



# CONDOMINIUM HOUSING IN ETHIOPIA:

The Integrated Housing  
Development Programme

**UN HABITAT**  
FOR A BETTER URBAN FUTURE

## **Series Summary:**

### **Housing Practices: country experiences of designing and implementing affordable housing programmes**

Housing Practices is an ongoing series that documents the experiences of countries who are implementing large-scale affordable housing programmes. It is a flagship series developed and produced by the Housing Policy Section of UN-HABITAT, which provides authoritative and independent documentation of innovative affordable housing programmes in countries of the developing world.

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## LIST OF ACRONYMS

<b>CIM</b>	Center for International Migration and Development
<b>CSA</b>	Central Statistical Authority
<b>EIC</b>	Ethiopian Insurance Corporation
<b>ETB</b>	Ethiopian Birr
<b>ETC</b>	Ethiopian Telecommunication Corporation
<b>GDP</b>	Gross Domestic Product
<b>GTZ</b>	Deutsche Gesellschaft für Technische Zusammenarbeit
<b>GTZis</b>	GTZ International Services
<b>HDPO</b>	Housing Development Project Office
<b>HPM</b>	Habitat Programme Manager
<b>IHDP</b>	Integrated Housing Development Programme
<b>IHS</b>	Institute for Housing and Urban Development Studies
<b>MFI</b>	Micro-Finance Institution
<b>MHE</b>	MH Engineering
<b>MSE</b>	Micro and Small Enterprises
<b>MWUD</b>	Ministry of Works and Urban Development
<b>NEWA</b>	Network of Ethiopian Women's Association
<b>NGO</b>	Non Governmental Organisation
<b>UN-HABITAT</b>	United Nations Human Settlements Programme
<b>UNFPA</b>	United Nations Population Fund
<b>USD</b>	United States Dollars
<b>VAT</b>	Value Added Tax

The exchange rate used in this publication (as of June 2010): 1 USD = 13 ETB



Figure 1: The Pilot Project for the Condominium Housing Programme built in Bole Gerji. Bole Gerji, Addis Ababa. © UN-HABITAT / Katherine Hegab





## EXECUTIVE SUMMARY

Since 2005 Ethiopia has been implementing an ambitious government-led low- and middle-income housing programme: The Integrated Housing Development Programme (IHDP). The initial goal of the programme was to construct 400,000 condominium units, create 200,000 jobs, promote the development of 10,000 micro - and small - enterprises, enhance the capacity of the construction sector, regenerate inner-city slum areas, and promote homeownership for low-income households. As the five-year programme nears completion, documentation of the programme is timely.

This publication documents the IHDP and outlines how the project has been designed and implemented. The purpose of this publication is to document the genesis of the programme and the country's experience since its inception, focusing predominantly on events within Addis Ababa as this is where most efforts have been made. The publication is based on desktop studies, literature reviews and a field survey undertaken by UN -HABITAT under invitation from the Ministry of Works and Urban Development of Ethiopia.

Factors and decisions that contributed to the success of the programme have been examined, and some of its current shortfalls have been evaluated, all with an aim to increase global understanding of the use of such an integrated programme to solve an existing low-cost housing shortage and reduce poverty through housing production. It documents a case study of the Ethiopian experience so that other countries may be able to adapt and apply this logic to their own public housing systems.

The IHDP has been successful in many respects. Although the large-scale programme has not met all of its original targets, it has built 171,000 housing units to date, a significant achievement considering the previously limited capacity of the Ethiopian housing sector. The programme has greatly increased the number of homeowners that would never otherwise have owned a home within their lifetime, and, in parallel, has benefited the housing market by increasing the supply of owner-occupied housing and rental units. The programme has also built the capacity of the construction sector, addressed the existing slums and been a significant generator of employment opportunities.

There are, however, a number of unanticipated challenges facing the programme. The most pressing is the affordability of the units for low-income households, with the cost increases in the price of condominium houses deeming them no longer an option for many low-income households. Furthermore, the inability to pay the monthly mortgage and service payments forces many households to move out of their unit and rent it

## EXECUTIVE SUMMARY

THIS PUBLICATION DOCUMENTS THE INTEGRATED HOUSING DEVELOPMENT PROGRAMME (IHDP). THE PURPOSE OF THIS PUBLICATION IS TO OUTLINE THE GENESIS OF THE PROGRAMME AND THE EXPERIENCE SINCE ITS INCEPTION, FOCUSING PREDOMINANTLY ON EVENTS WITHIN ADDIS ABABA.

out rather than risk losing it through bank foreclosure. Many condominium sites are located on the periphery of the city and do not acknowledge the need for employment opportunities for residents, despite there living up to 10,000 households in some sites. This places further financial strain on beneficiaries in the form of daily transport costs. The quality and design of condominium blocks and the post-occupancy management are also critical factors that must be addressed to improve the sustainability of the programme.

This publication is intended for policy makers, public sector officials and urban practitioners. Accordingly, it aims to logically outline the design and effect of this programme on the multiple dimensions of housing (housing needs and demands, finance, infrastructure, the construction sector, and land). The first part of the publication gives a broad overview of the Ethiopian housing sector in order to situate the IHDP and highlight its significance in the Ethiopian context. The second part outlines the programme as a whole and then describes the individual project design phase. The third part documents the programme's performance and the fourth part outlines the 'lessons learnt' and offers some conclusions in the programme.

Figure 2: Addis Ababa's rising from a city of two-storey buildings to a city of skyscrapers.  
Bole, Addis Ababa. © UN-HABITAT / Katherine Hegab



# THE ETHIOPIAN HOUSING SECTOR

# 1

## 1.1 INTRODUCTION TO ETHIOPIA

The Federal Democratic Republic of Ethiopia is a country of contrasts. Ancient rock-hewn churches sit alongside modern bustling cities. Cold mountainous regions counterpoint low-lying tropical monsoon climates. Eighty distinct ethnic groups and indigenous languages differentiate the ethnically diverse population. Small stable villages that are home to the majority of the population are distinct to the enormous and rapidly expanding urban areas. The country boasts vast areas of cultivable land yet regular food shortages and famine are common, and while there are a select few Ethiopians with considerable wealth a substantial proportion of Ethiopians live in extreme poverty.

Ethiopia is one of the poorest countries in the world. It is ranked 169<sup>th</sup> out of 175 countries in the United Nations Development Programme Human Development Index. Among other indicators demonstrating the massive developmental challenges facing Ethiopia, primary school enrolment is remarkably low at only 46 per cent, infant mortality is high at nearly ten per cent (98 child deaths per thousand), 53 per cent of the population is illiterate, and 40 per cent of the population lives below the poverty line<sup>1, 2</sup>. National unemployment is high at 16.7 per cent<sup>3</sup>, although in the capital city of Addis Ababa it is even higher at 32 per cent<sup>4</sup>.

With a population of 79 million, Ethiopia is the second most populous country in Africa. It is growing rapidly; the annual growth rate is 2.6 per cent, equating to two-million births per year<sup>5</sup>.

Despite having one of the lowest proportions of urban population in the world at only 16.7 per cent<sup>6</sup>, Ethiopia is rapidly urbanising at a high annual growth rate of 3.49 per cent<sup>7</sup>. In the space of seventeen years the urban population more than doubled from 6.4 in 1990 to 13.8 million in 2007<sup>8</sup>. The population is very young with 45 per cent under 15 years of age<sup>9</sup>.

