% identifying a combination of drivers, while others prioritized property rights and land administration (19.5%), revenue mobilization and ULG empowerment (14.6%), or social equity (7.3%). This dispersion reflects not merely divergent preferences but the coexistence of competing reform logics and uncertainty regarding their sequencing under existing constraints. By Round II, convergence strengthened markedly, with 87.8% selecting a combined rationale, rising to 92.7% in Round III. This progression is analytically significant, as it shows a shift from reductionist and discrete views toward an integrated understanding of reform drivers as mutually reinforcing. At the same time, residual deviations signal that underlying tensions persist, particularly regarding the prioritization of revenue mobilization, institutional reform, and distributive objectives. Overall, the findings confirm that property tax reform in Ethiopia is inherently multidimensional and requires alignment across fiscal, institutional, and equity considerations to ensure both technical coherence and political sustainability.

The first concern is about the role of property taxation in strengthening revenue mobilization and empowering ULGs. A number of respondents, even those who acknowledge the urgent need to expand local revenue sources, questioned whether the government's rush to introduce property tax is genuinely rooted in a desire to empower ULGs, or if it is primarily motivated by external fiscal pressures. The respondents raised the long neglect of federal system and decentralization programs in Ethiopia to urban governance and ULGs. It was raised that ULGs remain politically, administratively and fiscally dependent to regional and federal governments, and which remain not autonomous, empowered and accountable to urban dwellers. Expressing this skeptical view of the reform’s underlying intent, one panelist explained:

> "The government appears eager to mobilize revenue from every possible source, as it has recently done with VAT, income tax, and various administrative fees and charges. Similarly, property tax reform appears more reactive to fiscal shortfalls than aligned with a strategic vision for local government empowerment. The influence of the IMF and World Bank cannot be underestimated, as they routinely push for domestic resource mobilization targets. It is therefore unclear whether the property tax reform is genuinely intended to strengthen local governments or simply to plug growing national fiscal gaps."

This statement encapsulates a widely held view that the reform may be externally driven and implemented in the spirit of central revenue maximization, though it is framed in the language of fiscal decentralization. This perspective is supported by both the literature and the experiences of many developing countries, where similar reforms have failed to align with local autonomy and service delivery, focusing instead on meeting macroeconomic conditions. Relatively successful tax reforms in South Africa and Germany were carried out with reforms that elevate the legal status and institutional capacity of municipalities and prepare them to effectively implement reforms, and to collect and enforce property taxation. This suggests that Ethiopia's ongoing property tax reform should be accompanied by parallel reforms aimed at strengthening the capacity and autonomy of its ULGs.

The second cluster of concerns revolved around the land policy framework. Despite hopes that property tax reform could enhance property rights and improve urban land administration, many panelists expressed suspicion about its actual implementation. They raised concerns about the government's commitment, noting that although it now appears to be shifting away from its earlier stance[119] and has pledged to initiate reforms, meaningful changes have yet to materialize. The cumulative analysis of responses to the open-ended questions indicates a shared concern regarding the appropriateness of proceeding with property tax reform prior to revising the land policy. In particular, academic respondents highlighted a fundamental contradiction between the government's position that land has no market value, especially in cases of expropriation or

[119] The EPRDF government was known for saying that land policy would only change 'over its dead body.' Currenlty, partuiculalry uinder the new homgrown economic policy of PP, there are attempts to relax the policy, which is siad to reach privatizing urban land. See generally, Tom Lavers, "Revolution and Evolution in Ethiopian Land Tenure: Strategic Interests and Ideological Shifts During 50 Years of Reform," *Land Use Policy* Vol. 164, 2026; Yidneckachew Ayele Zikargie and Logan Cochrane, "From Developmentalism to the Homegrown Economy of Ethiopia: The Narratives and the Reality," *Heliyon* Vol. 10, No. 15, 2024.

within the land market[120], and its simultaneous intent to impose taxes on land use rights or to assess property tax based on land value. For many, this contradiction signals an unwillingness to address the deeper institutional weaknesses in property rights and land governance. One academic respondent noted:

> "You cannot say land has no market value when you expropriate it from the poor, and then turn around and assign a taxable value to the same land. This reveals a lack of policy coherence. If the government wants to tax property, it must first reform its land laws, improve transparency in land allocation, ensure good governance in land administration, and recognize urban land as a real economic asset. Otherwise, it's taxing something it denies even exists."

This quote highlights not only a technical inconsistency but also a deep-seated policy problem. Without reforms to the urban tenure system and secure property rights, property taxation may be seen not as a fair contribution to public goods, but as an opportunistic extraction or simply reflects a lack of coherence in the government's reform agenda, to make it simple.

Perhaps the most contested justification was the notion that property taxation would promote equity and redistribution despite a statistically significant number of respondents accept it as a reform driver. While in theory, property taxes can serve redistributive goals by targeting wealthier landowners, experts pointed to the specific socioeconomic conditions in Ethiopia such as widespread informality, high land speculation, land corruption, housing shortages, and weak urban safety nets, which could turn the tax regressive in practice. One of the responses in the second Delphi round cautioned:

> "In the current economic situation of urban centers, taxing land and housing will not hurt the rich rather it will hurt the poor. Many low-income households live in slums and semi-formal structures, even though the land they occupy can be quite valuable due to its location. As a result, a tax on land and buildings would likely be passed on to tenants or result in even worse living conditions. Given the current climate of inflation and rising living

[120] Under Ethiopian land laws, land is publicly owned, no open land market exists, and land itself is excluded from compensation as it has no recognized market value. Although urban land leaseholders may transfer their leasehold rights, the government is entitled to reclaim any value exceeding the lease price and the value of improvements, if any. See Proclamation No. 721/2011, Art. 24(3). See generally, Daniel Weldegebriel, "Land Rights in Ethiopia: Ownership, Equity, and Liberty in Land Use Rights," *FIG Working Week 2012*, Rome, Italy, 6–10 May 2012, pp. 18–19.

> costs, introducing a new tax, even if fair in principle, could trigger serious backlash. The government is already fueling inflation by raising existing taxes and fees, as well as introducing new ones. I am concerned that property tax may intensify inflationary pressures, especially for low- and fixed-income households."

This quote highlights a key policy dilemma frequently discussed in property tax literature. There is broad consensus that property tax collection can exacerbate inequality if it is not carefully designed with regard to the tax base, rates, exemptions, and administrative safeguards. The respondent expresses skepticism about whether the third justification for the tax reflects a genuine concern and warns that implementing a property tax amid high inflation and rising living costs may disproportionately burden low- and fixed-income households, who are least able to absorb additional expenses, despite the tax's theoretical rationale.

The percentage scores from the first round, as well as the subsequent qualitative responses to open-ended questions, reveal a depth of concern surrounding both the design and implementation of the reform. However, they do not amount to a wholesale rejection of the justifications as drivers of the reform. Rather, they call for greater government commitment to realizing the stated objectives and highlight the need for complementary reforms in local governance, land policy, and the broader economy. Furthermore, the diversity of perspectives underscores the importance of continued dialogue and rigorous analysis prior to implementing the reform. This is reflected in Round 2, in which the questions were resent to dissenting panelists along with explanatory notes, scholarly literature, international comparative experiences, and historical references from the Derg and Haile Selassie periods.

As a result, panelists reached full consensus that the three justifications are valid and essential for introducing property taxation in Ethiopia. This convergence, even among those initially opposed to property taxation and the reform, suggests that while consensus may be lacking regarding the timing or mechanics of implementation, there is broad agreement on the normative justifications for property taxation in principle. This shift also highlights an important feature of the Delphi method, which not only gathers expert opinion but fosters alignment through structured feedback and reflection.

To sum up, given the complexity of property tax reform, early suspicion and a lack of consensus regarding the government's intentions are not unexpected. Nevertheless, the practical concerns raised by dissenting panelists remain highly relevant for policymakers. Even more than expert insights, political and public discourse surrounding property taxation in Ethiopia has been fragmented and remains contentious. Addressing these challenges requires strong political commitment to meaningfully engage with expert input, develop credible policy plans, and implement strategies that foster public awareness and trust. The literature also confirms that, ultimately, even technically sound reforms require political buy-in, institutional credibility, and public trust without these measures.[121] Yet, achieving consensus-building is not a one-time event but a continuous process.

7.5 Recognition of Reform Drivers under the Law

The Ethiopian property tax reform, initiated in 2011 and ongoing for over a decade, reached a significant milestone with the adoption of the landmark Federal Property Tax Proclamation No. 1365/2025. This proclamation was enacted pursuant to a joint resolution of the HoF and the HoPRs, which authorized the federal government to promulgate framework legislation while mandating regional and local governments to adopt detailed laws to operationalize its implementation.[122] To this end, the federal government, in collaboration with international partners, is developing model laws to guide and harmonize subnational adoption.[123] Both Proclamation No. 1365/2025 and the model regional law have crystallized and codified the long-standing quest for property tax reform in Ethiopia. The preambles of the laws provide important insights into the underlying rationale and policy motivations of Ethiopia's property tax reform, emphasizing that the reform is driven not merely by the need to increase revenue, but by broader structural, fiscal, and governance objectives. These include empowering ULGs through enhanced revenue generation and fiscal autonomy, promoting equity through fair wealth redistribution, strengthening the

[121] See, for example, Roy Kelly, "Implementing Sustainable Property Tax Reform in Developing Countries," in Richard M. Bird and Jorge Martinez-Vazquez (eds.), *Taxation and Development: The Weakest Link?*, Studies in Fiscal Federalism and State-Local Finance Series, 2014.

[122] House of Federation and House of Peoples' Representatives, Joint Resolution, 11 January 2023 (hereinafter "the Joint Resolution").

[123] Ministry of Finance, "The … Regional State Property Tax Proclamation No. …/2025," *A Model Regional Property Tax Law*, 2025 (hereinafter "Regional Model Law").

municipal finance culture, and improving the governance of urban land. This section critically analyzes these key drivers as reflected in the legislative preambles.

7.5.1 Revenue Generation and ULGs Empowerment

The deficiencies in Ethiopia's existing municipal revenue system, particularly the outdated land rental and building tax regime, and the limited fiscal empowerment of ULGs constitute a central driver behind the country's property tax reform. Proclamation No. 1365/2025 explicitly acknowledges that "the existing land rental and building tax system has not enabled urban areas in Ethiopia to meaningfully generate their own revenues to meet the expanding service and facility needs of their fast-growing resident population."[124] Similarly, the Model Regional Property Tax Proclamation underscores the need to strengthen "the fiscal autonomy and capacity of urban local governments."[125] These provisions situate fiscal inadequacy within the broader challenges of rapid urbanization and the growing demand for infrastructure and services.

In many countries property tax reforms also strengthen the institutional legitimacy of ULGs by fostering a reciprocal relationship with citizens and enhancing accountability that in turn drives improved service delivery and enhanced quality of urban infrastructure. In this regard, Proclamation No. 1365/2025 bestows ULGs with explicit powers and functions concerning the imposition, administration, and enforcement of property taxation. These include the authority to identify and register taxable properties within their jurisdictions, classify and assess property values using standardized valuation methods, determine applicable tax rates within federally prescribed ranges, and manage billing, collection, and enforcement.[126]

Moreover, ULGs are empowered to establish dedicated revenue administration units, issue implementing regulations and directives, address taxpayer grievances and disputes, and ensure transparency and accountability across the entire property tax cycle.[127] This delegation of fiscal authority reflects a deliberate policy shift toward operationalizing ULG autonomy, enhancing administrative capacity, and embedding property taxation within the broader architecture of de-

[124] Federal Property Tax Proclamation No. 1365/2025, *Negarit Gazeta*, Year 31, No. 32, Art. 41(1) (hereinafter Proclamation No. 1365/2025), Preamble, para. 1
[125] Regional Model Law, Preamble, para. 1
[126] Ibid, Arts. 8-15
[127] Ibid, Arts. 16-34

centralized urban governance.[128] This is further buttressed with a clear provision for revenue utilization especially under the model regional law.[129] The Ethiopian property tax reform is therefore marks a progressive stance, suggesting a more deliberate orientation toward empowering local governments, which is somewhat lacking in the Ethiopian federal system discussed under chapter two of this dissertation.

7.5.2 Social Equity and Wealth Redistribution

Another prominent driver of Ethiopia's property tax reform, as also clearly articulated in both the legal instruments, is the promotion of social equity through fair wealth redistribution. In this regard, the Federal Property Tax Proclamation No. 1365/2025 explicitly states that "[p]roperty tax will enhance fair wealth distribution among city dwellers as well as collection of more tax revenue from the increase in property value, which can be used for investment expenditures….".[130] Similarly, the Model Regional Property Tax Proclamation reinforces and elaborates this theme by framing property tax as a mechanism to "promote social equity and fair wealth redistribution by enabling revenue collection from rising property values and reinvesting it in the provision, maintenance, and sustainability of quality public services and infrastructure."[131] Both instruments foreground the normative objective by framing property taxation not merely as a fiscal tool, but also as a structural mechanism for addressing urban inequality and promoting inclusive, accountable local governance.

This reflects a clear recognition that rising property values, often driven by collective public investments and broader market forces, should be taxed in a manner that recaptures a portion of the unearned increment for public benefit. This rationale aligns with the principle of land value capture, a cornerstone of equitable urban fiscal policy that is gaining increasing global traction. [132] In particular, the model regional proclamation establishes a direct normative and operational link between increasing property values, tax collection, and the reinvestment of public revenues into

[128] Ibid, Art. 62
[129] Ibid, Art. 44
[130] Proclamation No. 1365/2025, Preamble, para. 2
[131] Regional Model Law, Preamble, para. 2
[132] George E. Peterson, *Unlocking Land Values to Finance Urban Infrastructure*, World Bank, Note No. 4, August 2008; George R. Parsons and Joëlle Noailly, "A Value Capture Property Tax for Financing Beach Nourishment Projects: An Application to Delaware's Ocean Beaches," *Ocean & Coastal Management* Vol. 47, Iss. 1–2, 2004, pp. 49–61; and Funlola Famuyiwa, "A Land Value Capture Property Tax Schedule for Municipal Infrastructure Financing in Lagos State, Nigeria," *Journal of African Real Estate Research* Vol. 5, Iss. 2, 2020.

local services. In doing so, it mirrors international best practices, especially from jurisdictions in Latin America and the Global South, where property taxation is increasingly leveraged as a tool for urban inclusion and fiscal justice. [133]

In the Ethiopian context, the equity-based rationale is commonly considered in the broader challenges of rapid urbanization and widening spatial and economic inequalities.[134] Studies in the field emphasize that the concentration of land ownership and rising property values in urban cores, coupled with the proliferation of informal settlements and deficits in infrastructure, have intensified the demand for redistributive fiscal instruments. Property taxation is uniquely positioned to address these dynamics, as it targets immovable assets that typically appreciate due to public investments in roads, utilities, and other urban amenities.[135] The reform thus serves as a corrective mechanism, ensuring that the gains from urban growth are more equitably shared rather than disproportionately captured by private landowners and real estate speculators.

7.5.3 Urban Land Governance

A closer reading of the preambles to the Federal Property Tax Proclamation No. 1365/2025 and the Model Regional Property Tax Proclamation reveals an emerging recognition of the inextricable link between property taxation and urban land governance. The federal proclamation frames the reform within the broader ambition of "strengthening market systems" and enhancing the "efficiency and effectiveness in the valuation of landed property."[136] While this language implicitly addresses land governance concerns, it does so from a market efficiency standpoint, without fully engaging the legal and institutional complexities surrounding property rights, tenure security, and land administration.

In contrast, the Model Regional Proclamation adopts a more direct and holistic posture. It explicitly frames property taxation as a mechanism for "improved urban land governance" through transparency, accountability, and more effective systems of land identification, registration, val-

[133] Tom Goodfellow, "Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia," *African Affairs* Vol. 116, Iss. 465, 2017, pp. 549–572.
[134] Ibid.; see also Tsega Gebrekristos, "Urbanization and Development in Ethiopia: Policy Issues, Trends and Prospects," in Mengistu Ketema and Getachew Diriba (eds), *State of the Ethiopian Economy (2020/21): Economic Development, Population Dynamics, and Welfare* (Ethiopian Economics Association, 2021), pp. 93–158.
[135] Richard M. Bird and Enid Slack, "Land and Property Taxation: A Review," *Workshop on Land Issues in Latin America and the Caribbean*, Vol. 19, 2002.
[136] Proclamation No. 1365/2025, Preamble, para. 3

uation, and taxation.[137] The model law's depth and emphasis represents a significant conceptual shift from treating tax administration as an isolated fiscal function toward embedding it within broader processes of land formalization and institutional reform. This approach resonates with global experiences such as from Brazil and Germany, where property tax reforms were purposefully linked to cadastral development, tenure regularization, and efforts to integrate informal settlements into formal governance structures.[138]

In Ethiopia, urban land governance is characterized by plural and often overlapping tenure systems, weak land registration and cadastral coverage, undefined and insecure land rights, and the proliferation of informal settlements.[139] These conditions fundamentally undermine the capacity of ULGs to manage and mobilize revenues from the urban growth. In this context, property tax reform can catalyze accurate property identification, registration and valuation, which are also essential for secured property right and good land administration. Thus, the property tax system, especially the proclamation No. 1365/2025, should have explicitly articulated issues of property rights and land governance. Without addressing these foundational issues, there is a risk that the property tax reform will operate on fragile legal and institutional terrain, especially in cities where there is insecurity of rights, informal tenure dominates and cadastral systems are weak or nonexistent.

7.5.4 Harmonized System of Property Taxation

Given the current fragmented and fragile system of property-related taxes and charges in Ethiopia, enforcing a harmonized property tax framework presents both a critical need and a significant challenge. The coexistence of outdated legal instruments such as the Urban Land Rent and House Tax Proclamation No. 80/1976 and regionally divergent municipal revenue practices has created a patchwork of inconsistent and inefficient revenue systems across urban centers. The recent adoption of Property Tax Proclamation No. 1365/2025 provides a long-overdue opportunity to unify and modernize this system by introducing standardized procedures for property identification, valuation, registration, and taxation that reflect the socio-economic realities of a

[137] Regional Model Law, Preamble, para. 3

[138] Richard M. Bird and Roy W. Bahl, "Subnational Taxes in Developing Countries: The Way Forward," *Public Budgeting & Finance* Vol. 28, No. 4, 2008, pp. 1–25.

[139] Nesru H. Koroso and Jaap A. Zevenbergen, "Urban Land Management Under Rapid Urbanization: Exploring the Link Between Urban Land Policies and Urban Land Use Efficiency in Ethiopia," *Cities* Vol. 153, 2024.

growing and urbanizing Ethiopia. Like other federal systems, harmonization is not merely a technical aspiration but also a constitutional and fiscal imperative, grounded in the pledge to "build one economic society" and to standardize and coordinate revenue collection (and spending).[140] It serves to mitigate the risks of tax competition, administrative fragmentation, and inter-jurisdictional inequities that can undermine both the efficiency and legitimacy of public finance systems.[141] This is particularly critical in the early phases of property tax reform, as in Ethiopia, where establishing uniformity and coherence is essential to building credibility, institutional capacity and public trust.

A key feature of the evolving property tax regime in Ethiopia, as articulated in both Federal Proclamation No. 1365/2025 and the Model Regional Property Tax Proclamation, is a deliberate emphasis on harmonization and coherence across jurisdictions. Proclamation No. 1365/2025, enacted pursuant to the joint resolution of the two Houses to establish a federal framework legislation, explicitly states that it is "applicable throughout the country" and clearly signals the intent to establish a nationally coordinated, if not fully unified, property tax framework.[142] In support of this, the law outlines a comprehensive set of normative principles to guide tax bases definition, rate setting, exemptions, valuation, assessment, billing, collection, enforcement and dispute resolution.[143] It also defines the powers and responsibilities of federal, regional, and local government bodies.[144] The Model Regional Law takes a more assertive stance on harmonization by explicitly mandating the correction of "fragmented and inconsistent practices".[145] It also replicates the same substantive and procedural provisions across all urban centers within a region, along with clearly defined roles and responsibilities at both the regional and ULG levels. [146]

In general, the federal and regional legislations seek to reduce disparities, prevent arbitrary practices, and enhance equity across urban centers by codifying core principles and establishing a coherent national property tax framework. This reflects Ethiopia's broader governance ambition

[140] Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995, *Federal Negarit Gazeta*, Year 1, No. 1, preamble, (hereinafter "FDRE Constitution").
[141] Wallace E. Oates, "An Essay on Fiscal Federalism," *Journal of Economic Literature* Vol. 37, No. 3, 1999, pp. 1120–1149.
[142] Proclamation No. 1365/2025, Preamble, para. 3 & 4 cum Art. 3
[143] Ibid, The proclamation provides different substantive and procedural provisions. See chapter nine of this dissretaition for the details.
[144] Ibid, Art. 4
[145] Regional Model Law, Preamble, para. 4
[146] Ibid, Art. 62

to build a decentralized and autonomous yet coherent urban fiscal system capable of supporting sustainable urban development. In this context, harmonization is not a constraint on regional innovation, but rather a scaffold upon which a more equitable, accountable, and fiscally resilient system of urban governance can be constructed. However, effective enforcement of harmonization requires strong intergovernmental coordination, a clear delineation of responsibilities (among federal, regional, and municipal governments), enhanced capacity of ULGs, and greater public awareness. Without addressing these foundational issues, harmonization risks remaining a legal aspiration rather than becoming a practical reality.

7.6 Interim Conclusion

Ethiopia's persistent municipal financing gap, intensified by rapid urbanization and growing service demands, has made property tax reform both necessary and unavoidable. The initiation of reform in 2011 and its culmination in the adoption of the Federal Property Tax Proclamation No. 1365/2025 and the Model Regional Proclamation mark a significant normative and legislative turning point in the country's urban fiscal governance. Yet, the reform has unfolded within a context characterized by deep contestation over its timing, design, and implications. This reflects not merely disagreement over policy details but a more fundamental lack of consensus regarding the underlying drivers, sequencing, and institutional readiness required for effective implementation.

Drawing on comparative literature and Delphi-based expert insights, this chapter has demonstrated that property tax reform in Ethiopia is anchored in three interrelated drivers: the need to strengthen revenue mobilization and empower ULGs, to improve property rights and urban land governance, and to promote social equity through redistribution. However, these drivers do not operate independently; rather, they interact within a complex political economy shaped by centralized governance structures, public land ownership, and weak administrative capacity. The Delphi findings reveal an important dynamic: while initial expert opinion was fragmented and cautious, which reflects concerns over feasibility, coherence, and distributive impacts, iterative engagement produced convergence around the recognition that reform is inherently multidimensional. At the same time, persistent minority dissent signals that underlying tensions, particularly regarding sequencing, institutional capacity, and political legitimacy, remain unresolved.

The doctrinal analysis further shows that Proclamation No. 1365/2025 and the Model Regional Law formally incorporate these drivers, signaling alignment between policy discourse and legislative intent. However, this alignment is primarily normative rather than operational. The law codifies ambitious objectives such as fiscal decentralization, equity, and improved land governance without fully resolving the structural contradictions identified throughout this dissertation, notably the coexistence of market-based valuation with public land ownership, and decentralized responsibilities with centralized control. As such, the reform reflects a pattern of constrained institutionalization, where advanced policy design outpaces the institutional conditions necessary for its realization.

Accordingly, the Ethiopian property tax reform should be understood not as a completed policy settlement but as an ongoing and contested transformation. Its success will depend less on the formal adoption of legislation than on the extent to which parallel reforms are undertaken to strengthen ULG autonomy, build administrative capacity, clarify property rights, and enhance public trust. Without such alignment, the reform risks remaining formally modern yet substantively fragile. More broadly, the Ethiopian case illustrates a critical comparative insight: effective property tax reform is not merely a technical exercise in fiscal design but a deeply institutional and political process, requiring coherence between legal frameworks, governance structures, and societal acceptance.

CHAPTER EIGHT

THE PROPERTY TAX ASSIGNMENT PROBLEM AND ITS RESOLUTION IN THE REFORM PROCESS

8.1 Introduction

Property taxation has deep historical roots in Ethiopia, although its development has been uneven and largely dormant since the 1974 Revolution, as discussed in Chapter 6. Reform efforts initiated in 2011 took more than a decade to materialize. One of the principal obstacles throughout this period was constitutional ambiguity concerning the assignment of property tax powers and the mechanisms for resolving related disputes. The Constitution's lack of clarity regarding legislative and administrative responsibilities generated contestation among federal, regional, and, to a lesser extent, local governments, particularly after the reform regained momentum in 2019/20. Ultimately, on 11 January 2023, the two Federal Houses jointly decided to allocate property tax powers among the three tiers of government. This decision subsequently led to the adoption of Proclamation No. 1365/2025 and a regional model law that define specific institutional responsibilities. However, the scope and content of these powers, as well as their implications for subnational fiscal autonomy, remain unclear. Against this background, and drawing on interview data, Delphi consultations, and relevant laws and literature, this chapter critically examines the assignment of property tax powers and the mechanisms adopted for resolving related disputes, in line with the study's fifth research objective.

The chapter is organized into eight sections. Section 8.2 reviews relevant comparative experiences. Section 8.3 outlines the allocation of tax powers within Ethiopia's federal system. Section 8.4 examines the constitutional status of property taxation. Section 8.5 analyzes the 2023 Joint Decision of the Federal Houses and its implications for resolving the assignment problem. Section 8.6 examines the division of property tax functions under Proclamation No. 1365/2025 and the Model Law. Finally, Section 8.7 presents interim observations synthesizing the chapter's principal findings and implications.

8.2 Theories, Country Experiences and Trends in Property Tax Assignment

Classical and contemporary fiscal federalism theories provide a framework for allocating functions and revenues across levels of government. Following Richard A. Musgrave and Wallace E. Oates, redistributive and stabilization functions are assigned to central governments, while subnational governments rely on immobile local taxes, particularly property tax, to enhance fiscal autonomy and accountability.[1] Subsequent decentralization theories refined this model by emphasizing the institutional and political conditions shaping such assignments.[2] Despite extensive scholarship, allocating taxes among national, regional, and local governments remains contentious and is commonly described as the "tax assignment problem."[3] Tax assignment entails political and institutional trade-offs involving revenue adequacy, equity, efficiency, and accountability.[4] Normative criteria generally support centralizing mobile and redistributive taxes while assigning immobile, benefit-linked taxes locally, making property tax the principal subnational revenue source.[5] Its immobility, visibility, relative stability, and benefit linkage make it particularly suitable for local finance.[6]

However, this assumption is misleading, as property tax assignment has never been insulated from broader tax assignment challenges and often requires higher-level government involve-

[1] See, for example, Richard A. Musgrave and Peggy B. Musgrave, *Public Finance in Theory and Practice*, 5th ed., McGraw-Hill Book Company, 1989, pp. 3–14; Wallace E. Oates, "An Essay on Fiscal Federalism," *Journal of Economic Literature*, Vol. 37, 1999, pp. 1120–1149.

[2] See, for example, Kshitiz Shrestha and Charles R. Hankla, *Decentralization in Theory and Practice: A Comprehensive Review*, International Center for Public Policy, Working Paper No. 25-11, 2025; Roberta Ryan and Ronald Woods, *Decentralization and Subsidiarity: Concepts and Frameworks for Emerging Economies*, Forum of Federations, 2015, pp. 1–6.

[3] See, for example, Charles E. McLure, *The Tax Assignment Problem: Conceptual and Administrative Considerations in Achieving Subnational Fiscal Autonomy*, Paper Presented at a Conference Organized by the National Economic and Social Development Board of the Royal Thai Government and the World Bank, Chiang Mai, Thailand, February 24–March 5, 1999, p. 4; Wallace E. Oates, "Taxation in a Federal State: The Tax-Assignment Problem," *Public Economics Review*, Vol. 1, 1996, pp. 55–60.

[4] See also Richard A. Musgrave and Peggy B. Musgrave, supra note 1, pp. 454–455.

[5] See, for example, Jorge Martinez-Vazquez and Mark Rider, *The Assignment of the Property Tax: Should Developing Countries Follow the Conventional Wisdom?*, International Studies Program Working Paper No. 08-21, December 2008; Richard M. Bird, "Rethinking Subnational Taxes: A New Look at Tax Assignment," *Tax Notes International*, Vol. 8, No. 2, 1999, pp. 2069–2096; Jorge Martinez-Vazquez, Luc Noiset and Mark Rider, "Assignment of the Property Tax: Should Developing Countries Follow the Conventional View," in Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman (eds), *Challenging the Conventional Wisdom on the Property Tax*, Lincoln Institute of Land Policy, 2010, pp. 299–349.

[6] Ibid

ment.[7] In practice, property tax performance in many developing countries remains weak due to institutional and administrative constraints rather than theoretical limitations. [8] Weak legal frameworks, fragmented land governance, limited cadastral coverage, and inadequate technical capacity undermine property identification, valuation, and enforcement. [9] Property taxation also affects land markets and livelihoods, raising concerns over equity, investment incentives, and political resistance.[10] These challenges necessitate central and regional government involvement in ensuring legal clarity, strengthening land administration, and providing technical and fiscal support.[11] Without such coordination, property taxation cannot serve as an effective and equitable foundation of subnational finance despite its strong theoretical appeal.[12]

Thus, although property tax is primarily a local government tax, its design and administration involve shared responsibilities among federal, regional, and local governments. The allocation of these responsibilities varies across countries according to legal frameworks, institutional capacity, and political structure. While decentralizing property tax administration is widely supported, countries differ in assigning specific functions to each level of government. A cross-country study by Jorge Martinez-Vazquez and Mark Rider, based on data from 59 countries, illustrates these variations, as shown in Table 1.[13]

Table 14: Property Tax Assignment Practices of a Sample of 59 Countries

Property Tax Function	Central		Subnational		Shared		No Information	
	n	%	n	%	n	%	n	%
Revenue assignment	10	16.9%	40	67.8%	8	13.6%	1	1.7%
Authority to change base/rate	12	20.3%	16	27.1%	26	44.1%	5	8.5%
Cadastre	27	45.8%	19	32.2%	10	16.9%	3	5.1%
Billing and collections	16	27.1%	38	64.4%	3	5.1%	2	3.4%

Source: Jorge Martinez-Vazquez and Mark Rider, 2008, P. 26

[7] See generally, Robin Boadway and Anwar Shah, *Fiscal Federalism: Principles and Practices of Multiorder Governance*, Cambridge University Press, 2009, pp. 188–190.

[8] Roy Bahl and Jorge Martinez-Vazquez, *The Property Tax in Developing Countries: Current Practice and Prospects*, Lincoln Institute of Land Policy Working Paper No. WP07RB1, 2007; Jorge Martinez-Vazquez, "Tax Assignments at the Regional and Local Level," in Ehtisham Ahmad and Giorgio Brosio (eds), *Handbook of Multilevel Finance*, Edward Elgar Publishing, 2015, pp. 358–388 (p. 370).

[9] Ibid

[10] Ibid

[11] Ibid

[12] Ibid

[13] See, for example, Jorge Martinez-Vazquez and Mark Rider, supra note 5, p. 26.

The table shows a clear trend toward decentralization in revenue assignment and tax administration. In more than two-thirds of the surveyed countries (67.8%), property tax revenue is assigned to subnational governments, while billing and collection functions are handled locally in 64.4% of cases. These patterns reflect the immobile nature of property tax and its close connection to the benefit principle. By contrast, functions requiring greater technical capacity or standardization, such as cadastral management and determining the tax base and rates, are often centralized or shared. Nearly half of the countries (45.8%) centralize cadastre administration, underscoring its technical complexity and resource demands. Likewise, tax base definition and rate setting are commonly shared between central and subnational governments to balance local fiscal autonomy with national oversight.[14] Such arrangements help limit horizontal inequities and harmful tax competition while preserving a degree of local discretion.[15]

Country-specific cases further illustrate the diversity of approaches to assigning property tax functions. To this end, this article draws on selected findings from the cross-country analysis by Jorge Martinez-Vazquez and Mark Rider, as presented in Table 2.[16] The table illustrates the varied allocation of legislative and administrative property tax functions across levels of government. In Thailand and Tanzania, local governments perform most administrative tasks such as billing and collection, while central authorities retain control over rate-setting or approvals. South Africa employs a layered model in which local governments administer property taxes under national and provincial regulation. Russia follows a more centralized approach, with subnational governments operating within strict federal limits and limited appeal mechanisms. Germany and China adopt hybrid systems that centralize technically demanding functions, such as valuation and rate-setting, while decentralizing administration. Brazil applies a differentiated approach, assigning urban property taxation to municipalities and rural taxation to the federal government. These cases reveal broader institutional patterns. Administrative functions, particularly billing and collection, are commonly decentralized to improve accountability and service delivery, whereas technically complex functions, including cadastral management and valuation, tend

[14] Jon H. Fiva and Jørn Rattsø, "Local Choice of Property Taxation: Evidence from Norway," *Public Choice,* Vol. 132, No. 3, 2007, pp. 457–470.
[15] See, for example, Jorge Martinez-Vazquez and Mark Rider, supra note 5, p. 26.
[16] Ibid, P. 29-36

to remain centralized.[17] Tax base definition and rate-setting are also frequently shared to balance local fiscal autonomy with national oversight and policy coherence.[18]

Table 15: Property Tax Assignment in Selected Jurisdictions

Country	Revenue Assignment	Authority to Change Tax Structure	Cadastre Administration	Billing and Collection	Appeals Mechanism
Thailand	Local governments	Ministry of Interior sets the tax rate schedule for all local governments	Local government civil engineering departments identify taxable property	Local governments	Not available
Tanzania	Local authorities	Local governments subject to central government approval	Local authorities	Local authorities	Appeals Tribunal
South Africa	Local governments; national and provincial governments regulate assessment and collection	Local governments	Not available	Local governments	Valuation Board and Valuation Appeal Board
Russia	Central government	Regional and local governments may levy taxes only within federal limits	State Register of Land and Property Rights	Local branches of the Federal Tax Service	No appeal mechanism
Germany	Local governments	State tax office calculates base value, which is multiplied by a municipal leverage factor	*Grundbuch* system	Municipalities	Changes in standard assessments are rare
China	Central government exclusively empowered to impose taxes	Provincial governments may set rates within centrally determined limits	Land administration departments	Local tax bureaus; revenue accrues to local governments	Committee
Brazil	Central government (rural) and municipal governments (urban)	Central and municipal governments	Central government (rural) and municipal governments (urban)	Municipal governments	Not available

Source: Martinez-Vazquez & Ride, 2008

Overall, both theory and comparative experience show that property tax assignment is neither wholly local nor entirely central.[19] Most countries instead adopt hybrid, context-specific models

[17] See, for example, Charles E. McLure Jr., "The Tax Assignment Problem: Ruminations on How Theory and Practice Depend on History," *National Tax Journal*, Vol. 54, No. 2, 2001, pp. 339–364.
[18] Ibid
[19] Jon H. Fiva and Jørn Rattsø, *Decentralization with Property Taxation to Improve Incentives: Evidence from Local Governments' Discrete Choice*, Norwegian University of Science and Technology Working Paper Series No. 6/2005, March 2005, pp. 4-5; Richard M. Bird, *Rethinking Subnational Taxes: A New Look at Tax Assignment*, IMF Working Paper No. WP/99/16, December 1999.

shaped by legal frameworks, administrative capacity, and political economy conditions.[20] Although property tax is widely regarded as a suitable and sustainable source of subnational revenue because of its immobile base, visibility, and linkage to local public services, effective administration requires more than decentralization alone.[21] It depends on a coherent intergovernmental framework that clearly allocates responsibilities, aligns fiscal authority with institutional capacity, and ensures coordination and accountability across levels of government.[22] Accordingly, property tax assignment is not merely a fiscal issue but also an institutional and administrative one.

8.3 Tax Power Assignment in the Federal System of Ethiopia: Key Features

The FDRE Constitution, as the supreme legal basis for tax power assignment, establishes a dual federal structure in which the federal and regional governments exercise constitutionally assigned legislative, executive, and judicial powers and residual powers are vested in the Regional States.[23] It also allocates expenditure responsibilities[24] between the two levels, classifies taxing powers into four categories[25] (federal taxes, regional taxes, concurrent taxes, and undesignated taxes), and impose sconstitutional limits[26] on their exercise. Although this framework seeks to delineate fiscal authority between the federal and regional governments, it creates areas of ambiguity and overlap that continue to shape intergovernmental fiscal relations. Consequently, the assignment of tax powers and revenue powers more broadly, has remained a persistent subject of academic debate and political contestation in Ethiopia since the adoption of the federal system.[27]

[20] Ibid
[21] Ibid
[22] Ibid
[23] Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995, *Federal Negarit Gazeta*, Year 1, No. 1, Arts. 50 (1 & 2) and 52 (1) (hereinafter "FDRE Constitution").
[24] Ibid, Arts. 51 and 52
[25] Ibid, Arts. 97–99. Some scholars argue that there is an implicit fifth category comprising taxes designated by the Constitution but requiring constitutional amendment for reassignment. See Taddese Lencho, "Income Tax Assignment under the Ethiopian Constitution: Issues to Worry About," *Mizan Law Review*, Vol. 4, No. 1, 2010, p. 36.
[26] FDRE Constitution, Arts, 100, 94 and 95. Although the title refers to taxes, the provisions also encompass non-tax revenue sources in their content.
[27] See, for example, Kibre Moges, "The Conceptual Framework for Fiscal Decentralization," in Eshetu Chole (ed.), *Fiscal Decentralization in Ethiopia*, Addis Ababa University Press, 1994, pp. 5–6; Befekadu Degefe, "The Legal Framework for Fiscal Decentralization in Ethiopia During the Transition Period," *Ethiopian Journal of Economics*,

The first concern stems from the dual nature of the federal system, which excludes the third tier of government and disproportionately favors the center.[28] The Constitution neither recognizes local governments as a distinct order of government nor defines their institutional structure, and it grants them no meaningful expenditure responsibilities or revenue powers.[29] This contrasts with modern federations such as India, Brazil, Nigeria, and South Africa, where local governments are constitutionally entrenched and assigned defined mandates and revenue bases, including property taxes, user charges, and, in some cases, sales or service taxes.[30] In these federations, expenditure responsibilities and revenue powers are distributed across all three tiers of government, thereby strengthening local autonomy, institutional capacity, and accountability.[31]

Although the Federal Constitution requires regional states to devolve adequate powers to lower levels of government, the provision remains discretionary and unenforceable.[32] In practice, regional states devolve substantial expenditure responsibilities, including essential services and infrastructure, without corresponding revenue authority, as reflected in regional constitutions, city proclamations, and tariff regulations.[33] Rural administrations collect payroll taxes, land-use fees, and agricultural income taxes on behalf of the states, while urban administrations rely mainly on property rents, land-lease fees, service charges, and penalties.[34] This arrangement creates a structural imbalance between revenue capacity and expenditure obligations, compounded by the fiscal weakness of local governments themselves. The constitutional allocation also favors the federal government, which controls the most lucrative tax bases exclusively or concurrently.[35] Consequently, regional states have relied on federal transfers for 70–90 percent of their budgets

1994, pp. 61–83; Solomon Negussie, *Fiscal Federalism in the Ethiopian Ethnic-Based Federal System*, Wolf Legal Publishers, 2006.

[28] Ibid, Solomon Negussie, p. 29. The FDRE Constitution assigns most lucrative and high-growth tax bases to the federal government despite maintaining a decentralized expenditure system. This has been a major cause of the significant vertical fiscal imbalance observed over the past three decades.

[29] Ibid; Zemelak Ayitenew and Yonatan Tesfaye, "The Constitutional Status of Local Government in Federal Systems: The Case of Ethiopia," *Africa Today*, Vol. 58, No. 4, 2012, pp. 88–109.

[30] See Chapter Two, Section 2.6 of this dissertation.

[31] Paul Smoke, "Why Theory and Practice Are Different: The Gap between Principles and Reality in Subnational Revenue Systems," in Richard M. Bird and Jorge Martinez-Vazquez (eds), *Taxation and Development: The Weakest Link?*, Edward Elgar Publishing, 2014, pp. 287–325.

[32] FDRE Constitution, Art. 50(4); see also supra note 23.

[33] Ibid; World Bank, *Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia*, World Bank, 2020, pp. 63–84; See Chapter Three of this dissertation.

[34] Ibid

[35] World Bank, *A Situational Analysis of Urban Local Governments in Ethiopia: The Institutional, Governance and Fiscal Context of Local Governments (Part II)*, Report No. AUS5340, June 2014, pp. 46–47.

over the past three decades.[36] Because regions cannot devolve fiscal powers they do not meaningfully possess, local governments remain chronically underfunded and dependent on limited regional transfers.[37] This persistent fiscal scarcity weakens local autonomy and service delivery, perpetuates institutional fragility, and constrains fiscal innovation, particularly in land-based financing instruments such as property tax.

The constitutional framework further vests the federal government with a dominant role in tax design and enforcement.[38] This influence extends beyond federal taxes to concurrent and even regionally assigned taxes.[39] Although regional states possess constitutional authority to enact tax laws and establish tax administration institutions for reserved tax bases, they have largely relied on federal laws and administrative mechanisms to levy and collect regional taxes.[40] Only recently have some regional governments begun enacting their own tax legislation. Even then, regional laws largely replicate federal statutes, resulting in little substantive divergence between federal and regional tax regimes. This persistent alignment reflects institutional inertia and constrains regional fiscal autonomy by limiting the ability of subnational governments to tailor tax policies to local economic and developmental conditions.[41] Consequently, federal dominance continues to shape tax policy and complicate reforms, such as property taxation, that require local adaptation and innovation.

