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LEGAL UPDATE

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IMPLEMENTATION DIRECTIVE FOR FOREIGN NATIONALS' RESIDENTIAL PROPERTY OWNERSHIP IN ETHIOPIA

1. INTRODUCTION

The Ministry of Urban and Infrastructure has issued Directive No. 1147/2026, entitled “A Directive Issued to Determine the Procedure for Foreign Nationals’ Right to Own Residential House, to establish a detailed operational framework for the Foreign Nationals' Residential House Ownership Proclamation No. 1388/202. The Directive sets out the eligibility and permit requirements, minimum capital thresholds, property restrictions, banking and payment procedures, criminal disqualifications, and the responsibilities of relevant government authorities. It also provides for immigration-related benefits for eligible foreign homeowners and establishes compliance requirements and administrative measures for non-compliance. The Directive came into force upon its registration with the Ministry of Justice in August 2026. This legal update provides an overview of the key provisions and practical implications of Directive No. 1147/2026 for foreign nationals seeking to own residential property in Ethiopia.

2. KEY PROVISIONS OF THE DIRECTIVE

2.1. Eligibility and Permit Requirements

The Directive sets out clear prerequisites for foreign nationals and foreign investors to obtain a residential house ownership permit from the Ministry. Applicants must generally provide a valid passport, a certificate of no criminal record from their country of residence, and evidence that the minimum capital requirement has been deposited into a bank account in Ethiopia.

The permit application process requires a service fee of $50 USD. Upon issuance, the permit is valid for one year from the date of issue. The holder must complete the purchase or construction of a residential house within this period. Extensions for an additional year may be granted in cases of force majeure.

2.2. Capital Requirements

The Directive establishes location-based minimum capital requirements, which must be deposited in foreign currency:

- **$150,000 USD**: For properties within the Addis Ababa City Administration and Sheger City.
- **$120,000 USD:** For properties in Oromia, Amara, Tigray, Sidama, Central Ethiopia, South Ethiopia, Southwest Ethiopia Peoples, Somali, Harari Regions, or the Dire Dawa Administration (excluding Sheger City).
- **$100,000 USD:** For properties in the Afar, Benishangul-Gumuz, or Gambella Regions.

2.3. Controlled Payment and Banking System

A key feature of the Directive is a controlled banking procedure. A foreign national must first obtain a letter from the Ministry to open a bank account for the purpose of depositing the required foreign currency. The funds are to be converted into Ethiopian Birr at the prevailing exchange rate and held in a blocked account. The bank is only authorized to release the funds upon receipt of a formal authorization letter from the Ministry confirming the property purchase or land lease acquisition.

2.4. Excluded Properties and Criminal Disqualifications

The Directive specifies categories of residential houses that are excluded from foreign ownership. These include:

- Condominiums built through direct government subsidies, houses fully funded by the government or public contributions, houses constructed with financial support from the government or NGOs, and houses constructed by housing cooperatives.
- A foreign national who has been suspected of or convicted of certain crimes is ineligible to own a residential house. The list includes terrorism, human trafficking, drug trafficking, money laundering, corruption, aggravated homicide, and other serious crimes.

3. OPERATIONAL COORDINATION AND IMMIGRATION BENEFITS

The Directive outlines a coordinated operational approach involving multiple government bodies. The Ministry of Urban and Infrastructure is required to work with the National Bank of Ethiopia on repatriation matters, the Immigration and Citizenship Service on entry visas, the Investment Commission on investor profiles, and justice institutions on criminal background checks.

The Directive explicitly links property ownership with immigration benefits. Foreign homeowners and their children may receive multiple-entry visas valid for up to five years.

4. COMPLIANCE, MONITORING, AND ADMINISTRATIVE MEASURES

The Directive introduces strict administrative measures and penalties for non-compliance. Fines range from $500 USD to $5,000 USD for violations such as using the property for unauthorized purposes, failing to obtain a permit, not meeting the capital requirement, or presenting false evidence. Furthermore, a foreign national who fails to register their ownership with the Ministry within 30 working days of acquisition may not have an enforceable ownership right, which can lead to capital being trapped and an inability to repatriate sale or rental proceeds.

5. CONCLUSION

Directive No. 1147/2026 is a landmark piece of legislation that creates a structured and regulated pathway for foreign nationals to own residential property in Ethiopia. While it imposes significant financial and administrative requirements, it provides a clear legal framework that is intended to attract foreign investment and foreign currency into the country, while also providing immigration benefits to property owners.

About Million Alemu and Partners LLP

Million Alemu and Partners Legal Services LLP is a full-service law firm based in Addis Ababa, Ethiopia, providing comprehensive legal advisory and representation services to local and international clients. The firm is recognized for its commitment to excellence, practical legal solutions, and a client-centered approach across diverse practice areas.

With a team of experienced legal professionals, the firm advises on corporate and commercial law, dispute resolution, regulatory compliance, and other key areas critical to doing business in Ethiopia.

Contact Information

Office Address:
Kazanchis, KazAddis Building, 8th Floor, near Urael Church, in front of Mulugeta Commercial Center

Telephone:
• +251 911 60 0334
• +251 968 66 6677

Email:
inquiries@millionlegalservices.com

Website:
www.millionlegalservices.com