The combination of high population and urban growth rates coupled with a high prevalence of urban poverty have placed enormous strain on Ethiopian cities. 80 per cent of the population lives in sub-standard slum housing that needs either complete replacement or significant upgrading<sup>12, 13, 14</sup>. Ethiopian cities suffer from a high degree of homelessness, environmental degradation, urban decay, a shortage of infrastructure and basic services, and high unemployment. These factors combine to produce the critical urban issue addressed in

## CHAPTER ONE INTRODUCTION TO ETHIOPIA

### CONTENTS

- 1.1 *Introduction to Ethiopia*
- 1.2 *Brief history of land and housing in Ethiopia*
- 1.3 *Current state of the housing sector*
- 1.4 *The vision of the Integrated Housing Development Programme*

DESPITE HAVING ONE OF THE LOWEST PROPORTIONS OF URBAN POPULATION IN THE WORLD AT ONLY 16.7 PER CENT<sup>10</sup>, ETHIOPIA IS RAPIDLY URBANISING AT A HIGH ANNUAL GROWTH RATE OF 3.49 PER CENT<sup>11</sup>.

this publication: the lack of affordable, healthy housing for all sectors of the population.

Addis Ababa, the capital city, is relatively young having been established only one hundred and twenty years ago. It is located in the state of Oromiya and has a population of approximately 3.4 million, ten times larger than the second largest city in the country, Dire Dawa<sup>15, 16</sup>. In the past ten years Addis Ababa has risen from a city of self-built single-storey homes, to a city of skyscrapers. This growth is set to continue as in the coming 15 years the population is projected to grow by 3.8 per cent per year<sup>17</sup>.

## 1.2 BRIEF HISTORY OF LAND AND HOUSING IN ETHIOPIA

During the first half of the twentieth century land and housing in Ethiopia were controlled by a select few individuals and groups who owned and tightly controlled land and housing development. Housing supply was led by the landowning elite with less than one per cent of the population owning more than 70 per cent of the arable land, on which 80 per cent of the peasants were tenants<sup>18</sup>. Low-income households had little option but to rent housing and this was done outside of any formal control or planning system. In 1962, for example, 58 per cent of the land in Addis Ababa was owned by only 1,768

BY THE MID-1980s, RENTAL HOUSING ACCOUNTED FOR 60 PER CENT OF THE TOTAL HOUSING STOCK IN ADDIS ABABA<sup>30</sup>. THE LOW RENTAL RATES RESULTED IN LITTLE TO NO INVESTMENT IN HOUSING, WHICH LED TO A FURTHER DETERIORATION OF HOUSING QUALITY.

individuals, equating to ownership of over 10,000m<sup>2</sup> each<sup>19</sup>, leading to 55 per cent of housing units being rental housing<sup>20</sup>.

While government urban housing and land strategies were debated and documented at length they did not materialise into built projects to address the severe housing demand<sup>21</sup>. The government exhibited little national commitment to land and housing development for the low-income sector and there was no coherent approach or action toward land and housing provision. Therefore ad-hoc policies and approaches prevailed and informal, unauthorised housing proliferated<sup>22</sup>.

In 1974, the land and housing situation significantly changed as a result of the political revolution that saw the overthrow of Emperor Haile Selassie by the Soviet-supported junta, the 'Derg'. In July 1975, Proclamation No. 47: 'Government Ownership of Urban Lands and Extra Houses' nationalised all urban land in an effort to force a fairer distribution of wealth across the country<sup>23</sup>. Two new typologies in the housing sector were established: Government-owned rental units, administered by the Agency for the Administration of Rental Houses, and Kebele Housing managed by Kebele Administration units, the smallest government administration unit, operating at the neighbourhood level. During this time approximately 60 per cent of housing in Addis Ababa was rental accommodation and Kebeles accounted for 93% of this rental accommodation<sup>24</sup>.

A consequence of the nationalisation was a significant reduction in the rental price for low-cost rental housing of between 15 and 50 per cent for occupants paying below ETB 300 (USD 23). In Addis Ababa, the rent of 80 per cent of the city's population was reduced by 30 per cent<sup>25</sup>. Housing supply was controlled by the centralised government yet it was drastically insufficient to meet the large demand. For instance, in Addis Ababa between 1975 and 1995, only one-tenth of the projected dwellings were built because of "very low *effective* demand, rock-bottom national housing investment rates, and from regulatory constraints in the supply of land, credit, and building materials" (emphasis added)<sup>26</sup>.

During the late 1980s, the 'Derg' loosened its control of housing supply by allowing private house owners and tenants of public premises to sell and exchange their houses although in reality the government devolved very little control and maintained its position as the key driver of housing supply. Proclamation No. 292 of 1986 specified that "residential buildings could be produced only by state enterprises, municipal governments, housing cooperatives and individuals who build dwellings for their personal consumption"<sup>27</sup>, effectively excluding large-scale private sector housing developers to address the large demand.

The housing stock continued to be characterised by high rates of rental housing. By the mid-1980s, rental housing accounted for 60 per cent of the total housing stock in Addis Ababa<sup>28</sup>. The low rental rates resulted in little to no investment in housing which led to a further deterioration of housing quality. The housing conditions were poorest in the centre of Addis Ababa. According to the 1985 analysis report by the Municipal Technical College for the Teklehaimanot Upgrading Scheme, the average house had a floor area of 20m<sup>2</sup>, 35 per cent of all houses had only one room, and 39 per cent of the urban



Figure 3: Kebele housing, Addis Ababa. © UN-HABITAT/ Katherine Hegab

population lived in overcrowded housing that lacked basic services such as potable water and sanitation<sup>29</sup>.

Since the overthrow of the ‘Derg’ by the Ethiopian People’s Revolutionary Democratic Force (EPRDF) in 1991, Ethiopia has been undergoing market-orientated reforms, structural adjustment policies, decentralization of governing structures, and a programme of agricultural development-led industrialization.

Following the new constitution and federal system of government, in 1994 a rural development policy, named the Land Reform Programme, was introduced. This sought to decentralize urban planning responsibilities and to encourage secondary cities to attract rural migrants to ease pressure on the already limited housing available for urban dwellers living in Addis Ababa and other major urban areas<sup>31</sup>. Addis Ababa’s first housing policy, incorporating the Government’s practice of maintaining public ownership, was also implemented at this time but it assumed that the housing market alone would meet the demand for affordable housing of the low-income population. Despite large subsidies and land provided at highly subsidised rates, the private sector has failed to deliver affordable housing at the large scale required. During this time house prices significantly rose making it extremely difficult for even professionals such as doctors and lawyers to access affordable housing.

The post-1991 housing sector can therefore be typified by the following four characteristics:

- The private housing sector has not been sufficiently engaged and therefore has not met the immense housing demand.

- The practice of low-cost government owned rental housing continues to be the dominant low-income housing strategy.
- The housing stock is of a very low quality, is poorly maintained, and needs either replacement or significant upgrading.
- Informal unplanned housing has proliferated as a result of high urbanisation, limited housing supply, and the limited affordability of formal housing.