Another concern is the fragmentation of the tax base. Unlike the prevailing global practice of assigning distinct tax bases to specific levels of government, the FDRE Constitution divides single tax bases between the federal and regional governments, except for customs duties, which remain exclusively federal.[42] Tax bases are fragmented and allocated exclusively or concurrently based on factors such as ownership, business form, origin, domicile, the distinction between in-

[36] Ibid
[37] Ibid
[38] Tadesse Lencho, Supra note 25
[39] Ibid
[40] Ibid
[41] Solomon Negussie, "Ethiopia's Fiscal Federalism: A Constitutional Overview," *Ethiopian Constitutional Law Series*, Vol. III, 2010, pp. 89–123.
[42] Tadesse Lencho, Supra note 25; Ghebrehiwet Tesfai, The Practice of Fiscal Federalism in Ethiopia: A Critical Assessment 1991-2012, An Institutional Approach, PhD Thesis, Fribourg University, 2015, PP. 233- 238.

ter-state and international trade, and administrative feasibility.[43] For example, employment income taxes are divided according to the employer: the federal government taxes its own employees and those of international organizations, while regional states tax employees of regional governments and private enterprises.[44] Similarly, profit taxes are assigned according to the legal status of the business, sales taxes according to the status of the collecting entity, and revenues from public enterprises to the level of government that owns them.[45] Although intended to balance revenues, this fragmented approach creates inefficiencies, overlapping claims, and legal uncertainty, and undermins transparency and predictability in the intergovernmental fiscal system.[46]

Another notable feature of the FDRE Constitution is its highly detailed allocation of taxing powers. Although this specificity reduces ambiguity in some respects, disputes persist, particularly regarding the concurrent and undesignated powers.[47] This is because the Constitution provides little guidance on how the legislative power to impose taxes and the executive power to collect them should be exercised concurrently by both levels of government.[48] This gap has generated competing interpretations among Regional States, including whether they may independently impose additional taxes or must rely on revenue-sharing arrangements with the Federal Government.[49] To address this ambiguity, a constitutional amendment authorized the Federal Government to levy concurrent taxes, delegated collection responsibilities to the Regional States, and established a revenue-sharing arrangement subject to approval by the House of the Federation (HoF).[50] However, scholars have widely criticized this arrangement as an unconstitutional constitutional amendment and as a major source of vertical fiscal imbalance within the federation.[51]

The treatment of undesignated taxes is even more complex. Unlike expenditure assignments, where residual powers automatically revert to the Regional States[52], the Constitution requires

[43] FDRE Constitution, Arts. 96-99
[44] Ibid, Arts. 96(2) and 97(1)
[45] Ibid, Arts. 96(3), 97(4, 7), and 98(1 &2)
[46] See geenrally, Taddese Lencho, "The Ethiopian Tax System: Excesses and Gaps," *Michigan State International Law Review*, Vol. 20, No. 2, 2012, pp. 327–380.
[47] FDRE Constitution, Arts. 98 and 99.
[48] Solomon Nigussie, Supra note 27, pp. 136-37
[49] Ibid
[50] FDRE Constitution, Art. 62(7)
[51] See, for example, Zelalem Eshetu, "Unconstitutional Constitutional Amendments in Ethiopia: The Practice under Veil and Devoid of a Watch Dog," *Haramaya Law Review*, Vol. 4, No. 1, 2015, pp. 59–79.
[52] FDRE Constitution, Art. 52

undesignated taxes to be determined by a joint session of the HoF and the HoPRs through a two-thirds majority vote.[53] This mechanism has been used to resolve uncertainties concerning taxes such as excise taxes on private enterprises as concurrent taxes, income tax on bank interest as a federal tax, income tax on royalties earned by individuals as a regional tax, and income tax on royalties earned by enterprises as a concurrent tax.[54] Significant difficulties nevertheless persist, particularly regarding taxes recognized in substance but not expressly named in the Constitution. The Value Added Tax (VAT) illustrates this problem.[55] Although VAT is not explicitly mentioned in the Constitution and was unfamiliar at the time of drafting, it substantively falls within the broader category of sales taxes. The Joint Houses authorized the federal government to impose VAT and later introduced revenue-sharing arrangements with the Regional States. Critics argue that this change required a formal constitutional amendment rather than ad hoc constitutional interpretation.[56] Continued reliance on such practices underscores the ambiguity surrounding undesignated taxes, entrenches federal dominance, and reinforces vertical fiscal imbalance in the country.[57]

The constitutional and practical allocation of tax powers under the FDRE system has significant implications for property tax reform. As this section demonstrates, the fiscal arrangement largely favors the federal government and has produced a weak subnational revenue framework. Persistent central dominance and limited subnational fiscal autonomy constrain the capacity of regional and local governments to use property tax as an effective source of local revenue. By contrast, as discussed in Section 8.2, fiscal federalism theory and comparative experience support assigning property tax to local governments because of its potential to strengthen revenue mobilization, local autonomy, institutional capacity, and accountability. However, the Constitution neither

[53] Ibid, Art. 99
[54] Minutes of the 1st Joint Session of the House of Federation and the House of Peoples' Representatives (Meskerem 26, 1996 E.C., in Amharic), cited in Taddese Lencho, supra note 25.
[55] FDRE Constitution, Arts. 96(1), 96(3), 97(4), 97(7), 98(1)
[56] See generally, Taddese Lencho, supra note 46; Gezachew Sileshi, "VAT and the FDRE Constitution: Is VAT Really an Undesignated Tax?," *Bahir Dar University Journal of Law*, Vol. 5, No. 2, 2015, pp. 364–389; Yibekal Tadesse, "Value Added Tax Assignment under the FDRE Constitution: Designated or Undesignated?," *Haramaya Law Review*, Vol. 8, 2019, pp. 41–56.
[57] Ibid, Yibekal Tadesse.

formally recognizes local governments nor clearly assigns property tax powers.[58] Unlike many modern constitutions, it therefore provides no explicit basis for vesting such powers directly in local governments.[59] Within this constitutional framework, the most practical approach would be to assign property tax powers to regional states, coupled with a clear obligation under Article 50(4) to devolve them to local governments. Such an arrangement would expand municipal own-source revenues, reduce dependence on intergovernmental transfers, better align taxation with local service delivery, and allow the federal government to retain a supportive role in valuation standards and technical assistance.

8.4 The Status of Property Tax under the FDRE Constitution

Property taxation dates back to the early formation of the Ethiopian state.[60] Its administration gradually shifted from locally based systems to centralized control, particularly after 1974, and this trend largely continued until recent reform initiatives. [61] The absence of constitutional clarity regarding the assignment of property tax powers, arguably rooted in this historical evolution, became a major obstacle to the post-2011 reform process.[62] This constitutional lacuna generated divergent interpretations to assign the power to tax property to federal, regional, or local governments. It became one of the most contentious issues contributing to the delay of the reform process for more than a decade as dicussed under chapter seven of this disseration. To examine whether these divergent views persist among elites, panelists were asked to identify which level of government in the federal system should assume the power to tax property, as summarized in Table 2 (see also Annex III).

Table 16: Expert Insights on the Power to Tax Property in the Federal Systsem of Ethiopia (Delphi I-III)

Question (Allocation of Tax Power)	**Round I (n = 41)**		**Round II (n = 41)**		**Round III (n = 41)**	
Which level of government in the federal system should assume the power to tax property?	No.	(%)	No.	(%)	No.	(%)

[58] See generally, Regasa Senbeta, "Taxing Power Assignment of Property Tax in Ethiopia: Where Is Its Appropriate Jurisdiction in a Federal State?," World Bank, July 2021
[59] Ibid
[60] See generally Chapter Six of this dissertation.
[61] Ibid
[62] Ibid

Question (Allocation of Tax Power)	Round I (n = 41)		Round II (n = 41)		Round III (n = 41)	
Federal Government	10	24.4%	2	4.9%	2	4.9%
Regional Governments	12	29.3%	2	4.9%	3	7.3%
Urban Local Governments	11	26.8%	16	39.0%	7	17.1%
Distribute the power to all teiers (shared power)	8	19.5%	21	51.2%	29	70.7%

Source: Delphi Survey Results, September-December 2024

As the table shows, expert opinions diverged considerably in the first round, reflecting both the comparative experiences discussed in Section 8.2 and broader concerns regarding constitutional ambiguity and intergovernmental fiscal relations. Initial responses were divided among federal, regional, and ULG assignments, vividly indicating the absence of consensus on the constitutional allocation of property tax powers. However, as the Delphi process progressed, expert opinion shifted markedly toward a shared assignment of taxing powers among all tiers of government. Support for a concurrent arrangement increased from 19.5% in Round I to 51.2% in Round II and 70.7% in Round III. Conversely, support for exclusive federal, regional, or local authority declined significantly. These findings suggest that most experts ultimately favored a cooperative fiscal arrangement accommodating the roles of federal, regional, and local governments, particularly during the early stages of reform. At the same time, the continued support for ULGs reflects a preference for their gradual empowerment and expanding local ownership over the design and implementation of property taxation, consistent with the theory of fiscal federalism.

The divergent views were also acknowledged in the resolution submitted by the Standing Committee on Planning, Budget and Finance of the HoPRs and the Standing Committee on Subsidies and Common Revenues of the HoF concerning the ownership of property tax.[63] One view treated property tax as a designated state revenue under Articles 52(2)(d) and 97 of the Constitution, while the other regarded it as an undesignated tax under Article 99, requiring allocation through a joint decision of the two Federal Houses. This interpretation ultimately prevailed and culminated in a joint resolution of the two Houses, which now forms the legal basis of Proclamation No.

[63] በንብረት ላይ የሚጣለውን ታክስ የባለቤትነት ጥያቄ አስመልክቶ በህዝብ ተወካዮች ምክር ቤት የፕላን፤ በጀትና ፋይናንስ ቋሚ ኮሚቴ እና በፌዴሬሽን ምክር ቤት የድንማ በጀትና የጋራ ገቢዎች ጉዳይ ቋሚ ኮሚቴ የቀረበ የዉሳኔ ሀሳብ፣ አዲስ አበባ፣ ጥር 2015 (on file with the author)

1365/2025 and the Regional Model Law.[64] Nevertheless, both the resolution and the laws continue to shape academic and policy debates on the ongoing design and enforcement of property tax in urban Ethiopia. Against this background, this section examines whether property tax constitutes a designated or undesignated tax under the Constitution and explores the framers' intent.

8.4.1 Property Tax as a Designated Land-Based Revenue and Land Administration Function

Conceptually, property tax occupies a dual role as both a land-based revenue instrument and a core component of land administration.[65] In the literature, land-based finance encompasses the various mechanisms through which governments, particularly local governments, mobilize revenue from land ownership, use, and development.[66] These mechanisms include recurrent land and property taxes, fees and charges for development rights, the leasing and sale of public land, and land value capture instruments.[67] Within this framework, property tax, whether imposed as recurrent levies on land and buildings or as transaction-based taxes such as inheritance, estate, and gift taxes, is widely regarded as the quintessential benefit-based local tax.[68] Although scholarly debates persist regarding scope, particularly whether rents and royalties fall within the broader category of property revenues, such disagreements do not displace property tax from the wider framework of land-based finance.[69]

Accordingly, the concept and practice of property taxation cannot be separated from land policy and administration, which provides the institutional and informational infrastructure upon which property tax systems depend.[70] This is particularly true in rapidly urbanizing contexts, where

[64] Federal Property Tax Proclamation No. 1365/2025, *Negarit Gazeta*, Year 31, No. 32, Art. 41(1) (hereinafter "Proclamation No. 1365/2025"), Preamble, para. 4; Ministry of Finance, "The … Regional State Property Tax Proclamation No. …/2025," *A Model Regional Property Tax Law*, 2025 (hereinafter "Regional Model Law"), Preamble, para. 5.

[65] Klaus Deininger, Harris Selod, and Anthony Burns, *The Land Governance Assessment Framework: Identifying and Monitoring Good Practice in the Land Sector*, World Bank, 2012, p. 31.

[66] Lawrence Walters, *Where to Start? A Guide to Land-Based Finance in Local Governance*, UN-Habitat, 2020, pp. 8–9; Siraj Sait, Land-based Finance for Sustainable Urban Development in Africa: Challenges and Prospects, *African Journal on Land Policy and Geospatial Sciences, Vol.3, No. 3, 2020, P. 97*

[67] Ibid

[68] Ibid

[69] Riël Franzsen and William McCluskey, *Property Tax in Africa: Status, Challenges, and Prospects*, Lincoln Institute of Land Policy, 2017, p. 4.

[70] See, for example, Tom Goodfellow, "Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia," *African Affairs*, Vol. 116, Iss. 465, 2017, pp. 549–572; Roy W. Bahl,

value capture depends heavily on institutional capacity, governance quality, and effective land administration.[71] Yet, land administration has no universally accepted definition, and its meaning varies across countries and over time in response to changes in land policy, governance priorities, and socioeconomic conditions.[72] Moreover, its relationship with property taxation has not always been clearly articulated in the literature.[73] Nevertheless, several influential definitions are instructive in demonstrating this connection.

According to the *Framework for Effective Land Administration* (FELA), a reference framework developed particularly to assist developing countries in strengthening land governance, land administration:[74]

> "relates people to land and informs on the 'how', the 'what', the 'who', the 'when' and the 'where' of land tenure, land use, land value, and land development. Land administration systems are the basis for recording the complex range of rights, restrictions and responsibilities related to people, policies and places."

This definition adopts a broad and integrated perspective, emphasizing the interrelationship between land tenure, land use, land value, and land development as core dimensions of land governance. Similarly, according to the *United Nations Economic Commission for Europe* (UNECE), whose formulation remains one of the most widely cited definitions, land administration is: [75]

> "… the processes of recording and disseminating information about the ownership, value and use of land and its associated resources. Such processes include the determination (sometimes known as the 'adjudication') of rights and other attributes of the land, the

Urban Property Taxation in Developing Countries, Urban and Regional Report No. 77-5, World Bank, 1976, pp. 9-10.

[71] Lawrence Walters, *Land and Property Tax: A Policy Guide*, UN-Habitat, 2011, pp. 11–13.

[72] Volkan CAGDAS, Mehmet GUR and Vildan KURT, Property Taxation and Land Management, 2nd FIG *Regional* Conference Marrakech, Morocco, December 2-5, 2003

[73] Ibid

[74] United Nations Committee of Experts on Global Geospatial Information Management, *Framework for Effective Land Administration: A Reference for Developing, Reforming, Renewing, Strengthening or Modernizing Land Administration and Management Systems*, July 2019, p. 4.

[75] United Nations Economic Commission for Europe, *Land Administration Guidelines: With Special Reference to Countries in Transition*, ECE/HBP/96, 1996, p. 14.

survey and description of these, their detailed documentation and the provision of relevant information in support of land markets."

This definition is more operational and information-oriented, focusing on adjudication, registration, valuation, and the provision of land information to support land markets and land taxation. These functions are foundational to identifying taxable value and collecting property tax.

To sum up, the definitions indicate that land administration encompasses the recording, management, and dissemination of information relating to land rights, use, valuation, and taxation. The determination of property values is foundational not only to levying and collecting land-related revenues but also to resolving disputes.[76] In this sense, land administration performs a dual role in property taxation.[77] On the one hand, it provides the legal and institutional basis for assigning tax liability through the recognition of rights and tenure. On the other hand, it supplies the technical and market-related data, particularly valuation information, necessary for equitable and efficient tax design.

The Ethiopian constitutional text supports this view. Under the Constitution of the Federal Democratic Republic of Ethiopia, land administration functions fall primarily within the powers of the regional states, in contrast to the Federal Government's authority to enact laws on land utilization and conservation.[78] Although federal laws have at times encroached upon these domains under the guise of vertical delegation, the constitutional framework protects state authority over land administration.[79] From this perspective, property tax may be understood as a core component of state land administration powers because it is intrinsically linked to property identification, classification, registration, and valuation.

The Constitution also expressly assigns several land-based financing mechanisms to the regional states, including "fees for land usufructuary rights," "tax income derived from private houses and other properties," "rent on houses and other properties they own," and "tax, royalty and rent on

[76] Simon Hull, Jennifer Whittal, and Rosalie Kingwill, "What Is Land Administration? Exploring an Inclusive Definition," paper presented at the FIG Working Week 2024, Accra, Ghana, 19–24 May 2024.
[77] Ibid
[78] FDRE Constitution, Arts. 51 (5) and 52(2)(d)
[79] Habtamu Sitotaw, "The Power to Administer Land in Ethiopia: Scrutinizing Federal Legislative Interventions," *Bahir Dar University Journal of Law*, Vol. 6, No. 2, 2016, pp. 195–224.

mining operations," all of which complement broader land administration powers.[80] Read purposively, these assignments form the genus of which property tax is a natural species. As a matter of logic, a constitution that grants the genus cannot reasonably exclude the species. The absence of the explicit phrase "property tax" may therefore reflect the framers' deliberate use of broad categories, leaving detailed specification to subsequent legislation or administrative measures.

This textual and functional linkage provides conceptual clarity to the ongoing debate over tax assignment and reinforces the view that property tax is inherently connected to the land administration powers of regional governments as discussed above. Comparative practice further supports this conclusion. In many jurisdictions, property taxes are not expressly mentioned in constitutional or legislative texts but appear under different nomenclatures, such as "tenement rates" in Nigeria and "municipal rates" in South Africa.[81] Conversely, where property taxes are expressly recognized, they often encompass both tax and non-tax instruments. The good examples are taxes on land and buildings in India and Brazil's Urban Property Tax (IPTU), which incorporates multiple land-based financing instruments.[82] These practices demonstrate that, regardless of terminology, property taxation is conceptually understood as a land-based instrument central to local government finance and land administration.

To sum up, interpreting property tax as both a land-based revenue instrument and a component of land administration supports the view that the FDRE Constitution already designates it as a state-level competence. This interpretation challenges the Joint Decision of the Federal Houses, which treated property tax as an undesignated tax by effectively bypassing Articles 97 and 52(2)(d). Although this approach appears motivated more by practical necessity than constitutional doctrine, it may be understood as a pragmatic effort to overcome the reform deadlock, establish a uniform reform framework, and address subnational capacity constraints.[83] A similar approach was adopted during the introduction of VAT in 2002. Although VAT could constitutionally be understood as a form of sales tax, it was treated as a new and undesignated tax and

[80] See FDRE Constitution, Arts. 97 (2, 6, 8, 9, and 10) cum 52(2)(d)
[81] See Chapter Two, Section 2.6 of this dissertation.
[82] Ibid
[83] Supra note 63

assigned to the Federal Government through a joint decision of the two Houses, subject to revenue sharing.[84] This arrangement generated considerable controversy among scholars and policymakers, many of whom argued that, without formal constitutional amendment, Ethiopian fiscal federalism would continue to depend on ad hoc political compromises rather than coherent constitutional principles.[85] In this respect, recognizing property tax as a designated land-based revenue and land administration function would help avoid similar constitutional ambiguities and institutional improvisations.

8.4.2 Property Tax as an Undesignated Tax under the Authority of the Joint Federal Houses

Those who argue that property tax constitutes an "undesignated tax" under the FDRE Constitution emphasize the conspicuous absence of the term "property tax" from the constitutional text, despite its established character as a tax and the prior existence of house tax collection.[86] Unlike income and consumption taxes, which are expressly enumerated and assigned to federal, state, or concurrent jurisdiction, property tax is neither explicitly mentioned nor linked to a clearly defined constitutional source.[87] Proponents of this view contend that the framers either did not intend to assign property tax specifically or considered it effectively replaced by non-tax revenue instruments, such as fees, rents, and property-related charges, as occurred during the Derg period.[88] On this reasoning, property tax falls within the residual category of "undesignated taxes" under the FDRE Constitution, which authorizes the Joint Session of the HoPRs and the HoF to allocate such taxes.[89] Accordingly, the assignment of property tax is treated not as a matter of textual certainty but of constitutional discretion and political interpretation.

This interpretation is reinforced by the conceptual distinction between tax and non-tax revenues. Unlike fees, rents, or service charges, which are contractual or benefit-based, property tax em-

[84] Gezachew Sileshi, supra note 56; Yibekal Tadesse, supra note 56.

[85] Ibid

[86] Supra note 63

[87] See FDRE Constitution, Arts. 96-99. As one interviewee underlined, even when examined under candlelight, the term "property tax" appears nowhere in the constitutional provisions on tax assignment under the fourfold classification of taxing powers. Interview with Wasihun Abate, Annex VI, March 8, 2024.

[88] Amanuel Yelkal, "Debate Rages over Mandate to Collect Property Tax," *The Reporter Ethiopia*, October 1, 2022, available at: The Reporter Ethiopia Article (accessed March 25, 2025).

[89] FDRE Constitution, Art. 99

bodies the defining characteristics of tax in the strict sense. As Seligman observed in *Essays in Taxation*, a tax is "a compulsory contribution from the person, to the government to defray the expenses incurred in the common interest of all, without reference to special benefit conferred."[90] Dalton similarly defined a tax as "a compulsory contribution imposed by a public authority irrespective of an exact amount of service rendered to the taxpayer in return, and not imposed as a penalty for any legal offence." [91] From these formulations, scholars generally identify several core elements of taxation: (i) a compulsory payment owed to the state, (ii) imposed under law, (iii) levied without direct reciprocal benefit, and (iv) intended to finance general public expenditures.[92] Some jurisdictions further emphasize the status of taxpayers as economic units, the level of government empowered to impose the levy, and the institutional relationship between taxing authorities and taxpayers through tax administration.[93]

Applied to property tax, these elements confirm its typical status as a tax. Property tax is a compulsory levy, typically imposed at the local level, on the assessed value of immovable property, principally land and buildings, owned or possessed by individuals or entities. It arises from legal obligation rather than voluntary agreement and is assessed according to objective criteria, such as market value or property size. Its proceeds finance collective goods and public services rather than individualized benefits to the payer. By contrast, non-tax revenues generally presuppose a quid pro quo, voluntary choice, or contractual relationship. Property tax therefore cannot be reduced to such categories. Likewise, land administration functions, including property identification, registration, classification, and valuation, are indispensable to determining tax liability, but they remain administrative prerequisites rather than independent sources of taxing authority.[94]

This argument follows from the fact that the provisions most often invoked to establish designation, particularly Article 97(2) (fees for land usufructuary rights), Article 97(6) (tax on income from private houses and properties, and rents on state-owned assets), Article 97(8) (royalties and

[90] Edwin R. A. Seligman, *Essays in Taxation*, The Macmillan Company, London, 1895, p. 7.
[91] Hugh Dalton, *Principles of Public Finance*, Allied Publishers, London, 1922, p. 32.
[92] Pasquale Pistone, Jennifer Roeleveld, Johann Hattingh, João Félix Pinto Nogueira, and Craig West, *Fundamentals of Taxation: An Introduction to Tax Policy, Tax Law and Tax Administration*, IBFD, 2019, p. 3.
[93] Ibid
[94] Joan M. Youngman, "Tax on Land and Buildings," in Victor Thuronyi (ed.), *Tax Law Design and Drafting*, International Monetary Fund, 1996, p. 9.

land rentals from mining operations), and Article 97(9) (fees and charges related to property services). These are primarily non-tax revenues or income tax rather than ad valorem taxation of real property. Likewise, the land administration power under Article 52(2)(d) serves a distinct regulatory function rather than constituting a direct assignment of property tax powers. Accordingly, although proponents of state-level competence rely on these provisions, they provide only fragmented and ambiguous guidance. From the standpoint of constitutional clarity, such clauses cannot readily be subsumed into a broader genus that automatically includes property tax as its species.

Specifically, Article 97(2) authorizes states to collect fees for usufructuary rights, but these fees arise from the regime of public land ownership and land administration rather than from an ad valorem tax on land, buildings, and improvements as contemplated under Proclamation No. 1365/2025.[95] Article 97(6) permits states to tax income derived from private houses and properties and to collect rents from state-owned assets, but this concerns income-based taxation and remains silent on value-based taxation of property itself, which is the defining feature of modern property tax systems. Similarly, sub-articles 8, 9, and 10, together with Article 98(3), allocate revenues from mining income, royalties, service charges, licenses, and forest resources. These revenues are conceptually distinct from property taxation because they lack the defining characteristics of a tax. They are not compulsory levies imposed on the value of land or buildings but depend instead on contractual arrangements, service provision, or income flows. Likewise, Article 52(2)(d) assigns states land administration powers, but these are primarily regulatory and managerial functions, including land registration, land use regulation, and valuation, rather than fiscal powers. Accordingly, although property taxation is closely connected to land administration and certain land-related revenues, it cannot simply be subsumed within them.[96]

A stronger line of argument holds that the constitutional silence on property tax is deliberate rather than accidental.[97] The framers adopted a detailed, source-based framework for revenue assignment under Articles 96-99, carefully distinguishing federal, state, and concurrent powers. Within such a comprehensive scheme, the omission of "property tax" is unlikely to be a mere

[95] Proclamation No. 1365/2025, Arts. 2(1) & 5
[96] Supra note 65, p. 98-99
[97] Supra note 88

drafting oversight or an implicit reference to a broader revenue category. Rather, it reflects deeper constitutional choices. Most notably, Article 40(3) entrenches public ownership of land and, consistent with the socialist legacy of the Derg, treats land primarily as a source of non-tax revenue under Article 97. From this perspective, land-based taxation was viewed as exploitative, while revenue mobilization was expected to occur through fees, rents, and charges instead.[98]

The constitutional design also does not recognize local governments as a third tier of government and instead require regional states to devolve revenue powers.[99] This arrangement most likely contemplated land- and property-related non-tax revenues. The orientation was further reinforced by the adoption of the land leaseholding system and regional municipal revenue laws, which largely continued the Derg-era reliance on land rental fees and house taxes. In this regard, the 1993 Urban Land Leaseholding Proclamation, which predated the Constitution, had already identified lease revenue as a core source of municipal finance.[100] The main anomaly is the so-called "house tax," collected by urban local governments since the Derg period and still in force today.[101] Despite its existence and the framers' apparent awareness of it, the Constitution did not expressly assign this levy, suggesting possible oversight rather than deliberate exclusion. Apart from this exception, the omission of property tax from the designated revenue lists under Articles 96-98 appears intentional, thereby necessitating its allocation under Article 99 as an "undesignated tax."

On this reasoning, the 2023 Joint Session decision to recognize property tax as an undesignated levy and assign it under Article 99 was not merely a pragmatic political compromise but also a doctrinally defensible interpretation of the constitutional text and structure. By invoking Article 99, the Houses placed property tax on an explicit constitutional footing and reduced the risk of prolonged jurisdictional disputes between the federal and regional governments. Equally important, the decision created a uniform foundation for reform, which promots greater policy coherence across jurisdictions and avoiding the fragmented and piecemeal approaches that had characterized earlier property-related revenues.

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[98] Alemayehu Negash and Bekalu Tilahun, *Property Taxation in North-east Africa: Case Study of Ethiopia*, Lincoln Institute of Land Policy Working Paper, WP09NEA1, 2009, pp. 3–6.
[99] FDRE Constitution, Arts. 50(4)
[100] See generally, Urban Lands Lease Holding Proclamation No. 80/1993, *Negarit Gazeta*, Year 53, No. 40.
[101] Supra note 98

More broadly, the move reflects the constitutional logic of the FDRE's fiscal federalism, which resolves gaps in revenue assignment through joint decision-making by the federal houses rather than unilateral action by either level of government. In this sense, the 2023 resolution does more than settle the immediate question of property tax. It also reaffirms Article 99 as a key safety valve within revenue assignment framework of the federal systsem in Ethiopia. The approach suggests that constitutional silence may be managed not as a defect, but as a deliberate structural mechanism intended to preserve flexibility in the allocation of fiscal powers.

8.4.3 Intention of the Framers of the Constitution: No Record, No Intent?

As the maxim suggests, *mens legislatoris est lex*, which literally means "the intention of the legislator is the law."[102] Uncovering such intent requires, among other methods, close analysis of preparatory materials, legislative debates, relevant constitutional provisions, and preambular clauses.[103] In this regard, the minutes of the Constitutional Assembly reveal no explicit debate on property tax as a distinct revenue source.[104] Deliberations instead focused on public ownership of land and the allocation of land administration powers.[105] Despite the fact that revenue extraction from land received only limited attention, the Assembly merely affirmed that land-related revenues accrue to the regions.[106]

This lends support to the argument that, had the framers intended to entrench a modern recurrent property tax regime, they would have expressed such intent explicitly. Their silence instead suggests continuity with the Derg's fiscal orientation, which is also reflected in both its land policy and local government system. The framers appear to have preferred reliance on non-tax land revenues, particularly rents and fees and limited the tax largely to house tax. Indeed, the Constitution enumerates only non-tax instruments and, even then, omits the recurrent house tax collected in practice, referring instead only to income derived from houses.[107] It remains unclear whether

[102] Kent Greenawalt, "The Basic Core of Statutory Interpretation: Text and Intent," in Kent Greenawalt (ed.), *Statutory and Common Law Interpretation*, Oxford University Press, 2012, pp. 43–76.
[103] Ibid
[104] **የሕገ መንግሥት ኮሚሽን ከ1ኛ እስከ 50ኛ መደበኛ ስብሰባ ቃለ ጉባዔ (ጥራዝ አንድ)፣ ከየካቲት 17 ቀን 1985 ዓ.ም እስከ ጥቅምት 15 ቀን 1986 ዓ.ም፣ አዲስ አበባ፤ የሕገ መንግሥት ኮሚሽን ከ51ኛ እስከ 88ኛ መደበኛ ስብሰባ ቃለ ጉባዔ (ጥራዝ ሁለት)፣ ከጥቅምት 22 ቀን 1986 ዓ.ም እስከ መጋቢት 27 ቀን 1986 ዓ.ም፣ አዲስ አበባ**
[105] *Ibid.* See also FDRE Constitution, Arts. 40(3) & (6), 51(5), and 52(2)(d).
[106] FDRE Constitution, Art. 97 (2)
[107] Ibid, Arts .97 (6) & 96 (6)

this omission resulted from a drafting oversight or from a deeper constitutional neglect of real property taxation, as well as what implications this may have for Ethiopia's fiscal federal framework.

Be that as it may, this silence raises a critical interpretive question: does constitutional silence amount to absence of intent? One might answer this in the affirmative by invoking the Latin maxim *expressio unius est exclusio alterius*, which means the expression of one thing implies the exclusion of another.[108] By this reasoning, the Constitution's explicit reference to land rents, fees, and charges under Article 97 could be understood as excluding property tax from the constitutional design. However, such a narrow reading is problematic. Constitutions are not ordinary statutes but enduring political instruments intended to adapt to changing conditions.[109] Accordingly, interpretive maxims such as *ut res magis valeat quam pereat* (a text should be interpreted so as to remain effective) and *verba intentioni, non e contra, debent inservire* (words must serve intent, not the reverse) caution against equating silence with prohibition.[110] From this perspective, the absence of express reference may instead be understood as a deliberate choice to leave fiscal arrangements open to adaptive development.

Thus, the framers' silence cannot be taken as evidence of a complete absence of intent. More plausibly, it reflects a constitutional design that entrusted subsequent political, judicial, and legislative actors with discretion to develop fiscal instruments in response to changing conditions. As constitutional theory reminds us, "silence is not necessarily prohibition." In Ethiopia's current context of rapid urbanization and increasing pressure on local governments to finance public services, constitutional gaps require purposive interpretation and flexible fiscal arrangements consistent with regional autonomy and equitable resource distribution. Accordingly, the omission of property tax should not be understood as categorical exclusion, but rather as leaving room for contextual interpretation within Ethiopia's constitutional and developmental framework. Ultimately, this places responsibility on policymakers to reconcile textual fidelity, historical context, and contemporary governance needs in shaping Ethiopia's evolving fiscal federalism. That re-

[108] Richard A. Posner, "Statutory Interpretation: In the Classroom and in the Courtroom," *University of Pennsylvania Law Review*, Vol. 133, No. 3, 1985, pp. 549–556.
[109] Free Gonçalo de Almeida Ribeiro, "What is Constitutional Interpretation?," *International Journal of Constitutional Law*, Vol. 20, Iss. 3, 2022, pp. 1130–1161.
[110] Ibid

sponsibility was assumed by the two Federal Houses through their joint decision and the enactment of Proclamation No. 1365/2025.

8.5 The Joint Federal Houses' Decision on Property Tax Assignment: Constitutional Basis and Implications

As repeatedly noted throughout this study, constitutional ambiguity over the assignment of property tax powers long delayed reform efforts and prevented decades-old policy initiatives from being translated into binding legislation. This uncertainty ultimately required intervention by the Joint Session of the Federal Houses to provide an authoritative basis for allocating property tax powers and advancing substantive and procedural reforms. In this context, the MoF commissioned a study and, through the Office of the Prime Minister, submitted a proposal to the HoPR and the HoF requesting a constitutional determination pursuant to the procedures prescribed under the FDRE Constitution.[111] Building on this initiative, the Standing Committee on Planning, Budget and Finance of the HoPR and the Standing Committee on Subsidies, Budget and Common Revenues of the HoF conducted further expert studies and stakeholder consultations.[112] These processes concluded that property tax constituted an "undesignated tax" under the Constitution and therefore required allocation by a two-thirds majority of the Joint Session.[113]

The studies and deliberations identified two principal considerations.[114] The *first* concerned the structural weakness of Ethiopia's urban fiscal system and the financing of ULGs. Despite rapid urbanization and rising land values, ULGs generated only about 1.8 percent of their budgets from land-based revenues.[115] This sharply contrasts with global practice, where land-based finance and property taxation constitute central pillars of municipal finance and local fiscal autonomy, as argued throughout this dissertation.[116] Failure to mobilize these revenues left municipalities heavily dependent on intergovernmental transfers, weakened service delivery, undermined local

[111] Supra note 63; See also FDRE Constitution, Art. 99
[112] Ibid
[113] Ibid
[114] Supra note 58; see also Daniel Metaferia, "Joint Legislative Grant Regional States Edict Property Taxes," *Fortune*, January 14, 2023, available at: Fortune Article (last accessed January 16, 2026).
[115] Ibid
[116] See Chapter Six of this dissertation.

accountability, and contributed to Ethiopia's persistently low tax-to-GDP ratio.[117] It also strained national budgets and conflicted with the constitutional principle that taxation should correspond to revenue sources and the services financed.[118]

The *second* consideration concerned comparative and theoretical evidence showing that no single model exists for assigning property tax powers. Although property tax is widely regarded as a local tax because of its immobility and close connection to local services, countries adopt diverse arrangements in which policy design, valuation, and administration are distributed across different levels of government.[119] These findings underscored the need for a context-sensitive framework capable of reconciling Ethiopia's constitutional structure with institutional realities.[120]

Against this background, the Standing Committees proposed two options.[121] The *first* sought to assign property tax revenues directly to ULGs, given their central role in generating property value appreciation and addressing pressing socioeconomic challenges, including unemployment, poverty, and infrastructure deficits. Such an arrangement would enable municipalities to capture rising property values, expand services and infrastructure, and strengthen local accountability.[122] The proposal also aligned with fiscal federalism theory and comparative practice, both of which regard property taxation as the quintessential local tax.[123] However, because the FDRE Constitution recognizes only federal and regional governments, the Joint Session could not constitutionally assign taxing powers directly to ULGs, which are not constituent units of the federation.[124] To address this constraint, the Committees proposed vesting property tax powers in regional states, coupled with an explicit obligation to devolve administration and revenue utilization to municipalities in accordance with the principle of decentralization.[125]

The *second* option proposed treating property tax as a shared revenue source between the federal and regional governments. This approach was justified on the basis that investments and infra-

[117] Ibid
[118] Ibid; See also FDRE Constitution, Art. 100 (1 & 2)
[119] See Section 8.2 of this chapter; See also Supra note 63
[120] Ibid
[121] Supra note 63
[122] Ibid
[123] Ibid
[124] See FDRE Constitution, Arts. 96-99 cum 94.
[125] Supra note 63

structure projects undertaken by higher levels of government also contribute significantly to increases in urban land and property values.[126] Under this proposal, the federal government would establish a uniform national framework governing core elements of the property tax system, including tax bases, valuation standards, permissible rate ranges, exemptions, and city classifications.[127] Regional states would then enact detailed implementing legislation adapted to local administrative conditions, while ULGs would undertake day-to-day administration, assessment, collection, and enforcement.[128] However, this approach arguably contradicted the very nature of property taxation and reinforced the longstanding marginalization of ULGs by limiting their meaningful fiscal autonomy and accountability.[129] Moreover, revenue proceeds would be shared only between the federal and regional governments, since ULGs are not constitutionally recognized as parties to the arrangement, according to a formula determined by the HoF.[130]

Although this model appeared to balance national uniformity with subnational implementation, as well as higher- and lower-level roles in tax design and administration, it raised significant legal and practical concerns.[131] Most importantly, it risked weakening ULGs, which would continue to depend largely on transfers from regional governments rather than exercising meaningful fiscal autonomy and accountability over the design, enforcement, and use of property tax revenues.[132] This, in turn, would reduce incentives for efficient tax administration, which requires local flexibility and innovation. Moreover, Article 62(7) of the FDRE Constitution restricts revenue sharing to the federal and regional governments and excludes chartered cities such as Addis Ababa and Dire Dawa, as it refers only to regional states. The impact on other ULGs in the regions would be similar, as they would continue to rely on transfers from regional governments. Such exclusions generate equity concerns and undermine the accountability rationale underlying property taxation. For these reasons, the second option was ultimately rejected, and the Committees unanimously endorsed the first approach.

[126] Ibid; Interview with Mulay Woldu, Annex VI, March 5, 2024.
[127] Ibid
[128] Ibid
[129] Ibid
[130] FDRE Constitution, Art. 62(7)
[131] Supra note 63; Delphi expert opinion, Aschalew Ashagrie, Round I, Annex VII.
[132] Ibid

On January 11, 2023, the two Houses convened in Joint Session to deliberate on the proposed resolution. Although much of the debate focused on the broader merits and risks of introducing property taxation, the Joint Session ultimately resolved, with four votes against and five abstentions, to vest property tax powers in the regional states.[133] The adopted resolution, however, did not fully embrace either option in its original form but instead endorsed a hybrid arrangement.[134] The federal government was authorized to enact framework legislation establishing general principles, tax bases, valuation standards, exemptions, and administrative guidelines.[135] This was considered necessary given the decades-long disruption of property taxation and the limited institutional capacity of regional and local governments.[136] Regional states, in turn, were expected to enact detailed legislation consistent with the federal framework, while municipalities would undertake day-to-day administration, including property identification, registration, classification, valuation, billing, collection, enforcement, and revenue utilization.[137]

The resulting compromise reflected a pragmatic attempt to reconcile the constitutional structure with the functional demands of property tax.[138] By assigning authority to regional states, the resolution formally aligned with the constitutional division of powers, under which most land- and property-related revenues fall within their competence.[139] At the same time, delegating administration and revenue utilization to municipalities acknowledged the principle of subsidiarity and the widely accepted view that property taxation is most effective when administered and used by governments closest to taxpayers.[140] The resolution also represented a significant step in Ethiopia's decentralization and land governance trajectory, as it effectively devolved not only tax functions but also land administration functions, including property identification, classification, registration, and valuation.[141] In doing so, it created the possibility of strengthening municipal fiscal capacity, reducing dependence on transfers, and improving accountability in service deliv-

[133] Joint Resolution of the House of Federation (HoF) and the House of People's Representatives (HoPRs) on January 11, 2023
[134] Ibid
[135] Ibid
[136] Ibid
[137] Ibid
[138] Supra note 63; Interview with Amdemichael Getachew, Annex VI, December 7, 2024.
[139] See Section 3.5 of Chapter Three of this dissertation.
[140] See Section 8.2 of this Chapter.
[141] Ibid

ery.[142] Most importantly, the resolution provided the legal foundation for Proclamation No. 1365/2025, which operationalizes property tax administration within Ethiopia's federal framework.[143]

Nevertheless, the deliberations and processes undertaken to address the assignment problem suffered from important limitations. Informants indicate that the Joint Session devoted substantial time to debating the general merits and drawbacks of the tax, which should not have been its primary concern and comparatively little attention was given to the core issue of tax assignment.[144] On the main issue, members of the two Houses largely preferred to adopt the views of the standing committees and experts involved in the process rather than undertaking detailed and independent analysis.[145] As a result, the Joint Session resolution failed to provide sufficient legal, administrative, or institutional detail to ensure effective implementation across levels of government or to establish coordination mechanisms.[146] A close review of the resolution minutes also suggests that the discussions were too brief to reflect the depth of analysis required for such a complex and contested allocation of taxing powers.[147] This omission left broad discretion to federal and regional authorities and exposed municipalities to the interpretive authority and political discretion of higher-level actors.

Crucially, although municipalities are the natural locus of property taxation, their effective exercise of this function remains dependent on federal framework legislation and on the commitment and administrative capacity of regional states to devolve substantial powers.[148] In this respect, the Joint Session decision constituted a necessary but incomplete precursor to the more detailed framework established under Proclamation No. 1365/2025. Ultimately, whether the decision translates into meaningful reform depends less on the formal allocation of powers than on the institutional commitment of regional governments, the administrative capacity of municipalities, and the political will to embed property taxation within a coherent framework of local fiscal autonomy. This, in turn, underscores the importance of careful federal, regional, and local lawmak-

[142] Ibid
[143] See Section 8.6 of this Chapter.
[144] Interview with Amdemichael Getachew, Annex VI, December 7, 2024.
[145] Ibid
[146] supra note 133
[147] Ibid
[148] Supra note 144

ing under Proclamation No. 1365/2025 to ensure the sustainability of the reform process, as discussed in the next section.

One of the most significant questions arising from the Joint Houses' decision and the enactment of Proclamation No. 1365/2025 concerns their implications for the fiscal and administrative authority of regional states and, by necessary implication, ULGs. The central issue is whether federal involvement in property taxation is compatible with the states' constitutional powers over land administration and land-derived revenues.[149] Although neither the resolution nor the Proclamation expressly repeals state authority over land-based revenues, both implicitly recast recurrent property taxation as a "new" revenue source subject to allocation under Article 99.[150] At the same time, the property tax law regulates not only land administration functions, such as land identification, classification, registration, and valuation, but also core tax administration functions, including assessment, billing, collection, and enforcement.[151]

This development requires clarification of the constitutional scope of state powers over land administration and land-based revenues, and whether such powers are devolved to ULGs in the language of Article 50(4) of the FDRE Constitution. Articles 52(2)(d) and 97 prima facie vest regional states with broad authority over land administration and related revenues, including land rents, lease charges, royalties, and property-related income. By classifying property tax as "undesignated," however, the Joint Houses implicitly removed it from this constitutional framework and vested primary lawmaking authority in the federal government. The debates made this explicit, as the Standing Committees proposed a national framework law enacted by the federal parliament, thereby limiting state discretion over key aspects of property taxation, including the tax base, rates, exemptions, and related design features.[152]

In this respect, the Joint Houses effectively reduced regional states' fiscal autonomy and expanded federal oversight. Arguably, this amounts to a de facto constitutional amendment achieved through interpretive resolution rather than through the formal procedures prescribed under Arti-

[149] See FDRE Constitution, Art. 52 (2)(d). It is worth noting that, conceptually, land administration includes property taxation. See Section 8.4.1 of this chapter.
[150] Supar note 133
[151] Ibid; See also Proclamtion No. 1365/2025; Regional Model Law
[152] Supra note 63

cles 104 and 105.[153] In a genuine federation, exclusive competences ordinarily cannot be altered through interpretive maneuvering.[154] If property tax falls within land-based revenues, it should belong to the states; and if the government seeks to introduce such a novel tax instrument to finance ULGs, its allocation should arguably require formal constitutional amendment. The Joint Session therefore occupies an uneasy constitutional middle ground by treating property tax as undesignated while simultaneously intruding into areas previously understood as state prerogatives. It also frustrates ULG expectations of genuine devolution under Article 50(4) of the Constitution and regional municipal revenue laws, as well as efforts to address entrenched local revenue shortages. This precedent risks weakening subnational fiscal autonomy and destabilizing the constitutional balance of the federation, as there is no guarantee that similar reallocations will not occur in other revenue domains.

Finally, it is worth noting that the Joint Decision attempted to balance federal and regional roles and, though indirectly, accommodate local governments.[155] Accordingly, under Proclamation No. 1365/2025, the federal government establishes the national framework governing tax bases, valuation standards, exemptions, and rate ranges, and prepares a model law to enable regional states to adopt implementing legislation and delegate administration to municipalities.[156] This reflects a pragmatic compromise between federal coordination and regional authority over land administration and property taxation. Constitutionally, the arrangement may be grounded in the federal government's power to legislate on land utilization and conservation and the regional states' power over land administration.[157] From a fiscal federalism perspective, it also recognizes

[153] This issue is particularly significant in Ethiopia, where constitutional interpretation and informal constitutional change are frequently used to accommodate evolving political and socioeconomic realities. The federal distribution of power is also heavily shaped by party structures, while the rigidity of formal amendment procedures and prevailing political conditions often discourage formal constitutional reform. See generally, Nigussie Afesha, "The Practice of Informal Changes to the Ethiopian Constitution in the Course of Application," *Mizan Law Review*, Vol. 10, No. 2, 2016, pp. 366–399; Zelalem Eshetu, "Unconstitutional Constitutional Amendments in Ethiopia: The Practice under Veil and Devoid of a Watch Dog," *Haramaya Law Review*, Vol. 4, No. 1, 2015, pp. 59–80.

[154] For comparative country experiences, see Chapter Two, Section 2.6 of this dissertation.

[155] *Fortune*, "Fed, Regional States Receive Pass to Legislate Property Taxes," January 11, 2023, available at: Fortune Article (accessed December 24, 2025).