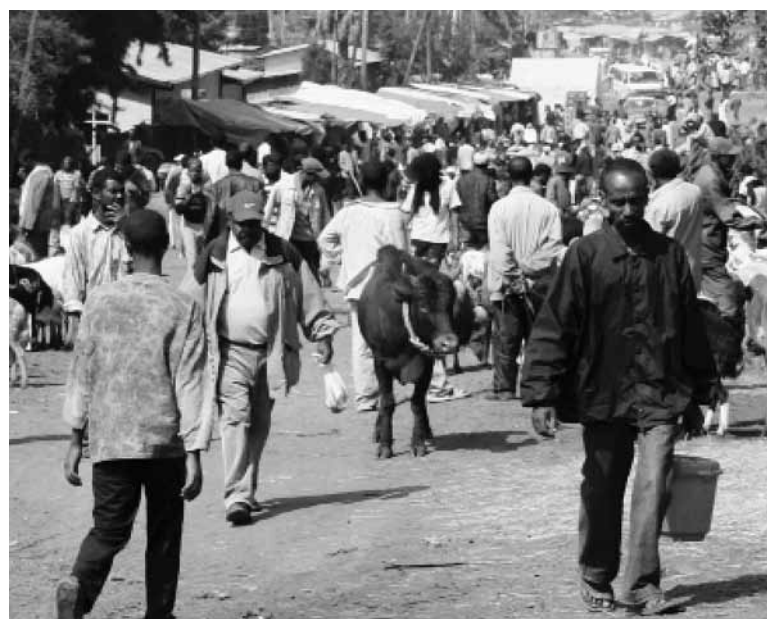


Figure 4: Market Street, Addis Ababa. © UN-HABITAT/ Katherine Hegab

### 1.3 CURRENT STATE OF THE HOUSING SECTOR

This section gives a broad but concise overview of the Ethiopian housing sector in an effort to highlight the significance of the Integrated Housing Development Programme. It does not, however, include aspects of the Integrated Housing Development Programme as these are discussed at length in Part Two.

#### 1.3.1 Policy and legal frameworks related to housing

Since 1991 Ethiopia has had a decentralised regulatory structure with considerable autonomy devolved to regional states regarding the management of their internal affairs. The country is divided into nine states (*Kilils*) and two autonomous administrative areas, the cities of Addis Ababa and Dire Dawa. The states are, in theory, financially independent from the national government. Each state comprises zones, districts (*Woreda*), cities, and neighbourhood administrations (*Kebeles*). In each region the districts are the basic planning unit and have jurisdiction over the kebeles<sup>32</sup>. The capital city of Addis Ababa has ten sub-city administrations containing 11 elected executives and 128 councillors at city level. There are 99 Kebeles within the capital and 300 councillors between them to represent 30,000 people. All land is property of the national government and is leased, not sold, for development.

Until recently, there were few national coordination policies regarding housing and urban development. In 2005, the Council of Ministers of the Federal Democratic

Republic of Ethiopia formulated and approved a consolidated Urban Development Policy to link together the small-scale efforts made by regional governments and cities since 2000. They also created the national Ministry of Works and Urban Development (MWUD) to guide the overall development of the country's urban areas and conducting studies on its urbanisation patterns<sup>33</sup>. Within MWUD, the National Urban Planning Institute is responsible for preparing physical urban development plans, the Housing Development Bureau works towards the implementation of the IHDP including the MSE Development Programmes, the Urban Development Support Services deal with financial planning, human resources, and capacity building.

#### 1.3.2 Key players in housing

The dominant player in housing is the state, manifested through its various arms such as regional governments, districts, and kebeles. The state controls the majority of the rental accommodation and influences the supply of new housing through active involvement in material production and importation, land supply, and housing finance.

Very few private housing developers exist. The private construction industry is very small and it is complicated and time consuming to start a company, register it, and conduct business<sup>34</sup>. Those that do exist operate only for high-income groups as there is little incentive to construct low-income housing.

Since the late 1970s housing cooperatives have also provided an avenue for home ownership<sup>35</sup>, <sup>36</sup>. This delivery method was established in 1978, through

Table 1: Houses constructed in Addis Ababa, 1996-2003

Housing supplier	No. of houses	Percentage share
Public	7,409	8.4
Cooperatives	24,820	28.2
Individuals (formal)	22,225	25.3
Real estate developers	3,520	4.0
Informal sector	30,000	34.1
Total	87,976	100

Source: Addis Ababa City Government, 2004, cited in Haregewoin, Y. (2007) *Integrated Housing Development Programs for Urban Poverty Alleviation and Sustainable Development (The Case of Addis Ababa)*. Proceedings, European Network for Housing Research 2007: Sustainable Urban Areas. Rotterdam, 25-28 June 2007. p.5.

INFORMAL UNPLANNED HOUSING PROVISION CONSTITUTES A CONSIDERABLE PROPORTION OF THE TOTAL HOUSING SUPPLY IN ETHIOPIA. INFORMAL HOUSING IS ESPECIALLY PREVALENT IN ADDIS ABABA, ACCOUNTING FOR 34.1 PER CENT OF TOTAL HOUSING SUPPLY BETWEEN 1996 AND 2003, AND IT IS THE FASTEST GROWING SUPPLY METHOD<sup>40</sup>.

Proclamation No. 138. The approach is for citizens to organize themselves into small groups (between 10 and 20 people), register as a cooperative group for land allocation, develop savings capacity, prepare settlement plans, receive land and secure tenure, and largely build their housing themselves incrementally<sup>37</sup>. Cooperatives have received varying levels of government support over the last 40 years. Between 1986 and 1992, housing supply by cooperatives did increase due to the significant subsidy of construction materials (60 per cent), land being allocated with no charge, and low mortgage interest rates, but this help was inadequate to meet the magnitude of housing demand. Between 1975 and 1992 housing, cooperatives produced a mere 40,539 units<sup>38</sup>. In addition to its small scale, cooperative housing is challenged by the undesirable peripheral location of land allocated, low quality of allocated land making construction costly and difficult, and the exclusion of the poorest sector of society who more often than not do not have a savings capacity at the scale demanded by this relatively expensive approach.

Informal unplanned housing provision constitutes a considerable proportion of the total housing supply, although there are vastly different estimates of the scale of urban informality. Informal housing is especially prevalent in Addis Ababa accounting for 34.1 per cent of total housing supply between 1996 and 2003 (Table 1), and it is the fastest growing supply method<sup>39</sup>.

Involvement in the housing market by Non-Governmental Organisations (NGOs), both national and international, has been of small scale. While many NGOs operate in Ethiopia, few deal with housing and land issues. The three most visible NGOs dealing with housing are the Integrated Holistic Approach - Urban Development Project (IHA-UDP), CARE and

CONCERN, who have been involved in upgrading of sanitation and infrastructure and facilitating community participation in upgrading projects<sup>41</sup>. They work mainly at the city and kebele level. The German Technical Corporation (GTZ) has been operating in Ethiopia for many decades, primarily in providing technical support and building capacity in building construction.

### 1.3.3 Housing stock

The existing housing stock is of a very low physical quality. Using the UN-HABITAT slum definition, 80 per cent of Addis Ababa is a slum with 70 per cent of this comprising government owned rental housing. The majority of low-income Ethiopians reside in rented kebele housing. The quality of kebele housing



Figure 6: The hills of Addis Ababa. © UN-HABITAT

stock is low: typically constructed of mud, wood, and/or discarded materials. Kebele houses are old, having been constructed many decades ago and little to no maintenance has been carried out. Some houses remain with no access to water and electricity, and many do not maintain minimum standards of sanitation. Government inactivity in kebele housing maintenance as well as the low rents are the major reasons why the kebele housing stock is of such a low quality. Although also of relatively low quality, owner occupied houses are of a higher standard than kebele housing. They are less deteriorated due to age and greater attention to maintenance.

Data on the national stock of informal housing units is not available, although Addis Ababa in the year 2000, had an estimated 60,000 informal 'squatter' units representing 20 per cent of the city's housing stock<sup>42</sup>.



Figure 7: The physical form of housing in Ethiopia is predominantly single-storey. © UN-HABITAT

The physical form of Ethiopian housing has been dominated by single-storey construction, with a high proportion of ‘terrace housing’ (housing units adjoining other units rather than free-standing). Nationally, in the 1994 census, 98.3 per cent of buildings nationwide were single storied and the remaining 1.7 per cent were multi-storied buildings<sup>43</sup>.