[156] See Proclamation No. 1365/2025, Art. 3; Regional Model Law, Art. 3

[157] FDRE Constitution, Arts. 51 (5) and 52(2)(d). The federal-regional relationship in land law, particularly the growing contraction of regional power to administer land and the expanding federal legislative interventions, has attracted considerable scholarly attention. See Habtamu Sitotaw, supra note 79; see also Habib Jemal, "A Critical Assessment on Provisions of the Federal Constitution of Ethiopia with Regard to Federal-Regional Governments Relationship on Land Law," *Oromia Law Journal*, Vol. 9, No. 1, 2020, pp. 57–79.

that municipalities bear the costs of urbanization and should therefore benefit, at least indirectly, from property tax revenues.[158] Comparative practice highlights both the value and the limits of this model. For example, in South Africa municipalities possess clear constitutional authority to levy property rates within a nationally harmonized framework, while in India property taxation falls under state jurisdiction, with the central government shaping policy through model laws and guidelines.[159]

However, the interpretive compromise adopted by the Joint Houses remains inherently unstable. Vesting primary lawmaking authority in the federal government risks weakening state fiscal autonomy, blurring accountability, and generating conflict where federal priorities diverge from local needs. These risks may become more pronounced in the event of a competitive multiparty system, rather than the current arrangement in which a single party dominates all levels of government.[160] Moreover, the decision leaves local governments dependent on the political will and institutional commitment of regional states, much as Article 50(4) of the Constitution already does. Ultimately, these developments expose the limits of resolving foundational questions of tax assignment through Article 99 alone. If disputes persist, a durable settlement may ultimately require formal constitutional amendment under Articles 104 and 105 to provide the clarity and stability necessary for Ethiopia's fiscal federalism. Such reform could also extend to recognizing local governments as a third tier of government and granting them corresponding expenditure responsibilities and revenue powers, particularly over property taxation.

8.6 Divisions of Property Tax Functions under in the Property Tax System

The enactment of Proclamation No. 1365/2025 marks a pivotal milestone both in anchoring a long-delayed reform and advancing the study and practice of property tax law. Rooted in the decision of the Joint Houses, the Proclamation establishes a comprehensive national framework for

[158] For the importance and role of municipal revenue, see Chapter Four of this dissertation.
[159] See Section 2.6 of Chapter Two of this dissertation.
[160] For the problems of intergovernmental relations and the dominant role of the dominant-party system in this regard, see, for example, Nigussie Afesha, "Intergovernmental Relations System in the Ethiopian Federation: Normative Considerations," *Cogent Social Sciences,* Vol. 10, No. 1, 2024.

property taxation that aims to harmonize practices across the federation.[161] The preamble, at the outset, clearly articulates the primary objective of empowering urban centers to mobilize sustainable revenues from land and property within their jurisdictions and enable them to meet the escalating demand for public services and infrastructure in rapidly urbanizing areas.[162] Pursuant to the scope of application clause, the law unequivocally applies to all urban areas nationwide and authorizes regional governments to enact implementing legislation consistent with the federal framework.[163] These being the case the law inites different provisions tries to delineate the respective competences of federal, regional, and local governments and entrust the various subnational entities with both legislative and administrative responsibilities.[164] This arrangement facilitates meaningful participation of regional states and local governments in the design and enforcement of the tax regime without undermining national coherence.

Against this backdrop, this section examines the institutional allocation of powers among the federal, regional, and local governments in Ethiopia's property tax reform, with particular reference to the joint decision of the two federal houses, Proclamation No. 1365/2025, and the Model Regional Property Tax Proclamation.

8.6.1. The Federal Government

The federal government has been both the initiator and principal architect of the ongoing property tax reform, while subnational governments have yet to assume meaningful ownership of the process. The reform was driven primarily, first by the MoUI and later by the MoF, which managed its technical dimensions, including legislative drafting.[165] Other federal institutions, particularly the HoPR and the HoF, also played significant roles in resolving constitutional disputes over taxing powers, enacting framework legislation, and exercising macroeconomic oversight, as

[161] This may be understood as part of the constitutional project to establish and sustain a unified economic community, although its effort to balance and safeguard the rights and interests of regional and local governments remains debatable, as noted in the previous section. See FDRE Constitution, Preamble, Para. 1 & 5; Art. 39 (1) and 50 (4)
[162] Proclamation No. 1365/2025, Preamble, para. 1; Regional Model Law, Preamble, para. 1.
[163] Proclamation No. 1365/2025, Art. 3(1); Regional Model Law, Art. 3(1).
[164] Proclamation No. 1365/2025, Arts. 35-38; Regional Model Law, Arts. 60-63.
[165] MoUI, *Detailed Project Review: Computerized Property Tax Administration (CPTA)*, 2024, p. 4. The researcher's observation of the process also indicates that these institutions played central roles, with substantial technical and financial support from international development partners. Their involvement included commissioning reform studies, piloting property tax initiatives in selected urban centers, and overseeing the reform process from agenda-setting through the enactment of federal and regional legislation.

noted above.[166] This extensive federal role was justified as necessary to rationalize and harmonize a fragmented and weakly administered land and property revenue system. In doing so, the federal government assumed primary responsibility for initiating the reform and addressing its major institutional and constitutional barriers, as discussed in Chapters Three, Four, and Five of this dissertation.[167]

Against this background, the federal government enacted Federal Property Tax Proclamation No. 1365/2025 and prepared the Model Regional Property Tax Law, both of which reaffirm federal leadership in shaping property taxation at the subnational level.[168] Proclamation No. 1365/2025 establishes principles and standards governing not only major substantive issues[169] but also administrative and procedural matters[170]. As the first comprehensive property tax law, it seeks to rationalize a previously fragmented regime by defining the tax base, classifying properties and urban centers, establishing valuation principles and tax rate structures, and regulating exemptions, administrative procedures, and appeals mechanisms.[171] It further empowers the Council of Ministers to issue implementing regulations and, based on studies conducted by the MoF, to determine minimum and maximum property tax rate ranges on grounds of macroeconomic stability and balanced development.[172]

The law also enables specific federal institutions to continue playing a central role in guiding the reform through the provision of technical support to regional states and urban local governments, as well as through nationwide capacity-building initiatives. In this regard, the MoF is empowered to issue directives, representing the lowest level in the hierarchy of legal instruments, consistent with the Proclamation and Council of Ministers regulations, and to undertake policy and administrative measures aimed at harmonizing and operationalizing the property tax system nation-

[166] Ibid
[167] Ibid
[168] Proclamation No. 1365/2025, Preamble, Para. 4; Regional Model Law, Preamble, Para. 5, Art. 4
[169] Proclamation No. 1365/2025, Arts. 4, 5, 11, 14 & 15.
[170] Ibid, Arts. 16-34
[171] Ibid, Arts. 5, 6-10, 11-12, and 14-15. However, actual administrative functions, including property identification and registration, classification, valuation, assessment, collection, and the utilization of property tax revenues, are assigned to subnational units, particularly ULGs. See also Regional Model Law, Arts. 9-12
[172] Proclamation No. 1365/2025, Arts. 11 (1 &2) and 40 (1)

wide.[173] Similarly, the MoUI is assigned responsibility for establishing standards for the categorization of urban areas and taxable properties, issuing model formats for public property tax registers, developing property valuation systems, and providing capacity-building support to regional governments.[174] Given the absence of a dedicated ministerial office for land administration, these functions are carried out through its specialized departments, which design mechanisms for land and property identification, classification, registration, and valuation.[175] The MoR plays a complementary and largely technical role, focusing on the modernization of tax administration, including the design of collection and enforcement mechanisms, database development, technological support, and capacity-building for regional states and city administrations, while policy and legislative authority remain primarily with the MoF.[176]

Federal influence is further consolidated through the preparation and dissemination of the Model Regional Property Tax Proclamation, developed with the participation of three federal ministries and supported technically and financially by international actors.[177] Although the model law acquires legal force only upon adoption by regional councils, its principal purpose is to translate Proclamation No. 1365/2025 into detailed and uniform rules applicable across regional urban centers.[178] In practice, the model proclamation functions less as a discretionary guide than as a normative template shaping the structure and substance of regional property tax legislation. While some operational matters are formally left to regional and local laws, the model law reinforces federal influence by prescribing standardized definitions and rationales, detailed rules on property classification and valuation, tax base determination, bounded rate ranges, exemptions, and extensive administrative, enforcement, and appeals procedures.[179] Thus, by drafting and disseminating the model law, the federal government has moved beyond the framework role envis-

[173] Ibid, Art. 35
[174] Ibid, Art. 36
[175] Ibid. Many regional states have now established land bureaus to carry out land administration functions. Accordingly, urban land administration functions vested in the MoUI are assigned to land bureaus and departments at the regional and local levels.
[176] Ibid, Art. 37
[177] See Regional Model Law. The MoF, the MoUI, and the MoR jointly participated in the development of the Regional Model Law, each contributing within its institutional mandate. The MoF led the fiscal and policy dimensions of the reform, the MoUI focused on ULGs, land administration and property valuation frameworks, while the MoR provided technical support on tax administration, collection, and enforcement mechanisms.
[178] See Regional Model Law, preamble, para. 1 & Art. 4
[179] Ibid, Arts. 5-21 & 22-59

aged in the Joint Decision and, in practice, exercises substantial influence over regional property tax making and enforcement.

The role and scale of federal involvement in the reform can be justified on both theoretical and contextual grounds.[180] From a decentralization perspective, central involvement may promote harmonization, legal certainty, administrative coherence, and the Constitution's aspiration to build an integrated national economic system.[181] Although property tax is generally regarded as a local tax, coordination and standard-setting often require intervention by higher levels of government, particularly where subnational administrative capacity is weak or uneven.[182] This rationale is especially compelling in Ethiopia, where the reform remains at an early stage after decades of dormancy and where local institutional infrastructure is underdeveloped. Federal involvement is therefore expected to coordinate and facilitate the reform, strengthen subnational capacity, and support the development of a sustainable property tax system.

The breadth and intensity of federal intervention may, however, raise both normative and practical concerns.[183] First, from the perspective of decentralization theory and the constitutional right to self-administration under the FDRE Constitution[184], extensive central involvement risks eroding local fiscal autonomy and weakening political accountability.[185] Broad federal control over tax bases, valuation methods, rate bands, exemption categories, and administrative procedures diminishes the conventional subnational character of property taxation.[186] Moreover, there appears to be little effective constraint on federal intervention, even where it extends beyond the framework contemplated in the Joint Decision of the two Houses. As a result, the reform process risks underutilizing local knowledge of property markets, socioeconomic conditions, and admin-

[180] Interview with Wasihun Abate, Annex VI, March 8, 2024.
[181] See Section 2.3 of Chapter Two and Section 3.2 of Chapter Three of this dissertation.
[182] Ibid
[183] Frances Plimmer and William J. McCluskey, "The Basis and Administration of the Property Tax: What Can Be Learned from International Practice?," paper presented at the FIG Congress 2010, Sydney, Australia, 11–16 April 2010, pp. 8–10.
[184] FDRE Constitution, Arts. 39 (1) and 50 (4)
[185] Enid Slack, "The Politics of the Property Tax," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 69–88.
[186] Ibid, pp. 83-86

istrative realities.[187] This may weaken local political ownership and long-term administrative commitment, undermine taxpayer acceptance and compliance, reduce responsiveness, and diminish incentives for institutional learning, innovation, and the long-term sustainability of the reform.

In general, the federal government has assumed a leading role in the ongoing property tax reform by shaping both the design and administration of the tax. This role, however, remains normatively contested and practically debatable. Federal stewardship may be justified as a transitional response to capacity asymmetries, macro-fiscal risks, and the need for harmonization during the early stages of reform. Yet its normative and practical legitimacy ultimately depends on its scope, duration, and gradual recalibration. If federal dominance persists beyond the system-building phase, it risks contradicting the local character of property taxation and undermining its effective implementation. Federal involvement should therefore remain transitional and progressively give way to greater regional and local discretion in the design and enforcement of the tax.

8.6.2. Regional Governments

In Ethiopia's federal system, regional governments are constitutionally established subnational entities vested with exclusive and concurrent legislative, executive, and judicial powers alongside the federal government.[188] Despite the Constitution's normative commitment to balancing regional self-rule with shared rule, the federation continues to face significant challenges relating to central dominance and federal intervention, particularly in taxation and land administration.[189] These dynamics have long narrowed regional authority over land administration and the levy and collection of land- and property-related revenues.[190] This, however, does not necessarily guarantee that property tax falls within the constitutionally assigned taxing powers of regional governments. Rather, the tax was treated as an undesignated tax.[191] Although a later joint decision of

[187] John L. Mikesell, "Administration of Local Taxes: An International Review of Practices and Issues for Enhancing Fiscal Autonomy," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 89–124.
[188] FDRE Constitution, Arts. 46 (1), 47 (1) and 50 (1 &2)
[189] See Habtamu Sitotaw, supra note 79; Taddese Lencho, Supra note 46. The two areas are highly contested sectors because they are closely linked to revenue generation, political authority, development policy, and control over strategic economic resources.
[190] Ghebrehiwet Tesfai, supra note 42, pp. 214-228
[191] Supra note 133

the HoF and HoPRs classified it as a regional tax, specific legislative, administrative, and implementation functions are divided among the three tiers of government.[192] It is this constitutional and institutional settlement that defines the role of regional states within the property tax regime established under Proclamation No. 1365/2025 and the Regional Model Law.

Proclamation No. 1365/2025 positions regional governments as key legal and institutional intermediaries in the design and enforcement of the property tax system. Regional states are responsible for translating federal framework norms into binding regional legislation and overseeing fair and efficient local implementation.[193] The Proclamation expressly authorizes regions to enact detailed property tax laws consistent with the federal framework and to empower cities to levy, assess, and collect the tax.[194] Regions also supervise city-level tax rate schedules and exemption practices within nationally prescribed rate ranges and exemption frameworks.[195] In this respect, regional governments function as legal gatekeepers responsible for ensuring conformity with both national standards and local conditions. The design thus indicates that regions are not merely administrative conduits, but legally recognized norm-setters within the property tax regime, deriving their authority from the joint interpretive decision of the two Houses.

The Regional Model Law, which acquires legal force only upon adoption by regional councils, further reinforces this intermediary and gate keeping role. It provides a comprehensive legislative template governing tax base determination, property and urban center classification, rate structures, valuation procedures, exemptions, and administrative functions such as billing, collection, enforcement, and appeals.[196] Section Ten of the Model Law specifically defines the powers of regional executive organs.[197] The BoF directs, coordinates, and supervises the implementation and administration of the property tax system in accordance with constitutional principles, federal frameworks, and regional laws.[198] It oversees policy alignment, revenue management, institutional capacity building, and overall system performance. The BoUI oversees property identifica-

[192] Ibid
[193] Proclamation No. 1365/2025, Arts. 3 (1& 2), 38 and 40
[194] Ibid
[195] Ibid, Arts. 12 and 38 (4)
[196] Regional Model Law, Arts. 7-21 & 22-59
[197] Ibid, Arts. 60-63
[198] Ibid, Art. 60

tion, registration, and valuation; establishes valuation systems and standards; strengthens local capacity; and reports to the relevant federal ministry.[199] In regions with separate land administration institutions, these functions are primarily exercised by regional BoL.[200] The BoR, in turn, is responsible for assessment, collection, enforcement, appeals administration, operational standards, maintenance of the property tax register, and local capacity building, while reporting to relevant federal and regional authorities.[201]

From a fiscal decentralization perspective, regional governments are expected to play an intermediary role within a multilevel system. Positioned between federal standard-setting and local implementation, they are tasked with harmonizing practices, ensuring legality, and reducing interjurisdictional disparities, particularly where ULGs exhibit uneven administrative capacity.[202] Thus, as also shown above, regional oversight over property identification, registration, valuation, rate schedules, exemptions, in-lieu contributions, and administrative functions such as billing, collection, enforcement, grievance handling, and appeals may enhance consistency, curb politically motivated under-taxation, and strengthen taxpayer confidence in an otherwise weak local revenue system.[203] However, this arrangement also presents a classic decentralization dilemma in two ways.[204]

Although regions formally possess legislative and administrative powers, their discretion remains limited due to extensive federal control under Proclamation No. 1365/2025 and the Model Law.[205] As a result, regions function less as autonomous fiscal actors than as conduits for federal policy implementation. At the same time, their broad supervisory authority over ULGs risks weakening local fiscal autonomy and diluting the accountability relationship between taxpayers and municipalities.[206] The long-term viability of this model of mediated autonomy therefore depends on whether regional intervention evolves into capacity-enhancing support that empowers ULGs or consolidates into hierarchical control that weakens local ownership and fiscal account-

[199] Ibid, Art. 62
[200] Ibid, Art.62 (1)
[201] Ibid, Art. 61
[202] Ghebrehiwet Tesfai, supra note 42, p. 244
[203] Zemelak Ayitenew, *Decentralisation, Development and Accommodation of Ethnic Minorities: The Case of Ethiopia*, PhD Dissertation, University of the Western Cape, June 2012, p. 193
[204] Ibid
[205] Interview with Wasihun Abate, Annex VI, March 8, 2024.
[206] Ibid

ability. Ultimately, aligning the property tax regime with the constitutional promise of decentralized self-rule will require greater regional discretion and deeper devolution to ULGs.

8.6.3. Urban Local Governments

In Ethiopia's dual federal system, where only the federal and regional governments are constitutionally recognized, neither the FDRE Constitution nor regional constitutions provide a clear framework governing the legal status, expenditure responsibilities, or revenue powers of ULGs.[207] Consequently, the institutional design and functions of ULGs are largely regulated through regional city establishment laws and municipal revenue legislation.[208] The literature has long identified this constitutional silence as a structural weakness that undermines local accountability, constrains urban service delivery, and weakens the fiscal foundations of municipal governance.[209] Accordingly, scholars and policymakers have repeatedly called for stronger legal recognition and institutional empowerment of ULGs within the federal system.[210]

The reintroduction of property taxation brings this structural weakness into sharper focus given the inherently local character of the tax and its close connection to urban land use, service delivery, and political accountability. However, as noted above, the interpretive discretion of the HoF and HoPR was itself constrained, as undesignated taxing powers may be allocated only between the federal and regional governments.[211] Within these limits, the Joint Decision went beyond merely classifying property tax as a regional tax and expressly recognized the indispensable role of ULGs in administration and revenue utilization.[212] In doing so, it softened the rigidity of the Constitution's revenue assignment provisions and reinforced the principle of subnational self-rule at the lowest administrative level.[213] At the same time, it exposed the limitations of a constitutional design that marginalizes local governments and revived broader normative questions

[207] Section 3.3 of Chapter Three of this dissertation; See also Art. 51 & 52 cum 96-99 of the FDRE Constitution
[208] Ibid
[209] Supra note 203; Sisay Mengistie, "Autonomy of City/Town Administrations in Ethiopia: Case Study of Amhara National Regional State," in Asnake Kefale and Assefa Fiseha (eds), *Federalism and Local Government in Ethiopia*, Addis Ababa University Press, 2015, pp. 219–241; Tamerat Delelegne, "The Legal Basis of Self-Rule in Ethiopian Cities," *Journal of Ethiopian Law*, Vol. 26, No. 1, 2013, pp. 39–93;
[210] Ibid
[211] FDRE Constitution, Art. 99
[212] Supra note 133
[213] See generally, FDRE Constitution, Arts. 96-99 and 50(4).

concerning the place of ULGs in the federal order and the conditions necessary for meaningful fiscal decentralization without formal constitutional amendment.[214] In this sense, the decision may serve as a precursor to future reforms aimed at sustainable local empowerment.

Pursuant to the interpretive settlement of the two Houses, Proclamation No. 1365/2025 and, more decisively, the Regional Model Law designate ULGs as the primary implementing authorities in the property tax system and assign them extensive legislative and administrative responsibilities. These include substantive matters such as determination of the tax base[215], identification and categorization of urban areas and property[216], setting applicable tax rates[217], conducting valuation of taxable property and maintaining registers[218], as well as exemptions, relief mechanisms, and contributions in lieu of tax[219]. ULGs and their respective departments are also responsible for several administrative functions, including data collection and maintenance of public registers[220], billing and assessment notification[221], payment administration[222], tax collection and enforcement[223], management of the rights and responsibilities of taxpayers and tax officers[224], public participation and revenue utilization[225], grievance handling[226], and appeal procedures[227] in accordance with applicable federal and regional laws. Thus, as federal and regional laws largely exhaust the substantive framework of the tax, ULGs play only a limited role in tax policy design. Their lawmaking role is mainly confined to adopting annual property tax rate schedules through their councils and initiating adjustments based on implementation experience. Most importantly, the legal framework affirms their authority to collect and utilize property tax revenues for urban services and infrastructure, placing them at the operational core of the tax regime even as their fiscal discretion remains constrained.

[214] Supra note 207
[215] Regional Model Law, Arts.7-8
[216] Ibid, Arts. 9-12
[217] Ibid, Arts. 13-16
[218] Ibid, Arts.17-18
[219] Ibid, Arts.19-21
[220] Ibid, Arts.23-24
[221] Ibid, Arts.25-27
[222] Ibid, Arts.28-33
[223] Ibid, Arts.34-39
[224] Ibid, Arts.40-43
[225] Ibid, Arts.44-45
[226] Ibid, Arts.46-49
[227] Ibid, Arts.50-59

From a fiscal decentralization perspective, the reform reflects the classic logic of treating property tax as a local tax by assigning ULGs core administrative functions and limited legislative roles that rely on local information and proximity to taxpayers.[228] Transparency, public participation, and intergovernmental coordination are intended to strengthen fiscal accountability, rebuild public trust, and support local implementation.[229] However, ULGs bear extensive administrative responsibilities without corresponding policy autonomy, adequate capacity building, or supporting land administration infrastructure.[230] Their discretion over key matters such as tax rates, valuation, and exemptions remains constrained by federal and regional standards and supervision.[231] The reform thus reflects a broader pattern in which formal decentralization coexists with substantive central control. Analytically, it represents administrative decentralization without full fiscal decentralization. While such an approach may be justified during the early stages of reform, its long-term legitimacy depends on whether these constraints remain transitional safeguards or evolve into entrenched hierarchical control. A gradual expansion of substantive local discretion will therefore be essential if property taxation is to become a genuine pillar of decentralized self-rule.

8.7 Interim Conclusion

An examination of Ethiopia's property tax assignment problem and the mechanisms adopted to address it shows that these challenges are neither unique nor accidental. Rather, they reflect the inherent complexity of tax assignment in multilevel governance systems and a central issue in property tax reform globally. Normatively, taxes on immobile bases are best assigned to subnational or local governments because of their strong benefit linkage, visibility, and potential to strengthen accountability and fiscal autonomy. In practice, however, local governments often lack the institutional capacity to design and administer property taxes, particularly during early reform stages, as in Ethiopia. Comparative experience thus shows that effective property taxation commonly relies on hybrid arrangements in which higher levels of government retain roles in

[228] Enid Slack and Richard M. Bird, *The Political Economy of Property Tax Reform*, OECD Working Papers on Fiscal Federalism No. 18, 2014.
[229] Ibid
[230] Zemelak Ayitenew, Supra note 2, p. 381
[231] Ibid

standard-setting, valuation, and oversight. The assignment problem is thus not one of exclusivity, but of balancing local autonomy with coordination and administrative capacity.

In Ethiopia, the FDRE Constitution establishes a dual federal system that does not recognize local governments as a constitutional tier. It allocates exclusive and concurrent taxing powers only between the federal and regional governments, while undesignated revenues may be assigned to either level. This center-oriented structure has produced persistent fiscal imbalances and weakened subnational revenue mobilization. The absence of an explicit constitutional assignment of property tax created a legal vacuum, generated competing interpretations, and delayed reform for more than a decade. Despite decentralization rhetoric, the post-1991 system retained centralized control over major fiscal instruments, relied heavily on non-tax land revenues, and marginalized property taxation as a meaningful source of local finance. The debate over whether property tax is a designated or undesignated tax reflects deeper constitutional tensions. One view links it to land-related revenues and state land administration powers, while the other relies on constitutional silence under Article 99. The 2023 Joint Houses' decision adopted the latter approach as both a doctrinal interpretation and a pragmatic response to reform deadlock. However, by reclassifying property tax and vesting primary lawmaking authority in the federal government, the decision arguably recalibrated the federal balance without formal constitutional amendment.

Proclamation No. 1365/2025 operationalizes this settlement through a hybrid model in which the federal government sets the framework, regional states legislate and supervise, and municipalities administer and collect the tax. While this arrangement reflects subsidiarity and practical capacity considerations, several issues remain unresolved, including the unclear division of powers across levels of government, constraints on subnational autonomy arising from federal control over key design elements, the continued non-recognition of local governments as a constitutional tier, and uncertainty regarding the status of existing land- and property-related revenues. More fundamentally, the Ethiopian approach reveals a tension between constitutional form and functional necessity. Although the current framework breaks the reform deadlock, it relies on interpretive flexibility rather than constitutional clarity, thereby creating an inherently unstable equilibrium.

Accordingly, the resolution of the property tax assignment problem remains provisional. A more durable settlement may require formal constitutional clarification, including explicit assignment of property tax powers and constitutional recognition of local governments and closer alignment between revenue powers and expenditure responsibilities. Until then, the success of the reform will depend on effective implementation, particularly coherent regional legislation, sustained federal support, and genuine devolution to municipalities. Absent these conditions, the reform risks reproducing ambiguity, central dominance, and weak local fiscal capacity. If effectively implemented, however, it holds the potential to establish property taxation as a central pillar of urban finance and to strengthen Ethiopia's fiscal federalism.

CHAPTER NINE

THE LEGISLATIVE ARCHITECTURE OF PROPERTY TAX REFORM IN ETHIOPIA: STRUCTURE, CONTENT, AND EMERGING GAPS

9.1 Introduction

The legislative architecture of property tax reform is central to the effectiveness, legitimacy, and sustainability of the tax system. It translates the conceptual and policy issues examined in earlier chapters into binding legal rules and operational frameworks. Property tax is both technically complex and institutionally demanding, involving multiple levels of government, multidisciplinary expertise, and competing objectives, including equity and efficiency, revenue generation and taxpayer acceptability, and central oversight and local autonomy. Balancing these tensions requires careful substantive and procedural design. Comparative experience consistently shows that weaknesses in legal design can undermine reform outcomes even where the underlying policy rationale is sound. Against this background, this chapter addresses the final objective of the study by critically examining the legislative architecture of the emerging property tax framework, focusing on its structure, content, and emerging gaps. The analysis centers on Proclamation No. 1365/2025, the Model Regional Law, and related laws. Methodologically, the chapter adopts a doctrinal approach complemented by empirical insights drawn from stakeholder interviews, participatory observation, and Delphi consultatiions.

The chapter is organized as follows. Section 9.2 examines the post-2011 reform trajectory leading to the adoption of Proclamation No. 1365/2025 and the Model Regional Law. Sections 9.3, 9.4, and 9.5 constitute the core of the chapter and examine, respectively, the preliminary and general provisions, the substantive elements of the tax, and the administrative and procedural framework. Building on this analysis, Section 9.6 evaluates the implications of the current legislative design and highlights the gap between normative ambition and implementation capacity. It then argues for a gradual, institutionally grounded, and consensus-oriented reform approach.

Section 9.7 concludes with an interim synthesis of the key findings and their implications for the development of a coherent and sustainable property tax system.

9.2 Post-2011 Tax Reform: Toward Proclamation No. 1365/2025 and the Regional Model Law

The principle of legality, commonly expressed as *nullum tributum sine lege* ("no law, no tax"), requires that taxes be imposed, amended, or repealed only through clear legislation enacted by a representative authority.[1] It protects citizens against arbitrary taxation, safeguards public revenue, and promotes accountability and transparency in revenue collection.[2] These concerns are particularly important in property taxation, which intersects with fiscal policy, land governance, decentralization, and urban development.[3] Two related dimensions are especially significant: the legislative drafting process and the structural design of tax legislation.[4] The former is addressed in this section and the latter constitutes the primary focus of the remaining sections of this chapter.

In his influential chapter "Drafting Tax Legislation," Victor Thuronyi identifies four criteria for effective tax drafting: understandability, organization, effectiveness, and integration.[5] These align closely with broader theories of good legislation. In *The Morality of Law*, Lon L. Fuller articulated eight principles of legality, including generality, publicity, clarity, consistency, feasibility, stability, and congruence between official action and declared rules.[6] These criteria remain

[1] Frans Vanistendael, "Legal Framework for Taxation," in Victor Thuronyi (ed.), *Tax Law Design and Drafting*, International Monetary Fund, 1996, p. 16. The principle of legality stems from the classical idea captured in the slogan "Taxation without representation is tyranny," popularized during the American War of Independence in opposition to taxation imposed by the British Parliament. It later became an enduring expression of fiscal legitimacy and representative taxation in modern constitutional systems.
[2] Ibid
[3] Martin Grote and Jean-François Wen, *How to Design and Implement Property Tax Reforms*, International Monetary Fund Note No. 006, 2024, p. 2.
[4] Ibid
[5] Victor Thuronyi, "Drafting Tax Legislation," in Victor Thuronyi (ed.), *Tax Law Design and Drafting*, Vol. 1, International Monetary Fund, 1996, pp. 73–94.
[6] See Colleen Murphy, "Lon Fuller and the Moral Value of the Rule of Law," *Law and Philosophy*, Vol. 24, No. 3, 2005, pp. 239-262.

important for strengthening the internal coherence of property tax law and its capacity to accommodate the diverse interests embedded within it today.[7]

As discussed in Chapter Six, taxing property in Ethiopia evolved from traditional tribute systems to the recent market value-based regime. This evolution has been uneven, shaped by changing political regimes, institutional reforms, and broader economic transformations. Consequently, the drafting processes, institutional arrangements, and substantive content of property tax laws have varied across periods. Since the 1940s, both the Haile Selassie and later Derg regimes developed modern tax laws. However, these laws remained relatively brief, and the lawmaking process continued to be dominated by the central executive.[8] Despite the absence of property tax in the strict sense, the post-1991 period witnessed the development of a more structured tax lawmaking framework.[9] The FDRE Constitution vested the HoPR with authority to enact proclamations, while the CoMs and individual ministries could issue subsidiary legislation, including regulations and directives, under delegated powers.[10] Parallel structures were also established for regional states to enact tax laws within their respective jurisdictions.[11] Consequently, both levels of government enacted a number of income and consumption tax laws, although regional laws largely replicated federal legislation. Attempts were also made to guide tax law drafting through national guidelines.[12]

However, no law was enacted under the name of property tax, except for the Derg-era house tax law and other non-tax land-related revenue laws enacted by the federal and regional governments.[13] Nevertheless, the process remained affected by broader challenges of tax lawmaking in

[7] Joan M. Youngman, "Tax on Land and Buildings," in Victor Thuronyi (ed.), *Tax Law Design and Drafting*, Vol. 1, International Monetary Fund, 1996, pp. 264-291.
[8] Taddese Lencho, "Towards Legislative History of Modern Taxes in Ethiopia: 1941-2008," *Journal of Ethiopian Law*, Vol. 25, No. 2, 2012, pp. 104–158. As discussed in Chapter Six, these laws contained only a limited number of provisions and lacked the substantive, procedural, and administrative detail required for a modern property tax system. As a result, implementation depended heavily on administrative discretion and fragmented local practices, contributing to inconsistency, weak enforcement, and limited taxpayer confidence.
[9] Ibid.
[10] FDRE Constitution, Arts. 50 (2-3), 55 and
[11] Ibid, Art. 50 (4-6).
[12] HoPR, *FDRE Legislative Process and Draft Law Preparation Manual*, March 2021, p. 2.
[13] See generally Chapter Four of this dissertation.

the country.[14] Several laws were technically weak, poorly drafted, and lacked the procedural and administrative detail required for a modern tax system.[15] Legislative drafting was often managed by foreign experts and largely followed top-down federal processes with limited consultation of regional institutions, technical experts, or affected stakeholders.[16] Moreover, local governments, the primary institutional actors in property taxation, had limited legislative authority, and their councils lacked the capacity to discharge such extensive responsibilities.[17] Against this background, this section examines the post-2011 reform trajectory leading to the adoption of Proclamation No. 1365/2025 and the Model Regional Law.

The principal objective of the post-2011 reform was the adoption of a modern and harmonized property tax law capable of addressing the deficiencies of earlier regimes discussed above.[18] Initial drafting efforts were undertaken by the Property Tax Project Office under the MoUI, with technical support from local consultants and international development partners.[19] Over the following decade, several draft versions were prepared, although none was formally adopted until 2025.[20] Interviews and document reviews indicate, however, that many of these drafts suffered from procedural and technical shortcomings and often departed from established tax law drafting practices.[21] The same sources also reveal systemic weaknesses in the governance of the drafting process, including poor institutional coordination, limited transparency, and inadequate mechanisms for reviewing preparatory studies and draft legislation.[22]

The process remained fragmented and lacked an institutionalized interdisciplinary framework involving relevant ministries, legal departments, subnational governments, and domestic experts.[23] Preparatory studies were frequently superficial and methodologically weak and stake-

[14] For these problems and challenges, see generally, Mamenie Endale, *The Challenges of Tax Law Drafting in Ethiopia*, LL.M Thesis, Bahir Dar University, May 2017; Kahsay Mehari, *The Legislative Process in Ethiopia: Challenges and Prospects*, MA Thesis, Addis Ababa University, December 2013.
[15] Ibid
[16] Ibid
[17] See Section 3.3 of Chapter Three of this dissertation.
[18] See generally, MoUI, *Detailed Project Review: Computerized Property Tax Administration (CPTA)*, 2024
[19] Ibid
[20] Ibid
[21] Interview with Wasihun Abate, Annex VI, March 8, 2024. In fact the federal government started to draft laws long before the HoF and HoPRs decided on the power of taxation.
[22] Ibid
[23] Ibid

holder consultation and public participation remained limited.[24] As a result, several drafts were poorly aligned with the constitutional principles of fiscal federalism, the administrative capacities of local governments, and the realities of the land tenure and property system in the country.[25] These weaknesses created significant gaps in both the substantive design and procedural architecture required for an effective property tax law.[26]

The difficulty of designing a comprehensive and workable property tax framework largely explains both the disagreements that emerged during the reform process and the prolonged stagnation of the reform.[27] Property tax reform has not been immune from the broader gaps in tax law drafting. A central problem is the absence of a clearly designated institutional authority responsible for drafting tax legislation.[28] Although the MoF claims such authority based on its fiscal policy mandate, the MoR and sectoral ministries also assert drafting powers as part of their land administration and urban governance functions where policy responsibilities overlap.[29] It was under the MoUI that the reform was initially deliberated and several draft laws were prepared over the past decade. It is only recently that the MoF came to assume the leading role in preparing Proclamation No. 1365/2025 and the Model Regional Law.[30] The process thus generated institutional contestation and, at times, weak coordination among government bodies, which in turn contributed to prolonged delays in the reform process.[31]

Legislative drafting has also been complicated by the absence of a comprehensive national tax policy framework. No public document formally articulates a national tax policy, and policy orientations remain dispersed across fiscal policy statements and tax legislation.[32] Without a coherent framework defining fiscal priorities and design principles, legislative drafting has tended to

[24] Ibid

[25] Ibid. Many of the draft legislations were primarily revenue-focused and followed the conventional pattern of tax law drafting. As noted above, several draft laws were prepared long before the HoF and HoPR decided the constitutional assignment of taxing powers. Reforms relating to local government systems and land and property rights and administration were also not adequately considered.

[26] Ibid. They often failed to consider critical technical aspects, such as property valuation models, rate-setting mechanisms, exemption frameworks, and collection systems, which were either inadequately addressed or omitted altogether.

[27] Taddese Lencho,supra note 8; Mamenie Endale, supra note 14

[28] Ibid; Inteview legal advisor

[29] Ibid

[30] Ibid

[31] Ibid

[32] See geenrally, Taddese Lencho, "The Ethiopian Tax System: Excesses and Gaps," *Michigan State International Law Review*, Vol. 20, No. 2, 2012, pp. 327–380.

become fragmented, particularly in technically complex and emerging areas such as property taxation.[33] This challenge was compounded by the absence, until recently, of a specialized tax legislative drafting manual.[34] The process was further constrained by limited multidisciplinary participation and a shortage of specialized tax drafting expertise.[35] In some instances, this resulted in reliance on foreign consultants whose contributions were not always effectively integrated with domestic institutional knowledge and local realities.[36] Weak transparency and consultation practices, together with the absence of standardized drafting procedures, also limited consistency and meaningful stakeholder participation during the earlier stages of the reform.[37]

These structural and practical gaps, together with the prolonged delay, reflected the limited political priority and weak institutional commitment given to property tax reform. Only during the past six or seven years has the federal government demonstrated stronger leadership in advancing studies and legislative drafting.[38] According to interviews, the establishment of an interministerial task force involving the MoF, MoR, and MoUI improved institutional coordination, supported by renewed engagement from the World Bank and VNG International.[39] Efforts were also made to broaden the drafting process through the involvement of legal experts, economists, land administration specialists, property valuation professionals, and tax policy advisers.[40] Workshops, conferences, and stakeholder consultations were organized to strengthen policy coherence and administrative feasibility.[41] These efforts ultimately resulted in the adoption of Proclamation No. 1365/2025 and the preparation of the Regional Model Property Tax Law for adoption by re-

[33] Ibid
[34] Mamenie Endale, supra note 14
[35] Ibid; Inteview legal advisor
[36] Ibid; Inteview legal advisor
[37] Ibid
[38] Interview with Mulay Woldu, Annex VI, March 5, 2024; Interview with Zinet Ibrahim, Annex VI, August 29, 2025. Interviews from the MoF and MoUI link the renewed momentum of property tax reform to the revenue mobilization efforts introduced under the HGER launched in 2019. This appears convincing, as the document explicitly identifies domestic resource mobilization as essential for strengthening macroeconomic stability, reducing external debt distress, and sustainably financing development. See generally, MoF, *A Homegrown Economic Reform Agenda* (*HGER): A Pathway to Prosperity*, Public Version, March 2020, p. 16.
[39] See generally, Regasa Senbeta, "Taxing Power Assignment of Property Tax in Ethiopia: Where Is Its Appropriate Jurisdiction in a Federal State?," World Bank, July 2021; VNG International, *Ethiopia: Sustainable Development through Improved Local Governance (January 1, 2024 – December 31, 2026)*, available at: VNG International Project Page (last accessed December 25, 2025).
[40] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.
[41] Intevriew with VNG exprt

gional state councils.[42] These instruments now represent an attempt to establish a coherent legal framework for a modern property tax system.

The legal instruments regulate the substantive and procedural dimensions of property tax through a structurebroadly organized into five parts: the preamble and enacting clause, general provisions, substantive provisions, administrative and procedural provisions, and miscellaneous provisions.[43] While Property Tax Proclamation No. 1365/2025 establishes the general framework, the Regional Model Property Tax Law provides a more detailed operational instrument for regional implementation.[44] The Model Law expands the policy rationale in the preamble and clarifies the hierarchical relationship between federal and regional legislation by affirming the applicability of the federal proclamation while incorporating region- and locality-specific definitions.[45] More significant elaboration appears in the substantive and administrative sections, where the Model Law operationalizes the property tax system through clearer rules on taxpayers, taxable value, valuation methods, tax rates, exemptions, incentives, property data collection, public registers, assessment procedures, payment and enforcement mechanisms, taxpayer rights, and public participation.[46]

The Regional Model Law has been circulated to regional states and city administrations for adoption and implementation.[47] Nevertheless, it remains only a model and has not yet been formally adopted by any regional state.[48] The law aligns the property tax framework with the decentralized governance structure by assigning key implementation responsibilities to regional bureaus and ULGs.[49] As primary legislation, however, the effectiveness of both instruments depends heavily on the development of many other enabling laws. Numerous regulations are expected from the federal CoM, while several directives are to be issued by the MoF, MoR, and

[42] Ibid
[43] Annex II
[44] Ibid. While Proclamation No. 1365/2025 contains 43 articles, the Model Law contains 67 and provides more detailed and operational substantive and procedural provisions.
[45] Ibid.
[46] Ibid.
[47] **የገንዘብ ሚኒስቴር ደብዳቤ (ለአስራ ሁለት ክልሎች እና ለሁለቱ ከተማ አስተዳዳሮች)፣ ሞዴል የንብረት ታክስ አዋጅ መላክን ይመለከታል፣ ታ/ከ/ቀ/5/954፣ ቀን** 03/07/2018.
[48] Interview with Wasihun Abate, Annex VI, March 12, 2026.
[49] Proclamation no. 1365/12025, Art. 3 (2); Regional Model law, Art. 3 (2)

MoUI.[50] Parallel regulatory powers are also granted to regional cabinets and bureaus under the Model Law.[51] It is on the basis of these legal frameworks that ULGs are expected to develop implementing rules and undertake collection and enforcement functions. To date, however, none of these enabling instruments has been adopted, delaying the implementation of property taxation in urban Ethiopia and adversely affecting urban finance.[52] Without these instruments, Proclamation no. 1365/12025 is a federal framework law that by itself is insufficient to operationalize the property tax administration system.

9.3 Preliminary and General Matters

These parts of the law establish the foundational legal and conceptual framework of the tax regime.[53] They are essential for ensuring coherence, interpretability, and enforceability, while preventing jurisdictional ambiguity and promoting consistent implementation.[54] They also influence the legitimacy and political acceptance of the reform by clarifying its objectives, institutional responsibilities, and scope.[55] In both Property Tax Proclamation No. 1365/2025 and the Model Law for Regional States, these provisions define the constitutional and institutional basis of property taxation, articulate the policy rationale of the reform, clarify key legal concepts, and determine the scope and coverage of the tax, as briefly discussed hereunder.[56]

9.3.1 Constitutional and Institutional Basis

Constitutions play a critical role in tax reform by allocating the authority to levy and collect taxes among different tiers of government and by establishing safeguards against excessive or arbitrary taxation.[57] Such clarity is particularly important in federal and decentralized systems, where ef-

[50] Proclamation no. 1365/12025, Arts. 40 (1) cum 11 (2); Regional Model law, Art. 64 (1) cum 15 (2), 16 (2), 19 (4 &5), 20 (1), 56 (6), and 57 (7&10)
[51] Proclamation no. 1365/12025, Art. 40 (2), 7 (3), 14 (4), 24, and 38 (5); Regional Model law, Art. 64 (2 & 3), 9 (1), 15 (4), 16 (3), 20 (2& 3), 21 (3), 28 (2 & 3), 36 (6), 46 (6), 47 (4), and 49 (1).
[52] Interview with Wasihun Abate, Annex VI, March 12, 2026.
[53] Supra note 12
[54] Ibid
[55] Ibid
[56] While the federal law sets out principles of property taxation, the Model Law clarifies the applicability of Proclamation No. 1365/2025 within the respective regional states.
[57] Victor Thuronyi, *Comparative Tax Law*, Kluwer Law International, 2003, p. 64; Frans Vanistendael, "Legal Framework for Taxation," in Victor Thuronyi (ed.), *Tax Law Design and Drafting*, International Monetary Fund, 1996, pp. 16-27.

fective tax administration depends on a well-defined vertical and horizontal distribution of legislative and administrative responsibilities.[58] The FDRE Constitution allocates the power to levy and collect taxes between the federal and regional governments under four headings[59] and establishes general limitations on the exercise of tax power[60]. However, as discussed in Chapter Eight, the Constitution does not expressly assign property tax powers.[61] This omission created prolonged legal uncertainty until the HoF classified property tax as an undesignated tax under Article 99 and, together with the HoPR, clarified its allocation among the federal, regional, and local governments.[62]

This interpretive intervention provided the legal basis for the adoption of Property Tax Proclamation No. 1365/2025 by the federal parliament and for the preparation of a model law for adoption by regional councils. The preambles and enacting clauses of both instruments expressly acknowledge that the legal basis for property taxation emerged through constitutional interpretation rather than explicit constitutional assignment.[63] The interpretation thus provided a pragmatic mechanism for overcoming prolonged reform stagnation and advancing property taxation into a formal statutory framework. On this basis, Proclamation No. 1365/2025 and the Model Law establish the multilevel legislative structure discussed above. The federal law provides only the general framework and guiding principles for the design and administration of the tax[64] and regional states are required to enact detailed implementing legislation within their jurisdictions.[65] Their effectiveness therefore depends on detailed regulations and consistent implementation in practice. In addition, ULG councils are expected to adopt the regulatory and operational rules necessary for municipal implementation.[66]

To sum up, an explicit constitutional assignment of property tax powers would have made the lawmaking process clearer and facilitated implementation. In its absence, however, the fact that

[58] See generally, Regasa Senbeta, supra note 39
[59] FDRE Constitution, Arts. 96–99
[60] Ibid, Art.100
[61] See Chapter Eight of this dissertation.
[62] Joint Resolution of the House of Federation (HoF) and the House of Peoples' Representatives (HoPR), January 11, 2023 (hereinafter "Joint Resolution").
[63] Proclamation No. 1365/2025, Preamble, Para. 4; Regional Model Law, Preamble, Para.1 and 5
[64] Proclamation No. 1365/2025, Art. 4. These include sustainability, economic efficiency, equity, accuracy, consistency, ease of administration benefit from development transparency, simplicity and proportionality.
[65] Proclamation No. 1365/2025, Arts. 3 (2) and 38
[66] Proclamation No. 1365/2025, Arts. 3 (2) and 40 (1&2); Regional Model Law, Arts. 3 (2) and 64 (1-3)

the Constitution provided a mechanism for resolution is itself significant. The tiered approach adopted through the Joint Resolution reflects an attempt to reconcile national policy objectives aimed at establishing a modern and harmonized property tax system with the inherently local character of the tax. Nevertheless, the arrangement is not without problems. First, as discussed in Chapter Two, the multilevel legislative process risks fragmentation and regulatory inconsistency, particularly where coordination mechanisms are weak. Second, federal, regional, and local institutions may lack the institutional and technical readiness required to enact and implement the necessary legal instruments. Yet it is precisely these instruments that translate the reform into workable legal and administrative arrangements. This, in turn, may generate renewed legal and political contestation capable of delaying implementation, as occurred during the previous decade. Accordingly, the central challenge now lies less in the absence of a constitutional basis, which has formally been addressed, than in clearly defining institutional roles, strengthening intergovernmental coordination, and ensuring the transition from proclamation to implementation.