In terms of tenure, private house ownership levels are low. In Addis Ababa only 30 per cent of houses are owner occupied. Rental housing is the dominant tenure mode. In Addis Ababa, in the 1994 census 57.3 per cent of the housing stock was government-rental, either through local municipalities, or the National Agency for Administration of Rental Housing<sup>44</sup>.

THE PHYSICAL FORM OF ETHIOPIAN HOUSING HAS BEEN DOMINATED BY SINGLE-STOREY CONSTRUCTION. IN TERMS OF TENURE, PRIVATE HOUSE OWNERSHIP LEVELS ARE LOW. IN ADDIS ABABA ONLY 30 PER CENT OF HOUSES ARE OWNER OCCUPIED. RENTAL HOUSING IS THE DOMINANT TENURE MODE.

THERE IS MASSIVE DEMAND FOR SERVICED, HEALTHY, AFFORDABLE HOUSING. THIS DEMAND STEMS FROM BOTH THE CURRENT HOUSING DEFICIT AND THE POOR QUALITY OF THE EXISTING KEBELE HOUSING STOCK THAT IS BEYOND REPAIR.

#### 1.3.4 Housing needs and effective demand

The government estimates that the current housing deficit is between 900,000 and 1,000,000 units in urban areas, and that only 30 per cent of the current housing stock is in a fair condition, with the remaining 70 per cent in need of total replacement<sup>45</sup>. In Addis Ababa alone, 300,000 units are required to meet the deficit<sup>46</sup>. The housing deficit is set to increase concurrently with the foreseen high population and urbanization growth. Between 1983 and 2007, Ethiopia’s population more than doubled, from 33.5 million to 81.2 million<sup>47</sup>, and it is projected to more than double again by 2050 to reach 170.2 million. To accommodate future growth, the Urban Sector Millennium Development Goals Needs Assessment (2004) predicted that to meet the Millennium Development Goals (MDGs) in 2015 requires a total of 2,250,831 units, which equates to a considerable 225,000 houses per annum.

There is massive demand for serviced, healthy, affordable housing. This demand stems from both the current housing deficit and the poor quality of the existing kebele housing stock that is beyond repair. However, there is low *effective demand*. Effective demand is based on the ability and willingness to pay for housing, affected by income and what households are prepared to pay. Although effective demand is difficult to determine because it requires reliable data on income levels and expenditure patterns of households, their savings capacity and prioritisation of housing vis-à-vis other forms of investment, it is the case that the majority of Ethiopians cannot pay for formal housing supplied by the private market. Therefore, the greatest need is for *affordable* housing.



### 1.3.5 Urban infrastructure and basic urban services

Infrastructure and basic urban service provision is low. The majority of *Kebeles* have access to water and electricity but they have limited access to adequate sanitation systems. The sewerage network is small; in Addis Ababa it covers only 3 per cent of the city's area.

As with housing, infrastructure and basic urban services are provided and regulated by the state.

### 1.3.6 Housing finance

There is a distinct absence of a diversified and flexible housing finance sector in Ethiopia. For many years, the Construction and Business Bank (CBB) (formerly the Housing and Savings Bank) was the only bank to offer housing construction loans and long-term mortgages for the procurement of housing. The Bank, which was owned by the government of Ethiopia, relied heavily on the Central Bank for its capital. During previous regimes this was not a problem, as the government was responsible for the procurement of housing for the urban poor and housing units were completed and held by the government in a rental portfolio. However, in the 1990s, the Construction and Business Bank started lending money directly to housing cooperatives. Overall, this centralized financial set-up has resulted in a housing finance sector that is very limited in its scope and diversity of the products it offers.

A major challenge facing securing affordable housing for low-income Ethiopians has been access to housing finance.

A MAJOR CHALLENGE FACING SECURING AFFORDABLE HOUSING FOR LOW-INCOME ETHIOPIANS HAS BEEN ACCESS TO HOUSING FINANCE. FOLLOWING THE MARKET-LED ADJUSTMENTS IMPLEMENTED IN THE POST-1991 PERIOD, SUBSIDIZED INTEREST RATES WERE REMOVED WHICH SIGNIFICANTLY INCREASED LENDING RATES.

Following the market-led adjustments implemented post-1991, subsidized interest rates were removed which significantly increased lending rates. Rates increased from 4.5 per cent for co-operatives and 7.5 per cent for individuals to 16 per cent for both, severely reducing the opportunity for the low-income households to secure a home loan<sup>48</sup>. Furthermore, with a high percentage of low-income people receiving income from informal sources and lacking capital to use as collateral, access to formal credit has been limited or non-existent. The low level of domestic savings of the population, coupled with the shortage of external resources, has affected the availability of investment in the housing sector. At the household level, these translate into a low level of investment in housing, and little capacity of the low-income population to own minimum-standard housing. Houses of a minimum standard have simply been out of financial reach for the poor<sup>49</sup>.

### 1.3.7 Construction industry and building materials

As with finance and urban service provision, the government significantly controls the construction industry. Before 1991 the government had a monopoly over the production and supply of building materials. Even though the government is still active in retailing and some subsidies remain in place, material production and supply is gradually shifting to a market based approach where prices are by-and-large market prices<sup>50</sup>. Building materials are high in price and of a low quality relative to neighbouring countries<sup>51</sup>.

For low-income housing the most common building materials used are wattle and daub ('chikka') for walls, with roof rafters of round tree lengths (usually Eucalyptus) covered with corrugated iron sheeting, and

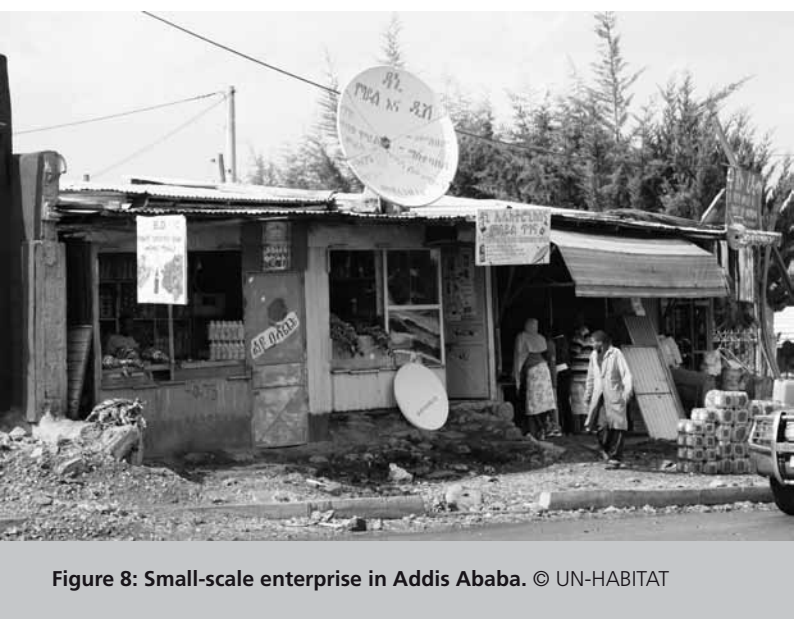


Figure 8: Small-scale enterprise in Addis Ababa. © UN-HABITAT



**Figure 9: 'Chikka': the traditional construction material for residential construction.** © UN-HABITAT



**Figure 10: Construction methods in Ethiopia are labour intensive.** © UN-HABITAT



**Figure 11: Multi-storey buildings in Addis Ababa are typically constructed from cast in-situ reinforced concrete frame with brick infill walls.** © UN-HABITAT

skim concrete or compacted earth floor. Larger multi-storey commercial and residential buildings in urban areas are composed of reinforced concrete frame and slab construction with hollow brick or fired brick infill walls. There is a pressing need for more cost efficient alternative materials, as the current cost of construction materials is a high proportion of total construction cost, typically around 70 per cent<sup>52</sup>.

The construction industry comprises four main sectors: building and residential development sector (construction companies), civil engineering sector, professional services, and informal self-building sector<sup>53</sup>. Construction companies are classified according to size, expertise, and financial capability. They must be registered with the MWUD and licensed to undertake construction work. There is little specialisation in contractors work, with contractors taking on all aspects of a building project (rather than specific tasks such as foundations, structure, roofing, etc)<sup>54</sup>.

The professional services sector comprises mostly architects, engineers (mechanical, sanitary) and quantity surveyors. Logically, the informal self-building sector is not registered but supplies materials and labour at a very large scale, employing a large number of people. There is little cross-collaboration between the professional sector and informal sector.

The national Ethiopian Building Code, Ethiopian Building Proclamation 624/2009 is a legal document that outlines the building regulations and requirements, for use by local authorities to ensure building standards are maintained in their jurisdiction. Parts of Ethiopia are located in an earthquake zone and a code exists to ensure buildings resist maximum predicted earthquake loads. The codes are only used and enforced in buildings developed in the formal sector.

The construction sector is undergoing several changes. The government's plan for the budget year of 2008/09 was to enhance "the capacity of the construction industry by making it capable and competitive, enhancing its contribution to the country's economy, enabling it to meet the demand for housing construction, and enabling it to create ample employment opportunities"<sup>55</sup>. It aimed to achieve this by improving construction industry policy; developing a construction industry capacity building programme; and ratifying and implementing the national building proclamation<sup>56</sup>.

### 1.3.8 Cross-cutting issues

#### *HIV/AIDS*

HIV/AIDS is a serious issue facing Ethiopia. Although infection rates are lower than in other sub-Saharan countries, HIV/AIDS is the leading cause of deaths among adults in Ethiopia, with estimated 7 million deaths by 2014. The national infection rate is 4.4 per cent, but in urban areas it is considerably higher: 15.6 per cent in Addis Ababa and 12.7 per cent for all urban areas. Compared to other sub-Saharan African cities, Addis Ababa has “the largest concentrations of people living with and dying from HIV/AIDS”<sup>57</sup>.

HIV/AIDS creates a serious housing issue. The effects resulting from death of a family member from HIV/AIDS can be softened by an asset base, typically homeownership, enabling the surviving household members to recover more quickly. In rental housing, the death of the primary income-earner can force the eviction of remaining household members if rent cannot be paid. Likewise, security of tenure is especially important for orphans of parents who die due to HIV/AIDS. They can be thrown out of rental property with no notice when they are unable to pay the rent. In Ethiopia the number of orphans created as a consequence of HIV/AIDS is immense, currently standing at 79,000<sup>58</sup>. Furthermore, a healthy, safe housing environment plays an essential role in reducing the effects of living with HIV/AIDS.

#### *Gender*

Women in Ethiopian society hold a marginalised position compared to men. Women are discriminated in many aspects of their life. In the United Nations Development Programme’s Gender Related Development Index, Ethiopia is ranked fourth to last, placed no. 142 out of 146 countries. “Stereotyped thinking, social taboos

only received primary education) and only four per cent having reached university level. These figures are half the levels of those for men. Ethiopian women have low levels of participation in managerial and professional jobs. In terms of housing, security of tenure is lower for women. Under Ethiopian tradition, house ownership does not extend to women, and therefore if the husband dies the widow must fight for legal access and ownership<sup>60</sup>. If a divorce takes place, women are more likely to have to find another house, or move back in with her parents or relatives<sup>61</sup>. In addition, the cross-cutting issues of HIV/AIDS and gender combine to result in women being more vulnerable to HIV than men: young women in Addis Ababa are three times more likely to contract HIV than young urban men<sup>62</sup>.

Gender inequalities are slowly improving. The national poverty reduction strategy, the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), has wide references to gender; the penal code has been revised in 2005 to give more power to women to resist violence, marriage by abduction, female genital mutilation and abortion; and more generally gender is being mainstreamed in government policies and existing laws and programmes, especially since the National Policy on Women (1993) and the 1994 Constitution (articles 7 and 35) that afford women the same rights as men<sup>63</sup>.

### 1.3.9 Current low-income housing approaches

Private sector housing supply remains constrained by high costs and time required for title registration, land access, construction material supply, along with cumbersome and expensive procedures for land and property transactions and the shortage of experienced private developers<sup>65, 66</sup>.

Slum upgrading continues to be a marginal approach to improve low-income settlements. In Addis Ababa, there was one notable government slum upgrading programme, led by the Environmental Development Office (EDO), established in 1994<sup>67</sup>, although housing improvement did not feature as part of this programme. Slum upgrading programmes remain piecemeal and small scale, and do not directly address the housing units but rather the urban infrastructure and services. Many officials and local professionals believe that slum upgrading ‘does not work’ in Ethiopia because of the irreparable state of the housing units, the massive deficit that such small-scale programmes cannot address, and the need to increase density on valuable inner-city land.

ALTHOUGH GENDER INEQUALITIES ARE SLOWLY IMPROVING, STEREOTYPED THINKING, SOCIAL TABOOS AND DISCRIMINATORY LAWS ARE STILL DISCRIMINATING WOMEN IN ETHIOPIA<sup>64</sup>.

and discriminatory laws are still discriminating women in Ethiopia”<sup>59</sup>. Several indicators demonstrate the challenges of gender equality, with high levels of illiteracy (23 per cent), low education levels (22 per cent have



**Figure 12: Condominium housing of the Integrated Housing Development Programme.** © UN-HABITAT

#### *The Integrated Housing Development Programme*

The prominent current government approach to solving the low-income housing challenge is the Integrated Housing Development Programme (IHDP), initiated by the Ministry of Works and Urban Development (MWUD) in 2005. The Programme is a continuation of the 'Addis Ababa Grand Housing Programme' which supported the endeavours of the Ethiopian Government in their implementation of the 'Plan for Accelerated and Sustained Development to End Poverty' (PASDEP). The IHDP aims to:

- a) Increase housing supply for the low-income population
- b) Recognise existing urban slum areas and mitigate their expansion in the future
- c) Increase job opportunities for micro and small enterprises and unskilled labourers, which will in turn provide income for their families to afford their own housing
- d) Improve wealth creation and wealth distribution for the nation

#### **1.4 THE VISION OF THE INTEGRATED HOUSING DEVELOPMENT PROGRAMME**

The preceding sections have demonstrated the significant challenges facing the Ethiopian housing sector. Sustained high urbanization and population rates will put extra pressure on already failing and deteriorated urban infrastructure, services, and housing stock. The massive housing needs are unlikely to be met by the small-scale housing cooperative, government, and upgrading

approaches prevailing from the late 1970s until the mid 2000s, especially considering the high demand by the low-income sector of the population for affordable housing.

In response to this challenge, the Ethiopian government outlined an ambitious vision for low-income urban and housing development, formulated as the Integrated Housing Development Programme (IHDP), for all slums to be cleared within ten years time and for Ethiopia to be a middle-income country by 2025. In particular:

*'The IHDP envisages...the utilisation of housing as an instrument to promote urban development, create jobs, revitalise the local urban economy through MSE development, encourage saving and empower urban residents through property ownership, and develop the capacity of the domestic construction industry.'*<sup>68</sup>

The initial ambition set by the Government for the IHDP for 2006-2010 was<sup>69</sup>:

- a) To construct 400,000 housing units.
- b) To create 200,000 jobs and thereby contribute significantly to the national target of reducing urban unemployment by half.
- c) To promote the development of 10,000 small enterprises on a sustainable basis in the construction industry.
- d) To deliver 6,000 hectares of serviced land per annum for housing and other investments.
- e) To enhance and build the capacity of contractors, consultants, engineers and foremen as well as suppliers of construction materials.
- f) To support the private sector to produce 125,000 housing units per annum through the provision of land and infrastructure and a conducive legal and policy framework.