9.3.2 Legislative Rationales

The policy justifications underlying the introduction of property tax constitute an important element of legislative design.[67]As the maxim *ratio legis est anima legis* suggests, the rationale of the law provides its normative foundation and guides interpretation and application.[68] These objectives are often articulated in the preamble and carefully framed to give meaning and direction to legal rules.[69] Taxing land and property has widely been recognized as an important mechanism for capturing unearned increases in land value arising from changes in land use and public investment in the context of rapid urbanization and growing municipal revenue scarcity.[70] Indeed, as a fiscal instrument, it enables states to advance local fiscal, economic, and social objectives while providing a relatively stable and difficult-to-evade source of revenue.[71] Post-1990s property tax reforms, in particular, have been driven by the need to strengthen local revenue mo-

[67] Jay K. Rosengard, "The Tax Everyone Loves to Hate: Principles of Property Tax Reform," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, p. 174.
[68] Adam Dyrda, "The Real *Ratio Legis* and Where to Find It: A Few Pragmatic Considerations," in Verena Klappstein and Maciej Dybowski (eds), *Ratio Legis: Philosophical and Theoretical Perspectives*, Springer International Publishing AG, 2018, pp. 3–17.
[69] Ibid; See also Supra note 5, p. 79; supra note 12, pp. 99-100
[70] Lawrence Walters, *Land and Property Tax: A Policy Guide*, UN-Habitat, 2011, p. 10-12.
[71] Ibid

bilization and fiscal autonomy, promote social equity and wealth redistribution, improve urban land governance, and establish harmonized property tax systems.[72]

These rationales are more or less reflected in the legal instruments- both Proclamation No. 1365/2025 and Model Regional Law.[73] The former recognizes the inadequacy of the existing land rent and building tax system in generating meaningful local revenue and presents property taxation as a mechanism for strengthening municipal fiscal capacity by capturing part of the value created through urban development.[74] At the same time, it invokes distributive and governance objectives, including equitable wealth distribution, transparency in property valuation and taxation, and the broader aim of strengthening economic integration.[75] The Model Property Tax Law reiterates these goals in a better depth by emphasizing revenue mobilization, fiscal autonomy of ULGs, social equity through the taxation of rising property values, and improved urban land governance through transparent systems of property identification, registration, valuation, and taxation.[76]

However, property tax laws in many developing countries are primarily driven by revenue mobilization and the need to address the structural weakness of ULG finance.[77] Similarly, in Ethiopia, property tax reform is repeatedly justified by municipal fiscal scarcity and the historical dependence of municipalities on intergovernmental transfers and fragmented own-source revenues.[78] This narrow emphasis risks overshadowing broader objectives of property tax such as improved land governance and a more equitable distribution of urban wealth.[79] Moreover, the realization of these objectives depends largely on the design and implementation of the law.[80]

Redistributive goals, for example, are shaped by the determination of tax bases and rates, valuation methods, exemptions, and relief mechanisms, all of which may either advance or dilute eq-

[72] See Section 2.7 of Chapter Two and Section 7.5 of Chapter Seven of this dissertation.
[73] Ibid
[74] Proclamation No. 1365/2025, Preamble, Para. 1
[75] Proclamation No. 1365/2025, Preamble, Para. 2 & 3
[76] Model Regional Law, Preamble, Para.1-4
[77] Supra note 70
[78] See Chapters Four and Seven of this dissertation.
[79] Interview with Wasihun Abate, Annex VI, March 8, 2024; Delphi expert opinion, Habtamu Bishaw, Round I, Annex VII.
[80] Supra note 3

uity.[81] Likewise, the linkage between property tax and land administration highlights their institutional interdependence and exposes the reform to the limitations of existing property rights, cadastral systems, and land administration frameworks.[82] The emphasis on harmonization, which is expected in the early stages of reform like the present day Ethiopia, seeks to address the fragmentation of earlier municipal revenue practices through greater standardization of definitions, valuation methods, and administrative procedures.[83]

Overall, the policy rationales embedded in the proclamation and the model law provides a coherent normative foundation for the reform. However, the realization of these objectives will depend less on their articulation in legislative preambles than on the effectiveness of the substantive legal provisions and administrative systems required for implementation. The gap between ambitious policy goals and institutional capacity therefore remains a central challenge for the emerging property tax system in urban Ethiopia.

9.3.3 Key Legal Definitions

In legal drafting, assigning precise meanings to key terms is essential for ensuring clarity, consistency, and legal certainty as well as reducing ambiguity and potential litigation.[84] Definitions establish the conceptual boundaries within which substantive provisions operate and allow drafters to standardize terminology, simplify complex descriptions, and define the scope of application.[85] Tax laws therefore commonly include "Definitions" sections that specify meanings through incorporation or reference.[86] In technically complex fields such as property tax, where legal, fiscal, and administrative concepts intersect, the absence of clear definitions may produce divergent interpretations by tax authorities, taxpayers, and courts, thereby undermining predictability and enforceability.[87] For this reason, definitions constitute a central component of legisla-

[81] See Section 2.7 of Chapter Two of this dissertation.
[82] Ibid
[83] Ibid
[84] Supra note 5, pp. 75 & 91–94; see also Souad Ezzerouali and Yassine Chami, "Inclusion of Definitions in Legislative Drafting: A Necessity or a Luxury?," *Mazahib*, Vol. 22, No. 1, 2023, pp. 37–64.
[85] Ibid
[86] See, for example, Federal Tax Administration Proclamation No. 983/2016, *Federal Negarit Gazette*, Extraordinary Issue, Art. 2 (hereinafter Proclamation No. 983/2016); Federal Income Tax Proclamation No. 979/2016, *Federal Negarit Gazette*, Extraordinary Issue, Art. 2 (hereinafter Proclamation No. 979/2016); Value Added Tax Proclamation No. 1341/2024, *Federal Negarit Gazette*, 30th Year, No. 61, Art. 2 (hereinafter Proclamation No. 1341/2024).
[87] Supra note 7, pp. 268-269

tive drafting in Ethiopia, particularly in tax legislation, and are commonly provided under Article 2 of the law.[88]

Proclamation No. 1365/2025 seeks to enhance legal clarity by defining thirty-one key terms and phrases that structure the operation of the tax system and refer to definitions under other laws.[89] Similarly, the Regional Model Law adopts the federal definitions and introduces twenty-eight additional terms, reflecting the need for greater specificity at the implementation stage.[90] From a legislative design perspective, these extensive definitional provisions at both federal and regional levels are a positive feature of the framework. [91] They demonstrate recognition of the technical complexity of property taxation and contribute to clarifying the conceptual structure of the tax system.[92]

However, the effectiveness of these definitions depends on their precision, internal consistency, and coherence with related legal regimes, particularly those governing ULGs, land administration, and taxation.[93] Without such alignment, the proliferation of definitions may create interpretive difficulties when the property tax framework interacts with existing land and urban governance laws. A clear example concerns the definitions of "property" and "ULG". [94] The FDRE Constitution and land laws maintain a strict distinction between state ownership of land and private use rights, whereas the property tax framework adopts a broader fiscal concept that treats land-use rights, buildings, and improvements as taxable property.[95] Although administratively practical for a value-based tax system, this approach creates tension with the current land tenure doctrine, which traditionally does not assign market value to undeveloped land. Similarly, the framework treats ULGs as autonomous local governments accountable to residents, despite their status within the federal structure as primarily regional administrative entities.[96] While intended to standardize property tax administration, this approach may generate practical questions regarding the allocation of powers and functions within the federation.

[88] Supra note 12, pp. 65 and 101-103
[89] Property Tax Proclamation No. 1365/2025, Art. 2
[90] Regional Model Law, Art. 2
[91] See supra note 5
[92] Ibid
[93] See generally, Supra note 7
[94] Property Tax Proclamation No. 1365/2025, Art. 2 (1, 3, 5 and 11)
[95] See Chapters Five of this dissertation.
[96] See Chapters Three of this dissertation.

9.3.4 Scope and Territorial Coverage

In legislative drafting, the scope and coverage of a law define the territorial and institutional boundaries within which it operates.[97] These provisions enhance legal certainty by ensuring that the law applies within clearly defined areas and in a uniform manner.[98] For this reason, scope provisions constitute an important component of legislative drafting in Ethiopia, particularly in tax legislation, and are commonly provided under Article 3 of the law. [99] This is especially important in emerging areas such as property taxation, where determining which properties and urban areas fall within the tax system is a central issue.[100] Since the tax is broadly imposed on urban land-use rights, land improvements, and buildings, the next question concerns the urban areas in which it applies.[101] Proclamation No. 1365/2025 and the Regional Model Law adopt a broad territorial approach by applying the tax to property situated in urban areas throughout the country and within the respective regions.[102] The provisions further authorize regional governments and ULGs to enact detailed implementing legislation consistent with these higher legal norms.[103]

While this formulation appears legally straightforward, its practical implications raise significant implementation concerns. According to recent data from the MoUI, Ethiopia now has nearly 2,500 urban areas with varying administrative status and institutional characteristics.[104] As discussed in Chapter Three, these urban areas differ substantially in institutional capacity, administrative organization, and fiscal competence.[105] Regional city proclamations classify urban settlements into multiple categories, many of which function more as small rural service centers than as fully institutionalized municipalities.[106] Consequently, only a limited number of cities possess

[97] Supra note 5, P. 83
[98] Ibid
[99] Supra note 12, pp. 103-104; See also Art.3 of Proclamation No. 983/2016, Proclamation No. 979/2016 and Proclamation No. 1341/2024
[100] Supra note 7, p.289
[101] Proclamation No. 1365/2025, Arts. 2 (1) & 5; Regional Model Law, Art. 5;
[102] Proclamation No. 1365/2025, Art. 3 (1); Regional Model Law, Art. 3(1);
[103] Proclamation No. 1365/2025, Art. 3 (2); Regional Model Law, Art. 3(2);
[104] MoUI, urban categories, 2023
[105] See Chapter Three of this disseration.
[106] Ibid; For example, in Amhara and Oromia regions, for example, urban areas are classified into five and eight categories.

the legislative, executive, and administrative capacity required to administer complex fiscal instruments such as property tax.[107]

In addition, property rights and land administration systems in many urban centers remain complex and often unclear, as discussed in Chapter Five.[108] The current system is characterized by multiple tenure arrangements, widespread informality, weak legal protection of land rights, expropriation-driven land acquisition, and deficiencies in planning, registration, cadastre, valuation, land revenue administration, dispute resolution, and urban land governance.[109] These institutional and structural weaknesses have significant implications for the feasibility of implementing property taxation across all urban areas.[110]

This was one of the most contested issues during the drafting of the proclamation and the Model Law. Several experts and stakeholders cautioned that a simultaneous nationwide rollout would impose unrealistic administrative burdens on smaller and institutionally weaker municipalities.[111] Many therefore recommended a phased implementation strategy, beginning with major urban centers possessing relatively stronger administrative and technical capacity, followed by gradual expansion to medium-sized and smaller towns as institutional systems, including property registers and valuation frameworks, are strengthened.[112] Such an incremental approach was intended to promote institutional learning, reduce implementation risks, and build administrative capacity before nationwide expansion.[113]

Despite these recommendations, the final legislative framework adopts a uniform national scope without explicitly incorporating phased or differentiated implementation mechanisms.[114] While this approach promotes legal uniformity and national policy coherence, it risks overlooking major disparities in administrative readiness across urban jurisdictions. As a result, the broad territorial scope of the proclamation may create practical challenges, including uneven enforcement,

[107] Ibid; Interview with Atsede Hailu, Annex VI, March 6, 2024.
[108] See Chapter Five of this dissseration.
[109] Ibid
[110] Ibid; John L. Mikesell, "Administration of Local Taxes: An International Review of Practices and Issues for Enhancing Fiscal Autonomy," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 89–124.
[111] Interview with Wasihun Abate, Annex VI, March 12, 2026.
[112] Ibid
[113] Ibid
[114] Proclamation No. 1365/2025, Art. 3

inconsistent land and revenue administration, and implementation delays, particularly in smaller municipalities. In this sense, the scope provisions reflect a broader tension between the aspiration for a comprehensive national property tax system and the uneven institutional capacity of ULGs.

9.4 Substantive Elements

In tax law, substantive provisions constitute the core operational architecture of the tax system.[115] They determine taxpayers, legal rights and obligations, the tax base, tax rates, valuation and assessment procedures, and exemptions and relief mechanisms.[116] The design of these elements involves complex policy and technical choices that must be calibrated to the institutional, economic, and administrative context in which the tax operates.[117] Both Proclamation No. 1365/2025 and the Model Law contain substantive provisions that translate the broader objectives of the reform into enforceable legal rules.[118] The design choices embedded in these provisions significantly influence the revenue productivity, equity, administrative feasibility, and overall effectiveness of the property tax system, as examined in the following subsections.

9.4.1 Definition of Taxpayers and Tax Obligations

In tax law, a taxpayer is generally defined as any individual or entity subject to liability under the applicable tax law.[119] Such definitions often extend beyond the ultimate bearer of the tax burden in order to facilitate efficient administration and enforcement. Proclamation No. 1365/2025 and the Model Law define a taxpayer, in largely similar terms, as any person liable to pay property tax, including holders of taxable property interests evidenced by a title deed or other legally recognized document.[120] The laws further include persons connected to property in different legal capacities, such as agents, executors, trustees, liquidators, guardians, usufructuaries, servitude

[115] Richard K. Gordon, "Law of Tax Administration and Procedure," in Victor Thuronyi (ed.), *Tax Law Design and Drafting*, Vol. 1, International Monetary Fund, 1996, p. 100.
[116] See egenrally, supra note 3, p. 3; Victor Thuronyi, supra note 57, 2003, P. 13; David L. Sjoquist and Dan E. Sweat, "Foreword," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, p. xvii.
[117] Supra note 3, pp. 3-15; See also supra note 7, pp. 269-286
[118] Proclamation No. 1365/2025, Arts. 6-15; Regional Model Law, Arts. 5-20
[119] Proclamation No. 979/2016, Arts. 2 (22) & 9; Proclamation No. 1341/2024, Arts. 2 (24 & 33), 8 & 58
[120] Proclamation No. 1365/2025, Art. 2 (6); Regional Model Law, Art. 6

holders, lessees, buyers, and real estate developers.[121] In cases of joint ownership or multiple interests, liability is joint and several, allowing the revenue authority to recover the full tax from any co-owner or co-holder.[122]

The laws further provide that, in the absence of registered title, any person who possesses or derives use or benefit from taxable property may be liable for property tax, although payment does not confer property rights.[123] The taxation of informal property holders was widely debated during the drafting process and in the broader literature.[124] Proponents argue that taxing informal settlements broadens the local revenue base, promotes horizontal equity, and may encourage gradual formalization of land rights. Opponents, however, emphasize the difficulty of identifying occupants, valuing property, and enforcing payment where property rights are unclear and ability to pay is limited, while warning that taxation may inadvertently legitimize informal occupation. The laws ultimately adopt a compromise position that protects the tax base without formally recognizing informal tenure.

Beyond the debate over taxing informal holdings, the definition of taxpayers under the laws reflects an administratively pragmatic approach aimed at protecting the tax base in contexts of incomplete registration systems and complex property interests. Rather than limiting liability to formal owners, the law adopts a broad functional approach that extends liability to persons who hold, control, or benefit from identifiable interests in urban property. This design reflects the hybrid *in rem–in personam* character of property taxation, whereby the tax attaches to the property while personal liability is imposed on identifiable actors connected to it.[125]

By recognizing leaseholders, possessors, usufruct holders, and other legally protected interest holders as taxpayers, the laws align the tax base with the land tenure regime of public land ownership and transferable use rights. The definition also adopts pragmatic safeguards by extending

[121] Proclamation No. 1365/2025, Art. 2 (6) (a-h); Regional Model Law, Art. 6 (1) (a-j). The Model Law adds real estate developers as taxpayers until the transfer of title or the actual delivery of the property to the buyer, whichever occurs first.
[122] Proclamation No. 1365/2025, Art. 2 (6) (a-h); Regional Model Law, Art. 6 (1) (a-j).
[123] Proclamation No. 1365/2025, Art. 2 (6) (a-h); Regional Model Law, Art. 6 (1) (a-j).
[124] Martim Smolka and Claudia M. De Cesare, "Property Tax and Informal Property: The Challenge of Third World Cities," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 265–286; Inerview with VNG expert
[125] Supra note 7, P. 278

liability to persons in possession or beneficial use of property where formal title is absent. Similarly, the rule of joint and several liability allows tax authorities to recover the full tax from any financially capable co-holder, thereby reducing enforcement costs. However, the breadth of the definition may create implementation challenges. The inclusion of multiple categories of taxpayers may generate overlapping liabilities and interpretive ambiguity, particularly where cadastral records are incomplete and property rights remain contested. Its effectiveness therefore depends on clear implementing regulations, reliable property registers, and the administrative capacity of ULGs.

9.4.2 Taxable Property: The Gross Property Tax Base (GTB)

The tax base is the legally defined object or value upon which a tax is imposed and liability calculated.[126] Its determination is foundational, since tax liability is mathematically derived by applying the statutory rate to the defined base. In legal terms, the tax base identifies the subject matter of taxation, such as net income in income tax or the value of taxable supplies in consumption taxes.[127] In property tax, however, determining the tax base involves a more complex two-stage process.[128] First, the law must define the scope of taxable property, including the categories of property and legally recognized interests or rights subject to taxation. This is commonly referred to as the Gross Property Tax Base (GTB).[129] Second, the law must establish the method for valuing such property in accordance with prescribed legal standards, as discussed in the next section. As emphasized in the literature, these determinations are interdependent and central to property tax design, requiring alignment with property law, institutional capacity, and systems of property identification and classification.[130] Ultimately, the effectiveness and equity of property taxation depend on accurate parcel-level identification, systematic classification, and credible valuation supported by cadastral and administrative records.[131]

[126] Bryan A. Garner (ed.), *Black's Law Dictionary*, 7th ed., 1999, p. 1473.
[127] Proclamation No. 979/2016, Arts. 9 cum 12, 15 & 20; Proclamation No. 1341/2024, Arts. 2 (46-47) cum 22 & 27
[128] Supra note 70, pp. 32 & 38; supra note 7, p. 289; Richard M. Bird and Enid Slack, "Land and Property Taxation: A Review," in *Workshop on Land Issues in Latin America and the Caribbean*, Vol. 19, 2002, p. 12.
[129] Kurt Zorn, "Establishing a Tax Rate," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 125–139 (p. 129).
[130] Volkan Cagdas, Mehmet Gur, and Vildan Kurt, "Property Taxation and Land Management," paper presented at the 2nd FIG Regional Conference, Marrakech, Morocco, December 2–5, 2003, pp. 3–4.
[131] Joan Youngman, *Legal Issues in Property Valuation and Taxation: Cases and Materials*, Lincoln Institute of Land Policy, 2006, pp. 7–8.

There is no uniform model for defining "property" as a tax base, and approaches vary according to legal traditions and administrative capacity. Common law systems distinguish between real and personal property, emphasizing estates and layered rights, whereas civil law systems classify property as movable and immovable, reflecting a unitary conception of ownership based on the physical nature of the asset.[132] The additional distinction between corporeal and incorporeal property further shapes the potential scope of taxation.[133] These classifications are not merely doctrinal; they determine what can feasibly be identified, valued, and enforced within a given administrative context. In principle, property taxation may extend to all forms of property, as in countries such as the United States.[134]

In practice, however, the taxation of movables and intangible property is often constrained by information and enforcement limitations, leading most developing countries to focus on immovable property.[135] A central design choice then arises: whether to tax land, buildings, or both.[136] Land value taxation is often normatively preferred because land values largely reflect public investment, are concentrated among higher-income groups, and, given the inelastic supply of land, promote allocative efficiency.[137] By contrast, taxing improvements may discourage investment and shift burdens regressively.[138] Yet adopting land value taxation, as in jurisdictions such as Estonia and Ireland, requires reliable separation of land and improvement values, a technically demanding task that highlights the trade-off between conceptual elegance and administrative feasibility.[139]

A further design challenge concerns the quantum of property rights subject to taxation. Where property is conceived as a bundle of divisible rights, the key issue is whether the taxable base should consist of the entire bundle or only specific interests within it.[140] Because rights may be

[132] Ibid, P. 1
[133] Ibid
[134] Supra note 7, pp. 269-270
[135] Ibid
[136] Harry Kitchen, "Property Tax: A Situation Analysis and Overview," in William J. McCluskey et al. (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, p. 3. For example, in countries such as Kenya, only land is taxed, whereas in countries such as Tanzania taxation targets buildings alone.
[137] Remy Sietchiping (ed.), *Innovative Land and Property Taxation*, UN-Habitat, 2011, pp. 54–68.
[138] Ibid
[139] Ibid.The tax is also known as site-value taxation (SVT), as it is imposed primarily on the unimproved value of land rather than on buildings or other improvements.
[140] supra note 7, pp. 284-285

fragmented, shared, or encumbered, determining how restrictions on use or enjoyment affect tax liability becomes unavoidable. In principle, each distinct "stick" has economic value, suggesting that holders of partial interests could be taxed according to the value of their rights.[141] Yet this raises both normative and practical concerns, particularly where interests are insecure, limited, or conditional.[142] Consequently, many systems moderate this theoretical approach.

While some jurisdictions tax economically valuable non-ownership interests, such as leaseholds in public land or profit-oriented use of otherwise exempt property, others exclude or lightly tax "thin" rights on grounds of fairness, legal certainty, and administrative feasibility.[143] The taxation of leasehold interests, particularly in transition economies, reflects a functional compromise that captures the market value of use rights without contradicting public ownership of land.[144] By contrast, highly attenuated interests, such as grazing rights or limited commercial concessions, are often exempt or subject to reduced rates.[145] Overall, the treatment of partial interests illustrates the need for calibrated design tools, including differentiated rates, exemptions, and relief mechanisms, to balance equity, efficiency, and administrability.

While the movable-immovable distinction constitutes the primary classification, the law also recognizes several subsidiary categories carrying important legal consequences, particularly regarding transfer formalities and registration requirements.[146] Crucially, the legal system maintains a structural distinction between land, which is constitutionally vested in the state and the people and lacks market value, and privately transferable assets such as buildings and improvements.[147] These classifications reflect the differing economic and social values attached to various forms of property and guide the legislature in developing category-specific legal rules.[148]

[141] Ibid
[142] Ibid, pp. 282-284
[143] Ibid.; See also Tom Goodfellow and Olly Owen, "Thick Claims and Thin Rights: Taxation and the Construction of Analogue Property Rights in Lagos," *Economy and Society*, Vol. 49, No. 3, 2020, pp. 406–432.
[144] Yu-Hung Hong, "Taxing Public Leasehold Land in Transition Countries," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 249–264.
[145] Supra note 7, pp. 284-285
[146] Muradu Abdo, "Subsidiary Classification of Goods under Ethiopian Property Law: A Commentary," *Mizan Law Review*, Vol. 2, No. 1, 2008, pp. 52-90. The subsidiary or secondary classification includes corporeal and incorporeal, consumable and non-consumable, fungible and non-fungible, divisible and indivisible, principal property and fruits, property in the public and private domains, collective and personal assets, and ordinary and special movables.
[147] FDRE Constitution, Art. 40 (3 &7)
[148] Supra note 146

They also have significant implications for the design, scope, and administration of property taxation.

In Ethiopia, property taxation has historically been limited to land and buildings.[149] However, interviews and participatory observations conducted during the reform process indicate that defining the scope of the tax was among the most contested issues.[150] The debate largely stemmed from Ethiopia's unique land tenure system, under which land is constitutionally owned by the state and the people, with the government acting as custodian, as well as from the administrative difficulty of separately identifying and valuing land, buildings, and improvements.[151] To further assess these design choices and identify areas of consensus and divergence, a Delphi questionnaire based on the alternative options discussed above was distributed to a panel of 41 experts.

Respondents were asked to select from predefined alternatives indicating which forms of urban land tenure should be taxed and which property categories should be included, as presented in Table 2. The results indicate a clear and rapid convergence of expert opinion across the Delphi rounds. With respect to urban land tenure, responses in Round 1 were relatively dispersed, although a 34.1% plurality already favored taxing both leasehold and permit holdings. By Round 2, which was circulated with brief conceptual explanations and a summary of the initial results, this option became overwhelmingly dominant (82.9%), while support for alternative options declined to minimal or zero levels.

Table 17: Expert Responses on Types of Land Tenure & Property Categories (Delphi Round I-III)

Questions / Design Options	**Round I (n=41)**		**Round II (n=41)**	
	No.	(%)	No.	(%)
Which urban land tenure type(s) should be taxed?				
Leasehold only	6	14.6	0	0.0
Permit holding only	8	19.5	5	12.2
Both leasehold and permit holding	14	34.1	34	82.9
Informal holdings	3	7.3	2	4.9
All tenure types	10	24.4	0	0.0
Which property category (ies) should be taxed?				

[149] See Chapter Six of this dissertation. The Imperial Government introduced land tax under Proclamation No. 8/1942, while the Derg, through Proclamation No. 80/1976, abolished land tax and taxed only buildings. The FDRE Constitution grants regional states the power to levy and collect tax and non-tax revenues from land and buildings. Ethiopia has therefore not developed a separate property tax regime for movable or intangible assets, such as intellectual property rights, except where they generate income taxable under income tax laws.

[150] Interview with Belete Alemayehu, Annex VI, May 17, 2024; Interview with Atsede Hailu, Annex VI, March 6, 2024; Author's participant observation, Addis Ababa, January 16–17, 2026.

[151] Ibid

Land only	3	7.3	1	2.4
Buildings/Improvements only	8	19.5	3	7.3
Land and buildings/improvements	27	65.9	37	90.2
Corporeal chattels	1	2.4	0	0.0
Intellectual property rights	2	4.9	0	0.0
All property types	0	0.0	0	0.0

Source: Delphi Survey Results, September–December 2024

This pattern reflects a strong consensus in favor of limiting the tax base to formally recognized tenure systems, effectively excluding informal holdings because of legal and administrative constraints, as also noted in respondents' qualitative comments. A similar trend emerged regarding property categories. In Round 1, a clear majority (65.9%) supported taxing both land and buildings or improvements, increasing to 90.2% in Round 2. Competing options, such as land-only or buildings-only taxation, attracted limited and declining support, while corporeal chattels and intellectual property rights were effectively rejected. Overall, the findings demonstrate convergence toward a pragmatic and administratively feasible tax base focused on land and buildings within formal tenure arrangements. Given the level of agreement achieved, a third round was deemed unnecessary. Nevertheless, minority views, particularly regarding informal holdings, corporeal chattels, intellectual property rights, and the separate taxation of land and improvements, may inform future reforms.

The provisions of Proclamation No. 1365/2025 and the Model Law broadly align with expert opinion. Both instruments impose tax on three principal categories: leasehold land-use rights, old possession (non-leasehold) land-use rights, and urban land improvements and buildings.[152] For clarity, the laws define "urban land" as all land within the boundaries of an urban area and "use right" as the legally recognized right to use such land for personal or business purposes.[153] A "building" is defined as any structure, whether completed or under construction, while "land improvement" refers to modified urban land used for non-building purposes.[154] The framework therefore adopts a dual conception of property, where land is taxed through use rights, since ownership vests in the state and the public, whereas buildings and improvements are taxed on the basis of ownership or possession.[155]

[152] Proclamation No. 1365/2025, Art. 2 (1& 2) cum 5; Regional Model Law,Art. 5
[153] Proclamation No. 1365/2025, Art. 2 (7 & 25)
[154] Proclamation No. 1365/2025, Art. 2 (15 & 13)
[155] Regional Model Law, Art. 6

By extending taxation to land-use rights, the law marks a significant departure from the previous approach, under which the government remained cautious about taxing usufructuary interests and property taxation was largely confined to buildings since the Derg period. However, taxing land-use rights raises important concerns because lease payments and permit fees are already collected from such rights, and the introduction of an additional tax may increase the fiscal burden on urban residents. The law further provides for separate assessment of land-use rights and buildings at different rates, while allowing joint liability depending on the category of the urban area and the property.[156] This dual assessment–single liability structure reflects the distinct legal and economic characteristics of land and improvements and requires differentiated valuation and assessment rules. To operationalize this framework, the law establishes categories for urban areas, land grades, and buildings and improvements, which form the basis for valuation and taxation.[157]

Urban areas, defined as settlements with at least 2,000 residents, of whom 50 percent are engaged in non-agricultural activities[158], are classified as chartered cities (Addis Ababa and Dire Dawa) and city administrations (regional ULGs), with further differentiation under regional laws.[159] This establishes a multilevel and context-sensitive framework for property tax administration, as discussed in Chapter Three. Within each urban area, land is graded by the relevant ULG in accordance with applicable laws[160] and categorized by use, including residential, commercial, industrial, agricultural, and mining purposes.[161] Buildings and improvements are further classified by construction type and occupancy, such as residential, mixed-use, public infrastructure, or environmentally sensitive uses.[162]

This multilevel categorization enables tax assessments to capture spatial and use-based value differentials central to property taxation. By differentiating property according to use and intensity of service consumption, the framework promotes both horizontal and vertical equity and links tax burdens to the public cost of infrastructure and services. It also enhances transparency and accountability by requiring publication of classifications in official gazettes or digital platforms

[156] Proclamation No. 1365/2025, Art. 7; Regional Model Law art. 8
[157] Proclamation No. 1365/2025, Arts. 8-10; Regional Model Law 9-12
[158] Proclamation No. 1365/2025, Art. 2 (8)
[159] Proclamation No. 1365/2025, Art. 10 (1 & 2); Regional Model Law, Art. 9 (1)
[160] Proclamation No. 1365/2025, Art. 10 (3); Regional Model Law, Art. 9 (1)
[161] Proclamation No. 1365/2025, Art. 8; Regional Model Law, Art. 11 (1 & 2)
[162] Proclamation No. 1365/2025, Art. 9; Regional Model Law, Art. 12 (1 & 2)

and by using them as the basis for valuation and taxation.[163] At the same time, the framework introduces flexibility by allowing regional governments to adopt additional classifications suited to local conditions. However, without clear federal and regional standards, this discretion may generate fragmentation and inconsistency across jurisdictions. Moreover, the effectiveness of the system depends on administrative capacity, reliable data systems, technical expertise, and institutional coordination, all of which remain uneven, if not absent, across many ULGs. The absence of these prerequisites risks undermining its intended equity and efficiency gains.

9.4.3 Taxable Value: Valuation Methods and Institutional Design

As the preceding discussion shows, identifying and classifying property, while foundational, are insufficient to operationalize effective property tax collection and enforcement because they do not determine the monetary value of the tax base. As Joan M. Youngman observes, once taxable property is defined, a central design question concerns how to determine the value to which the tax rate will be applied, technically referred to as the taxable value.[164] This brings the process of valuation into focus. Valuation is the systematic and credible process through which legally defined property is translated into a quantifiable tax base by professional valuers.[165]

One of the key institutional design question concerns who should undertake valuation. Although traditionally treated as an administrative function, valuation is now carried out through diverse arrangements involving national agencies, local government valuation departments, private professionals, self-assessment systems, or context-specific hybrids, which are increasingly favored.[166] Centralized systems offer economies of scale, uniform standards, and integrated data systems, but may be detached from local market conditions and less accessible to taxpayers. Local systems enhance responsiveness and transparency, yet often face capacity and consistency challenges.[167] Outsourcing to private professionals may address public-sector capacity gaps, while self-assessment can reduce administrative costs and encourage compliance, although it re-

[163] Proclamation No. 1365/2025, Art. 10 (3); Regional Model Law, Arts. 9 (2), 10 (2), 11(3), 12 (3)
[164] Supra note 7, p. 270; supra note 70, p. 38
[165] Joan Youngman, *A Good Tax: Legal and Policy Issues for the Property Tax in the United States*, Lincoln Institute of Land Policy, 2016, p. 35; see also Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024, *Federal Negarit Gazette*, 31st Year, No. 34, Art. 2(7) (hereinafter Proclamation No. 1357/2024).
[166] Supra note 3, p. 18; supra note 7, p. 32.
[167] Ibid

quires strong oversight to prevent under-declaration.[168] Ultimately, effective property taxation depends on balancing these institutional trade-offs and selecting valuation methods capable of ensuring accuracy, equity, and administrative efficiency.

In the post-2011 property tax reform process, valuation emerged as a central design issue, as discussed in Chapter Seven.[169] The debate largely centered on whether to adopt an area-based system, considered administratively feasible during the early stages of reform with a gradual transition to value-based methods, or to introduce a value-based system from the outset in order to capture rising property values and build institutional capacity through iterative learning.[170] The issue was formally resolved through the adoption of the 2024 Valuation Proclamation, which signaled a clear policy shift toward a market value approach and defined "market value" as the estimated current value of real property under prevailing local market conditions.[171] Nevertheless, valuation remained contentious in the property tax law because it directly affects tax liability as well as equity and efficiency in tax administration.

To further interrogate the design choices and identify areas of convergence and divergence, a Delphi questionnaire was developed based on the alternative options administered to a panel of experts in three rounds. Respondents were asked to select among predefined alternatives, indicating which methods of valuation should be adopted for property tax purposes, as presented in Table 3.

Table 18: Expert Responses on Property Valuation Methods for Tax Purpose (Round I-III)

Design Options	**Round I** (n=41)		**Round II** (n=41)		**Round III** (n=41)	
	No.	(%)	No.	(%)	No.	(%)
Area-Based Approach	20	48.8	22	53.7%	8	19.5%
Value-Based Approaches (Multiple Methods)	12	29.3	19	46.3%	33	80.5%
Sales Comparison Approach (Only)		12.2	0	0.0	0	0.0
Cost Approach (Only)	1	2.4	0	0.0	0	0.0
Income Capitalization Approach (Only)	3	7.3	0	0.0	0	0.0

[168] Ibid
[169] See Section 5.3.7 of Chapter Five of this dissertation.
[170] Ibid; Interview with Dereje Mossie, Annex VI, March 7, 2024.
[171] Proclamation No. 1357/2024, Preamble, paras. 1-2 & Art. 2(6). The law aims to align the real property valuation system with current, accurate, and reliable market value.

Source: Delphi Survey Results, September–December 2024

The table shows a clear evolution of expert divergence and convergence across the three Delphi rounds. In Round I, responses were divided, with the majority favoring the area-based approach (48.8%) and value-based approaches (29.3%), while single-method options received minority support. This reflects the well-known tension between administrative feasibility and market-reflective equity discussed in the literature above. In Round II, participants were provided with feedback (the Round I results, clarification of the limitations and strengths of each approach, and the challenges of applying single-method approaches in the context of urban Ethiopia) and were invited to reconsider their positions. This produced convergence, as single-method options disappeared and support for value-based approaches increased (46.3%), while area-based approaches remained slightly dominant (53.7%). This indicates convergence without full consensus, justifying a further round. In Round III, which was restricted to the two system-level approaches, respondents were again presented with the aggregated results and a brief explanation of the policy development that Proclamation No. 1357/2024 adopts a market value-based framework, and were asked to reassess their views. This iteration produced a marked realignment, with strong convergence toward value-based approaches (80.5%) and reduced support for area-based systems (19.5%), rendering further rounds unnecessary.

The Delphi process thus moves from fragmentation (Round I) to informed convergence (Round II), and finally to near-consensus shaped by both iterative feedback and policy anchoring (Round III). The elimination of single-method preferences since Round II underscores recognition that value-based systems require methodological pluralism to be applied across different urban areas and property types. However, where a single valuation method must be selected, Round I provides a useful indication, with the sales comparison method receiving relatively stronger support. At the same time, the support for area-based approaches cannot be disregarded; rather, it indicates concerns regarding administrative capacity and suggests the need for a sequenced reform path, whereby the country begins with area-based systems and progressively transitions toward value-based approaches as institutional capacity matures.