THE IHDP ENVISAGES THE UTILISATION OF HOUSING AS AN INSTRUMENT TO PROMOTE URBAN DEVELOPMENT, CREATE JOBS, REVITALISE THE LOCAL URBAN ECONOMY THROUGH MSE DEVELOPMENT, ENCOURAGE SAVING AND EMPOWER URBAN RESIDENTS THROUGH PROPERTY OWNERSHIP, AND DEVELOP THE CAPACITY OF THE DOMESTIC CONSTRUCTION INDUSTRY.<sup>71</sup>

The government aims to meet nearly half the housing needs and to support private sector to provide the other portion<sup>70</sup>. After further elaboration of the programme,

the target was 360,000 residential condominium units across a range of housing typologies (Table 2) and 9,000 commercial units.

Table 2: Planned Condominium Housing Unit construction, 2006-2010

	Studio	1 Bedroom	2 Bedroom	3 Bedroom	Total units
<b>Addis Ababa</b>	36,750	71,750	52,500	14,000	175,000
<b>Other regional states</b>	38,850	75,850	55,500	14,800	185,000
<b>Total</b>	75,600	147,600	108,000	28,800	360,000
<b>% distribution</b>	21%	41%	30%	8%	100%

Source: adapted from Dolicho, E. (2006) *Condominium, A New Housing Development Approach for Addressing the Low Income Housing Problem of Addis Ababa, Ethiopia (Final Report)*. ICHUD, IHS, June 2006, Rotterdam, The Netherlands.

**Figure 13: The colossal condominium site of Jemo I, II and III  
Jemo, Addis Ababa © UN-HABITAT / Katherine Hegab**



# THE INTEGRATED HOUSING DEVELOPMENT PROGRAMME

# 2

## 2.1 OVERVIEW, ORIGINS AND SIGNIFICANCE OF THE PROGRAMME

The Integrated Housing Development Programme (IHDP) is a government-led and financed housing provision programme for low-and middle-income households in Ethiopia. The programme was launched in 2004 (1996 in the Ethiopian calendar) by State Minister Oqubay Arkebe, then the Mayor of Addis Ababa.

Within the IHDP, specific projects are undertaken on either brown-field sites or slum areas that are cleared and residents re-housed. The common attribute of each project is the type of housing developed, condominium housing: multi-storied housing units for several households where communal areas are jointly owned and managed (see Boxed Text 1).

The IHDP has impressive targets. The mandate of the IHDP is to reduce slum areas in the city by 50 per cent and address and improve the unemployment percentage in the capital within five years, through the building of nearly 400,000 new units nationally. As of mid-2010, the government had built a total of 80,257 housing units in Addis Ababa (Table 3).

### *Origins*

State Minister Oqubay Arkebe was the driving force behind the programme during his time as Mayor of Addis Ababa between 2003 and 2005. His main goal was to build low-cost housing in Addis Ababa. He made a proposal to the German Technical Corporation (GTZ) office to which they responded by setting up an office in Addis Ababa and commencing the design of the pilot condominium housing project in the neighbourhood of Bole Gerji.

The pilot project consisted of 750 residential units along with office and commercial units. GTZ managed the project on behalf of the city government and the project was extremely successful in terms of cost and time. When the government suggested building upwards of 40,000 houses every year, GTZ declined to continue their direct involvement with project design and implementation, instead taking an advisory role. To achieve such ambitious targets, GTZ recommended that the government create a new office specifically for housing development, which they did in 2005 by establishing the Addis Ababa Housing Development Project Office (HDPO).

## CHAPTER TWO THE CONDOMINIUM HOUSING PROGRAMME IN ETHIOPIA

### CONTENTS

- 2.1 *Overview, origins and significance of the programme*
- 2.2 *Programme Design*
- 2.3 *Project Design*
- 2.4 *Case studies*

At the start of the programme, the Mayor created a steering committee, composed of the Bureau Heads of the Addis Ababa City Administration and representatives from GTZ and MH Engineering, an Ethiopian design and engineering consulting firm. Later, the Housing Development Project Office assumed full management of the programme and a Board of Governors containing all members of the former steering committee, except the GTZ representative, was created.

#### *Significance of the programme*

The Ethiopian Integrated Housing Development Programme is an ambitious programme that directly addresses the pressing low-income housing challenge. The programme is significant and worthy of documentation for four principal reasons.

#### **1. Large scale**

The programme is a large-scale approach to addressing the current housing deficit, the poor quality of the existing housing stock, and the future housing needs due to continued urbanization. Ethiopia is one of few countries in Africa that has recently implemented a programme at such an ambitious scale. The large scale contrasts the prevailing approach of small-scale project-based slum upgrading and housing cooperative schemes.

#### **2. Pro-poor**

The programme allows low- and middle-income households, who typically live in precarious housing situations to access improved housing. Through the construction of durable, fully-serviced housing units the programme greatly improves their living conditions, security of tenure, and access to basic services. Importantly, the programme has facilitated access to credit for the low-income sector of the population, through the Commercial Bank of Ethiopia, where previously there was very limited opportunity for low-income households to secure credit for improved housing.

#### **3. Slum prevention and access to homeownership**

The programme marks a radical departure from previous government-owned rental housing approaches to that of private homeownership. The programme highlights government and local authority commitment to addressing housing affordability for the low-income sector of the population and improving the living conditions of the low-income urban dwellers to meet the MDGs and reduce urban slum prevalence rates in Ethiopia.

#### **4. Integrated approach to housing and economic development**

The programme recognizes the opportunity for housing

to stimulate the economy, create employment, and improve the capacity of the construction and financial sectors. The adoption of cost-effective construction techniques and systems, notably pre-cast concrete elements, have reduced construction costs (by up to 30 per cent) compared with conventional systems, improved the speed of construction, and facilitated the development of small and medium enterprises to produce construction elements. Furthermore, effective quantity surveying and construction management systems have helped reduce construction costs and material wastage, resulting in a programme that is extremely cost-efficient.

#### **Box 1: Condominium housing: a broad definition of a housing typology**

Condominium housing is a name given to the form of housing tenure where each resident household owns their individual unit, but equally shares ownership and responsibility for the communal areas and facilities of the building, such as hallways, heating systems, and elevators. There is no individual ownership over plots of land. All of the land on a condominium site is owned by all homeowners.

Usually, the external maintenance of the roof and walls are undertaken by a Condominium Association that jointly represents ownership of the whole complex, employing strict management to ensure funding from each homeowner. This Association consists of representatives of all condominium residents who manage the site through a Board of Directors, elected by Association members.

A register of condominium units and common areas on site and any restrictions on their use is commonly established in a Master Deed which authorizes the Board of Directors to administer condominium affairs and assess owners on their performance of adequate maintenance. Rules of governance are usually covered in a separate set of Bylaws which generally govern the internal affairs of the condominium blocks. Bylaws usually establish the responsibilities of the Condominium Association; the voting procedure to be used at Association meetings; the qualifications, powers, and duties of the Board of Directors; the powers and duties of the officers; and the obligations of the owners with regards to assessments, maintenance, and use of their unit and common areas. A set of Rules and Regulations, providing specific details of restrictions and conduct, are established by the Board and are more readily amendable than the Declaration or Bylaws. Typical rules include mandatory maintenance fees (often a monthly collection), pet and livestock restrictions, and colour/design choices visible from the common areas of the buildings. ►



◀ The upkeep of walls and features inside a condominium unit is the sole responsibility of homeowners themselves. This area is defined as the area bounded by the walls of the building, allowing the homeowner to make some interior modifications without creating an impact on the common areas. These boundaries are specified by a legal declaration, filed with the local governing authority. Anything outside this boundary is held in an undivided ownership interest by a corporation established at the time of the condominium's creation.

Condominium unit owners can be permitted to rent out their home to tenants, although leasing rights may be subject to conditions or restrictions set forth in the original declaration, such as a rental cap on the total number of units a community can lease at any one time, or otherwise as permitted by local law.

The programme recognizes the opportunity for housing to stimulate the economy, create employment, and improve the capacity of the construction and financial sectors.

## 2.2 PROGRAMME DESIGN

This section outlines the structure of the Integrated Housing Development Programme. It covers institutional and legal frameworks, programme finance, and specific features common to all projects (such as housing unit typologies, commercial and communal unit provision, and construction costing).

### 2.2.1 Institutional Framework

The institutional framework is illustrated in Figure 14.

#### *Ministry of Works and Urban Development (MWUD)*

The Ministry of Works and Urban Development deals with the housing programme at large. The Ministry provides support and direction at national level whilst a Bureau of Works and Urban Development in each region has been set up to coordinate the specific needs of the area. Under the Housing Development Bureau in the MWUD there are four Directors: one to manage housing finance; one for the implementation mechanisms; one for capacity building and one for research and design.

#### *Addis Ababa City Administration*

The Addis Ababa City Administration is the managing agency for the IHDP in Addis Ababa. The office is responsible for the selection of new sites; the allocation of government resources; the extraction of funds from the city's budget to finance construction; the acquisition

of bonds from the Commercial Bank of Ethiopia (CBE) to pay for all other factors including the infrastructure costs and design-team costs; and the compensation of all households displaced by inner-city renewal. The City Administration created the Housing Development Project Office (HDPO) specifically to manage the implementation of the housing programme.

#### *The Housing Development Project Office (HDPO)*

The Housing Development Project Office was set up to ensure the successful delivery of the three main processes in the IHDP in Addis Ababa: the 'design', the 'construction', and the 'housing transfer and administration'. Ten sub-city branch offices of the HDPO were set up around the city to facilitate the construction of condominium units. In addition there are four Housing Transfer Offices each clustering several sub-cities.

#### *German Technical Corporation (GTZ)*

In 2003, GTZ investigated the technology of prefabricated building materials needed to implement a low-cost housing programme, through their bilateral programme. The last project they were involved in was handed over to the government in March 2010, marking the completion of their contract. Whilst the organisation was acting as an implementing body, they engaged a project manager to administer both the finance and construction aspects of the programme.

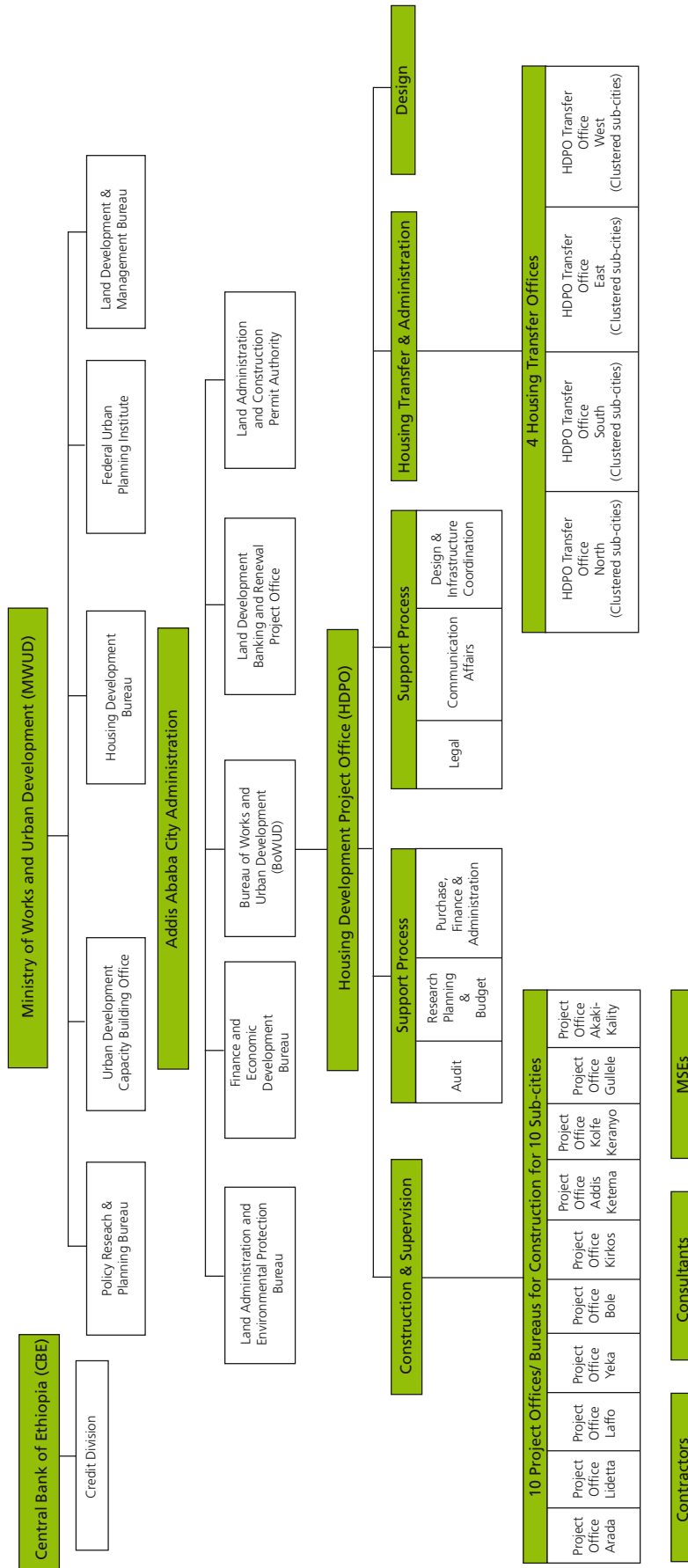
#### *MH Engineering (MHE)*

MH Engineering is a large Ethiopian architecture firm. The company, composed of 80 architects, civil engineers, structural engineers, electrical engineers, and quantity surveyors, was responsible for the concept design of the first condominium project in Ethiopia and a succession of 31 schemes thereafter, 13 of which were under the management of GTZ, and the remaining 18 under the management of the HDPO.

The firm's initial designs for cost-efficient condominiums in Addis Ababa stemmed from their collaboration with the Low-Cost Housing Project at GTZ, where they introduced the Cost-Efficient Methodology (LCH-MH system) of utilising pre-cast concrete elements in building design. MHE produced a manual that addressed the housing problems experienced by the country's low-income groups and offered their conceptual design solution as an open and accessible piece of work to be explored.

MH Engineering has provided supervision for new condominium projects, but has stepped back from their role as the lead design team so as to enable newly established companies to take on the responsibility.

Figure 14: Institutional framework (National {MWUD} and in Addis Ababa).



Through the firm's involvement in the programme, they have trained and certified 13 consultants on cost-efficient construction so far, and have contributed to the jury that decides on the designs for new condominium sites across the country, following government-released competitions. Mr. Haile, Managing Director of the MH Engineering, is on the Board of Directors for the IHDP, which has been set-up to discuss the design, cost, monitoring, construction, finance, technology, administration, and allocation of new condominium projects. The board is composed of 11 members and is chaired by the Mayor of Addis Ababa.