The final reform outcome appears to support the findings of the Delphi process, with policymakers preferring to begin with market value–based approaches. Interviewees explain this policy choice by reference to rapid urbanization and the sharp increase in urban land values, which can

no longer be adequately captured by area-based methods.[172] They also associate the issue with broader macroeconomic and political considerations, which help explain the government's expedited adoption of new laws on real property markets and valuation.[173] In conformity with the Valuation Proclamation No 1357/2024, Proclamation No. 1365/2025 adopts market value and require ULGs to apply market value and to maintain and update valuation.[174] The law defines "property market value" as: "…the value of a property determined by considering the selling price of similar buildings, the area of the land or building, current market price, location, condition of the building, and expenditures made for improvement of the land."[175]

The adoption of market value as the reference point, adjusted by specific factors, reflects an effort to align the tax base with the economic value of property.[176] The law further establishes a dual yet integrated assessment framework: urban land use rights and buildings/improvements are assessed separately, reflecting their distinct legal and economic characteristics, but charged jointly as a single tax liability to ensure administrative simplicity.[177] For urban land use rights, the tax base is the taxable value of the usufruct rather than ownership of the land itself, with valuation and tax rates determined by the category of the urban area and the purpose of land use.[178]

For buildings and improvements, the tax base is the market value of the property, with valuation considering property type, urban location, and intended use.[179] A separate valuation of land and of improvements, though it's justified on policy reasons, suffers from the fictitious nature.[180] In multi-purpose buildings, taxation follows the predominant use, or, if uses are equal, the classification determined by the revenue organ.[181] Where buildings or improvements lack a clear market value, valuation is guided by administrative directives issued by the MoUI.[182] Once property values are ascertained, only 25 percent of the market value is used as the taxable base.[183] This

[172] Interview with Mulay Woldu, Annex VI, March 5, 2024.
[173] Ibid
[174] Proclamation No. 1365/2025, Art. 21 (1) (a); Regional Model Law, Art. 7
[175] Proclamation No. 1365/2025, Art. 2 (3)
[176] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.
[177] Proclamation No. 1365/2025, Art. 7; Regional Model Law, Art. 8
[178] Proclamation No. 1365/2025, Art. 7 (1); Regional Model Law, Art. 8 (1)
[179] Proclamation No. 1365/2025, Art. 7 (2); Regional Model Law, Art. 8 (2)
[180] Supra note 7, p. 285
[181] Ibid
[182] Proclamation No. 1365/2025, Art. 7 (3); Regional Model Law, Art. 8 (3)
[183] Proclamation No. 1365/2025, Art. 2 (5); Regional Model Law, Art. 7 (1)

fractional assessment reflects a deliberate policy choice to reduce the effective tax burden, enhance political acceptability, and mitigate valuation uncertainties, particularly in contexts with imperfect property markets and limited data systems in urban Ethiopia.[184]

ULGs are required to prepare, maintain, and publicly disclose, through newspapers or digital platforms, valuation rolls recording and periodically updating property valuations at the lowest administrative level.[185] The MoUI and regional states (through BoUI or BoL) are mandated to establish uniform legal and technical standards governing the content, procedures, and publication of these registers, and to provide capacity-building support to ensure consistent implementation nationwide. Valuation rolls must be updated every five years, with interim revaluations triggered where property improvements occur.[186] Grievances and disputes arising from valuation may be submitted to the Tax Review Committee, with subsequent rights of appeal to the Tax Appeal Commission and the courts. [187]

Notably, Proclamation No. 1365/2025 and the Model Law provide limited procedural detail on valuation, instead referring to the broader legal framework established under the valuation Proclamation and its implementing regulation. Although the Property Tax Proclamation does not explicitly cross-reference this framework[188], the Model Law envisages the application of real property marketing and valuation laws.[189] At the same time, it sets out guiding principles for their application, requiring that taxable value be determined on the basis of market value, taking into account factors such as comparable sales, property size, location, condition, prevailing market prices, and investment in improvements.[190] ULGs are further required to operationalize these

[184] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.
[185] Proclamation No. 1365/2025, Arts. 2 (4) & 21 (1) (a); Regional Model Law, 24 (1) (a), 24 (4) and 63. In particular, the land administration organ of the ULG, in collaboration with the revenue administration organ, shall ensure institutional coordination and the timely exchange of information necessary for the maintenance and effective use of the valuation roll.
[186] Proclamation No. 1365/2025, Arts. 21 (2-4) & 36; Regional Model Law, 24 (2-3) The register shall include information such as a unique property identification number; ownership or possessory interests, as applicable; the location and boundaries of the property; the category of land use, buildings, or improvements; areal size, dimensions, and relevant cadastral information; valuation results and the corresponding taxable value; applicable tax rates; any tax exemptions granted; contributions required in lieu of taxes; and the status of tax liabilities and payments.
[187] Proclamation No. 1365/2025, Arts. 22-34; Regional Model Law, Arts. 17 (4) cum 46-59
[188] Interviews and observations indicate that these challenges are linked to institutional politics between the MoF and the MoUI. Interview with Zinet Ibrahim, Annex VI, August 29, 2025; authors' participant observation, Addis Ababa, January 16–17, 2026.
[189] Regional Model Law, Art. 18 (1)
[190] Regional Model Law, Art. 17 (1 & 2)

principles through periodic valuation and the maintenance of accessible valuation registers.[191] Moreover, the framework emphasizes flexibility and coherence, requiring that valuation practices promote both equity and administrative efficiency within the property tax system.[192]

For the first time, the federal government has enacted Proclamation No. 1357/2024 and prepared a draft regulation establishing a comprehensive legal framework governing real property valuation, together with real estate development and marketing.[193] The framework is designed to have nationwide application, notwithstanding concerns relating to regional and local autonomy and contextual diversity.[194] This centralized legislative approach reflects the recognition that issues of real property development, market regulation, and valuation are inherently national in character and carry significant macroeconomic implications.[195]

Accordingly, the Proclamation seeks to institutionalize a transparent, harmonized, and market-oriented valuation system grounded in current data and applicable to multiple regulatory and fiscal purposes, including property taxation.[196] It mandates periodic government-led valuations at five-year intervals, to be undertaken by ULGs[197], and allows ad hoc valuations initiated by private parties, who bear the associated costs and retain proprietary rights over the valuation outputs[198]. For property tax purposes, valuation is, as a general rule, to be conducted by competent public institutions, and certified professional valuers are engaged only where the effective implementation of mass valuation is not feasible.[199] In this respect, the Proclamation establishes a structured regulatory regime governing the roles, responsibilities, and professional conduct of

[191] Regulation Model Law, Art. 17 (3)
[192] Regulation Model Law, Art. 18 (2)
[193] Proclamation No. 1357/2024, Arts. 11-16; MoUI, *Real Property Marketing and Valuation Regulation No. …/2025* (Draft) (hereinafter Valuation Regulation No. …/2025).
[194] Proclamation No. 1357/2024, Art. 3.
[195] Interview with Zinet Ibrahim, Annex VI, August 29, 2025
[196] Proclamation No. 1357/2024, Preamble Para.1; Art. 11; Valuation Regulation No...../2025, Arts. 3-9. Other purposes include resolving court disputes through impartial valuations, collateral evaluations for bank loans, managing inheritance distributions, determining compensation claims, setting appropriate insurance coverage, and establishing fair rental prices.
[197] Proclamation No. 1357/2024, Art. 11 (3) (c); Valuation Regulation No...../2025, Art. 3 (1)
[198] Proclamation No. 1357/2024, Art. 13 & 11 (2)
[199] Proclamation No. 1357/2024, Art. 31 (12))

valuers and strengthens the professional standards, credibility, integrity, and accountability of valuation practices.[200]

With regard to valuation methods, the law adopts a flexible approach. While the sales comparison approach is designated as the primary method in areas with active markets, alternative methods, such as the income capitalization approach and the cost approach, are also recognized for income-generating properties and for estimating replacement value, respectively.[201] However, this flexibility is significantly constrained in the context of property taxation. Given the silence of the Proclamation, the regulation requires that taxable value be determined primarily through the sales comparison approach, based on the current market value of at least three comparable properties.[202] Where buildings exist, the total property value is determined by deducting the average square meter value of land lease bids, calculated from the three most recent consecutive periods, from the overall assessed value.[203] In the absence of improvements, the taxable value is determined solely on the basis of such lease data.[204]

In all cases, the assessed value for tax purposes may not fall below the value recorded in the public valuation database.[205] The regulation further prescribes list of factors to be considered in applying the sales comparison approach.[206] Valuation must rely on at least three comparable properties, with systematic adjustments made to account for differences in physical and locational attributes, including use, construction material, size, land area, location, and building height. Market data must be recent, generally within six months, and, where discrepancies arise, adjusted average values are to be applied. The governing formula is expressed as: *appraised value = comparable sale price ± adjustments*, whereby the prices of comparable properties are adjusted to reflect differences with the subject property in order to estimate its market value.[207]

[200] Proclamation No. 1357/2024, Arts. 15-16; Valuation Regulation No...../2025, Arts. 23-27 It establishes a mandatory code of ethics requiring objectivity, independence, confidentiality, and the avoidance of conflicts of interest. Valuers are subject to periodic licensing and competency reviews every three years, with misconduct attracting disciplinary measures, including suspension or revocation of licenses.
[201] Proclamation No. 1357/2024, Art. 12
[202] Valuation Regulation No..../2025, Art. 3(1 & 2)
[203] Ibid, Art. 3(3)
[204] Ibid,Art. 3(4)
[205] Ibid, Art. 3(5)
[206] Ibid, Art, 11 (1)
[207] Ibid,Art. 11 (2)

For the purposes of property taxation, the law requires the application of mass valuation techniques, where land use rights and improvements are assessed separately and vary according to differences in land grading and property category.[208] This entails the systematic collection of market data, with a minimum number of representative samples required for each property category, subject to flexibility where data constraints exist.[209] Such data must include verifiable information on transaction prices, physical characteristics, and locational attributes, and must be used to develop valuation models that quantify the contribution of each factor to overall property value.[210] To ensure reliability and control valuation error, the regulation introduces individual valuation as a verification mechanism, requiring that mass appraisal results not deviate by more than 20 percent from individually assessed values.[211] Furthermore, the average price per square meter of land lease tenders over the three most recent periods serves as the basis for determining land use right values.[212] In areas where lease markets are absent or inactive, proxy valuation methods based on comparable data are to be employed.[213]

9.4.4 Setting the Tax Rate

Conceptually, a tax rate is the percentage or fixed amount applied to a tax base to determine total tax liability.[214] Since taxation involves only a partial claim on the tax base, unlike other regulatory measures such as expropriation, the rate represents the proportion of the base payable as tax rather than its full value.[215] The determination of tax rates is one of the fundamental design elements shaping both scholarly discourse and policy debates in property taxation, as well as in income and consumption taxes.[216] In most jurisdictions around the world, recurrent property tax rates are generally set lower than income and consumption taxes and higher tax rates are imposed only on vacant or underutilized properties, or where properties are assessed on outdated

[208] Ibid,Art. 30 (1 & 2); See also Proclamation No. 1357/2024, Arts. 20 (2-3) & 19 (2)
[209] Ibid, Art. 31 (1, 2 & 5)
[210] Ibid, Art. 31 (3 & 4)
[211] Ibid, Art. 31 (6 &7)
[212] Ibid, Art. 31 (8)
[213] Ibid, Art. 31 (9 & 10)
[214] Bryan A. Garner (ed.), *Black's Law Dictionary*, 7th ed., 1999, p. 1475.
[215] Supra note 7, pp. 285 -286
[216] Supra note 129; Interview with Wasihun Abate, Annex VI, March 12, 2026.

asset values.[217] As renowned scholars such as Slack and Bird note, determining the property tax rate involves addressing three key issues: who sets the rates; whether they are differentiated and, if so, how; and whether taxpayers can clearly understand how the rate is applied to particular properties. [218]

In Ethiopia, property tax rate has historically been predominantly flat rate with the exception of some ranges and brackets set at the center since the 1940s.[219] In the post-2011 property tax reform process, setting of tax rates emerged as one of the central design questions, as discussed in Chapter Seven. The debate was primarily framed as what shall be the role of the federal, regional and local governments in the determination of the tax rate and what kind and among of rate is appropriate.[220] These issues are big policy issues that directly affect tax liability as well as efficiency and equity in tax administration. To further interrogate the design choices and identify areas of convergence and divergence, a Delphi questionnaire was developed based on the alternative options discussed in the literature and distributed to a panel of experts in three rounds. Respondents were asked to select among predefined alternatives, indicating which methods of valuation should be adopted for property tax purposes, as presented in Table 3.

Table 19: Expert Responses on Property Tax Rates (Delphi Rounds I-III)

Questions / Design Options	**Round I (n=41)**		**Round II (n=41)**		**Round III (n=41)**	
	No.	(%)	No.	(%)	No.	(%)
What level of gov't should set the property tax rate?						
Federal Government only	6	14.6%	5	12.2%	2	4.9%
Regional government only	7	17.1%	3	7.3%	3	7.3%
Local government only	10	24.4%	10	24.4%	4	9.8%

[217] Richard M. Bird and Enid Slack, "Land and Property Taxation in 25 Countries: A Comparative Review," *CESifo DICE Report*, Vol. 3, No. 3, 2004, pp. 34–42. Low property tax rates are generally intended to encourage investment and homeownership. In Europe and the United States, rates typically range from 0.5% to 1% of market value. In East Asia, rates generally range from 0.15% to 2%, with South Korea levying between 0.15% and 0.5%. Although nominal land tax rates in Kenya can exceed 30% due to outdated valuations, the effective rate is about 1% of market value and is limited to 0.115% in Nairobi and 0.15% in Kiambu County.

[218] Supra note 7, pp. 286–287 & 290; supra note 3, pp. 8–10; see also Enid Slack and Richard M. Bird, *The Political Economy of Property Tax Reform*, OECD Working Papers on Fiscal Federalism No. 18, 2014, pp. 13–14.

[219] See Chapter Six of this dissertation; see also Tilahun Dires and Misganaw Gashaw, "Issues of Design in Ethiopia's Property Tax Reform: Lessons from Previous Legislative Regimes and Other Jurisdictions," *Bahir Dar University Journal of Law*, Vol. 13, No. 1, 2022, pp. 194–196.

[220] Ibid

All should participate in different capacities	18	43.9%	23	56.1%	32	78.0%
What types of tax rates are appropriate?						
Progressive rate	10	24.4%	4	9.8%	4	9.8%
Proportional/ flat rate						
Single statutory rate	14	34.1%	17	41.5%	16	39.0%
Differential/ classified rates	17	41.5%	20	48.8%	21	51.2%

Source: Delphi Survey Results, September–December 2024

The table shows a clear convergence toward shared power and multi-level participation in setting property tax rates. Support for joint involvement rises from 43.9% in Round I to 78.0% in Round III, while preferences for exclusive authority at any single level decline steadily. This reflects a rejection of both strict centralization and full local autonomy in favor of a coordinated intergovernmental model. The finding aligns with the joint decision of the two federal houses, whereby the federal government sets the framework (including rate bands), regional governments adapt these within their contexts, and ULGs determine the final rates. Such a model balances central macroeconomic and regulatory oversight with local accountability and responsiveness. It also addresses capacity constraints and mitigates risks of tax competition and fiscal indiscipline. Regarding rate structure, the results indicate convergence toward proportional systems with selective differentiation. Support for progressive rates declines sharply (24.4% to 9.8%), which reflects concerns about administrative complexity and avoidance, as evidenced in responses to open-ended and follow-up questions. At the same time, while support for a single statutory rate increases (34.1% to 39.0%), mainly due to its simplicity and transparency, differential rates receive the strongest and growing support (41.5% to 51.2%). This suggests that experts favor a hybrid approach in which proportional rates are complemented by targeted differentiation to reflect property characteristics and policy objectives, as discussed above.

Proclamation No. 1365/2025 and the Model Law largely confirm the Delphi findings by adopting a proportional (flat) rate structure while permitting calibrated differentiation based on urban grade and property category at the local level. The Proclamation establishes two distinct rate components: (i) a building/improvement tax, ranging from 0.1% to 1% of the taxable value, and (ii) a land use tax, ranging from 0.2% to 1% of the taxable value.[221] The law requires regional governments, within the specified ranges, to determine tax rates based on land use and building

[221] Proclamation No. 1365/2025,Art. 11 (2) (a & b)

classification.[222] The Model Law introduces graduated rate bands differentiated by urban hierarchy and phased over the four-year period provided under Proclamation No. 1365/2025 (Tables 5 and 6).[223]

Table 20: Property Tax Rates Applicable to Land Use Rights

Urban Area Category	Year 1	Year 2	Year 3	Year 4
Emerging Towns	0.20% – 0.30%	0.31% – 0.50%	0.51% – 0.70%	0.71% – 1.00%
Municipality Cities	0.20% – 0.40%	0.41% – 0.60%	0.61% – 0.85%	0.86% – 1.00%
City Administrations and above	0.20% – 0.50%	0.51% – 0.70%	0.71% – 0.90%	0.91% – 1.00%

Table 21: Property Tax Rates Applicable to Buildings and Improvements

Urban Area Category	Year 1	Year 2	Year 3	Year 4
Emerging Towns	0.10% – 0.25%	0.26% – 0.50%	0.51% – 0.75%	0.76% – 1.00%
Municipality Cities	0.10% – 0.35%	0.36% – 0.60%	0.61% – 0.85%	0.86% – 1.00%
City Administrations and above	0.10% – 0.45%	0.46% – 0.70%	0.71% – 0.90%	0.91% – 1.00%

The tables present a graduated and differentiated rate structure organized along three dimensions.[224] First, the tables distinguish between property types, i.e., land and buildings/improvements, within the broader rate ranges set under Proclamation No. 1365/2025.[225] Although a similar structure applies to both categories, one can notice that lower initial rates are assigned to buildings and improvements. Second, the rates are progressively phased over a four-year period and converge toward the upper statutory limits in the later years, as required under the Proclamation No. 1365/2025. Third, the rate progression varies by urban category, where higher-capacity jurisdictions (city administrations and above) permitted wider and higher rate bands at earlier stages than emerging towns, although such urban classifications usually vary across regions, as discussed in Chapter 3 of this dissertation.

Both Proclamation No. 1365/2025 and the Model Law also provide for executive participation in tax rate setting. The CoMs is mandated to determine and periodically revise the minimum and maximum rate bands, based on technical studies conducted by the MoF, with a view to ensuring

[222] Proclamation No. 1365/2025,Art 11 (4)
[223] Regional Model Law, Arts 15 (1) & 16 (1)
[224] As the researcher's observation suggests, the rates are not derived from a clear technical formula but instead reflect simplified policy logic based on these three dimensions. Authors' participant observation, August 28–31, 2025.
[225] Supra note 221

macroeconomic stability and balanced development.[226] Regional governments, through their respective administrative councils and BoF can similarly adjust regional rate ranges.[227] However, under both regimes, the ultimate authority to determine the final and specific annual rates rests with ULGs, which are required to align rate decisions with local fiscal needs, valuation data, and the rate bands established under federal and regional laws.[228] The design thus embodies a coordinated intergovernmental system that seeks to reconcile central oversight with meaningful local fiscal discretion while maintaining coherence across jurisdictions. However, neither the conditions prescribed nor the processes proposed are simple.

The legal framework adopts a balanced and pragmatic approach. First, with respect to the allocation of authority, it establishes a multi-tiered system of rate-setting power, in which the federal level defines binding parameters, regions contextualize them, and ULGs exercise final discretion. This reflects the position adopted by the two Houses, as discussed in Chapter 8, and reconciles national coordination with local fiscal autonomy and accountability.

Second, regarding the level and periodic adjustment of rates, the law adopts conventionally low rates and embeds controlled flexibility through statutory ranges, phased rate bands, and annual revision procedures linked to expenditure needs. This is further supported by public participation and technical studies, thereby enhancing revenue responsiveness while preserving macro-fiscal discipline. Third, in terms of rate structure, the framework adopts a proportional regime but departs from strict uniformity by allowing structured differentiation across property categories, urban hierarchies, and temporal phases. This design reflects a deliberate compromise: it preserves administrative simplicity and transparency while accommodating equity, efficiency, and broader policy objectives. However, its effectiveness will ultimately depend on valuation capacity and the integrity of intergovernmental coordination.

[226] Proclamation No. 1365/2025, Art 11 (2)
[227] Regional Model Law, Arts 15 (2) & 16 (2)
[228] Proclamation No. 1365/2025, Art. 12 (1); Regional Model Law, 14 (1)

9.4.5 Exemptions and Other Tax Reliefs

Property tax exemptions remain a core element of property tax law, despite they carry significant concerns. [229] Key concerns include the allocation of the power to grant exemptions, which are often vested in higher levels of government and susceptible to politically driven exemptions.[230] This would leave local authorities limited discretion and erode local tax bases, introduce inequities, and invite abuse, and, thus, forces ULGs to raise rates on non-exempt properties or reduce public services and infrastructure.[231] The pressure is compounded by the continued consumption of municipal services by exempt properties without reciprocal contribution, and that compensatory mechanisms, such as PILOTs, can be commonly inadequate, or fail to achieve full fiscal equivalence or predictability.[232] Differential treatment between exempt and taxable properties, including geographically targeted exemptions, can distort market competition, generate allocative inefficiencies, and undermine coherent urban development.[233] Administratively, exemptions add complexity, increase compliance and enforcement costs, and create opportunities for misclassification, particularly where eligibility relies on nuanced legal criteria or hard-to-verify attributes.[234] Accordingly, exemptions must be grounded in clearly articulated policy rationales, supported by precise legal criteria, and subject to institutional restraint and periodic technical review to safeguard equity, efficiency, and the sustainable provision of public services and infrastructure.[235]

Legal provisions on exemptions have been an integral part of the Ethiopian property tax system since the 1940s.[236] Laws enacted during the Haile Selassie and Derg regimes provided extensive lists of exempt properties, including public roads, squares, recreational and sports centers, cemeteries, places of worship and their compounds, non-profit private schools, hospitals, charitable institutions, government entities financed from the central treasury, and properties with an annual

[229] Supra note 7, pp. 289–290; supra note 70, p. 48; see also Richard R. Almy, *Property Tax Regimes in Europe*, UN-Habitat, 2013, p. 37.
[230] Ibid, Richard R. Almy, p. 15; see also supra note 3, p. 12.
[231] Ibid
[232] Ibid
[233] Ibid
[234] Ibid
[235] Ibid
[236] See generally Chapter Six of this dissertation.

rental value of less than 300 Birr.[237] However, the scope, nature, and criteria for determining exempt properties and taxpayers, and their alignment with contemporary urban realities, have become critical issues in the post-2011 tax reform in Ethiopia.[238] With a view to further exploring expert perspectives on these issues, experts were asked to indicate whether specified categories of property should be exempt from property taxation in the current context of Ethiopian urban centers through a Delphi questionnaire, as presented in Table 7.

Table 22: Expert Responses on Property Tax Rates (Delphi Rounds I-III)

Questions / Design Options	**Round I (n=41)**		**Round II (n=41)**		**Round III (n=41)**	
	No.	(%)	No.	(%)	No.	(%)
Which of the following properties and taxpayers should be exempted from property tax in the current context of Ethiopian urban centers?						
Public and Government Property	38	92.7%	40	97.6%	-	-
Religious and Charitable Institutions	36	87.8%	39	95.1%		
Educational Institutions	35	85.4%	38	92.7%	-	-
Public Health Facilities (e.g., public hospitals and clinics)	34	82.9%	37	90.2%		
Cultural and Heritage Properties (e.g., museums, heritage sites)	33	80.5%	36	87.8%	-	-
Primary Residences	34	82.9%	37	90.2%		
Agricultural Land	33	80.5%	36	87.8%	-	-
Low-Value Property	37	90.2%	40	97.6%		
Specific Groups (e.g., persons with disabilities, senior citizens, military and veterans)	36	87.8%	39	95.1%	-	-
Nonprofit and Community-Based Organizations	35	85.4%	38	92.7%		
Properties Used for Public Infrastructure (e.g., roads, utilities)	38	92.7%	40	97.6%	-	-
Other (specify)						

Source: Delphi Survey Results, September–December 2024

As the table depicts, the results reveal an early and strong consensus in favor of exempting a wide range of properties and taxpayer categories. Levels of agreement are already high in Round I (generally above 80%) and rise to near-universal levels in Round II (up to 97.6%), which was conducted with feedback and explanatory notes from the first round. Given this degree of convergence, a further round was unnecessary. Properties such as government assets, public infrastructure, and low-value properties attract the highest levels of agreement in both rounds, reflecting their alignment with public-benefit and administrative-efficiency rationales.

[237] Ibid; See in particuclalr, Proclamation No. 80/1976, Art. 14

[238] Interview with Wasihun Abate, Annex VI, March 12, 2026; Authors' participant observation, Addis Ababa, January 16–17, 2026.

Similarly, exemptions for privately held categories such as primary residences, agricultural land, and vulnerable social groups are supported on equity grounds, consistent with the normative considerations discussed above. However, this broad consensus is not without limitations. Extensive exemptions would significantly narrow the tax base and produce other unintended consequences, as previously noted. Responses to open-ended questions indicate that the central issue lies not in identifying what to exempt, but in how exemptions are legally defined, targeted, and regulated. As one expert observed, the question of whether a property should be exempted is less consequential than the precision of its legal design, as the saying goes, "the devil is in the details." Interviews with key actors involved in the property tax reform process further underscore that exemption policies must be calibrated in light of competing interests between taxpayers and tax authorities, the early stage of property formation, and the broader context of urban Ethiopia.

Proclamation No. 1365/2025 and the Model Law establish a relatively detailed and structured framework for property tax exemptions[239], which can be grouped into ownership-, use-, service-, and taxpayer-based categories[240]. The scope of this category was highly contested during the reform process, and it continues to attract criticism.[241] Beyond these express exemptions, the laws empower the CoMs and Regional Government Councils, upon the recommendation of urban local governments, to grant additional exemptions, with or without requiring contributions in lieu of tax, and to determine whether certain properties remain taxable or subject to compensatory payments.[242] This delegation introduces a degree of flexibility necessary to accommodate evolving economic and urban realities.[243]

However, it also raises significant legal and policy concerns.[244] As exemptions are core design elements that define the scope of the tax base and the distribution of the fiscal burden, the expansion or contraction of the tax base through executive discretion would, as a matter of trend, undermine the principle of legality in taxation. Broad and loosely circumscribed powers may generate uncertainty, inconsistency, and potential politicization, particularly where exemptions are

[239] Proclamation No. 1365/2025, Arts. 14-15; Regional Model Law, 19-21
[240] Proclamation No. 1365/2025, Art. 14 (1& 2); Regional Model Law, Art. 19 (1) (a-e)
[241] See Chapter Seven of this dissertation; Interview (MoF).
[242] Regional Model Law, Art. 19 (4 & 5)
[243] Taddese Lencho, "The Ethiopian Tax System: Cutting Through the Labyrinth and Padding the Gaps," *Journal of Ethiopian Law*, Vol. 25, No. 1, 2012, pp. 57–112 (pp. 69–70).
[244] Ibid

granted on an ad hoc or non-transparent basis. Absent clear statutory criteria, procedural safeguards, and accountability mechanisms, such a framework risks eroding the integrity, equity, and coherence of the property tax system.

The first and central exemption category concerns property used by low-income households. While the Proclamation refers primarily to buildings, the Model Law extends the exemption to land and improvements, reflecting a more comprehensive approach.[245] The underlying rationale is redistributive, aimed at mitigating the tax burden on vulnerable groups. However, its design has been contested, given the prevalence of low-value holdings and the associated implications for the tax base.[246] In response, the Model Law introduces restrictive eligibility criteria, requiring that the property be used as a primary dwelling and imposing value thresholds of 1,000,000 Ethiopian birr for city administrations, 250,000 for municipal cities, and 100,000 for emerging towns.[247] It further defines a "low-income family" as a household demonstrably experiencing economic hardship and earning no more than fifty percent of the national average per capita income, as determined by the Social Affairs Department of ULGs.[248] While this calibrated approach seeks to reconcile equity with revenue protection, further concerns can arise. Thresholds may become outdated, particularly in inflationary contexts, and income verification is administratively demanding and prone to misclassification, especially in largely informal economies.[249] Similarly, valuation-based thresholds rely on reliable systems, which developing countries like Ethiopia often lack. Moreover, even when narrowly defined, the breadth of eligibility may still constrain the tax base and affect horizontal equity.

The second category, though not expressly articulated in the Proclamation, encompasses public service infrastructure and communal assets.[250] These include roads, streets, dams, airports, power and water transmission lines, parks, heritage sites, and communal open spaces.[251] Such assets are typically publicly owned and dedicated to collective use, and their exemption is grounded in

[245] Proclamation No. 1365/2025, Art. 14 (1) (a); Regional Model Law, Art. 19 (1) (a);
[246] Interview with Wasihun Abate, Annex VI, March 12, 2026; In one of the drafts, it was proposed that low-income households be exempted if they hold land of up to 15 m² and a building floor area of up to 30 m².
[247] Proclamation No. 1365/2025, Art. 14 (1) (a); Regional Model Law, Art. 19 (1) (a);
[248] Regional Model Law, Art. 19 (2)
[249] Interview with Wasihun Abate, Annex VI, March 12, 2026; FGD discussions, and the literature
[250] Regional Model Law, Art. 19 (1) (a) cum Proclamation No. 1365/2025, Art. 2 (14)
[251] Ibid

public-benefit and fiscal-circularity rationales. However, important challenges arise.[252] The first challenge arises when assets are jointly owned or managed through public–private arrangements, as this complicates the determination of tax liability and the applicability of exemptions. Moreover, the boundary between public and commercial use is often blurred, as in the case of income generating infrastructure and raise questions regarding partial taxation or PILOTs. Moreover, weak asset registries and valuation systems further increase the risk of misclassification. These concerns point to the need for clearer legal definitions and administrative guidance and this should be taken into account by the MoF and the BoF when issuing directives.[253]

The third category comprises property owned and used by religious institutions for religious and cemetery purposes, and property used by organizations providing free social services.[254] The exemption is justified on public-benefit and fiscal-circularity grounds.[255] However, the law also requires taxation or in-lieu contributions where such entities engage in income-generating activities. In practice, distinguishing between exempt and taxable uses, particularly in mixed-use properties, poses significant challenges, especially in contexts of weak tax administration.[256] This is increasingly relevant in Ethiopia, where churches and mosques properties are often used partly for religious or philanthropic purposes and partly for commercial activities. Such arrangements risk inconsistent application and disputes, while broad exemptions may shift the tax burden onto other taxpayers and generate horizontal inequities. These challenges underscore the need for precise legal definitions and robust administrative oversight to balance competing objectives-social welfare and equity, on the one hand, and municipal revenue mobilization on the other. Partial taxation or PILOTs may also be considered where necessary.

The fourth category concerns urban property used wholly for subsistence agricultural purposes.[257] This exemption is justified on grounds of economic efficiency, social equity, and the internalization of positive externalities, particularly in the context of rising urban food insecurity and food price hike and increasing demand for urban agriculture. It also reflects ability-to-pay con-

[252] Interview with Wasihun Abate, Annex VI, March 12, 2026; FGD discussions,
[253] Proclamation No. 1365/2025, Art. 35; Regional Model Law, Art. 60
[254] Proclamation No. 1365/2025, Art. 2 (14) Regional Model Law, 19 (1) (b & d). It is also important to note that there is a terminological difference between Proclamation No. 1365/2025 and the Regional Model Law.
[255] Interview with Wasihun Abate, Annex VI, March 12, 2026.
[256] Ibid
[257] Proclamation No. 1365/2025, Art. 2 (14) Regional Model Law, Arts. 19 (1) (b & d). It is also important to note that there is a terminological difference between Proclamation No. 1365/2025 and the Regional Model Law.

siderations because such activities typically generate little or no taxable income. However, its implementation raises significant challenges. Defining and verifying subsistence use requires continuous monitoring, and mixed-use parcels complicate classification. Broad application may erode the tax base and undermine local revenue capacity, which may require the application of partial taxation or compensatory mechanisms.

The fifth category covers property owned by federal or regional governments, and bilateral and multilateral organizations. These exemptions are justified by public-benefit considerations, fiscal circularity, and international obligations, including reciprocal privileges under instruments such as the Vienna Convention.[258] However, challenges arise where such entities engage in commercial activities, including through state-owned enterprises. This necessitates clear eligibility criteria and adequate administrative capacity to distinguish between exempt and taxable uses. In such cases, partial taxation or contributions in lieu of tax may be warranted.

To address the general and specific gaps and challenges associated with property tax exemptions, the law, particularly the Model Law, introduces a suite of precautionary and safeguarding mechanisms. First, the local revenue organ shall identify and record all exempt properties in a publicly accessible registry and the BoF is responsible for conducting an annual review of exemptions to assess compliance, relevance, and fiscal impact.[259] Furthermore, any material changes in the ownership, use, or legal status of an exempted property must be promptly reported to the relevant local revenue organ.[260] Upon receipt, the authority must determine whether the reported changes give rise to liability for property tax or contributions in lieu of tax.[261] Exempt property owners are also required to submit an annual renewal application to the local revenue organ , accompanied by supporting documentation, no later than sixty (60) days prior to the close of the fiscal year and the local revenue organ shall approv or deny the renewal.[262] Failure to comply with these procedural obligations may result in the suspension or revocation of the exemption, propor-

[258] Vienna Convention on Diplomatic Relations, April 18, 1961, United Nations Treaty Series, Vol. 500, 2005, p. 95, Arts. 23, 28 & 34; Vienna Convention on Consular Relations, April 24, 1963, United Nations Treaty Series, Vol. 596, p. 261, Arts. 32 & 39. The rationale is to ensure that diplomatic and consular functions are not hindered by the fiscal authority of the receiving state.
[259] Proclamation No. 1365/2025, Art.14 (3); Regional Model Law, Art. 19 (6 & 9)
[260] Regional Model Law, Arts. 19 (7)
[261] Regional Model Law, Arts. 19 (8)
[262] Regional Model Law, Arts. 19 (10)

tionate to the nature and severity of the omission.[263] Collectively, these mechanisms reflect a deliberate effort to balance administrative oversight, legal certainty, and revenue protection while maintaining the normative rationale for granting exemptions.

9.4.6 Concessions and Preferential Measures

In addition to formal exemptions, property tax regimes often employ concessions and preferential measures, such as hardship relief, liquidity adjustments, and performance-based incentives, which require meticulous design due to their susceptibility to abuse and potential revenue impacts.[264] Targeted relief for low-income property owners may be justified on equity and administrative grounds, particularly where low-value properties yield minimal net revenue after collection costs.[265] In this regard, threshold-based exclusions, combined with case-by-case assessments, provide a calibrated mechanism to grant relief without unduly eroding the tax base.[266]

By contrast, liquidity constraints, typical of "asset-rich, cash-poor" taxpayers, including pensioners or those affected by temporary natural or man-made shocks, are better addressed through deferral rather than outright exemption.[267] Linking liabilities to realization events (e.g., sale or inheritance) or adopting time-bound or phased payment arrangements mitigates short-term cash-flow pressures while preserving the tax base.[268] Similarly, while performance-based incentives can promote investment, urban redevelopment, and efficient land use, they must be narrowly targeted and time-limited to protect municipal liquidity, revenue stability, and inter-jurisdictional equity.[269] Overall, these measures serve legitimate distributive and developmental objectives, but their design must be tightly circumscribed, evidence-based, and balance equity with fiscal sustainability, administrative feasibility, and coherent urban policy.

Proclamation No. 1365/2025 and the Model Law, particularly the latter, establish a relatively elaborate framework governing deferrals, reliefs, and incentives.[270] The Proclamation and Model

[263] Regional Model Law, Arts. 19 (11)
[264] Richard R Almy, Supra note 229, pp. 27-38
[265] Ibid, p. 29; Roy Bahl, *Property Tax Reform in Developing and Transition Countries*, USAID, December 2009, p. 14.
[266] Ibid
[267] Ibid, Richard R Almy, Supra note 229, p. 36; Ibid, Roy Bahl, P. 15
[268] Ibid, Richard R Almy
[269] Ibid, Richard R Almy, Supra note 229, pp. 34-36
[270] Regional Model Law, Arts. 19-21 & 29-31

Law also introduce a deferral regime that permits taxpayers to postpone payment where immediate compliance becomes unduly burdensome.[271] In particular, the model law tries to design deferral framework in a way its address temporary liquidity constraints in the interest of justice and equity without compromising the integrity of the tax base. To this end, it specifies conditions and procedures for permission and how deferred liabilities become due. Deferral is generally granted in two forms. First, deferral may be granted where the taxpayer faces "exceptional circumstances," including natural or man-made disasters, substantial property damage, or a significant loss of income exceeding fifty percent.[272] Second, it applies to taxpayers proven to have no income, who may settle liabilities upon transfer of the property.[273] In such cases, payments are limited to the most recent two years of tax, and earlier liabilities are waived.[274]

Procedurally, applications must be lodged with supporting sworn evidence and submitted thirty days prior to the tax due date, and decisions shall be issued promptly by the revenue authority within twenty days.[275] Collection and enforcement are suspended during the valid deferral period.[276] However, the law provides conditions and compliance obligations, such as declarations, as well as grounds for revocation, and it cannot be extended for more than two years from the main date of payment for the first case.[277] The framework, despite its normative clarity, raises several concerns in implementation, as the literature and primary data in this study largely demonstrate.[278] First, given the open-ended definition of "exceptional circumstances," the process may invite administrative discretion and potential inconsistency. Verification of claims, in both instances, can be resource-intensive and vulnerable to abuse, particularly in low-documentation contexts. Some also argue that the waiver of older liabilities in the second case risks moral hazard and blurs the line between deferral and exemption. Moreover, extensive reliance on deferrals

[271] Proclamation No. 1365/2025, Art. 18 (4); Regional Model Law,Arts. 29-31. While the Proclamation is largely silent, except for providing that deferral of payment may be granted only in exceptional circumstances in accordance with procedures to be laid down by regional legislation, the Model Law sets out detailed rules on the conditions and procedures for deferral of payment, applications for deferral, and the effects and revocation of deferral.
[272] Regional Model Law, Art. 29 (1& 2)
[273] Ibid, Art. 29 (4)
[274] Ibid, Art. 29 (5)
[275] Ibid, Art. 30 (1-4)
[276] Ibid, Art. 31 (2)
[277] Ibid,Art. 31 (1, 3 & 4)
[278] Interview with Wasihun Abate, Annex VI, March 12, 2026; Authors' participant observation, January 19–23, 2025.

may lead to partial erosion of the tax base and generate short-term cash-flow constraints for ULGs.

The law also provides for relief and incentive frameworks. While the relief framework reflects an effort to address short-term shocks, wherein enforcement of tax obligations may be socially undesirable and economically counterproductive, incentives are designed to encourage specific economic activities and development engagements.[279] First, under the Model Law, urban councils may, in accordance with directives and criteria issued by the BoF, grant temporary relief to taxpayers during periods of natural or man-made crises.[280] The Model Law also prescribes a minimum annual tax rate for two consecutive years for properties acquired by developers or enterprises operating in special economic zones.[281] In this regard, Proclamation No. 1322/2024 already requires the government, for unique national objectives, to either waive or apply a favorable property tax regime in respect of leasehold and subleasehold rights or immovable property rights acquired by developers, sub-developers, or enterprises through sale, rent, or other procedures.[282] Third, urban councils may, in accordance with directives and criteria issued by the BoF, grant performance-based incentives to promote equitable development and efficient land use.[283] In such cases, the incentive shall not exceed 50% of the annual tax payable and shall be granted for a period of not less than two years and not more than five years.[284]

These provisions indicate a clear intent to use property tax as an instrument of development policy rather than solely as a revenue tool. However, historically, investment incentives in Ethiopia have been criticized for being granted in a blanket manner and for lacking performance requirements and effective supervision, often resulting in the inefficient use of fiscal resources.[285] Reliefs and incentives under the property tax regime are unlikely to be immune from these challenges. Encouragingly, recent legal developments have begun to address these concerns, notably

[279] Richard R Almy, Supra note 229, p. 14
[280] Regional Model Law, Art. 21 (1)
[281] Ibid, Art. 21 (2)
[282] Special Economic Zone Proclamation No. 1322/2024, *Federal Negarit Gazette*, 30th Year, No. 25, Arts. 2(1) cum 57(4).
[283] Regional Model Law, Art. 21 (3)
[284] Ibid, Art. 21 (4)
[285] Bogale Anja and Yared Kefyalew, "The Legal Framework Governing Investment Areas and Incentives in Ethiopia: A Critical Appraisal," *Beijing Law Review*, Vol. 11, 2020, pp. 740–758.

through the enactment of Council of Ministers Regulation No. 586/2026.[286] The imposition of quantitative limits, such as the 50% cap and the two- to five-year duration under the Model Law, constitutes an important safeguard against excessive revenue loss and aligns with best practices that emphasize time-bound and proportionate incentives.[287]

In addition, the directives to be issued by the BoF under the Model Law are expected to incorporate measurable performance criteria, ex ante justification, and ex post evaluation.[288] In the absence of such mechanisms, incentives risk subsidizing activities that would have occurred in any event, thereby undermining fiscal efficiency. The law further provides that all reliefs and incentives granted shall be transparently recorded in a public register and subjected to audit and annual review.[289] This is because, in the absence of systematic tracking of the fiscal costs associated with incentives, the cumulative impact on local revenue capacity may remain unclear, if not entirely unknown.

Finally, it is worth noting that tax waivers and amnesties are essential administrative tools used to encourage compliance, bring non-filers into the tax net, and boost revenue without protracted legal disputes.[290] While tax amnesties are temporary programs providing immunity from prosecution and forgiveness of penalties and interest on unpaid taxes, waivers are specific and regular measures that reduce or eliminate penalties, interest, or particular tax liabilities.[291] These are well recognized under the conventional tax administration regime, which is further reflected in a body of subsidiary legislation, including numerous directives, currently in force in Ethiopia.[292] Under these laws, both forms of remission are subject to the discretion of the tax authorities, and, to benefit from them, taxpayers must apply and provide all necessary evidence to justify their eligibility.[293]

[286] Investment Incentives and Customs Exemptions Council of Ministers Regulation No. 586/2026, *Federal Negarit Gazette*, 32nd Year, No. 17. The new regulation aims, among other things, to ensure that incentives are earned through compliance and performance rather than granted automatically on the basis of sector classification.
[287] Regional Model Law, Art. 21 (4)
[288] Ibid, Art. 21 (1)
[289] Ibid, Art. 21 (5)
[290] Eric Le Borgne and Katherine Baer, *Tax Amnesties: Theory, Trends, and Some Alternatives*, International Monetary Fund, 2008, pp. 5–6.
[291] Ibid, P. 8
[292] Proclamation No. 983/2016, Art . 115
[293] Ibid

The new law grants the Tax Review Committee the authority to examine and decide on the waiver or compromise of penalties and the amnesty of tax liabilities.[294] It further provides that administrative penalties may be waived by the head of the local revenue organ, in accordance with directives issued by the regional BoR, which prescribe the conditions and permissible amounts.[295] However, interest imposed due to a taxpayer's failure to pay tax due is not subject to waiver.[296] The rationale for these measures lies in improving voluntary compliance and revenue recovery while reducing enforcement costs. However, the enforcement of these instruments raises important concerns, as observed in the administration of other taxes. Recurrent use of waivers and amnesties may generate moral hazard and weaken long-term compliance incentives, create inequities between compliant and non-compliant taxpayers, and introduce risks of discretion and inconsistent application.[297] Accordingly, their effectiveness depends on clear legal criteria, restrained and strategic use, transparency, and robust oversight.[298]

9.4.7 Payments in Lieu of Taxes (PILOT)

The concept of PILOTs therefore emerges as a compensatory mechanism designed to offset revenue loss by requiring tax-exempt entities to make tax-equivalent contributions.[299] These payments are generally calculated by reference to the notional taxable value of the property and applicable tax rates and approximating the liability that would arise under the normal property tax law.[300] In practice, however, the design and enforcement of PILOTs remain contested. In many jurisdictions, they are implemented through contractual agreements between local governments and the relevant entities, or through less formal mechanisms such as voluntary contributions, intergovernmental cooperation, and institutional goodwill.[301] While such arrangements may foster

[294] Proclamation No. 1365/2025, Art. 23 (1)(a)
[295] Proclamation No. 1365/2025, Art. 24 (1 & 2); Regional Model Law, Art. 49 (1 & 2)
[296] Proclamation No. 1365/2025, Art. 24 (3); Regional Model Law, Art. 49 (3)
[297] Supra note 290, p. 45
[298] Ibid
[299] Daphne A. Kenyon and Adam H. Langley, *Payments in Lieu of Taxes: Balancing Municipal and Nonprofit Interests*, Lincoln Institute of Land Policy, Policy Focus Report, 2010. In the United States, increasing local government revenue pressures have generated heightened interest in PILOTs, which over the last decade have been used in at least 117 municipalities across at least 18 states.
[300] Ibid
[301] Ibid

collaborative fiscal relations, they introduce challenges in terms of certainty, predictability, adequacy, and enforceability in revenue administration.[302]

Comparative experience illustrates a spectrum of approaches. In countries such as Canada and the United States, PILOTs are more formalized and supported by legislative frameworks with structured procedures for valuation, application, and payment.[303] These systems have been credited with reducing fiscal imbalances and strengthening intergovernmental relations. By contrast, in other jurisdictions, including South Africa and Brazil, PILOTs operate more informally through voluntary contributions or regulatory requirements linked to public-benefit obligations, reflecting a less institutionalized but functionally analogous approach.[304] Despite their potential, PILOTs present several other challenges, as widely noted in the literature. Their voluntary or negotiated nature may result in inconsistent application and under-compensation, thereby preventing ULGs from achieving full fiscal equivalence.[305]

Moreover, the absence of standardized valuation and enforcement mechanisms can undermine transparency and accountability.[306] From a policy perspective, reliance on PILOTs may also obscure the true fiscal cost of exemptions and weaken incentives for disciplined exemption design.[307] Accordingly, while PILOTs can serve as a pragmatic instrument to mitigate revenue losses associated with tax exemptions, their effectiveness depends on clear legal frameworks, transparent valuation methodologies, and institutionalized enforcement mechanisms aligned with the principles of equity, efficiency, and fiscal sustainability.

The issue of PILOTs has become particularly significant in Ethiopia, where federal and regional governments own a substantial inventory of property[308], which are exempted under the FDRE

[302] See generally, Adam H. Langley, Daphne A. Kenyon, and Patricia C. Bailin, *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them*, Lincoln Institute of Land Policy Working Paper, 2012.
[303] Ibid
[304] Ibid
[305] Daphne A. Kenyon and Adam H. Langley, "Evaluating Payments in Lieu of Taxes According to Desirable Features of a Tax System," *National Tax Association Proceedings*, 103rd Annual Conference Proceedings, 2010, pp. 203–210.
[306] Ibid
[307] Ibid
[308] In practice, this includes land, office buildings, universities, dry ports, prisons, national parks, roads, power stations, and other buildings and land improvements.

Constitution and property tax law.[309] The same applies to social, religious, charitable, and international organizations that hold property for the benefit of urban residents.[310] Historically, efforts to ensure that such entities contribute equitably to the cost of local services have been limited, with contributions largely discretionary and motivated by goodwill rather than legal obligation. This is because there was no clear legal framework that obliged them share the cost of local government equitably with other property owners. Consequently, the absence of a formal PILOT framework has led to uncertainty and inconsistency.

Proclamation No. 1365/2025 marks a significant departure by explicitly recognizing compensatory goodwill contributions in lieu of tax.[311] The law provides that federal and regional government institutions, bilateral and multilateral organizations, religious institutions, charitable organizations, and properties used for public services are expected to make such contributions, as to be determined in detail by regional legislation and directives issued by the MoF.[312] The Model Law further expands this framework by providing that *any property* exempted under the law may be subject to in-lieu contributions (emphasis supplied).[313] Both frameworks also establish guiding principles to ensure that such contributions are relevant, meaningful, equitable, and commensurate with the extent of the exemption, while not undermining local taxing powers.[314]

In general, the inclusion of PILOTs within the new property tax framework represents a notable shift toward reconciling the interests of tax-exempt entities with the revenue needs of ULGs. It seeks to preserve the tax base, at least indirectly, by requiring compensatory contributions for services consumed. However, as comparative experience also indicates, such systems are inherently vulnerable to design and implementation challenges.[315] Chief among these is the absence of clear and standardized valuation methodologies, coupled with limited technical and institutional capacity to assess, monitor, and audit forgone tax liabilities and corresponding contributions.[316] These deficiencies may result in underreporting or overstatement, inconsistent application, unequal treatment, and ultimately an erosion of transparency and public trust.

[309] FDRE Constitution, Art. 100 (3); Proclamation No. 1365/2025, Arts.14 (2)
[310] Proclamation No. 1365/2025, Arts.14 (1) (b & d)
[311] Proclamation No. 1365/2025, Art. 14
[312] Ibid, Art. 14 (2-4); Regional Model Law, Arts. 20 (2)
[313] Regional Model Law, Arts. 20 (1)
[314] Proclamation No. 1365/2025, Art. 15; Regional Model Law, 20 (3)
[315] Supra note 302
[316] Ibid

The current legal frameworks in Ethiopia attempt to mitigate these risks through a set of institutional and procedural safeguards. In addition to establishing guiding principles noted above, the law provides for the creation of a public registry of exempt properties and associated contributions, the development of clear guidelines and quantifiable metrics for valuation and assessment, capacity-building initiatives, the development of digital systems, and the introduction of periodic audits and performance reviews.[317] It further allocates responsibilities across levels of government, where the MoF is mandated to issue directives governing valuation, calculation, and enforcement, and to facilitate compensatory transfers in respect of federally exempt properties[318]; regional governments are required to ensure the transfer of in-lieu contributions for exemptions granted within their jurisdiction[319]; and ULGs are responsible for maintaining comprehensive property tax registers and incorporating such data into annual rate-setting[320].

9.5 Administrative and Procedural Framework

Designing property tax administration has emerged as one of the most contested issues in the post-2011 reform process in urban Ethiopia. The debates have focused on both the legal locus and the content of administrative rules.[321] A central question is whether existing federal and regional tax administration proclamations are sufficient to govern property tax procedures or whether a property tax–specific framework is required, and if so, in what form.[322] This reflects the broader tension between unified (centralized) and separate (specialized) tax administration models, where the choice of design entails a trade-off between standardization and contextual responsiveness.[323]

A unified framework governing the administration of income, consumption, and property taxes under a single legal and institutional structure is generally considered to promote uniformity, ef-

[317] Proclamation No. 1365/2025, Arts.14 (3 & 4), 35 (5)
[318] Ibid, Art.35 (6)
[319] Ibid, Art. 38 (6)
[320] Ibid, Arts. 21 (1 & 5), 12 (2) (b) and 12 (3)
[321] Interview with Wasihun Abate, Annex VI, March 12, 2026; Authors' participant observation, January 19–23, 2025.
[322] Ibid
[323] World Bank, *Integration of Revenue Administration: A Comparative Study of International Experience*, World Bank Publications No. 13529, 2010, p. 8; Charles L. Vehorn and Ehtisham Ahmad, "Tax Administration," in Teresa Ter-Minassian (ed.), *Fiscal Federalism in Theory and Practice*, International Monetary Fund, 1997, pp. 108–134.

ficiency, and transparency.[324] However, such models may inadequately accommodate the distinctive features of specific taxes.[325] In the case of property taxation, these include its reliance on land records, valuation systems, and local government capacity.[326] Comparative experience, including that of South Africa and Brazil, suggests that property tax systems often perform better when substantive and procedural rules are integrated, albeit not without implementation challenges.[327]

In Ethiopia, however, tax administration rules were historically fragmented across different tax laws, and a comprehensive framework was only introduced in 2016 to address these deficiencies and ensure integration, consistency, and institutional coherence.[328] Accordingly, there is concern that integrating both substantive and procedural aspects within a single property tax law could risk a reversion to pre-2016 fragmentation.[329] To examine this issue further, a Delphi survey was conducted, and expert panelists were asked to choose between the two design options, as summarized in Table 8.

Table 23: Expert Responses on Tax Administration Law Design (Delphi Rounds I-III)

Questions / Design Options	**Round I] (n=41)**		**Round II (n=41)**		**Round III (n=41)**	
	No.	(%)	No.	(%)	No.	(%)
Which approach should be adopted regarding the administration of property tax?						
Rely on the existing tax administration law as sufficient	22	53.7%	24	58.5%	25	61.0%
Incorporate specific tax administration provisions within the new property tax law	19	46.3%	17	41.5%	16	39.0%

Source: Delphi Survey Results, September–December 2024

The results in Table 8 indicate that no strong consensus was reached among experts, although responses show a gradual shift toward reliance on the existing tax administration framework. Support for the sufficiency of the general tax administration law increased from 53.7% in Round

[324] Ibid
[325] Ibid
[326] Roy Bahl, Supra note 265, P. 16; Charles L. Vehorn and Ehtisham Ahmad, supra note 323, pp. 126-128
[327] Ibid
[328] Tewachew Molla and Yosef Workeluele, "Examining the Tax Administration Law of Ethiopia in Light of the Tax Compliance Theories," *Mizan Law Review*, Vol. 16, No. 2, 2022, pp. 273–304.
[329] Interview with Wasihun Abate, Annex VI, March 12, 2026; Interview with Berhanu Abebe, Annex VI, March 9, 2024; Authors' participant observation, Addis Ababa, October 23–26, 2025.

I to 61.0% in Round III, while preference for incorporating property tax–specific administrative provisions declined. This modest convergence appears to have emerged through the iterative feedback and disclosure of results in the first and second rounds. Nevertheless, opposition remains substantial, and responses to open-ended questions further underscore the perceived importance of a specialized framework. The divergence reflects a fundamental tension between ensuring legal and institutional coherence and accommodating the technical and operational specificities of property taxation. Accordingly, the findings point less to a definitive resolution than to a qualified convergence shaped by both methodological learning and enduring normative and practical concerns.

As also reflected in the Delphi findings, interviews with key informants and observations made during the reform process likewise confirm persistent disagreement among policymakers. It is against this backdrop that Property Tax Proclamation No. 1365/2025 and, subsequently, the Model Law introduce administrative and procedural rules, some of which replicate provisions already found in the federal and regional tax administration proclamations.[330] These provisions address core property tax administrative functions, such as the collection and maintenance of property data and public registers; procedures for billing, notification, and payment; and mechanisms for tax collection and enforcement.

The laws also define the rights and obligations of taxpayers and tax officials, introduce measures to enhance transparency, public participation, and revenue utilization, and establish grievance-handling and appeals mechanisms. In addition, the laws attempt to define the powers and functions of executive bodies responsible for implementation at the federal, regional, and local government levels, as discussed in Chapter Eight. However, both the Proclamation and the Model Law expressly recognize the applicability of the general tax administration proclamations, subject to the primacy of the property tax law in cases of inconsistency.[331] The major administrative and procedural aspects of property taxation under the existing administrative and procedural framework and areas for future reform include issues highlighted below.

[330] Proclamation No. 1365/2025, Arts. 16-38; Regional Model Law, Arts. 22-63
[331] Proclamation No. 1365/2025, Arts. 16; Regional Model Law, Arts. 22

9.5.1 Data Collection and Maintenance of Public Registers

In Ethiopia, the general tax administration framework is predominantly taxpayer-centric, whereby taxpayers periodically declare liabilities that are then assessed, verified, or audited by tax authorities.[332] However, Proclamation No. 1365/2025 and the Model Law invert this framework by introducing a revenue organ -led system in which liabilities are determined and billed annually by the authority and notified to taxpayers. This reorientation marks a significant procedural and institutional shift, elevating data collection and the maintenance of public registers to central administrative functions of local governments. Nonetheless, studies reveal persistent deficiencies in property registration systems, data integration, and valuation infrastructure, which may undermine both the credibility and effectiveness of the property tax regime.[333]

Against this backdrop, the Proclamation and the Model Law establish a structured framework for data-driven administration. The Model Law, in particular, provides greater operational clarity by requiring local land administration organs to identify and register all properties or, where this is not feasible, at least basic taxable properties, and to adopt appropriate technologies to modernize urban cadastre and real property registration systems. [334] Correspondingly, local revenue administration organs are tasked with collecting and maintaining up-to-date data on taxable properties, exemptions, and compensatory goodwill contributions.[335] Property owners, beneficiaries, and land-use right holders are likewise obliged to provide relevant information and cooperate with property inspectors, which help fill institutional gaps where administrative records are incomplete or unreliable.[336]

To facilitate the integration of land and fiscal data, the law further mandates the establishment of two interlinked public registers: the valuation roll, which records assessed values, taxable values, and liabilities, and the tax register, which captures taxable properties, rates, exemptions, and in-

[332] Under the Ethiopian tax system, taxpayers are generally required to retain records for ten years, while the limitation period for amending assessments in most cases is five years. See generally, Proclamation No. 983/2016, Arts. 17, 28 & 85; Commercial Code of the Federal Democratic Republic of Ethiopia Proclamation No. 1243/2021, *Federal Negarit Gazette*, Extraordinary Issue, Art. 66.
[333] Markos Belayhun, "The Roles of Establishing Real Property Registration System for Municipal Property Taxation in the Case of Dire Dawa, Ethiopia," *Journal of World Economic Research*, Vol. 10, No. 2, 2021, pp. 37–47.
[334] Regional Model Law, Art. 23 (1& 2)
[335] Ibid, Art. 23 (3)
[336] Ibid, Art. 23 (4)

lieu contributions.[337] Both registers must be comprehensive, standardized, periodically updated (every five years for valuations and annually for tax records), and publicly accessible.[338] Institutional coordination and timely information exchange between land and revenue authorities are also explicitly required.[339]

While the existing legal framework appears clear and establishes the foundation, detailed implementing directives remain necessary, particularly regarding the content, standardization, and enforcement of the registers.[340] The principal challenge, however, lies in implementation. The effectiveness of these systems ultimately depends on institutional strength, coordination, and continuous data collection, verification, and updating.[341] In practice, persistent problems, such as fragmented and inconsistent records and weak data management, have already constrained the collection of non-tax revenues, including lease payments, as discussed in Chapter Four.[342] The costs and logistical requirements of establishing a digitalized property tax system, together with the need for a fully trained workforce, often present critical challenges for developing countries such as Ethiopia.[343] Moreover, reliance on formal property records risks exclusion and misclassification, particularly in informal or rapidly urbanizing areas, and raise concerns regarding coverage, fairness, and the overall integrity of the tax system.[344] Empirical studies across jurisdictions

[337] Proclamation No. 1365/2025, Art. 21 (1) a & b); Regional Model Law, Art. 24 (1)

[338] Proclamation No. 1365/2025, Art. 21 (2-5); Regional Model Law, Art. 24 (2 &3). Such registers must be complete in the sense that, in accordance with the standards and formats prescribed by the MoUI and BOUI, they include information such as a unique property identification number; ownership or possessory interests, as applicable; the location and boundaries of the property; the category of land use, buildings, or improvements; aerial size, dimensions, and relevant cadastral information; assessed value and the corresponding taxable value; applicable tax rates; any tax exemptions granted; contributions required in lieu of taxes; and the status of tax liabilities and payments.

[339] Regional Model Law, Art. 24 (4 & 5)

[340] Proclamation No. 1365/2025, Arts. 21 (2), 36 (1 & 2) & 40; Regional Model Law, Arts. 24 (3), 62 & 64

[341] Weynshet Asfaw, *Assessment of Property Tax Administration Practice in Selected Sub Cities of Addis Ababa*, MSc Thesis, Addis Ababa University, May 2024, pp. 43–52; Tesfaye Kinde, "The Practice of Land Registration System to Support Property Taxation in Ethiopia: Case Study of Mettu Town," *International Journal of Scientific Research in Multidisciplinary Studies*, Vol. 7, Issue 8, 2021, pp. 77–80.

[342] Ibid

[343] Ibid.; see also Justine Knebelmann, *Digitalisation of Property Taxation in Developing Countries: Recent Advances and Remaining Challenges*, Centre for Tax Analysis in Developing Countries, ODI Report, June 2022, pp. 27–29.

[344] Ibid

indicate that many land and property units remain outside valuation and tax rolls, a problem to which Ethiopia is no exception.[345]

9.5.2 Billing, Collection, and Enforcement Framework

Proclamation No. 1365/2025 and the model law, which once again set out the property tax liability[346], introduce a more structured administrative framework for billing, payment, collection, and enforcement.[347] As part of this integrated framework, the law sets out a sequenced and time-bound billing process through which assessed property tax liability becomes an enforceable obligation. It requires the local revenue organ, by 7 July each year, to issue and serve a notice of assessment that requires payment within thirty days, with the details set out under the law and core due process capable of ensuring transparency and enabling informed compliance or challenge, when necessary.[348] Where the assessment in the previous year is unchanged, it may simply require payment to be effected accordingly.[349] Such an allowance for simplified notices promotes efficiency, provided that accurate and up-to-date valuation rolls exist. Service of notice may be served through personal delivery, which requires proof of receipt, posting on the property, and registered email or phone.[350]

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[345] Roy Bahl, supra note 265, p. 17. For example, in Peru, one in four properties is not recorded; in Chile, about half of recent constructions are unregistered; in Kenya municipalities, coverage ranges between 30 and 70 percent; and in Gabon, only 15,000 titles exist for 45,000 identified properties. The situation in Ethiopia is not significantly different, despite the absence of comparable structured reports. See, for example, Tesfaye Kinde, "The Practice of Land Registration System to Support Property Taxation in Ethiopia: Case Study of Mettu Town," *International Journal of Scientific Research in Multidisciplinary Studies*, Vol. 7, Issue 8, 2021, pp. 77–80.

[346] Proclamation No. 1365/2025, Art. 17 (1-3); Regional Model Law, Art. 25

[347] Proclamation No. 1365/2025, Arts. 17-20; Regional Model Law, Arts. 25-39

[348] Proclamation No. 1365/2025, Art. 20 (1); Regional Model Law, Arts. 26 (1 & 2). The law sets out the minimum content requirements of a valid notice of assessment necessary to operationalize due process within property tax administration, requiring that the notice include the taxpayer's name, address, and identification number; a description and location of the taxable property; the assessed value, disaggregated into land, buildings, and improvements; applicable tax rates; the total tax liability, including interest, penalties, and other dues; any applicable exemptions or tax-in-lieu contributions; the assessment period; the due date and acceptable methods of payment; penalties and interest for non-payment; procedures and deadlines for complaints or appeals; and the contact information of the issuing Revenue Administration Organ.

[349] Regional Model Law, Arts. 26 (4)

[350] Proclamation No. 1365/2025, Art. 20 (2); Regional Model Law, Arts. 26 (3). The model law adds electronic communication through email or phone as an option, which is appropriate given its growing use and proven efficiency. The literature now establishes that automation of billing and computerized payment systems can be key to improving tax collection by enabling efficient monitoring and collection of payments and reducing opportunities for corruption.

These methods are put and be used in order, as is common in conventional tax notice delivery and summons delivery under the Civil Procedure Code.[351] The order protects the rights of taxpayers as it denies the revenue organ to arbitrary choose among multiple means, though apparently limits administrative efficiency. However, a taxpayer who has not received the annual tax assessment notice by July 17, ten days after the regular notice date mentioned above, shall notify the local revenue organ in writing of such non-receipt, and failure of the revenue organ to deliver the notice shall not constitute a valid defense against the obligation to pay property tax.[352] This duty to report non-receipt shifts evidentiary and compliance risks onto taxpayers and raise fairness concerns although it aims to enhancing administrative efficiency.

One of the critical legal questions in the tax administration process is determining the finality and enforceability of the notice. It is at this point that tax liability crystallizes into a legally enforceable debt, and non-payment constitutes default subject to enforcement. Under the law, a tax assessment notice becomes final and enforceable where the taxpayer fails to pay or object in time, where appeal periods lapse without action, or where a final decision is rendered by a competent court.[353] Meaning, a taxpayer who fails to pay the tax due as per the final assessment shall be deemed in default and shall be subject to enforcement measures under the applicable laws.[354] Normatively speaking, it is justifiable that finality is triggered in such cases. However, as is common in existing tax administration law and practice, its legitimacy ultimately depends on the accessibility and credibility of review and appeal mechanisms, which, in most cases, do not exist.

Once a valid assessment notice has been duly served, the taxpayer is under a legal obligation to pay unless a deferral is granted upon proof of exceptional circumstances, as discussed above as preferential treatment.[355] The law further specifies the method and timing of payment. Accordingly, property tax may be paid either in a lump sum or in installments, and annually or quarterly within the Ethiopian fiscal year (July 8–July 7), as determined by the Urban Council.[356] This flexibility in payment modalities and periodic adjustment mechanisms reflects an attempt to bal-

[351] Proclamation No. 983/2016, Art. 81; The Civil Procedure Code of Ethiopia, Decree No. 3/1965, *Negarit Gazeta*, Extraordinary Issue, Arts. 95-110.
[352] Proclamation No. 1365/2025, Art. 20 (3); Regional Model Law, Art. 26 (5 &6)
[353] Regional Model Law, Art. 27 (1)
[354] Ibid, Art. 27 (2)
[355] Proclamation No. 1365/2025, Arts. 17 (1-3) cum 18 (4-6); Regional Model Law, Art. 25 cum 29-31
[356] Proclamation No. 1365/2025, Art. 18 (1-2); Regional Model Law, Art. 28 (1-2)

ance administrative efficiency with taxpayers' convenience. The law further provides that the payable amount is not static, as it may be adjusted through periodic consumer price index updates and annual assessment and rating reviews in accordance with the law. Though beneficial in terms of responsiveness, such adjustments may raise concerns regarding certainty and predictability.[357]

Non-compliance to these procedures triggers a clearly structured penalty regime. A taxpayer who fails to pay within the prescribed time and is deemed in default is subject, first, to a penalty of five percent of the unpaid tax imposed immediately after the due date and, second, to an additional penalty of two percent for each full or partial month of continued default.[358] Conversely, the model law accommodates corrective adjustments in favor of the taxpayer by intruding the principle of credit, which is not common in the Ethiopian tax system. Accodingly, where an overpayment is established, the excess amount must, at the taxpayer's election, either be refunded or credited against future property tax liabilities.[359]

9.5.3 Rights, Duties, and Institutional Accountability

The precise delineation of the rights and duties of taxpayers and tax authorities and the corresponding accountability framework constitutes a foundational element of tax administration.[360] Tax laws establish reciprocal rights and obligations aimed at fostering trust, enhancing transparency, promoting voluntary compliance, and strengthening institutional legitimacy.[361] Although dispersed across substantive and procedural provisions, these rules are systematically articulated in the model law, which largely restates existing tax administration laws.[362] Taxpayers are accorded core rights, including fair and respectful treatment; access to timely, clear, and accurate information on tax obligations; access to valuation and assessment records; the right to object to

[357] Proclamation No. 1365/2025, Art. 18 (3); Regional Model Law, Art. 28 (3)
[358] Proclamation No. 1365/2025, Art. 17(4); Regional Model Law, Art. 32. The cumulative penalty is capped at one 100% of the principal tax liability. Beyond this threshold, however, the liability persists in the form of interest accruing on the outstanding amount at a rate not less than 3% above the average commercial lending rate, until full settlement. This is largely similar to conventional tax administration law. See also Federal Tax Administration Proclamation No. 983/2016, Art. 37
[359] Regional Model Law, Art. 33; Proclamation No. 983/2016, Arts. 49-50
[360] Frances Plimmer, "Legal Issues in Property Tax Administration," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 187–205.
[361] Ibid
[362] Regional Model Law, Art. 40-42; Proclamation No. 983/2016, Arts. 5-8

and appeal administrative decisions; timely responses to inquiries; correction of clerical or factual errors; issuance of tax clearance certificates upon settlement; and confidentiality of tax information.[363] These rights are not merely administrative, as many, particularly those relating to dignity, due process, and access to justice, are grounded in constitutional and human rights principles that reinforce their normative significance.[364]

Correspondingly, taxpayers are subject to defined duties, including the obligation to register property; provide accurate and complete information; pay assessed taxes, including any interest or penalties, within prescribed timeframes; notify the administration of material changes affecting tax liability; maintain and produce relevant records upon request; cooperate with tax officials; and retain proof of payments and communications.[365] These obligations largely mirror those in existing federal and regional tax administration laws that partly ensures coherence within the broader legal framework.

The law also defines the duties of tax officers, requiring them to administer taxes fairly, consistently, and efficiently; maintain accurate records; provide clear information; ensure lawful and proportionate enforcement; safeguard confidentiality; facilitate objection and appeal processes; exercise powers without discrimination; and pursue continuous professional development.[366] The effective discharge of these duties is essential to administrative credibility and public trust as also indicated above. Notwithstanding the clarity of these rights and duties, their practical effectiveness depends on enforcement. The new property tax regime relies on a combination of incentives and sanctions, with penalties and rewards governed by applicable tax administration laws.[367]

The legal framework further provides a more granular delineation of institutional roles and a differentiated allocation of powers and functions to executive organs.[368] This reflects the regime's reliance on multiple institutions, including finance, urban governance, revenue, and land administration bodies at federal, regional, and local levels. These issues are assessed in Chapter Eight of this dissertation against the federal and multi-level governance structure in present-day Ethio-

[363] Regional Model Law, Art. 40
[364] See for example, FDRE Constitution, Art. 37
[365] Regional Model Law, Art. 41
[366] Ibid, Art. 42
[367] Ibid, Art. 43
[368] Proclamation No. 1365/2025, Arts. 35-38; Regional Model Law, Arts. 60-63

pia. Importantly, the framework also incorporates elements of administrative support and accountability, such as technical and institutional capacity building, reporting requirements, supervisory oversight, and procedural safeguards.[369]

However, from an administrative perspective, overlapping mandates, for example between and among land administration, urban governance, and revenue bodies, may generate coordination failures and accountability gaps. Another concern is that asymmetries in capacity across jurisdictions, for example between and among regional and local governments, may result in uneven application of the law, which in turn undermines the equity and efficiency of tax administration. Thus, while the legal framework attempts to set out the powers and functions of different executive organs, its effectiveness ultimately depends on clarifying institutional mandates, strengthening inter-agency vertical and horizontal coordination, and ensuring that accountability mechanisms are not merely formal but operationally enforceable.

9.5.4 Participatory Governance and Earmarked Revenue Utilization

Public participation and local revenue utilization are identified as critical elements of successful property tax systems. as already made clear under chapter two and other parts of this dissertation, while property tax is a potentially robust source of local government revenue, its effectiveness is often hindered by low taxpayer compliance and public distrust regarding how funds are spent. Effective public engagement such as public hearings, consultations, discussion forums and awareness campaigns and education are therefore ideal to improve fairness, taxpayer trust, and compliance, reduce evasion and enhance the legitimacy of the tax system.

Community participation helps identifying challenges and it improves the equity of the tax law and administration. In fact, if not managed well and undertaken in the context of distrust to local authorities, participation may further lead to skepticism, distrust, low engagement or resistance. Similarly, linking tax revenue to local public investment and development priorities not only improves collection rates but also strengthens the social and fiscal contract between citizens and

[369] Regional Model Law, Arts. 60 (2) (h& i), 61(2) (c & d), 62 (2) (e & f) and 63 (2) (i & j)

local government, where the former often demand improved public services and greater transparency and accountability in exchange for taxes.[370]

With the same emphasis, the new property tax regime introduces explicit mechanisms for public participation and revenue utilization.[371] It requires that annual property tax rating schedules prepared by the executive organs of ULGs be subjected to a 60-day public hearing prior to adoption by the council, with taxpayers, property owners, and other stakeholders entitled to attend, participate, and provide input.[372] The obligation of local revenue organs to subsequently disclose consultation outcomes and their incorporation into law and administrative practices further institutionalizes participatory governance.[373] On the expenditure side, the law earmarks property tax proceeds exclusively for financing public services and infrastructure within the respective ULGs, in accordance with the urban budget framework and council directives.[374] It also reinforces accountability by requiring local finance administration organs to annually prepare and publicly disclose reports on revenue collection, allocation, and expenditure, and the council to oversee the use of such funds, particularly in relation to public services and infrastructure.[375]

From a reading of the law, it is evident that, although brief, the new property tax regime clearly addresses these two concepts. It also provides that further regulatory frameworks, such as directives, will be issued by federal and regional bodies governing both areas and further ingraining the system.[376] These provisions embed property tax within a participatory and transparent fiscal framework by strengthening legitimacy and fiscal transparency, and aligning the tax with visible public benefits.[377] This is, above all, in line with the joint decision of the two houses regarding the revenue use powers of the ULGs and prelude of the reform at large, as discussed in Chapter Eight. However, the effectiveness of these provisions depends on their practical implementation,

[370] Joshua B. Mabe and Elias D. Kuusaana, "Property Taxation and Its Revenue Utilisation for Urban Infrastructure and Services in Ghana: Evidence from Sekondi-Takoradi Metropolis," *Property Management*, Vol. 34, Iss. 4, 2016, pp. 297–315.
[371] Proclamation No. 1365/2025, Arts. 13; Regional Model Law, Arts. 44-45
[372] Proclamation No. 1365/2025, Arts. 13 (1); Regional Model Law, Arts. 44 (1 & 2)
[373] Proclamation No. 1365/2025, Arts. 13 (2); Regional Model Law, Arts. 44 (3)
[374] Regional Model Law, Arts. 45(1)
[375] Regional Model Law, Arts. 45(2 & 3)
[376] Proclamation No. 1365/2025, Arts. 13 (3); Regional Model Law, Art. 60 (2)(d)
[377] Interview with Berhanu Abebe, Annex VI, March 9, 2024.

which determines the depth and credibility of public engagement and the actual use of the revenue.[378]

The literature generally establishes that public participation risks becoming procedural rather than substantive if it is not undertaken in a genuinely inclusive manner or if feedback does not meaningfully influence decisions, as is often the case in Ethiopian tax administration.[379] Similarly, revenue utilization requires accessible reporting and actual oversight by taxpayers regarding the linkage between taxes paid and services received. Earmarking revenue for specific purposes has also been a persistent challenge in Ethiopia, as the executive often misallocates or misappropriates funds.[380] This can also be seen in the broader problems of transparency and accountability in public administration. The process therefore requires strong political commitment to urban governance and development. In the absence of such conditions, these provisions may have limited impact on taxpayer behavior and trust, as well as on the efficiency and equitability of tax administration. Accordingly, the challenge lies in institutionalizing participatory and transparency mechanisms in a manner that is both credible and functionally integrated into local governance processes.

9.5.5 Tax Grievance Handling and Appeals Mechanisms

Property tax disputes often emerge at foundational stages such as property identification, classification, registration, and valuation, or during billing, collection, and enforcement. This contrasts with income or consumption taxes, where disputes are typically reactive and arise from administrative adjustments to self-assessed liabilities or from audit findings.[381] Accordingly, grievance-handling and appeals mechanisms provide structured processes through which taxpayers may

[378] Ibid; Sally Powers, "Property Tax Collection and Enforcement," in William J. McCluskey, Gary C. Cornia, and Lawrence C. Walters (eds), *A Primer on Property Tax Administration and Policy*, Blackwell Publishing Ltd, 2013, pp. 141–171.

[379] Supra note 32, P. 364

[380] Solomon Negussie, "The Trend of Fiscal Arrangement in Ethiopia: Current Practices and Future Concerns," in Éloi Ficquet, Ahmed H. Omer, and Thomas Osmond (eds), *Movements in Ethiopia, Ethiopia in Movement*, Vol. 2, Proceedings of the 18th International Conference of Ethiopian Studies, 2023, pp. 481–496.

[381] Richard R. Almy, *Property Tax Regimes in Europe*, UN-Habitat, 2013, p. 43. For other taxes, taxpayers are generally required to file a tax declaration in the prescribed form and within the specified time. If the tax authority accepts the declaration, payment is made accordingly. Only where the authority rejects the declaration does it issue a notice of refusal stating the reasons, after which the taxpayer must either pay or submit an objection to the authority within 21 days. In property taxation, by contrast, the authority itself issues the tax bill, upon which the taxpayer may either pay or lodge a grievance before the PTRC. See generally, Proclamation No. 983/2016, Arts. 52–55.

challenge administrative decisions and ensure compliance with legal and procedural standards.[382] The central task of such systems is to balance taxpayer protection with administrative efficiency and revenue certainty.[383]

Typically, these procedures define who may appeal, as well as the time, place, and manner of filing, and the permissible grounds of appeal, such as overvaluation or the improper determination of tax bases, rates, and exemptions.[384] They also establish the institutional design of dispute resolution, with most systems adopting a layered structure that begins with administrative review, proceeds to quasi-judicial or independent tribunals, and culminates in judicial review.[385] Alternative dispute resolution (ADR) mechanisms and ombudsman institutions are also recognized as complementary processes to resolve grievances amicably.[386] Such tiered system in general enables disputes to be resolved at the lowest effective level while preserving oversight by higher organs through appeal. Ultimately, the effectiveness of the system depends not merely on the existence of these layers, but on their coherence, accessibility, and perceived impartiality.

The Ethiopian tax administration has adopted a broadly similar structure since its modern inception.[387] Currently, the Federal Tax Administration Proclamation No. 983/2016 and corresponding regional laws establish a layered framework for grievance handling and dispute resolution.[388] The system generally comprises an administrative review department (review committee), an appeal to the Tax Appeal Commission, and, as a final resort, recourse to the regular courts through appeal and cassation.[389] However, this framework has been subject to extensive critique, including concerns regarding institutional and personal independence, strict timelines for filing complaints and appeals, burdensome pre-deposit requirements, prolonged decision-making peri-

[382] Richard R Almy, Supra note 229, p. 56
[383] Ibid
[384] Ibid
[385] Ibid., pp. 43–44; Binh Tran-Nam and Michael Walpole, "Tax Disputes, Litigation Costs and Access to Tax Justice," *eJournal of Tax Research*, Vol. 14, No. 2, 2016, pp. 319–336. Valuation panels in Portugal, multilevel systems in Austria, Denmark, Netherlands, and Sweden, and tribunal-based models in Ireland and the United Kingdom reflect differing institutional choices regarding expertise, accessibility, and procedural formality.
[386] Ibid
[387] These provisions were scattered across specific tax laws, and it was in the 2016 reform that they were consolidated into a single law through Proclamation No. 983/2016.
[388] Proclamation No. 983/2016, Arts. 52–60 & 86–94; Amhara National Regional State Tax Administration Proclamation No. 241/2016, *Zikre Hig*, 21st Year, No. 22, Arts. 52–60 & 85–93; Oromia Regional State Tax Administration Proclamation No. 203/2017, *Magalata Oromiyaa*, 26th Year, No. 3, Arts. 55–62 & 85–94.
[389] Ibid

ods, and a lack of specialized expertise, including within the courts.[390] The literature further indicates that the system is less amenable to alternative forums, such as ADR mechanisms and the Office of the Ombudsperson, which are more effective in other jurisdictions.[391]

It is against this background that the ongoing property tax reform necessarily engages with the design of grievance-handling and dispute resolution mechanisms. A key issue in this regard has been whether the existing tax administration framework is sufficient to address disputes arising from property taxation or whether a distinct system should be established.[392] Proponents of the former view argue that incorporating such provisions within property tax legislation would be duplicative and undermine the consolidation achieved under tax administration laws. In contrast, proponents of the latter view emphasize the distinctive nature of property tax and the limitations of the existing system in addressing disputes under the new regime. A third approach would have been to introduce only limited, property-specific provisions. However, the drafters opted instead to establish a comprehensive grievance-handling and appeals framework parallel to the federal and regional tax administration proclamations.[393]

Proclamation No. 1365/2025 and the model law accordingly establish a comprehensive and largely harmonized framework governing grievance handling[394] and appeals[395], largely reproducing core tax administration rules with limited adaptations specific to property taxation. The law introduces a tiered system that begins with the Property Tax Review Committee (PTRC) and proceeds to the Property Tax Appeal Tribunal (PTAT).[396] It further provides that appeals may lie to the regular High Court on questions of law and subsequently to the Supreme Court.[397] This tiered structure underscores that property tax disputes follow a distinct dispute resolution path-

[390] Supra note 32; Aschalew Ashagrie, "Taxpayers' Grievance Handling Procedures in Ethiopia" (Amharic), *Mizan Law Review*, Vol. 8, No. 1, pp. 190–236; Gizachew Silesh, Yibekal Tadesse, and Israel Woldekidan, "Appraisal of Ethiopian Tax Dispute Resolution System at the Review Department (of the Ministry of Revenue) and at Federal Tax Appeal Commission," *Bahir Dar University Journal of Law*, Vol. 13, No. 1, 2023, pp. 77–122.
[391] Misganaw Gashaw, "The Room for Alternative Dispute Resolution (ADR) Process in Tax Disputes: A Message to the Ethiopian Tax Administrations," *Ethiopian Business Law Series*, Vol. 5, 2012, pp. 33–82 (p. 45).
[392] Interview with Berhanu Abebe, Annex VI, March 9, 2024; Authors' participant observation, Addis Ababa, October 23–26, 2025.
[393] Ibid
[394] Proclamation No. 1365/2025, Arts. 22-24; Regional Model Law, Arts. 46-49
[395] Proclamation No. 1365/2025, Arts. 25-34; Regional Model Law, Arts.50-59
[396] Proclamation No. 1365/2025, Arts. 22 (1) & 25 (1) cum 31; Regional Model Law, Arts.46 (1) & 50 (1) cum 56
[397] Proclamation No. 1365/2025, Art. 30; Regional Model Law, Art. 55

way that differs not only from the general dispute settlement system of the country but also, in some respects, from procedures applicable to other taxes.

The establishment of the PTRC within the executive and the PTAT as a quasi-judicial organ, both in institutional design and procedural rules, is justified by the dynamic and complex nature of tax disputes, which are often not amenable to resolution by regular courts.[398] Moreover, the new property tax regime seeks to address challenges and criticisms[399] raised in relation to accessibility and the qualifications of members of grievance-handling and appeal bodies. First, one or more PTRCs or PTATs may be established within each ULG, or jointly across multiple ULGs, depending on the taxpayer population, complaint volume, and physical accessibility.[400] Second, members of the PTRC and PTAT are to be drawn from multidisciplinary backgrounds, including accounting, land administration, property valuation, and law, and are to be chaired by a legal expert.[401] These measures embed technical capacity and enhance functional accessibility, both of which are crucial to strengthen institutional capacity and improve the quality of decision-making within tax dispute resolution mechanisms.

Nevertheless, members remain appointed by, and accountable to, the mayor or the regional head, with nominations recommended by the respective revenue authorities.[402] This arrangement indicates that the new regime has not fully addressed longstanding concerns within the tax dispute settlement process, particularly with respect to independence and impartiality. While the previous system was also characterized by the absence of clear procedural directives governing hearings, the new regime attempts to address this gap by mandating the issuance of such directives by regional and local authorities.[403] However, other features such as strict time limits and advance tax deposit requirements (pay-to-play rules) under the tax administration proclamation

[398] Supra note 32
[399] For the challenges and criticisms, see generally, Aschalew Ashagre, "Adjudication of Tax Disputes within the Tax Authority in Ethiopia: Critical Reflections on the Law and the Practice," *Bahir Dar University Journal of Law*, Vol. 11, No. 1, 2020, pp. 35–66; Aschalew Ashagre, "Tax Appeal Proceedings before the Federal Tax Appeal Commission in Ethiopia: Critical Reflections," *Mizan Law Review*, Vol. 14, No. 2, 2020, pp. 201–238.
[400] Proclamation No. 1365/2025, Arts. 22 (1) & 31 (1-2); Regional Model Law, Art. 46 (1&2) & 56 (1-2)
[401] Proclamation No. 1365/2025, Arts. 22 (2-3) & 32 (1); Regional Model Law, Art. 46 (3-4) & 57
[402] Proclamation No. 1365/2025, Arts. 22 (4); Regional Model Law, Arts. 46 (5-6), 56 (3) & 57 (1)
[403] Regional Model Law, Art. 46 (6) & 48

largely remain unchanged.[404] Further concerns arise from the narrow scope of appellate review, which is confined to questions of law and, at the cassation level, to fundamental errors of law.[405] This limitation significantly restricts meaningful scrutiny of the substantive merits of disputes, particularly in technically complex areas such as valuation and the determination of tax liability. Compounding this, the allocation of the burden of proof continues to favor the tax authority, thereby placing a disproportionate evidentiary burden on taxpayers seeking to challenge administrative decisions.[406]

Despite these limitations, the institutional framework of the PTRC, PTAT, and the courts is formally structured, with clearly defined powers, duties, staffing arrangements, qualifications, and accountability mechanisms. The system reflects a layered model that facilitates administrative resolution at the initial stages while promoting technical accuracy and procedural formalization at higher levels. Within this hierarchical arrangement, higher bodies are empowered to affirm, remand, or reverse decisions of lower bodies.[407] Notwithstanding these improvements, the system remains constrained by persistent concerns relating to independence, procedural complexity, protracted timelines, and the adequacy of expertise.

In addition, taxpayers in Ethiopia continue to have limited access to alternative dispute resolution mechanisms and to institutions such as the Office of the Ombudsperson, which are more widely available in other jurisdictions, as mentioned above. On the other hand, recent developments in administrative justice and adoption of laws at federal and regional levels that expand the scope of judicial oversight are expected to provide incrementally more avenues for property taxpayers to seek redress against tax authorities and to challenge the legality of directives enacted by the government bodies.[408]

[404] Proclamation No. 1365/2025, Arts. 23 (2) & 25 (2); Regional Model Law, Arts. 48 (1) & 50. Taxpayers dissatisfied with the billing must first file an objection with the PTRC within 21 days, then appeal to the PTAT within 30 days, and subsequently to the courts within 30 days. They are also required to pay 50% of the assessed amount in the bill to appeal to the PTAT and 50% of the PTAT's decision to appeal to the high court, respectively.

[405] Proclamation No. 1365/2025, Arts. 29& 30; Regional Model Law, Arts. 54 & 55

[406] Proclamation No. 1365/2025, Arts. 34; Regional Model Law, Arts. 59

[407] See for example, Regional Model Law, Arts. 48 (3-4), 54 (3) and 55

[408] See generally, Asnake Temam, *Administrative Rule Making: The Law and the Practice in Ethiopia*, LL.M Thesis, Addis Ababa University, September 2024; see also Federal Tax Administration Proclamation No. 983/2016, Art. 61(2); Federal Administrative Procedure Proclamation No. 1183/2020, *Federal Negarit Gazette*, 26th Year, No. 32, Arts. 2(2–3) & 48–49; Amhara National Regional State Administrative Procedure Proclamation No.

Finally, an important concern arises regarding the applicability of tax grievance-handling and appellate mechanisms under the new property tax regime to valuation issues. As noted above, the PTRC and PTAT established under Proclamation No. 1365/2025 and the Model Law are empowered to review government decisions relating to the content and procedures of valuation, which are central to the determination of taxable value and, ultimately, tax liability.[409] This explains why the PTRC and PTAT are required to comprise members with expertise in land administration, property, and valuation.[410] By contrast, the Valuation Proclamation No. 1357/2024 establishes a distinct complaints and appeals framework for valuation disputes.[411] Under this law, a party dissatisfied with valuation-related decisions may lodge a written complaint with the head of the institution within 30 working days, after which one or more Complaint Hearing Committees are established to investigate and decide the case.[412] The law further defines the powers, functions, and working procedures of these committees.[413] Appeals from the committee lie to the regular courts on both legal and substantive grounds and must be filed within 30 days of the committee's decision.[414]

The coexistence of these parallel regimes emerged as a significant issue during the drafting of the Model Law, particularly due to institutional tensions between representatives of the Ministry of Urban and Infrastructure and the MoF, which hindered a reasoned resolution. This difficulty was compounded by the fact that Proclamation No. 1357/2024 and Proclamation No. 1365/2025 had already been enacted without adequately addressing the underlying inconsistencies. Many

292/2025, *Zikre Hig*, 29th Year, No. 27, Arts. 2(3–4) & 48–49. These laws define the making and content of directives and administrative decisions, as well as their judicial review.

[409] Proclamation No. 1365/2025, Arts. 2 (3-5) 12 (2)(a& b), 21 (1) (a) & 4, 23 (1) (a-d), 23 (2), 25 (2) (b), 32 (1)(b), 33 (1)(a), 34, & 36 (1& 2); Regional Model Law, Arts. 11 (3), 12 (3), 17 (4), 24 (2) (f), 40(2& 6), 41 (2), 42 (1) (b), 47 (1), 48(1), 58 (1)(a), 59, & 62 (1) & (2) (b& c). These provisions define valuation and the valuation roll and regulate how they are used in determining tax liability, as well as the powers of taxpayers, tax authorities, the MoUI, and the PTRC and PTAT to record, maintain, and use valuation data and the valuation roll in determining taxable value and tax liability. In this regard, the property tax regime seeks to be comprehensive on valuation matters. Yet, while Proclamation No. 1365/2025 is silent the model law refers to the application of Valuation Proclamation No. 1357/2024. See art Regional Model Law, Art. 18

[410] Proclamation No. 1365/2025, Arts.22 (2) (c & d) 23 (2) & 25 (2); 32 (1) (b) Regional Model Law, 46 (3)(b-d) 57 (2)(b)

[411] Proclamation No. 1357/2024, Arts. 24-30. The law first provides that a person who observes a violation may submit a written suggestion (tip-off) to the appropriate authority, upon which the committee will conduct a confidential investigation and issue a final decision. See Arts. 23

[412] Ibid, Arts. 24-26

[413] Ibid, Arts. 27-29

[414] Ibid, Art. 30

observers have argued that such parallelism creates significant risks of jurisdictional overlap and normative inconsistency.[415] Divergences in procedural timelines, institutional mandates, and, critically, the scope of review may generate ambiguity, encourage forum fragmentation, and expose the system to conflicting determinations.

This institutional dualism ultimately undermines coherence, legal certainty, and administrative efficiency in the adjudication of property tax disputes. From the standpoint of legal interpretation, one might argue that Proclamation No. 1357/2024 prevails as the later law, or alternatively that Proclamation No. 1365/2025 should take precedence as a special law. However, the issue extends beyond such interpretive approaches. The problem is rooted in the early stages of the reform and, in practice, risks inhibiting the effective implementation of property taxation. Accordingly, the matter calls for urgent legal reform aimed at establishing a harmonized and coherent review and appeals framework within the property tax system.

9.6 From Federal "Proclamation"[416] to Local Implementation: Between Normative Promise and Implementation Deficits

The preceding discussion demonstrates that the adoption of Proclamation No. 1365/2025 and the preparation of the Regional Model Law mark a decisive milestone in post-2011 property tax reform, embodying a strong normative promise at the federal level. Compared to the brief and fragmented legislation of the imperial and Derg periods, the new framework establishes a relatively comprehensive and detailed legal architecture addressing the general, substantive, and administrative dimensions of a property tax law.[417] Notwithstanding clear advances, the framework remains structurally incomplete and continues to exhibit significant gaps across all dimensions, pointing to emerging implementation deficits.

The analysis further indicates that the provisions fall short of engaging with the full range of policy options reflected in the literature and comparative practice. Empirical evidence from Delphi

[415] Interview with Berhanu Abebe, Annex VI, March 9, 2024; Authors' participant observation, October 23–26, 2025.

[416] The term "Proclamation" is used here in two senses. First, it refers specifically to the Federal Property Tax Proclamation No. 1365/2025. Second, it is used in its general lexical sense to denote a public or official announcement of property tax as a matter of significant national importance.

[417] See section 9.2. of this chapter

rounds, interviews, observations, and FGDs corroborates this assessment, revealing divergence and skepticism regarding key design and implementation choices, despite broad consensus at the level of general principles. Public discourse, as reflected in media outlets and professional forums, similarly indicates continuing uncertainty and concern regarding the design and potential impacts of the new tax, further illustrating the gap between normative promise and practical realization.[418]

Moreover, the analysis in Chapters Three, Four, and Five highlights deeper structural constraints, particularly in the legal status of ULGs, municipal revenue systems, and urban land governance, which directly shape, and, in some respects, limit the effectiveness of property tax reform. These constraints reinforce the implementation deficits identified above and underscore the need for parallel reforms in these areas, although none has been initiated so far. In this respect, the transition from federal proclamation to local implementation remains contingent not only on the internal coherence of the tax law but also on broader legal and institutional reforms, without which the reform risks remaining largely aspirational.

On the other hand, Proclamation No. 1365/2025 is a mere 'framework legislation' that cannot be enforced independently or automatically used to collect tax.[419] This reflects a deliberate constitutional allocation of powers and the joint decisions of the HoF and the HoPR, as discussed in Chapter Eight.[420] The decision vests taxing powers in regional governments and ULGs, while the federal government is responsible only for establishing the overarching legal framework. Accordingly, the Proclamation sets out general principles and guidelines without specifying the concrete tax bases, rates, or exemptions necessary for determining tax liability and initiating collection and enforcement. At the same time, it repeals prior property tax laws, most notably Proclamation Nos. 80/1976 and 161/1979, and nullifies any inconsistent laws or practices that con-

[418] See the contentions and concerns regarding the introduction of property tax in urban Ethiopia, as discussed in Chapter seven, which primarily draws on reports from the media and public discussion forums.

[419] By definition, framework legislation is a type of law that establishes general and flexible principles, objectives, and institutional structures, aiming at soft harmonization rather than detailed and prescriptive rules. See generally, Bizuneh Yimenu, "Measuring and Explaining de facto Regional Policy Autonomy Variation in a Constitutionally Symmetrical Federation: The Case of Ethiopia, 1995–2020," *Publius: The Journal of Federalism*, Vol. 53, No. 2, 2022, pp. 251–277.

[420] See FDRE Constitution, Arts. 51 (2), 55 (10), 77 (6), and 89. Under the FDRE Constitution, the federal government has the power to set general policies and strategies on economic, social, and development matters, as well as fiscal and monetary policy. The joint decision of the two Houses further reiterates this principle in resolving the question of taxing powers in relation to property tax.

tradict the principles of the new property tax regime.[421] As a result, ULGs are constrained from effectively collecting revenue, both under the repealed laws and under the new regime, given the absence of implementing legislation and institutional readiness. As one interviewee explained this resulting legal conundrum:

> "We now have a federal framework, but no operational tax law. Proclamation No. 1365/2025 establishes principles and provides for the enactment of implementing laws, particularly at the regional and local levels. However, the Proclamation repeals the old laws that municipalities previously relied on to collect revenue. Consequently, without additional legislation to operationalize property tax, municipalities are effectively left in a legal vacuum, where neither the former regime nor the new one can function." [422]

The two-year transitional period is strictly time-bound and will end on 25 March 2027, given that Proclamation No. 1365/2025 was published in the Negarit Gazette on 26 March 2025.[423] In practice, however, efforts to operationalize the transition have lagged behind legislative intent. The federal government has sought to accelerate reform through the preparation of a regional model law and the provision of training and guidance.[424] However, as of April 2026, no regional or city administration has adopted the model law.[425] Moreover, the subsidiary instruments required at the federal, regional, and local levels have not yet been issued, as will be discussed below.[426] Parallel reforms in local governance, land administration, and municipal revenue system also remain largely neglected and are not sufficiently integrated with the property tax reform.[427] Ob-

[421] Proclamation No. 1365/2025, Art. 42 (1 & 2). These laws, however, will continue to be applied to collect urban land rent (permit fees) on permit holdings, as lease fees do for leasehold tenure. These two land revenues, in their respective tenures, will continue alongside property tax, which may create a burden on landholders unless the necessary arrangements are made in the future.

[422] Interview with Wasihun Abate, Annex VI, March 12, 2026.

[423] Proclamation No. 1365/2025, Art. 42 (1 & 2).

[424] **የገንዘብ ሚኒስቴር ደብዳቤ (ለአስራ ሁለት ክልሎች እና ለሁለቱ ከተማ አስተዳዳሮች)፣ ሞዴል የንብረት ታክስ አዋጅ መላክን ይመለከታል፣ ታ/ከ/ቀ/5/954፣ ቀን** 03/07/2018. The letter indicates that the regional model law was prepared by MoF, MoUDI, and MoR, with support from domestic and international experts, and finalized through consultations with regional stakeholders (Finance, Revenue, and Urban Development Bureaus). It was subsequently sent to two regional states and the two city administrations for enactment and implementation across urban areas, with an emphasis on balancing local context and national harmonization. It further underscores that the National Property Tax Task Force will continue to provide coordinated support to facilitate effective implementation.

[425] Interview with Berhanu Abebe, Annex VI, March 12, 2026; Interview with Wasihun Abate, Annex VI, March 12, 2026.

[426] Ibid

[427] Ibid

viously, this institutional and regulatory inertia poses a significant risk of failure, potentially creating a legal and administrative vacuum that, in turn, undermines the transition from the federal "Proclamation" to effective local implementation. When asked about possible solutions, the interviewee added that:

> "At this stage, there are only two realistic solutions. The first, and best, is to work diligently to ensure the adoption of the necessary legal, institutional, and practical frameworks. However, the time remaining is too short to complete all the tasks, and amending the Proclamation to extend the transitional period becomes imperative. Otherwise, the reform is at risk of collapsing before it becomes operational."[428]

This response underscores that property tax cannot be effectively collected or enforced in the absence of the requisite institutional and legal infrastructures discussed above. Accordingly, timely corrective action should be taken before the expiry of the two-year transitional period. Otherwise, the only viable legal option to sustain the reform trajectory would be to amend Proclamation No. 1365/2025 and extend the transitional period. However, a contrasting view underscores the risks of extending the transitional period, arguing that it may frustrate the legitimacy of the reform and lead to possible institutional fatigue.[429] From this perspective, governments at all levels should actively pursue implementation, as reform of this nature can advance only through practice rather than by waiting for ideal conditions. This "learning-by-doing" approach, however, is difficult to apply in tax law and administration, where the requirements of legality and certainty provide little, if any, scope for experimentation.

Both Proclamation No. 1365/2025 and the Regional Model Law acknowledge the diversity of interests and the critical role of multiple stakeholders in implementing property tax, as will be seen below. Accordingly, they provide for both the application of existing laws by cross-reference and the enactment of new laws, such as regulations, directives, and standards, at the federal, regional, and local levels to facilitate a proper transition from proclamation to implementation. The law explicitly provides for the application of the Tax Administration Proclamation

[428] Ibid
[429] Interview with Wasihun Abate, Annex VI, March 12, 2026.

No. 983/2016 and the Valuation Proclamation No. 1357/2024.[430] It also calls for the application of other federal and regional tax laws governing matters such as seizure and foreclosure, rewards and penalties, and the waiver of penalties.[431] This demonstrates that property tax cannot function as a stand-alone regime, and its effective implementation depends heavily on the design and operation of other legal frameworks, which lie beyond its direct control. In other words, the success or failure of the new regime is contingent on the clarity and consistency of these laws, not on the property tax laws alone.

In addition to these references, both Proclamation No. 1365/2025 and the Model Law provide for the adoption of several subsidiary legislative instruments at the federal, regional, and local levels to operationalize the system, although none of these frameworks has been adopted so far. At the federal level, the CoM is mandated to issue regulations, and ministerial organs are required to issue directives for the effective implementation of the tax.[432] In particular, the CoM may determine minimum and maximum property tax rate ranges for purposes of macroeconomic stabilization and balanced development, based on studies conducted by the MoF.[433] The MoF is also responsible for issuing directives on the rates and conditions of in-lieu-of-tax compensatory contributions in line with national fiscal policy, proposing and overseeing legal reforms, evaluating system performance, setting national standards and frameworks, ensuring harmonization and compliance across regions, regulating exemptions and compensatory contributions, and adjusting taxable values based on economic analysis.[434]

Similarly, the MoUI is empowered to issue directives prescribing categories of land improvements and buildings that are deemed to have no or assumed market value, as well as standards for the categorization of urban areas to ensure the effective and equitable implementation of property taxation.[435] It is also responsible for developing and standardizing valuation systems and providing capacity-building support to regions, particularly in the development of property tax databases.[436] The MoR, in turn, is tasked with developing technological systems to modernize

[430] Proclamation No. 1365/2025, Arts. 16; Regional Model Law, Arts. 18, 22
[431] Proclamation No. 1365/2025, Arts. 24, 36 (6) and 39; Regional Model Law, Arts.43 & 49
[432] Proclamation No. 1365/2025, Art. 40
[433] Ibid, Art.11 (2&3)
[434] Ibid, Arts. 14 (4) & 35; Regional Model Law, Art. 20 (3)
[435] Proclamation No. 1365/2025, Art. 7 (3); Regional Model Law, Arts. 8(3) & 9(1)
[436] Proclamation No. 1365/2025, Art. 36

property tax administration and providing continuous capacity-building support to regional and city governments in tax collection, data management, and overall administration.[437] However, neither the CoM nor the specific ministerial organs have developed the required laws and standards so far, and the support provided to regional and local governments remains inadequate.[438]

Regional states and the two city administrations are vested with extensive legislative and implementation powers under Proclamation No. 1365/2025. The Proclamation requires them to enact detailed laws within the federal framework, while federal regulations and directives are issued without prejudice to this regional autonomy.[439] This tier is central to operationalizing property tax and is responsible for defining tax rate ranges and exemptions, enabling ULGs to levy and collect the tax, coordinating with the federal government on periodic assessments of the tax and its impact, issuing region-specific exemption directives aligned with federal standards, ensuring the transfer of contributions in lieu of tax to ULGs, setting local revenue-use priorities, building ULG capacity, promoting voluntary compliance, establishing and operationalizing appeal tribunals, and fulfilling reporting obligations to the MoF, MoR, and MoUI.[440]

At the same time, regional councils and sectoral bureaus (BoF, BoUI, BoL, and BoR) are empowered to issue the necessary regulations and directives for the effective implementation of the tax.[441] The Council of the Regional Government is also responsible for determining the type and amount of compensation or goodwill contributions through regulation.[442] With respect to specific bureaus, the BoF serves as the central coordinating organ for property tax at the regional level, functionally analogous to the MoF. It directs and supervises the design and implementation of property tax laws in line with decentralization, revenue mobilization, harmonization, and coordinated administration in line with national fiscal policy.[443] Its mandate extends to proposing and overseeing legal reforms, evaluating system performance, setting and enforcing frameworks for tax rates, exemptions, and contributions in lieu of tax, overseeing revenue management, conduct-

[437] Ibid, Art. 37
[438] Interview with Berhanu Abebe, Annex VI, March 12, 2026; Interview with Wasihun Abate, Annex VI, March 12, 2026.
[439] Proclamation No. 1365/2025, Arts. 3 (2) & 42
[440] Ibid, Art. 38
[441] Regional Model Law, Art. 64 (1& 2)
[442] Ibid, Art. 20(2)
[443] Ibid, Art. 60 (1)

ing impact assessments, leading public communication and compliance strategies, building ULG capacity, and reporting to the MoF, including issuing directives for performance-based incentives.[444]

The BoR complements this role by overseeing assessment, collection, enforcement, and appeals, ensuring consistency with the Proclamation and general principles of tax administration.[445] It is also responsible for modernizing tax administration, supporting property tax registers as public registers, strengthening ULG capacity, reporting to the MoR and BoF, and issuing directives on penalty waivers.[446] In parallel, the BoUI and BoL, subject to the institutional arrangements in the regional states[447], govern the land and valuation interface by monitoring property identification, registration, and valuation, ensuring compliance with legal and land administration standards, developing classification and valuation systems, supporting valuation rolls as public registers, guiding infrastructure and service planning, building ULG capacity, and reporting to the MoUI.[448]

ULGs are the ultimate implementers and primary beneficiaries of property tax. Accordingly, the implementation and enforcement of the federal and regional laws discussed so far constitute their core responsibility.[449] They also exercise various legislative, administrative, and quasi-judicial functions in the implementation of property taxation. The Model Law requires them to undertake the full administrative cycle including property identification, registration, classification, and valuation, maintaining accurate and transparent assessments, efficient collection and arrears management, enforcement, appeals and dispute resolution, and the allocation of revenues to essential services and infrastructure.[450] They are also expected to support taxpayer education, promote public participation, and coordinate with regional and federal institutions, while fulfilling

[444] Ibid, Art. 60 (2) and 21 (3)
[445] Ibid, Art. 61 (2)
[446] Ibid, Arts. 61 (2, 47 (4), and 49 (1&2); Proclamation No. 1365/2025, Art. 24 (1 & 2)
[447] Interview with Zinet Ibrahim, Annex VI, August 29, 2025. In Ethiopia, the institutional framework for land administration is divided between rural and urban systems. At the federal level, urban land falls under the MoUI, while rural land is administered by the Ministry of Agriculture. A similar structure historically existed at the regional level under corresponding bureaus. Recently, however, several regional states have established unified land administration bureaus covering both rural and urban land. Despite this shift, institutional inconsistencies persist, and regional states may adopt context-specific approaches in approving and implementing the model property tax law.
[448] Regional Model Law, Art. 62 (1-2)
[449] Ibid, Art. 63 (1)
[450] Ibid, Art. 63 (2)

reporting obligations and strengthening their technical and institutional capacity through improved data systems, technology adoption, and continuous training.[451]

The Model Law further requires urban councils to issue directives and bylaws necessary for the effective implementation of the tax. In particular, urban councils shall establish criteria for identifying vacant or undeveloped land and determining justifiable grounds for delays in development; impose the applicable tax rate on completed buildings and improvements not put to use in accordance with the law; define criteria for identifying unused buildings and determining justifiable grounds for non-use; determine the periodicity of tax collection within the fiscal year based on local conditions; and provide for adjustments to tax liabilities based on periodic consumer price index updates and annual assessment and rating reviews. [452] In addition, the executive committee of the ULGs shall issue directives establishing procedures for submitting, reviewing, and deciding complaints, as well as for forwarding proposals for decisions.[453]

The foregoing analysis reveals a fundamental tension between the normative ambition of the reform, as reflected in the federal framework legislation, and its operational feasibility. As envisaged under Federal Proclamation No. 1365/2025 and the Model Law, a wide range of legislative and administrative measures is required to implement property tax in urban Ethiopia. However, none of these measures including the adoption of subsidiary legislation as well as assuring of institutional readiness and essential preparatory actions has yet been undertaken. This gap creates a structural bottleneck in the transition from federal proclamation to local implementation. Although such gaps are not uncommon in early-stage tax reforms and may, in some contexts, justify incremental and adaptive approaches, the present reform departs from this logic by presupposing immediate operability across all urban centers without securing the necessary legal, administrative, and political preconditions. At the same time, criticisms and concerns regarding the tax persist, and consensus has yet to emerge on its overall impact and key design features, as discussed above.

Moreover, no parallel reforms have been initiated to address deeper structural constraints relating to the legal status of ULGs, the governance of urban land, and municipal revenue systems. De-

[451] Ibid
[452] Ibid, Arts. 64 (3), 15 (4), 16 (3), 28 (2-3)
[453] Ibid, Arts. 46 (6) cum 2 (21)

spite these limitations, the reform is being ambitiously pursued for implementation across all urban areas, with officials expressing a preference for simultaneous rollout across small, medium, and large cities and rejecting gradual approaches. In this regard, one official from the MoUI stated:

> "Our urban centers are ready to implement the long-awaited property tax. The necessary institutional structures already exist, and what remains is to operationalize them. Delaying implementation in the name of further preparation only prolongs inefficiency. Those who oppose the tax are largely driven by political motives rather than technical concerns. We believe the reform should be implemented across all urban centers simultaneously, rather than through a phased approach."[454]

This position explicitly rejects scholarly recommendations for a gradual approach and explains why the provision in the draft Model Law introducing the principle of gradual implementation and allowing for phased rollout was ultimately removed. However, the absence of a phased implementation strategy continues to endanger the transition from proclamation to implementation, particularly in the context of limited legislative development, constrained capacity, weak intergovernmental coordination, and ongoing contestation. If non-implementation persists, it risks undermining the credibility of the reform. It is therefore imperative to reconsider the current trajectory of property tax reform in Ethiopia and to prioritize the legislative and administrative measures necessary to ensure the transition to implementation, at least across the majority of urban centers in the country.

9.7 Interim Conclusion

This chapter has examined the legislative architecture of the emerging property tax regime, focusing on its history, structure, content, and implementation gaps as a crucial means of addressing the sixth objective of the study. The analysis shows a transition from traditional tribute systems to fragmented, area-based, and administratively limited regimes since the 1940s, and more recently to a more integrated, value-based, and legally structured framework under Proclamation

[454] Interview with Zinet Ibrahim, Annex VI, August 29, 2025.

No. 1365/2025 and the Regional Model Law. This marks a clear normative shift toward modern property taxation as a key instrument for local revenue mobilization and the financing of ULGs.

The chapter further examined the post-2011 reform process and its eventual culmination in Proclamation No. 1365/2025 and the Regional Model Law. It reveals that this transition has been shaped by persistent weaknesses in the drafting process, including limited institutional coordination, lack of transparency, and the absence of a clearly designated authority for tax law development. These shortcomings not only contributed to reform stagnation for over a decade but also continue to manifest in the structural and substantive gaps observed in Proclamation No. 1365/2025 and the Model Law.

The chapter also examined the structural design and content of Property Tax Proclamation No. 1365/2025 and the Regional Model Property Tax Law under five major headings: the preamble and enacting clauses, general and preliminary provisions, substantive provisions, administrative and procedural provisions, and miscellaneous provisions. Comparatively, the Model Law provides a more structured, detailed, and operational framework. Both instruments address preliminary and general matters, including the constitutional and institutional basis, legislative rationales and principles, key legal definitions, and scope and territorial coverage, where both strengths and gaps are identified. The analysis of substantive provisions, which covers taxpayers and their obligations, the tax base (taxable property and taxable value), valuation methods, rate setting, exemptions and relief mechanisms, concessions and preferential measures, and contributions in lieu of taxes shows that, although the law adopts a pragmatic approach to translating reform objectives into enforceable rules, many policy choices remain only partially resolved.

The chapter further assessed the administrative and procedural framework, emphasizing that, in the absence of an integrated and functional land and revenue administration system, substantive rules on the tax base, rates, and exemptions risk remaining largely symbolic or may adversely affect revenue mobilization, equity, and efficiency. It examined key administrative functions, including data collection and maintenance of public registers, billing, collection and enforcement mechanisms, rights and duties and institutional accountability, participatory governance and earmarked revenue utilization, and grievance handling and appeals mechanisms. Like the sub-

stantive part, the legislative design broadly reflects established principles of tax lawmaking such as clarity, organization, effectiveness, and integration.

The implementation of many of the provisions remain heavily dependent on institutional arrangements and capacities that are not yet fully developed. In particular, several provisions are insufficiently calibrated to the institutional, economic, and administrative capacities of ULGs, as well as to existing property rights and land governance systems, thereby posing tangible implementation challenges and necessitating further legislative refinement. Empirical evidence from interviews, Delphi rounds, and stakeholder consultations further confirms that, despite broad agreement on the general rationale of the reform, significant divergence and skepticism persist regarding key design choices and implementation feasibility.

The transition from the federal "Proclamation" to local implementation is constrained by delays at all levels of government in enacting enabling legislation, as well as by a pronounced implementation gap at the local level. Moreover, no parallel reforms have been undertaken to address deeper structural constraints relating to the legal status of ULGs, the governance of urban land, and municipal revenue systems. The reform presupposes a dense ecosystem of subsidiary legislation, coordinated institutional action, and preparatory measures across federal, regional, and local levels; however, these enabling conditions have not materialized. This has produced a structural disjuncture between legal design and administrative reality, placing the reform between normative promise and implementation deficits. In light of these findings, the chapter underscores that the effectiveness of property tax reform in Ethiopia will depend less on the formal enactment of legislation than on its sequencing, institutional embedding, and adaptive implementation. A gradual, capacity-sensitive, and consensus-oriented approach supported by coherent secondary legislation, sustained institutional development, and continuous stakeholder engagement appears essential to bridge the gap between design and practice. Without such recalibration, the reform risks remaining largely aspirational rather than evolving into a functional and sustainable system of local revenue mobilization and financing of ULGs.

CHAPTER TEN

CONCLUSIONS, RECOMMENDATIONS, AND FUTURE RESEARCH DIRECTIONS

10.1 Introduction

This dissertation critically examined the system of ULG financing and the ongoing reforms in municipal revenue and property taxation in Ethiopia, with the aim of assessing the adequacy of existing legal and institutional frameworks, identifying key structural constraints and reform drivers, and informing the design of an effective and context-sensitive property tax system. It was motivated by a central paradox that, despite being hubs of economic activity and growth, cities remain unable to finance themselves and continue to rely heavily on intergovernmental transfers, project-based support, and other external sources. This paradox reflects deeper structural weaknesses in urban finance, particularly the failure to capture rising land and property values generated by urbanization. To address this problem, the study formulated seven interrelated research objectives and adopted an interpretivist paradigm with a predominantly qualitative design. Methodologically, it employed a multi-method approach integrating doctrinal, empirical, and comparative legal analysis. The research draws on multiple data sources, including constitutional and legislative texts, scholarly literature, key informant interviews and FGDs, Delphi panel consultations, comparative analysis, and participatory observation. These were analyzed using doctrinal legal, thematic, and content analysis techniques, enabling a systematic examination of both formal legal frameworks and their practical operation.

The dissertation is organized into ten chapters that collectively address the research objectives and examine ULG financing and property tax reform through interconnected analytical lenses. This concluding chapter synthesizes the key findings, highlights their broader theoretical, legal, and policy implications, and advances recommendations for strengthening ULG financing and improving the design and implementation of property tax reform. It also identifies areas for future research necessary to support a more coherent, context-sensitive, and sustainable reform trajectory.

10.2 Summary of Key Findings

Financing ULGs has emerged as a central legal and public governance concern in the context of rapid urbanization, which has significantly increased the demand for urban services and infrastructure and requires more robust local governance frameworks than ever before. However, ULGs, particularly in developing countries such as Ethiopia, face persistent revenue constraints and limited administrative capacity, which undermine their ability to manage urban growth effectively. This has resulted in continued dependence on unstable intergovernmental transfers and external assistance, which often weaken both fiscal autonomy and local accountability. In response, global reform efforts since the 1990s have increasingly promoted property taxation as a sustainable land-based financing tool and a key source of local revenue. Nevertheless, outcomes have remained uneven, especially in developing and transition economies. The literature identifies two critical conditions for the effective design and implementation of property tax reform. First, reforms must be integrated with broader frameworks of fiscal decentralization, local government systems, property rights, land administration, and municipal revenue structures. Second, legal and enforcement frameworks must be coherent and capable of balancing taxpayer rights with administrative feasibility. However, these conditions are difficult to achieve in the short term, particularly in developing contexts, making property tax reform inherently gradual and context-dependent.

On the basis of these considerations, the dissertation examined the system of ULG financing and the ongoing reforms in municipal revenue and property taxation in Ethiopia through a legal and institutional lens. The findings indicate that the challenges of financing ULGs and the ongoing reforms are systemic and deeply rooted. While recent reforms, particularly the adoption of Proclamation No. 1365/2025 and the development of a regional model law, represent a significant policy shift, these developments operate within a context marked by conceptual and theoretical ambiguities, uncertain legal and constitutional status and institutional foundations of ULGs, unclear property rights regimes, poor land administration, and persistent tensions in tax power assignment. In addition, there are notable inconsistencies in the design and application of key elements of the tax system, including the determination of the tax base, rate setting, valuation methods, exemption rules, and procedures for billing, collection, and enforcement. Accordingly, the key findings, which are presented in line with the specific objectives of the study, highlight both

the transformative potential of the reform and the structural constraints that continue to shape its trajectory.

a) Structural misalignment of ULG financing and property tax reform efforts with prevailing conceptual, theoretical, and comparative frameworks

The study finds that prevailing theories of fiscal decentralization, land-based financing, property rights, and sound land administration provide a robust analytical framework for explaining persistent gaps in ULG financing and for identifying sustainable reform options in local revenue and property taxation. These perspectives converge on the proposition that local governments are best positioned to capture land and property value increments due to their proximity to urban development processes and their role in the delivery of services and infrastructure. Property taxation, which is one of the oldest forms of taxation that later overshadowed by income and consumption taxes, has regained global prominence in the context of decentralization and land reforms, particularly in post-socialist transitions. Despite its inherent advantages and limitations, it remains particularly well suited to contexts characterized by rapid urbanization and rising land and property values. The study further identifies domestic revenue mobilization, local government empowerment, and land governance as interdependent drivers of property tax reform. Successful experiences from jurisdictions such as Brazil, South Africa, and Germany, as well as less successful experiences such as Nigeria, demonstrate that reform outcomes depend on the extent to which these dimensions are integrated within coherent legal and institutional frameworks. Similarly, global policy frameworks such as the Sustainable Development Goals (SDGs), Agenda 2063, the New Urban Agenda (NUA), and the Addis Ababa Action Agenda (AAAA) also underscore the centrality of land-based financing and property taxation for domestic resource mobilization and sustainable urban development.

However, the case in urban Ethiopia reveals a clear divergence from these theoretical and comparative insights. Despite rapid urbanization and increasing land values, ULGs have been unable to capture the "unearned increment," largely due to weak institutional capacity, incomplete decentralization, and underdeveloped property rights systems. Consequently, the financing gap reflects not merely a revenue shortfall but a deeper structural misalignment between fiscal instruments and the socio-political and economic realities of urban governance. Urban governance and financing have long been neglected and largely left to the discretion of regional states. This is

largely attributable to the post-1991 emphasis on agricultural and rural development, as well as the political configuration of ethnic federalism, which has constrained the prioritization and institutional development of urban issues. Moreover, despite recent policy attention under the Homegrown Economic Reform Agenda and fragmented city-level revenue enhancement initiatives, Ethiopia lacks a comprehensive and coherent tax or municipal revenue policy that explicitly recognizes the systemic nature of ULG financing challenges, guides property tax reform, and integrates it with local governance, property rights, and land administration systems. The study concludes that the problem of ULG financing in general, and the gaps in the property tax reform process in particular, cannot be resolved nor can a workable property tax system be effectively designed and implemented without such conceptual clarity and parallel reforms across these structural and institutional domains.

b) Ambiguous constitutional status, limited autonomy, weak local accountability, and capacity constraints as structural barriers to ULG financing and property tax reform

The findings demonstrate that ULG financing and ongoing property tax reform in Ethiopia are fundamentally constrained by an ambiguous constitutional and legal status, limited fiscal and administrative autonomy, weak downward accountability, and significant capacity deficits. These structural conditions undermine the ability of ULGs to function as effective and autonomous fiscal actors and limit their capacity to design, implement, and sustain property taxation as a core local revenue instrument. Although the internal architecture of ULGs, which comprises the urban councils, executive bodies, and municipal adjudicatory organs, formally reflects decentralized governance structures, in practice these institutions exhibit limited autonomy, weak accountability mechanisms, and significant capacity constraints. Intergovernmental relations are characterized by weak coordination and supervision as well as predominantly upward accountability, which undermine local responsiveness, fiscal contracts, and voluntary compliance.

These challenges are rooted in weak constitutional and legal recognition, limited autonomy, and persistent capacity deficits. The FDRE Constitution establishes a dual federal system that allocates expenditure responsibilities and revenue powers to federal and regional governments and leaves ULGs to the discretion of regional states. Regional constitutions similarly bypass ULGs and afford them a significantly lower level of recognition than that granted to RLGs (woredas). Consequently, ULGs are established, and their expenditure functions and revenue powers are

defined under subsidiary regional laws, mainly city proclamations and municipal revenue regulations, and they operate as delegated entities with ambiguous mandates, limited protection from interference, and reliance on derivative rather than inherent powers. This has rendered their authority over local revenue instruments uncertain and contested. These institutional weaknesses are further compounded by limited technical capacity, weak administrative systems, and shortages of skilled personnel in key urban governance and revenue functions. Gaps in autonomy, capacity, and accountability across urban councils, executive bodies, and adjudicatory organs prevent ULGs from functioning as effective local governments capable of addressing financing challenges and implementing property tax reform. The analysis reveals a fundamental contradiction: while ULG financing and property taxation are normatively local functions, the legal, institutional, and administrative conditions required for their effective implementation remain underdeveloped in Ethiopia. Consequently, ULGs have yet to evolve into autonomous, empowered, and locally accountable fiscal actors. In this context, the introduction of property taxation presents a critical opportunity to reinvigorate decentralization and advance local government reform in urban Ethiopia.

c) Legal gaps and administrative weaknesses in the municipal revenue system and the lack of clarity in its integration with ongoing property tax reform

The study finds that the existing municipal revenue system in Ethiopia is fragmented and low in productivity. This has generated a large and persistent fiscal gap, and its integration with the newly introduced property tax remains unclear. Although ULGs are assigned both internal (own-source) and external revenue sources under regional city proclamations and municipal revenue regulations, own-source revenues, which are arguably the most appropriate and reliable, remain narrow, inelastic, and weakly aligned with the dynamics of rapid urbanization and rising land values. Municipal service fees and charges suffer from underutilized bases, limited financial autonomy, weak local responsiveness, poor service delivery, outdated tariff structures, low cost-recovery levels, and weak administration and collection performance. Land-based revenues, which should form the core of municipal finance, are particularly underperforming. Instruments such as land rent and house tax under Proclamation No. 80/1976 are outdated and often not collected due to high administrative costs, while lease revenues are poorly administered due to institutional and procedural complexities. Innovative land-based financing tools remain largely absent in urban Ethiopia, which has prevented ULGs from capturing increasing urban land values.

At the same time, municipal borrowing is highly constrained by legal and institutional barriers, limited creditworthiness, and restricted market access. Consequently, ULGs rely heavily on unpredictable and conditional external financing, primarily intergovernmental transfers and foreign assistance, which reinforces vertical fiscal imbalances and limits fiscal autonomy.

These structural weaknesses are compounded by administrative deficiencies, including fragmented legal frameworks, weak institutional capacity, inadequate information systems, and limited technical expertise in core functions such as taxpayer identification, registration, valuation, billing, collection, and enforcement. This results in inefficient revenue collection, low compliance, and weakened fiscal credibility. Critically, these constraints hinder the effective introduction and sustainability of property taxation, which depends on robust data systems and administrative capacity. The recent and ongoing two-pronged reform, which aimed at improving municipal revenue instruments and introducing a modern property tax, signals a significant policy shift. However, its effectiveness remains constrained by weak coordination and institutional fragmentation. For example, the status and fate of existing land- and property-related revenues, such as land rent and lease fees, remain unclear as to whether they should be amended or replaced. Thus, the municipal revenue system must not only be improved on its own but also synchronized with property tax reform, which in turn requires comprehensive and coordinated legal, administrative, and institutional reforms.

d) Gaps in Urban Land Governance, particularly in property rights regimes and land administration functions, as major impediments to ULG financing and ongoing property tax reform

The study finds that structural deficiencies in urban land governance constitute a central constraint on ULG financing and the effective design and implementation of property tax reform in urban Ethiopia. These deficiencies arise from weaknesses in the constitutional framework, the tenure and property rights regime, and land administration systems. Public land ownership, use-right-based tenure, limited transferability, and strong state control over allocation and valuation constrain land markets, reduce value transparency, and complicate the determination of taxable values, thereby creating tension with market-based valuation. These challenges are compounded by tenure pluralism, informality, weak tenure security and legal protection, an expropriation-centric land acquisition system, weak urban and land use planning, incomplete cadastral and reg-

istration systems, inaccurate valuation practices, and inaccessible grievance handling and dispute resolution mechanisms.

These structural constraints are reinforced by administrative shortcomings, including fragmented institutional arrangements, weak information systems, inconsistent valuation practices, and limited technical capacity. Although recent legal and policy reforms aim to improve land registration, valuation, and integration with municipal finance, their effectiveness depends on institutional coordination, data reliability, governance quality, and technical capacity. Gaps in land tenure and property systems narrow the tax base, undermine valuation and taxation, and lead to enforcement difficulties and low public trust. Importantly, the new property tax regime depends on interdependent land and property administration functions such as identification, registration, classification, and valuation of land and improvements, and without them, tax administration functions such as billing, collection, and enforcement cannot operate effectively. The findings therefore demonstrate that property tax reform cannot succeed as a stand-alone fiscal intervention; rather, it requires comprehensive and coordinated reforms in urban land governance. Strengthening tenure security, expanding land rights, modernizing cadastral and valuation systems, improving planning and dispute resolution mechanisms, and enhancing institutional coherence are essential to aligning land governance with fiscal objectives. In this regard, property tax reform should be leveraged as a strategic entry point for broader systemic transformation of urban land governance.

e) Historical legacies as both enduring opportunities and constraints for ULG financing and property tax reform

The findings show that property taxation in Ethiopia is strongly path-dependent and has evolved through successive political regimes, as well as through changes and continuities in land tenure and local government systems. These historical trajectories have left enduring legal, administrative, and normative legacies that continue to shape the direction, pace, and design of current reform efforts. The pre-1940s period embedded land-based tributes within hierarchical authority structures and traditional land tenure arrangements, while the 1940–1974 imperial period introduced elements of modern taxation without developing the administrative and valuation capacity required for effective implementation. The Derg regime (1974–1991) marked a critical institutional rupture by abolishing private land ownership and replaced tax-based systems with rent-

and fee-based arrangements, and restricted the tax largely to house tax. This shift reversed earlier reform efforts and weakened the legal, administrative, and normative foundations of land and property tax the effects of which persist today. In the post-1991 federal era, although decentralization and municipal reforms created a partial enabling framework, persistent public land ownership, weak local government systems, and an uneven municipal revenue framework prevented the emergence of a coherent and productive ULG financing and property tax regime. As a result, land- and property-related revenue sources remained marginal, and ULGs continued to rely heavily on intergovernmental transfers.

These historical legacies generate both constraints and opportunities. Institutional discontinuities have produced fragile legal frameworks, weak administrative capacity, limited fiscal autonomy, and contested legitimacy of land-based revenue, all of which continue to constrain reform efforts. At the same time, the country's long-standing experience with land-based revenue systems provides a foundation upon which contemporary reforms can build. As one interviewee observed, property tax is like a dormant seed waiting for the right conditions to sprout, meaning that latent institutional resources embedded in historical practice can be reactivated under appropriate legal and administrative conditions rather than relying solely on foreign legal transplantation. This is partly reflected in the adoption of Proclamation No. 1365/2025 and the regional model law. Property tax reform should therefore be understood not merely as a technical policy shift but as a historically grounded institutional transformation, whose success depends on addressing structural constraints while leveraging accumulated historical experience to rebuild the legal, administrative, and societal foundations of property tax.

f) The dialectics of contested reform dynamics remain central despite emerging consensus and the adoption of Proclamation No. 1365/2025 and the Model Regional Law

The study finds that the post-2011 property tax reform in Ethiopia has been shaped by a persistent dialectic between contestation and convergence, which continues to define its trajectory even after the adoption of Proclamation No. 1365/2025 and the Model Regional Law. In its early phase, the reform was largely non-transparent and primarily driven by the objective of strengthening domestic revenue mobilization and ULG financing. Over time, the issue became part of the public agenda, and additional goals such as improving land governance and property rights, and promoting equity and redistribution are incorporated. These objectives are now more explicitly

reflected in the legal frameworks. However, political, technical, and socio-economic contestations remain an integral and enduring feature of the reform process, both now and in the foreseeable future. Key concerns include the timing and sequencing of reform, the compatibility of market-based valuation with a public land ownership regime, distributional impacts on taxpayers, potential inflationary and rental effects, implications for real estate development, and the adequacy of institutional and administrative capacity. These tensions are consequential and may continue to constrain effective implementation if not adequately addressed as experiances from the post-1990s global reform depicts.

It is, however, important to note that, despite these concerns and debates, the study identifies a gradual emergence of convergence around core reform principles. Policymakers, experts, and stakeholders increasingly recognize the importance of property taxation, its inherently multidimensional character, and the need to integrate it with broader decentralization and land governance reforms. Delphi findings are particularly instructive, showing a shift from initially fragmented and cautious positions toward a more consolidated understanding of reform priorities. Nevertheless, persistent minority dissent indicates that critical issues, particularly sequencing, institutional readiness, and distributive implications, remain unresolved. These dynamics have been translated into law through Proclamation No. 1365/2025 and the Model Regional Law, which attempt to reconcile competing interests by codifying shared objectives while allowing flexibility in implementation. This has resulted in a form of partial or negotiated institutionalization, whereby the legal framework captures the normative direction of reform and embeds areas of consensus but does not fully resolve underlying structural contradictions and capacity constraints. Accordingly, the reform remains normatively coherent but operationally incomplete, representing a transitional legal and institutional compromise. This is unsurprising in light of the long dormancy of property taxation since 1974. Its effectiveness however depends on the extent to which these dialectical tensions are progressively managed through adaptive governance, incremental capacity building, and continuous legal refinement. In this sense, sustained engagement with areas of contestation is not only inevitable but necessary for transforming partial consensus into a more durable and operationally viable reform outcome.

g) The entrenched property tax assignment problem and ambiguities in intergovernmental fiscal relations, despite HoPR–HoF resolution and subsequent legal frameworks

In spite of the resolution by the two Federal Houses and subsequently adopted legal frameworks, the property tax assignment problem and ambiguities in intergovernmental fiscal relations remain structurally entrenched and will continue to cast a long shadow over fiscal decentralization and the effective implementation of property tax reform. The study finds that the determination of powers to levy, collect, and utilize property tax, as well as broader intergovernmental fiscal relations among federal, regional, and local governments in the design and enforcement of tax reform, has been one of the most contentious issues in the ongoing reform process.

While fiscal federalism theory and comparative experience generally support assigning property taxation to subnational, ideally local, governments due to its immobile base and strong benefit linkage, the FDRE Constitution lacks clarity. This ambiguity has created a legal vacuum, generated competing interpretations, and contributed to prolonged reform delays. Some interpret property tax as an undesignated tax under Article 99, while others view it as implicitly designated as a regional power under land administration functions in Article 52(2)(d) or as a land-based revenue under Article 97(2). The fact that the Constitution neither explicitly recognizes local governments as a distinct constitutional tier nor clearly assigns revenue powers further exacerbates the problem. In 2023, the two Federal Houses, in a joint session, defined property tax as an undesignated tax and established a hybrid assignment in which the federal government sets the overarching legal and policy framework, regional states enact detailed legislation and exercise oversight, and ULGs are assigned the role of administration and utilization of the tax.

On this basis, Proclamation No. 1365/2025 was adopted as a framework law, and a Model Regional Law was prepared to guide regional implementation. Although this arrangement reflects pragmatic considerations of capacity, coordination, and harmonization, it also introduces new tensions. Federal and regional influence remains pervasive over key design and enforcement elements, which constrains the fiscal autonomy of ULGs, which are not partiies to the consitutional division of revenue. In addition, the unclear delineation of powers across levels of government creates risks of overlap, conflict, and weak accountability. As indicated in earlier findings, such arrangements do not adequately support locally responsive and innovative ULG financing and property tax systems. Moreover, the current framework relies on interpretive flexibility and

pragmatic compromise rather than clear constitutional grounding, which renders it a provisional and potentially unstable institutional settlement. Accordingly, the property tax assignment problem remains unresolved and has instead been reconfigured. Its effective resolution requires clearer constitutional assignment, stronger intergovernmental coordination, coherent regional legislation, and genuine devolution of political, administrative, and fiscal powers. Without such alignment, the reform risks reproducing centralized control and weak local fiscal capacity. If supported by robust measures, including constitutional clarification or amendment, however, it holds significant potential to strengthen fiscal decentralization and establish property taxation as a sustainable pillar of urban finance grounded in constitutionally protected autonomy and coherent intergovernmental relations.

i) Flaws in the drafting process and gaps across provisions, and delays in the adoption of implementing legal frameworks

The Adoption of Proclamation No. 1365/2025 and the Regional Model Law Marks a Significant Milestone; however, flaws in the drafting process and gaps across preliminary, substantive, administrative, and miscellaneous provisions, and delays in the adoption of implementing legal frameworks, frustrate the transition from federal "Proclamation" to effective local implementation. The study finds that the adoption of Proclamation No. 1365/2025 and the Model Regional Law represents a major milestone toward a more integrated, value-based, and legally structured system of ULG financing, achieved after a decades-long reform process. These frameworks evolved through largely opaque processes and multiple draft iterations and reflect weak institutional coordination, limited transparency, and the absence of a clearly mandated authority for tax law development.

These shortcomings have contributed to structural inconsistencies and delays in reform progress. Notwithstanding these limitations, the legislative architecture broadly reflects established principles of sound tax design, including clarity of purpose, structured organization, and alignment with key reform objectives such as local revenue mobilization, improved land governance, and equitable wealth redistribution. It also demonstrates an attempt to integrate preliminary, substantive, and administrative provisions into a coherent framework. However, several design choices remain unresolved and only partially responsive to the Ethiopian context. Persistent gaps are evident in the translation of policy objectives into operational legal rules, particularly in relation to

the determination of taxpayers and tax obligations, the definition of the tax base, the determination of taxable value, rate-setting, exemptions and relief measures, and payments in lieu of taxes. Similar gaps also exist in the administrative and procedural framework, including data systems, registration and record management, billing, collection, and enforcement, institutional accountability, participatory governance, earmarking of revenue use, and grievance handling and appeals mechanisms. While the Model Law provides relatively greater operational detail, both instruments depend heavily on extensive subsidiary legislation and institutional arrangements that remain underdeveloped, thereby placing the transition to local implementation under significant strain.

More fundamentally, the findings reveal a structural disjuncture between legislative ambition and implementation probability, as many consider the country to be far from ready to implement property tax in urban areas and across urban properties. *First*, the framework presupposes the adoption of a wide range of subsidiary instruments, such as regulations, directives, and guidelines, by federal, regional, and local government units. However, most, if not all, of the required legal instruments have yet to be enacted. *Second*, it assumes the existence of functional systems for property identification, registration, classification, and valuation, as well as coordinated intergovernmental action and capable local administrations. However, in practice, these foundational elements remain uneven and underdeveloped in many urban areas. *Third*, weak local preparedness in many ULGs and the absence of parallel reforms in land governance, municipal finance, and ULG institutional capacity, as noted above, further exacerbate the implementation gap.

As a result, there is a growing concern that many of the promises under the existing legal framework will remain formal or aspirational. Accordingly, the study concludes that, while the current legislative framework establishes an important and necessary legal foundation, it does not yet constitute a fully coherent and context-responsive system for effective municipal financing. Rather, it represents a transitional and evolving framework, characterized by strong normative intent but constrained operational readiness, whose effectiveness depends on the timely development of secondary legislation, gradual and iterative legal refinement through amendments of specific provisions, and the alignment of legal design with institutional capacity, local conditions, and broader structural reforms.

10.2 Recommendations

The findings of this study demonstrate that property tax reform in Ethiopia is not merely a technical fiscal intervention but a complex institutional transformation requiring alignment across legal, administrative, and political domains. Accordingly, effective reform demands a comprehensive and sequenced approach that addresses structural constraints while strengthening the enabling conditions for implementation. The following policy and legal recommendations are proposed.

a) Establishing an integrated national policy framework for aligning ULG financing and property tax reform

Within broader national efforts in decentralization and local government empowerment, municipal revenue systems, and land governance and property rights regimes there is the need for Establishing an integrated national policy framework for aligning ULG financing and property tax reform. Efforts to address the challenges of ULG financing and to strengthen property tax reform should not be pursued in isolation but integrated with broader national efforts in decentralization, local government empowerment, municipal revenue systems, and urban land governance and property rights regimes. The MoUI should therefore, in consultation with the MoF and MoR, establish a comprehensive national policy framework that defines and strengthens land-based financing and property taxation as sustainable tools for capturing rising urban land values and financing ULGs, and streamlines parallel reforms in decentralization and local governance, as well as property rights and land administration.

b) Improving the constitutional and legal status, fiscal autonomy, and institutional capacity of ULGs

In order to sustainably address the challenges of ULG financing and strengthen property tax reform, the federal government should launch parallel decentralization and local government empowerment reforms. Such reforms should aim to strengthen the constitutional and legal status, fiscal autonomy, and institutional capacity of ULGs. This requires clearer constitutional and legal amendments for a clear recognition and status of ULGs within the federal and regional frameworks, with well-defined mandates, protected revenue powers, and reduced administrative interference. These legal reforms must be complemented by targeted capacity-building measures, particularly in strengthening urban councils, executive departments and adjudicatory bodies.

Strengthening downward accountability, improving intergovernmental coordination, and investing in administrative systems are equally critical to enhance transparency, compliance, and fiscal legitimacy. Only through such coordinated legal, fiscal, and institutional reforms can ULGs evolve into autonomous and effective fiscal actors capable of sustaining local financing and property tax reform.

c) Strengthening the municipal revenue system and clarifying its integration with the property tax reform

To address the legal and administrative gaps identified, reforms to the municipal revenue system must proceed in parallel with, and be explicitly integrated into, the ongoing property tax reform. Regional governments should revise municipal revenue regulations to update existing revenue instruments, particularly service fees and charges, land rent, and lease payments, and clearly define their relationship with the new property tax regime. The MoF, in consultation with the MoUI, should develop national guidelines to facilitate improvements in ULG financing and ensure alignment with property tax reform. Such frameworks should clarify the status of existing municipal and land-based revenues, particularly which should be retained, revised, or phased out with the introduction of property tax, towards eliminating overlaps and developing integrated local revenue framework. The systems and practices of municipal borrowing should be reformed to establish a clear legal framework, expand ULGs' responsible access to capital markets, and strengthen municipal creditworthiness as a critical means of financing urban infrastructure and services.

Similarly, the systems and practices of intergovernmental transfers and foreign project assistance should be reformed to enhance their predictability, transparency, equity, and alignment with domestic revenue mobilization objectives, ensuring that such external sources complement, rather than substitute for, sustainable local revenue generation. Governemnts at all levels should work on designing measures to strengthen institutional, technical, and administrative capacity in the identification, registration, classification, and valuation of taxpayers and taxable values, as well as in billing, collection, and enforcement. Enhancing local fiscal autonomy, improving coordination with higher levels of government, ensuring that revenues are utilized for tangible improvements in urban services and infrastructure, and promoting resident participation and consultation are essential to improving efficiency, fairness, and public trust.

d) Launching parallel reforms in urban land governance and local land administration capacities to enable ULG financing and effective property tax reform

Urban land governance reform should proceed in parallel with municipal revenue and property tax reforms through coordinated legal, institutional, and administrative measures. The federal government should undertake constitutional and legal reforms to clarify and expand urban land and property rights; enhance tenure security, transferability, and marketability; manage tenure pluralism and informality; diversify land acquisition methods; and align identification, registration, classification, and valuation systems with ULG financing needs. Strengthening local land administration capacity is essential for equitable, efficient, and data-driven tax administration, as well as for building public trust and compliance. Given implementation constraints at subnational levels, the MoUI should develop clear guidelines and operational procedures. Overall, the ongoing municpal reveneu and property tax reform must be accompned by parallel land governance reforms, covering tenure systems, cadastral and registration infrastructure, valuation practices, and administrative frameworks, to enable effective land value creation, capture, and reinvestment.

e) The need to appreciate and utilize historical legacies and address path dependencies in ULG financing and property tax reform

Ongoing municipal revenue and property tax reform efforts should account for deep-rooted historical legacies. Reforms should gradually rebuild the legal, administrative, and normative foundations of property taxation while addressing path-dependent distortions in local government, land governance, and domestic revenue mobilization. Policymakers and stakeholders should leverage the countries historical experience with land-based taxation to strengthen legitimacy, sequence reforms incrementally, and align them with existing institutional capacities and prevailing political, economic, and urban realities.

f) Managing contestation and consolidating consensus in property tax reform

Property tax reform should be implemented through a phased and adaptive approach that explicitly acknowledges existing contestations while consolidating emerging areas of consensus. The federal government, in collaboration with regional states, should clarify unresolved design and sequencing issues through detailed regulations and guidelines, strengthen stakeholder engagement to build political and social legitimacy, and align implementation with institutional capaci-

ty. Continuous review and iterative adjustment of Proclamation No. 1365/2025 are essential to progressively transform areas of contention into stable and operational consensus.

g) Clarifying property tax assignment and strengthening intergovernmental fiscal coordination is essential for effective property tax reform and ULG financing

Property tax reform should be consolidated through clearer and more stable tax assignment arrangements within Ethiopia's federal system. This requires formal clarification of the constitutional and legal status of property taxation, including a more explicit delineation of powers across federal, regional, and local governments, and a gradual move toward recognizing and strengthening the fiscal role of ULGs. The current hybrid model should be refined by clearly defining framework-setting, legislative, and administrative functions and ensure that ULGs are granted meaningful authority over assessment, collection, enforcement and utilization.

At the same time, intergovernmental fiscal arrangements should be rebalanced to align revenue powers with expenditure responsibilities, reduce vertical fiscal imbalances, and enhance local fiscal autonomy. This includes strengthening coordination mechanisms, ensuring consistency between federal frameworks and regional laws, and providing sustained technical and financial support to build local administrative capacity. Over time, consideration should be given to constitutional or structural reforms that secure the place of property taxation within a coherent system of fiscal decentralization. Until then, effective implementation depends on translating the current provisional settlement into a coordinated, transparent, and capacity-sensitive intergovernmental framework.

h) Refining legislative precision, developing secondary legislation, and aligning legal design with institutional capacity and local contexts

The effective implementation of property taxation as part of an operational and sustainable system of local public finance in urban Ethiopia requires the tasks of refining legislative precision, developing secondary legislation, and aligning legal design with institutional capacity and local contexts. Th**e** transition from Proclamation No. 1365/2025 to the Regional Model Law and then to effective local implementation should be supported by a coordinated and sequenced program of legal, institutional, and administrative reforms. Federal, regional, and local governments should, in collaboration and consultation with stakeholders, adopt the necessary subsidiary regu-

lations, directives, and operational guidelines to translate the reform into clear, enforceable, and context-sensitive rules. Regional states should prioritize the adoption of the Model Law within the two-year transition period as required under the Proclamation. This process should, in particular, resolve identified legal gaps and outstanding design ambiguities in core elements of the tax system, including the definition of taxpayers, the determination of the tax base, the determination of taxable value (valuation), rate-setting, and relief mechanisms, as well as clarify the status and treatment of existing land-based revenues within the new property tax regime.

In parallel, governments at all levels should strengthen the administrative and institutional foundations required for implementation, including improved coordination and supervision frameworks. This requires the development of integrated land and property information systems, enhancement of valuation capacity, modernization of revenue administration through digital systems, and the strengthening of technical expertise in assessment, billing, collection, and enforcement. Equal attention should be given to establishing clear accountability frameworks, effective grievance and appeals mechanisms, participatory governance, and earmarked revenue utilization arrangements to enhance transparency and public trust. As realizing this diverse set of tasks may not be possible at once, implementation should follow a phased and adaptive approach, beginning with major urban areas, supported by iterative learning and gradual scaling. Ultimately, aligning legislative design with institutional capacity, ensuring coherent intergovernmental coordination, and embedding property tax reform within broader reforms in land governance and municipal finance are essential to transform existing initial reform efforts and normative promises into an operational and sustainable system of local public finance.

10.3 Areas for Further Research

This dissertation provides a comprehensive legal and institutional analysis of ULG financing and property tax reform in Ethiopia, including its nexus with reforms in decentralization, local government systems, property rights, and land administration practices. However, several aspects remain insufficiently explored and warrant further scholarly attention. These gaps are both conceptual and empirical and largely reflect the evolving and context-dependent nature of property taxation in a rapidly urbanizing environment. Continuous legislative change calls for sustained doctrinal analysis of emerging laws and specific provisions, particularly as reforms are progres-

sively refined and implemented. There is a clear need for empirical research on ULG financing systems, revenue composition, and the performance and impacts of property tax reform across different urban contexts. City-level studies are especially important to capture variations in administrative capacity, land market development, informality, and political dynamics. Longitudinal research is also necessary to assess the implementation and outcomes of Proclamation No. 1365/2025 and regional laws over time. In addition, interdisciplinary research on the nexus between property taxation, land governance, and urban development should be expanded. Integrating legal, economic, and spatial perspectives would generate deeper insights into how property tax systems influence land use, urban form, investment patterns, and service delivery. Overall, future research should move beyond primarily normative and reform-oriented approaches toward more empirical, comparative, and interdisciplinary inquiry.

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Urban Dwellers' Associations Consolidation and Municipalities Proclamation No. 104/1975, Negarit Gazeta, Year 36 No. 5.

Urban Land and Urban Houses Tax Proclamation No. 80/1976, Negarit Gazeta, Year 35 No. 25.

Urban Land Rent and Urban Houses Tax (Amendment) Proclamation No. 161/1979, Negarit Gazeta, Year 38 No. 9.

Urban Landholding and Land-related Property Registration Proclamation No. 1381/2025, Federal Negarit Gazette, Year 31 No. 56.

Urban Lands Lease Holding Proclamation No. 721/2011, Federal Negarit Gazette, Year 18, No. 4.

Urban Lands Lease Holding Proclamation No. 80/1993, Negarit Gazeta, Year 53 No. 40.

Urban Planning Proclamation No. 574/2008, Federal Negarit Gazette, Year 14 No. 29.

Value Added Tax Proclamation No. 1341/2024, Federal Negarit Gazette, Year 30 No. 61.

APPENDICES

ANNEX I: MUNICPAL REVENEU SOURCES AND CODES

Account Code	Revenue Item	Description
1701–1719	**Tax Revenues from Municipal Services**	Tax revenues the bases of which are municipal properties like buildings
1701	Building tax	A tax levied based on value of a building located within the administrative boundary of a city. It is the major type of property tax. Valuation of building based as one of the major challenges of city administrations for long and hence recently MUDHC is modernizing the system.
1702	Assurance	A tax levied on real property held as collateral for bank loans in return for the assurance of say, ownership
1703	Entertainment Tax	A tax levied on value of entrance tickets to the cinema, theatre, clubs, etc halls or area occupied for similar purposes.
1704–1719	Other taxes	
1720–1731	**Municipal Rent Revenues & Investment Income**	Rent revenue obtained by letting out municipal properties like houses, market sheds/veranda/medeb/fire area, machineries, etc.
1721	Urban land rent	Land rent revenue received from occupiers of land held before lease proclamation.
1722	Residential houses rent	Rent revenue received from municipally owned houses let out for residential purposes, including cost saving (kuteba) houses, kebele houses and government owned houses.
1723	Business building rent	Rent revenue received from municipally owned houses let out for commercial purpose, including those constructed under ITP.
1724	Market veranda rent	Rent revenue received from municipally developed verandas (usually called sheds) in the market area. Such houses may be constructed along inner city areas too.
1725	Market place rent	Rent revenue received from municipally developed market places (usually called "medeb" in the market area). This revenue is the also includes revenue received from letting out free market place (usually for open market area like farm market).
1726	Stable livestock market place rent	Rent revenue received from municipally developed livestock market area (usually called "Bertha"). Municipalities construct fences to control entrants and charge the fee according to the type and weight of livestock.
1727	Funeral service vehicle rent	Rent revenue received from a specially designed vehicle used for transporting a coffin during the funeral ceremony. (In Ethiopian case such services are being provided by Churches or "Edir").
1728	Rent from machinery	Rent revenue received from municipally owned machineries like dump trucks, dozer, grader, excavator, compactor or any other construction machineries.
1729	Other rent	If the municipality has properties other than those mentioned in this

		section (1721–1729), the revenue collected can be recorded under this code.
1731	Land lease	Rent revenue received from municipally owned land let out as per the lease proclamation.
1732	Support from NGOs	NGO may support the municipality in cash that can be recorded as revenue under this code.
1733	Support from Private individuals	Individuals may support the municipality in cash that can be recorded as revenue under this code.
1734	Public contribution	The public may support the municipality in the form of cash that can be recorded as revenue under this code.
1740–1749	**Municipal Service Charges**	Service charges are fees levied on residents and property owners in return for particular services to cover the cost of provision.
1741	Business and professional services registration and licensing fees	Service charge revenue received by providing professional and business licenses to Engagers and contractors.
1742	Building and Fences Construction Permit license	Service charge revenue received by providing permission license for construction of fence and buildings.
1743	Solid dumping space license	Service charge revenue received by providing permission license for dumping soil, sand, stone, timber, and other construction materials along or on the road and public free spaces.
1744	Permission for driving on prohibited roads	Service charge revenue received by providing permission to drive a vehicle on prohibited roads.
1745	Traffic fines for violation of traffic rules and regulations	Revenue received from traffic fines for violation of traffic rules and regulations. A traffic police usually dispatch the charge.
1746	Fines for violation of laws and regulations	Revenue received from fines for violation of rules and regulations. Usually collected from 1741–1744 mentioned above.
1747	Bus terminal service fees	Revenue received from users of bus terminal area. If a bus station constructed by the municipality, the municipality has the exclusive right to collect the service charge.
1748	Environmental protection fee	A revenue collected from environmentally pollutant businesses like cement factories, stone crushing mills, etc.
1749	Other charges	Open for recording revenues other than those mentioned under this category (1740–1749). Don't use this code to record revenue sources of which are unknown.
1750–1789	**Property and Services Sales of Goods and Services**	
1751	Sanitation services	A fee collected from individuals and organizations residing in the city for providing sanitation service to the public. The collection of fee can be attached with water bill.
1752	Technical services fee	A fee collected from individuals and organizations who received the technical capability of the municipality usually engineering services.
1753	Supervision of building and construction works	A fee collected by providing supervision of building and other construction works. This is important for safety.

1754	Design and tender document preparation	A fee collected from sale of, usually as part of a bid document, design and tender documents in connection construction undertaken by the municipality.
1755	Contract registration and confirmation	A fee collected from registration and confirmation of contractual agreements, usually between lenders and borrowers. Municipalities can provide confirmation for the correctness of the technical conditions of the contract and register it for future reference.
1756	Road services fee	A fee collected from use of roads. The revenue is collected in toll stations designed to block driving if not paid. Such fee can be collected from EXC customers when heavy trucks are using inner city roads that can aggravates for the road damage.
1757	Water service	A fee for the consumption of water. The service is being provided and the fee being collected by the office of water.
1758	Sewer service	A fee collected from individuals and organizations for the sewerage. The fee can be collected from the public by linking with water bill.
1759	Fire brigade and emergency services	A fee collected from every individual and organization residing within a city. The fee can be collected by linking with water/electricity consumption. The total fee collected will in turn be used to cover the cost of providing fire brigade and emergency services.
1761	Vital statistics service	A fee collected for registration and provisions of birth, marriage and death certificates. A fee collected from provision of Citizen Identity Card or ID or called "Kebele ID" can be recorded under this code.
1762	Driving license fee	A fee collected from provision of driving license.
1763	Garage services	A fee collected from provision of garage services, if municipality owned garage and open for external customers too. The service charge for the licensing and grading of private garages can be recorded under this code.
1764	Annual vehicle inspection fee	A fee collected from provision of inspection of vehicles, usually called "Bollo" is provided and owners obliged to stamp in front windshield.
1765	Driving instructor and vehicle title deed	A fee collected from provision of vehicle title deed, customary called "Libre".
1766	Registration of driving instructors and others	A fee collected from provision of evaluation of vehicle, registration from registration and licensing of driving instructors and others.
1767	Vehicle plate sales	A fee collected from sale of vehicle plate and rent revenue from letting out vehicle plate, usually for temporary period of time.
1769	Vehicle parking fees	A fee collected from provision of vehicle parking areas along inner city roads.
1771	Permission for change of type of vehicle services	A fee collected from provision of change of type of vehicle, usually from private to commercial or vice versa.
1772	Transfer of title deed of ownership	A fee collected from provision of transfer of title deed or change of ownership.
1773	Registration fee for land acquisition	A fee collected from sale of bid documents of serviced lease land to be auctioned to the public.
1774	Renewal of land, building title deed, plan (karta) or house	A fee collected from change of type of building usually from residential to commercial. A fee collected from change of plan and design of existing building can be recorded under this code.
1775	Debt suspension, can-	A fee collected from suspension of a house or building from change or

	cellation of registration, foreclosure service	transfer of ownership until the debtor (the borrower) settled the loan. A fee can also be collected during cancellation of this suspension. Furthermore, banks may request municipality support during foreclosure, sale of the property held as collateral, for which a fee can be collected from the banks.
1776	Funeral service	A fee collected from provision of funeral service to individuals or organizations. Usually the funeral service, in Ethiopia, is provided by churches and "Edir".
1777	Laboratory service	A fee collected from provision of laboratory or checking service that includes testing of the health of the livestock and the flesh.
1778	Loading and unloading charges	A fee collected from provision of loading and unloading services, by, for instance, the help of lifters and cranes.
1779	Provision of cart and chariot service	A fee collected from provision of cart and chariots owned by the municipality.
1781	Provision of park services	A fee collected from provision of park services. The fee can be collected during entrances of parks.
1782	Emblems and sign board and advertising service fee	A fee collected from owners of emblems, sign boards and advertising services fixed either on the land or at the top of buildings. Advertisements using megaphones inside markets must be licensed and charged a fee and hence can be recorded under this code.
1789	Other sales of property and services	Open for recording fees other than those mentioned under this category (1750–1789). Don't use this code to record revenue sources of which are unknown.
1791–1799	**Other capital receipts**	
1791	Sales of movable and immovable property	Revenue collected from sale of municipally owned movable and immovable properties including vehicles and buildings.
1792	Community contribution & other capital receipts	Revenue collected from sale or cash equivalent of capital receipts from the community.
1799	Other	Other capital receipts other than those mentioned under category (1791–1799).

Annex II: The Structure of Property Tax Proclamation No. 1365/2025 and Regional Model Property Tax Proclamtion No.____2025

Subject Matter	Property Tax Proclamation No. 1365/2025 (Articles)	Regional Model Property Tax Law (Articles)	
Preamble and Enacting Clause	4 paragraphs	6 paragraphs	
General Provisions	PART ONE: GENERAL PROVISIONS (Arts. 1–5) • Art. 1 Short Title • Art. 2 Definitions (31 terms) • Art. 3 Scope of Application • Art. 4 Principles of Property Tax • Art. 5 Imposition of Property Tax	PART ONE: GENERAL PROVISIONS (Arts. 1–4) • Art. 1 Short Title • Art. 2 Definitions (26 additional terms) • Art. 3 Scope of Application • Art. 4 Applicability of the Federal Property Tax Proclamation	
Substantive Provisions	PART TWO: CATEGORIES OF PROPERTY TAX, LAND USE, BUILDINGS AND URBAN AREAS (Arts. 6–10) • Art. 6 General Categories of Property Tax • Art. 7 Separate and Joint Assessment of Urban Land Use Right and Building Tax • Art. 8 Categorization of Land Uses • Art. 9 Categorization of Urban Buildings • Art. 10 Categorization of Urban Areas and Urban Land Grades PART THREE: RATING, APPROVAL AND COMMUNICATION OF PROPERTY TAX (Arts. 11–15) • Art. 11 Property Tax Rating and Calculation • Art. 12 Adoption, Approval, Communication and Review of Tax Rating • Art. 13 Importance of Community Participation • Art. 14 Tax Exemptions • Art. 15 Principles of Exemptions and Contributions in Lieu of Tax	PART TWO: SUBSTANTIVE PROVISIONS(Arts. 5–21) Section One: Imposition of Property Tax • Art. 5 Imposition of Property Tax • Art. 6 Taxpayer Section Two: Tax Base • Art. 7 Taxable Value • Art. 8 Separate and Joint Assessment Section Three: Categorization of Urban Areas, Land Uses, and Buildings and Improvements • Art. 9 Categorization of Urban Areas • Art. 10 Grading of Urban Land • Art. 11 Categorization of Land Uses • Art. 12 Categorization of Buildings and Improvements	Section Four: Tax Rates • Art. 13 Principles and Procedures • Art. 14 Power to Determine Rates • Art. 15 Property Tax Rates Applicable to Land Use Rights • Art. 16 Property Tax Rates Applicable to Buildings and Improvements Section Five: Valuation of Taxable Property • Art. 17 Principles • Art. 18 Application of Real Property Marketing and Valuation Laws Section Six: Exemptions, Contributions in Lieu of Tax, Reliefs and Incentives • Art. 19 Exemptions • Art. 20 Contributions In Lieu of Tax • Art. 21 Reliefs and Incentives
Administrative and Procedural Provisions	PART FOUR: ADMINISTRATIVE AND PROCEDURAL PROVISIONS (Arts. 16–34) • Art. 16 Applicability of Tax Administration Proclamation Chapter One: Obligation To Pay Tax, Payment Methods and Time for Declaration • Art. 17 Tax Liability and Penalty • Art. 18 Method and Time of Payment • Art. 19 Priority Status • Art. 20 Service of Tax Notice Chapter Two: Public Registers and Handling of Valuation • Art. 21 Types and Contents of Tax-Related Public Register Chapter Three: Grievance Handling • Art. 22 Designation of Tax Review Committee and Assignment of Members • Art. 23 Powers and Responsibilities of Tax Review Committee • Art. 24 Waiver of Penalty Chapter Four: Appeal Procedures • Art. 25 Right of Appeal • Art. 26 Procedures for Lodging of Appeal and Time • Art. 27 Contents of Memorandum of Appeal • Art. 28 Service of Summonses • Art. 29 Decision of Appeal Tribunal • Art. 30 Appeal against the Decision of Appeal Tribunal • Art. 31 Establishment and Accountability of Appeal Tribunal • Art. 32 Qualifications and Appointment of Members of Appeal Tribunal • Art. 33 Powers and Responsibilities of Appeal Tribunal and its Chairperson • Art. 34 Burden of Proof PART FIVE: POWERS AND FUNCTIONS OF EXECUTIVE ORGANS (Arts. 35-38) • Art. 35 Powers and Functions of the Ministry • Art. 36 Power and Functions of the Ministry of Urban and Infrastructure • Art. 37 Powers and Functions of the Ministry of Revenue • Art. 38 Powers and Functions of Regional Governments and Federal City Governments	PART THREE: ADMINISTRATIVE PROVISIONS (Art. 22–63) • Art. 22 Applicability of Regional Tax Administration Proclamation Section One: Data Collection and Public Registers • Art. 23 Property Data Collection • Art. 24 Public Registers Section Three: Property Tax Liability and Assessment Notification • Art. 25 Property Tax Liability • Art. 26 Notice of Assessment • Art. 27 Finality and Enforceability of the notice Section Four: Payment • Art. 28 Method and Time of Payment • Art. 29 Deferral of Payment • Art. 30 Application Procedure • Art. 31 Effects and Revocation of Deferral • Art. 32 Penalty • Art. 33 Credit Section Five: Tax Collection Enforcement • Art. 34 Final Demand Notices • Art. 35 Prohibition of Government and Municipal Services • Art. 36 Seizure and Foreclosure • Art. 37 Tax Clearance Requirements • Art. 38 Preferential Claim • Art. 39 Taxpayer Safeguards Section Six: Rights and Responsibilities of Taxpayers and Tax Officers • Art. 40 Rights of Taxpayers • Art. 41 Duties of Taxpayers • Art. 42 Duties of Tax Officers • Art. 43 Penalties and Rewards	Section Seven: Public Participation and Revenue Utilization • Art. 44 Public Participation • Art. 45 Revenue Utilization Section Eight: Grievance Handling • Art. 46 Designation of Property Tax Review Committee and Members • Art. 47 Powers and Responsibilities of Review Committee • Art. 48 Procedure for Compliant Submission • Art. 49 Waiver of Penalty Section Nine: Appeal Procedures • Art. 50 Right of Appeal • Art. 51 Procedures and Time for Lodging an Appeal • Art. 52 Contents of Memorandum of Appeal • Art. 53 Service of Summons • Art. 54 Decision of Appeal Tribunal • Art. 55 Appeal from Decision of Appeal Tribunal • Art. 56 Establishment and Accountability of Appeal Tribunal • Art. 57 Qualifications and Appointment of Members of Appeal Tribunal • Art. 58 Powers and Duties of the Appeal Tribunal, the President and Registrar • Art. 59 Burden of Proof Section Ten: Powers and Functions of Executive Organs • Art. 60 Powers and Duties of the Bureau of Finance • Art. 61 Powers and Duties of the Bureau of Revenue • Art. 62 Powers and Duties of the Bureau of Urban and Infrastructure • Art. 63 Powers and Duties of Urban Local Governments
Miscellaneous Provisions	PART SIX MISCELLANEOUS PROVISIONS (Arts. 39–43) • Art. 39 Penalties • Art. 40 Power to Issue Regulations and Directives • Art. 41 Transitional Provisions • Art. 42 Repeal and Inapplicability of Laws • Art. 43 Effective Date	PART FOUR: MISCELLANEOUS PROVISIONS (Arts. 64–67) • Art. 64 Power to Issue Regulations and Directives • Art. 65 Transitional Provisions • Art. 66 Inapplicable Laws • Art. 67 Effective Date	

Source: Property Tax Proclamation No. 1365/2025 and Regional Model Property Tax Proclamtion No.____2025

ANNEX III: KEY INFORMANT INTERVIEW (KII) AND FOCUS GROUP DISCUSSION (FGD) GUIDE

Introduction

Thank you for agreeing to participate in this interview/focus group discussion.

I am a PhD candidate at Bahir Dar University, Institute of Land Administration. This interview/FGD forms part of my doctoral dissertation entitled *"Financing Urban Local Governments in Ethiopia: The Quest and Design Options for Property Tax Reform."* The study examines the legal, institutional, and fiscal dimensions of ULG financing and property tax reform in Ethiopia.

The purpose of this interview/discussion is to gather informed perspectives on the current system, ongoing reforms, and future policy directions concerning municipal finance and property taxation in Ethiopia.

Your responses will be treated with strict confidentiality and used solely for academic purposes. No personal identifiers will be disclosed without your consent.

Do I have your consent to proceed with the interview/discussion?

Guiding Questions

1. How do you assess the current state of urbanization and urban local government financing in Ethiopia? What are the major challenges affecting municipal finance and revenue sustainability?
2. What are the major sources of municipal revenue in Ethiopia? How are land-based revenues such as lease payments, permit fees, and house taxes implemented? What are the main legal, institutional, and practical constraints affecting their performance?
3. How relevant and feasible is property tax as a source of financing for ULGs in Ethiopia?
4. How do you assess the role of decentralization and the federal system in strengthening urban governance and municipal finance? Do ULGs have adequate legal and institutional autonomy and capcity to administer themselves and revenue sources effectively?
5. How do land tenure arrangements and land administration systems affect municipal finance and property taxation? What are the major land governance and property rights challenges?
6. How do you assess the design (such as determiniation of tax base, rate, expemtions and vaultion procedures) and implementation (such as valuation, billing, collection, enforcement, and appeals mechanisms) of the current municipal revenue and property tax systems?
7. What historical, constitutional, and legal factors have shaped the current property tax reform process in Ethiopia?
8. What are the major drivers, challenges, and resistance factors affecting property tax reform implementation? How can public trust and taxpayer compliance be improved?
9. What additional legal, institutional, administrative, and policy reforms are necessary to ensure effective and sustainable property tax reform in Ethiopia?

ANNEX IV: PARTICIPANT OBSERVATION CHECKLIST

General Information

- Date:
- Place/Institution:
- Type of Observation:
- Observer:

Observation Areas

No.	Observation Areas	Focus Areas
1	Existing Municipal Revenue Framework	Types of revenue, legal framework, revenue sources, implementation practices, institutional arrangements, enforcement mechanisms, opportunities, and challenges
2	Legal Status and Institutional Features of Urban Local Governments	Constitutional and legal status, autonomy, governance structure and institutional security, powers and functions, intergovernmental relations, institutional capacity
3	Property Rights and Land Administration Systems	Urban land tenure and tenure security, land registration, cadastral systems, valuation practices, land information management
4	Municipal Revenue and Property Tax Reform Processes	Ongoing two-pronged reforms, design and implementation processes, institutional coordination, stakeholder participation
5	Design of Property Tax Law	General, substantive, administrative, and miscellaneous provisions
6	Challenges and Good Practices	Legal and institutional gaps, administrative bottlenecks, capacity constraints, successful practices, and innovations
7	Future Reform Agendas and Policy Directions	Proposed reforms, reform efforts, and policy priorities
8	General Remarks	Additional observations and emerging issues

ANNEX V: DELPHI PANEL QUESTIONNAIRE

Dear Sir/Madam,

Thank you for agreeing to participate in this survey.

I am Misganaw Gashaw, a PhD candidate at Bahir Dar University, Institute of Land Administration. I am conducting a doctoral dissertation entitled *"Financing Urban Local Governments in Ethiopia: Exploring the Quest and Design Options for Property Tax Reform."*

Financing ULGs has become a major global concern amid rapid urbanization and the growing demand for urban services and infrastructure. This has increased attention to local and land-based revenues. Although property tax historically served as an important revenue source in Ethiopia, the country still lacks a comprehensive property tax system, while existing land- and property-related revenues remain constrained by legal, institutional, and technical limitations. Since 2011, Ethiopia has pursued municipal revenue and property tax reforms. However, despite pilot projects, draft laws, and parliamentary deliberations, the reform process has remained slow and fragmented. It has also generated competing debates, ranging from whether Ethiopia needs a property tax system at all to how taxing powers, tax bases, rates, exemptions, valuation methods, billing, and enforcement mechanisms should be designed. Against this background, this study examines the financing of ULGs and the ongoing property tax reform process in Ethiopia. It evaluates the existing legal and institutional framework, identifies major structural constraints and reform drivers, and seeks to inform the design of an effective and context-sensitive property tax system.

To achieve these objectives, the study employs the Delphi Research Method, a multi-stage survey technique designed to generate informed expert perspectives on complex or contested issues where consensus is limited. The study gathers expert views on Ethiopia's system of ULGs financing and property tax reform through rounds of questionnaires. After each round, responses are compiled and synthesized to refine subsequent questions and encourage convergence on key issues. The study seeks to contribute to ongoing debates on municpal finance and property tax reform in Ethiopia. Participants are therefore requested to provide honest and professional responses. Most questions are multiple-choice and generally require a single answer, although space is provided for additional comments and justification where necessary.

Your responses will be treated with strict confidentiality and used solely for academic and research purposes.

If you have any questions, please contact the researcher at misgepower@gmail.com or +251913149680. Thank you again for participating in this survey.

Please provide your information below. The information will be used only to identify participants for round 2 of the survey.

a) Name: _____
b) Address: _____
c) Affiliation: _____
d) Position: _____
e) Consent if the name is mentioned in the research report: ☐ Yes ☐ No

1. What is the likelihood that current prototype (framework) legislations are turned into binding property tax legislations in the coming few years?
   a) Extremely Likely ☐
   b) Likely ☐
   c) Somewhat Likely ☐
   d) Unlikely ☐
   e) Not At All Likely ☐
   f) Reason/Explanation ☐

_____

_____

2. In your opinion, does Ethiopia need to have property taxation now?
   a) Yes ☐
   b) No ☐

_____

_____

3. If your answer to question no. 3 is yes, which of the following is the main driver of property tax reform in Ethiopia?
   a) Strengthening revenue mobilization and empowering ULGs ☐
   b) Enhancing property rights and improving urban land administration practices ☐
   c) Ensuring social equity and supporting wealth redistribution ☐
   d) A combination of all the above factors ☐
4. Assume your answer to question No. 3 is positive, which level of government in the federal system shall assume the power to tax property in the country?
   a) Federal Government ☐
   b) Regional Governments ☐
   c) Urban Local Governments ☐
   d) Distribute the power to all teiers (shared power) ☐

_____

_____

5. If your answer to question No. 3 favors urban local governments, which of the following tax power is appropriate to them?
   a) To levy ☐
   b) To collect ☐
   c) To use ☐
   d) All ☐

6. Under the coming property tax system of Ethiopia, which urban land tenure type(s) should be taxed?
   a) Leasehold only ☐
   b) Permit holding only ☐
   c) Both leasehold and permit holding ☐
   d) Informal holdings ☐
   e) All tenure types ☐

7. Notwithstanding to your answer to question no. 7, which property category (ies) should be taxed?
   a) Land only ☐
   b) Buildings/Improvements only ☐
   c) Land and buildings/improvements ☐
   d) Corporeal chattels ☐
   e) Intellectual property rights ☐
   f) All property types ☐

8. What kind of assessment or valuation rule shall be adopted in the Ethiopian system of property taxation?
   a) Area-Based Approach ☐
   b) Value-Based Approaches (Multiple Methods) ☐

9. If your ansewr to qunetion no. 9 favours value based approach, which of the following type is appropriate?
   a) Sales Comparison Approach (Only) ☐
   b) Cost Approach (Only) ☐
   c) Income Capitalization Approach (Only) ☐

10. Which level of gov't should set the property tax rate?
   a) Federal Government only ☐
   b) Regional government only ☐
   c) Local government only ☐
   d) All should participate in different capacities ☐

11. How do you think that property tax rates be designed?
   a) Progressive rate ☐
   b) Proportional/ flat rate ☐

12. Which forms of rate is approparite
    a) Single statutory rate ☐
    b) Differential/ classified rates ☐

13. Which of the following properties and taxpayers should be exempted from property tax in the current context of Ethiopian urban centers?
    a) Public and Government Property ☐
    b) Religious and Charitable Institutions ☐
    c) Educational Institutions ☐
    d) Public Health Facilities (e.g., public hospitals and clinics) ☐
    e) Cultural and Heritage Properties (e.g., museums, heritage sites) ☐
    f) Primary Residences ☐
    g) Agricultural Land ☐
    h) Low-Value Property ☐
    i) Specific Groups (e.g., persons with disabilities, senior citizens, military and veterans) ☐
    j) Nonprofit and Community-Based Organizations ☐
    k) Properties Used for Public Infrastructure (e.g., roads, utilities) ☐
    l) Other (specify) ☐

14. Regarding the property tax administration, which approach should be adopted regarding the administration of property tax?
    a) Rely on the existing tax administration law as sufficient ☐
    b) Incorporate specific tax administration provisions within the new property tax law ☐

ANNEX VI: EDUCATIONAL, PROFESSIONAL, AND INSTITUTIONAL BACKGROUND OF INTERVIEWEES

No.	Name	Position/Responsibility	Institution	Interview Date	Place/Mode
1	Zinet Ibrahim	Executive Manager, Urban Revenue Reform Project Office	Ministry of Urban and Infrastructure	29 August 2025.	Addis Ababa
2	Belete Alemayehu	Bahir Dar Urban Revenue Reform Project Coordinator	Ministry of Urban and Infrastructure	17 May 2024 *(Follow-up phone interview: 10 May 2026)*	Bahir Dar
3	Mulugeta Addis	Senior Tax Affairs Advisor	ANRS Revenue Bureau	18 May 2024	Bahir Dar
4	Amdemichael Getachew	Chief Advisor	Ministry of Justice	7 December 2024	Addis Ababa
5	Atsede Hailu	Project Officer, Modernized Property Tax System Office	Ministry of Urban and Infrastructure	6 March 2024	Addis Ababa
6	Amsal Desalegn	Budge preparatoon and plan expert	ANRS Finanace Bureau	11 October 2025	Bahir Dar
7	Dereje Mossie	Property Valuation Research and Monitoring Expert	Ministry of Urban and Infrastructure	7 March 2024	Addis Ababa
8	Aynalem Belete	Director of the Directorate of Urban Good Governance and Capacity Building	ANRS Urban and Infrastructure Bureau	21 December 2025	Bahir Dar
9	Sisay Zenebe	Academic and Research Expert	Addis Ababa University, Ethiopian Institute of Architecture, Building Construction and Urban Development (EiABC)	14 August 2024	Bahir Dar
10	Mulay Woldu	Head, Tax Policy Department	Ministry of Finance	5 March 2024	Addis Ababa
11	Wasihun Abate	Senior Tax Policy Advisor	Ministry of Finance	8 March 2024 *(Follow-up phone interview: 12 March 2026)*	Addis Ababa
12	Berhanu Abebe	Director of Tax System Harmonization and Regional Support	Ministry of Revenue	9 March 2024 *(Follow-up phone interview: 12* March 2026)	Addis Ababa
13	Abinet Amsalu	Valuation Expert	ANRS Land Bureau	28 December 2025	Bahir Dar
14	Asmamaw Mulugeta	Coordinator of the Property Tax Project Office	Addis Ababa City Administration Finance Bureau.	17 January 2026	Addis Ababa

ANNEX VII: EDUCATIONAL, PROFESSIONAL, AND INSTITUTIONAL BACKGROUND OF DELPHI EXPERTS PARTICIPATING IN THE STUDY

Category	No	Name	Affiliation	Qualification, Experience, and Responsibility
Academia *(University professors, researchers, and graduate students working on relevant areas)*	1.1.	Aschalew Aschgre	Addis Ababa University, School of Law, , Addis Ababa	PhD in Law (Tax Dispute Resolution). Specializes in tax law, fiscal governance, and tax dispute settlement.
	1.2.	Habtamu Bishaw	Bahir Dar University, Institute of Land Administration, Bahir Dar	PhD in Land Policy and Governance. Researches land policy, land administration, and property valuation.
	1.3.	Tilahun Dires	Debre Markos University, Institute of Land Administration, Debre Markos	LL.B, MSc in Land Administration and Management; PhD candidate in Environmental Law. Researches land law and property tax issues.
	1.4.	Wubante Fetene	Bahir Dar University, Institute of Land Administration, Bahir Dar	PhD in Applied Economics. Specializes in land economics, valuation, expropriation, and urban land management.
	1.5.	Mulugeta Akalu	Bahir Dar University, School of Law, Bahir Dar	LL.M in Tax and Investment Law. Works on tax law and administration.
	1.6.	Zerihun Asegid	Debre Birhan University, School of Law, Debre Birhan	PhD in Law (Income Tax Law). Specializes in tax law and tax administration.
	1.7.	Seid Hussine	Bahir Dar University, Institute of Land Administration, Bahir Dar	PhD in Land Policy and Governance. Specializes in land governance and land value capture.
	1.8.	Belachew Yirsaw	Bahir Dar University, Institute of Land Administration, Bahir Dar	PhD in Real Estate Planning. Teaches and publishes on land economics, valuation, urban land management, and compensation.
	1.9.	Yilkal Ayalew	Debre Tabor University, Department of Civic and Ethical Studies, Debre Tabor	PhD in Governance and Federalism. Specializes in decentralization, local governance, and intergovernmental relations.
	1.10.	Sisay Zenebe	Addis Ababa University, Ethiopian Institute of Architecture, Building Construction and Urban Development (EiABC) , Addis Ababa	MA in Development Studies. Works on urban planning, development, governance, and valution.
Government *(Professionals from federal and regional institutions related to finance, revenue, urban de-*	2.1.	Habtamu Mengesha	Ministry of Finance, Addis Ababa	LL.B and LL.M holder; former Director of Legal Affairs with extensive experience in tax law and fiscal policy.
	2.2.	Adane Egze (PhD)	Ministry of Urban Development and Infrastructure, Addis Ababa	PhD holder and Executive for Real Property Valuation, Permit, and Marketing with extensive experience in related fields.
	2.3.	Zinet Ibrahim	Ministry of Urban Infrastructure, Addis Ababa	LL.M and MA holder; General Manager of the Cities' Revenue Reform Project Office with experience in municipal finance reform and property taxation.

velopment, and infrastructure	2.4.	Solomon Petros	Ministry of Urban and Infrastructure, , Addis Ababa	BSc in Civil Engineering; Property Tax Reform Coordinator with extensive experience in urban revenue reform and property valuation.
	2.5.	Belete Alemayehu	Ministry of Urban and Infrastructure, Bahir Dar	BSc in Civil Engineering; Property Tax Reform Coordinator with extensive experience in urban revenue reform and property valuation.
	2.6.	Fikiremaram Dejene	ANRS Revenue Bureau, Bahir Dar	MA holder and Deputy Head of the Regional Revenue Bureau with extensive practical experience in regional tax administration.
	2.7.	Mulugeta Addis	ANRS Revenue Bureau, Bahir Dar	MA holder and Tax Affairs Advisor. Works on tax policy and administration.
	2.8.	Abraham Rega	Ministry of Finance, Addis Ababa	LL.B and LL.M holder; Senior Tax Law Expert. Specializes in tax law and fiscal policy.
	2.9.	Amdemichael Getachew	Ministry of Justice, Addis Ababa	LL.B and LL.M holder; Chief Advisor at the Ministry of Justice with extensive experience in legal and justice reform.
	2.10.	Atsede Hailu	Ministry of Urban and Infrastructure, Addis Ababa	MA holder and Project Officer at the Modernized Property Tax System Office. Works on property tax and urban revenue reform.
	2.11.	Shambel Astaw Yimam	Ministry of Urban Development and Infrastructure, Dire Dawa	MSc holder and Urban Revenue Reform Project Coordinator. Specializes in municipal finance and urban governance.
	2.12.	Dereje Mossie	Ministry of Urban Development and Infrastructure, Addis Ababa	MSc holder and Property Valuation Research and Monitoring Expert. Works on valuation research and urban fiscal reform.
	2.13.	Abinet Amare	ANRS Urban and Infrastructure Development Bureau, Bahir Dar, Bahir Dar	MSc holder and Real Property Transfer and Compensation Expert. Specializes in land administration and compensation systems.
	2.14.	Adebabay Mengist	ANRS Urban and Infrastructure Development Bureau, Bahir Dar	MA holder and Project Financing Officer. Experienced in project financing and public financial management.
	2.15.	Kinfe Desta	Amhara Infrastructure and Development Bureau, Bahir Dar	MA holder and Urban Land Marketing and Provision Officer. Works on urban land allocation and land marketing systems.
Special Interest Groups *(Representatives from Chambers of Commerce, NGOs, development organizations, and community-based or-*	3.1.	Takele Ayele	Ethiopian Chamber of Commerce and Sectoral Associations, Addis Ababa	MA holder and Director for Research and Advocacy. Specializes in private sector policy advocacy and institutional dialogue.
	3.2.	Fekadu Tassew	Ethiopian Chamber of Commerce and Sectoral Associations, Addis Ababa	LL.B and LL.M holder; Director of Project Development and Resource Mobilization. Works on institutional development and governance reform.
	3.3.	Yohannes Woldegebriel	Addis Ababa Chamber of Commerce and Sectoral Association (AACCSA) , Addis Ababa	LL.B holder and Director of the Arbitration Institute; former prosecutor in the tax administration. Specializes in commercial dispute resolution and tax law.
	3.4.	Endalkachew	Amhara Region Chamber of Commerce and Sec-	BSc holder and Acting Vice President. Experienced in business advocacy and institutional

ganizations)		Yirdaw	toral Association (ARCCSA), Bahir Dar	coordination.
	3.5.	Goshiye H/Mariam	Bahir Dar Chamber of Commerce, Bahir Dar	MA holder and Tax Expert. Specializes in taxation, compliance, and business advisory services.
	3.6.	Tadele Kassa	Bahir Dar Chamber of Commerce, Bahir Dar	MA holder and Loan Expert with experience in financial services, business financing, and credit systems.
	3.7.	Meskerem Girma	VNG International, Addis Ababa	MA in Regional Development; Country Representative and Program Leader. Works on local governance and social responsiveness.
	3.8.	Yibeltal Yimenu	VNG International, Addis Ababa	MA holder and Finance Advisor. Specializes in public and private finanace.
Private Sector *(Consultants, lawyers, valuers, developers, financial institutions, and tax advisory firms with expertise in business, property, and investment-related matters)*	4.1.	Menelik Solomon	Menelik Solomon and Associates, Addis Ababa	LL.B and LL.M holder; Founder and Managing Partner. Specializes in investment law, commercial transactions, and dispute resolution.
	4.2.	Abat Abebe	Attorney and Financial Consultant, Addis Ababa	Holds BA, MSc, LL.B, and LL.M degrees. Experienced in accountancy, legal consultancy, taxation, and financial analysis.
	4.3.	Muluken Bekele	Private Legal Practitioner, Addis Ababa	LL.B and LL.M holder; former prosecutor in the Customs Commission with experience in tax law and tax administration.
	4.4.	Tewodros Adugnach ew	Tekeba and Friends Property Valuation and Management Pvt. Ltd. Co., Addis Ababa	Deputy General Manager and Director of the Land and Property Advisory Group; experienced consultant in land and property valuation.
	4.5.	Fikadu Asfaw	Fikadu Asfaw and Associates Law Office, Addis Ababa	Founder and Managing Partner with expertise in tax law, tax administration, and litigation.
	4.6.	Biniam Shiferaw	Bonafide Asset Management, Consultancy and Training PLC, Addis Ababa	General Manager with expertise in asset management and valution.
	4.7.	Shegaw Alebel	Garbas Real Estate, Bahir Dar	LL.B and LL.M holder; specializes in business law and is a renowned corporate lawyer.
	4.8.	Solomon Debebe	Gift Real Estate, Addis Ababa	Deputy CEO with experience in real estate development, property investment, and valuation.