#### *Commercial Bank of Ethiopia (CBE)*

The Commercial Bank of Ethiopia is a government-owned bank, whose mandate is to provide finance for commercial purposes. In 2006, facilitated by the MWUD, the CBE agreed in Memorandums of Understanding with the five involved regional states and the city of Dire Dawa to purchase bonds in order to enable the regions to finance the implementation of the IHDP. The city of Addis Ababa, after exclusively using the city's own budget during the first years, also started selling bonds to the CBE to finance all factors of the programme, including construction costs. The Bank provides funding for the total cost of the programme's implementation in Addis Ababa and in the regions, and not on a site-by-site basis.

The Bank has also come to an agreement with the HDPO to provide a loan-service to all condominium beneficiaries, whereby the Bank pays 80 per cent of the unit price on behalf of the beneficiary at the handover of the property (the beneficiaries pay the 20 per cent down payment themselves) and the families enter into a loan-agreement with the CBE to pay back this amount subject to interest.

The Bank benefits from the programme by receiving a significant influx of clients without the need for advertising and, as only a small percentage of condominium beneficiaries (approximately 5 to 10 per cent) are able to pay the full 100 per cent of their payment at handover, the remaining enter into loan agreements with the bank.

As a result of this collaboration, the Bank has accumulated 36,933 new customers in Addis Ababa alone, and has handed out the total loan sum of ETB 1.7 billion (USD 130 million) which is charged at an annual interest rate of 8.5 per cent interest rate. The Bank has also provided loans to approximately 4,535 customers in the regional states, but has chosen not to continue their support in these regions in the future as demand is too low.

### 2.2.2 Legal frameworks

While the following list is not exhaustive, the key laws relating to the IHDP are:

Proclamation No. 172/2002 pertains to the lease holding of urban land, with all land in public ownership.

Proclamation No. 272/2003 stipulates that land is provided free of lease charge for low-cost housing developments.

Proclamation No. 370/2003, The Federal Condominium Proclamation, pertains to condominium housing. It defines condominium as "a building for residential or other purpose with five or more separately owned units and common elements, in a high rise or in a row of houses, and includes the land holding of the building"<sup>1</sup>.

Proclamation No. 19/2005 deals with beneficiary eligibility criteria and selection and penalties for non-compliance<sup>2</sup>.

Proclamation No. 455/2005 affirmed the basis and amounts of compensation for displacement and land expropriation. 90 days notice period must be given; compensation is to be paid at market value; relocation costs incurred must be met; and rental and ownership options must be provided at fair prices, in the same or nearby location.

Proclamation (number unknown) allowed the importation of cement as the lack of locally available cement caused major construction delays for condominium projects.

Regulation No. 15/2004 outlines the establishment of the Addis Ababa City Government Housing Development Project office and outlines its duties and responsibilities.

Regulation No. 12/2004 outlines the condominium regulations for Addis Ababa city, regulating further details to Proclamation No. 370/2003.

### 2.2.3 Programme Finance

#### *Government finance*

The Integrated Housing Development Programme is entirely financed by public resources. The programme was originally funded by the city government's own account. After three years, however, it became necessary to consider a new strategy. The new approach came in the



**Figure 15: Bole Summit, the last condominium site to be built on the periphery of the city. Addis Ababa. © UN-HABITAT**

form of the regional and city administration purchasing bonds from the Commercial Bank of Ethiopia, secured under a Bond Agreement and paying them back over five years. Presently, CBE is the only independent financial resource for the housing programme in Ethiopia and has so far provided ETB 3.2 billion (USD 246 million) in bonds to the government, receiving a return of ETB 2 billion (USD 153 million). Up to this date, the housing programme has not received any donor funding.

The IHDP is solely financed by CBE bonds and the city administration's own budget. The returns are used to pay back the bank bonds where once they were invested into new schemes. An agreement between the city administration and the CBE has ensured that the HDPO directly receives the bonds for the implementation of the programme, and as a result the HDPO has already borrowed ETB 3 billion (USD 230 million) in three separate phases.

A proportion of the Addis Ababa city budget is allocated to condominium building construction costs, labour costs, and infrastructure costs. (The infrastructure works include the water supply, the electricity, the roads and the drainage system). Within each project the relative weight of these are 60, 20 and 20 per cent respectively.

The federal government and the regional states have secured a Value Added Tax (VAT) tax exemption (15 per cent) on the import of all building materials and machinery for the IHDP and have allocated ETB 2

billion (USD 153 million) for the import of loaders, crushers and other machinery for the rapidly growing construction industry. This money is transferred directly to construction companies to allow them to purchase the machinery as and when they need it. The government has also guaranteed exemption from the lease payment for land up to 50m<sup>2</sup> per unit.

The construction cost of a condominium housing unit on the private market is estimated to be ETB 2,000/m<sup>2</sup> (USD 154/m<sup>2</sup>). The target cost on the pilot project, Bole Gerji, was ETB 800/m<sup>2</sup> (USD 61/m<sup>2</sup>) and the actual figure achieved was ETB 886/m<sup>2</sup> (USD 68/m<sup>2</sup>). 12 per cent of this reduction in construction costs was due to the type of technology used, and 38 per cent of this reduction was due to the management and level of internal finishes - in other words, the phasing strategies and the absence of floor tiles, the floor screed finish and absence of wall plaster all contributed towards increasing the affordability of the scheme.

In the long-term, the programme is structured to be 100 per cent cost-recoverable. Beneficiaries will eventually pay for the full construction cost of their condominiums and the land and infrastructure cost will be recovered through the sale of commercial units. Nevertheless, as will be discussed in Part Three, the question remains regarding whether or not the various financial methods the government uses to subsidise housing production in the IHDP is a cost-effective and sustainable method of procuring and financing affordable housing.

### *Beneficiary finance*

Condominium unit beneficiaries are required to make a down-payment out of their own savings to secure their unit. The down-payment percentage varies according to unit type. Beneficiaries enter into a contractual loan agreement with the CBE on the basis of monthly interest and principal repayments. Initially, interest rates for studio units were zero per cent and 2 per cent for 1-bedroom units (Table 3), but the system has been changed and includes annual interest rates of 8.5 per cent for all units.

The project finance structure aims to cross-subsidize the studio and one-bedroom units as a pricing strategy to increase affordability for low-income households. Studio and 1-bed units are sold lower than their individual construction costs and 2- and 3-bedroom units are sold higher than their individual construction costs. The subsidy percentages are: studio -30 per cent, 1-bed -10 per cent, 2-bed +5 per cent, and 3-bed +10 per cent of unit construction cost. Likewise, there is

intended to employ families for six months on the construction sites where they could earn ETB 2 a day (USD 15 cents) and save half of this to go towards the down-payment for a unit. Unfortunately, this programme feature did not eventuate.

The Addis Credit Savings Institution (AdCSI), established in 2000 and capitalized with ETB 517,000 (USD 39,000) in city funds, provides savings accounts and lending services to individuals, cooperatives, small businesses, and others. It has experienced an increase in housing lending as it offers down-payment loans to low-income beneficiaries of the IHDP<sup>3</sup>.

### 2.2.4 Location of projects

The IHDP was envisaged as a national housing programme to meet national housing demand. Accordingly, in 2006 a decision was taken to implement the IHDP in the nine semi-autonomous administrative

Table 3: Initial financial structure for beneficiaries according to unit type

Unit type	Down-payment	Interest rate	Grace period	Repayment period
Studio	10%	0%	6 months	20 years
1-Bed	10%	2%	3 months	10 years
2-Bed	30%	7.5%	-	15 years
3-Bed	30%	7.5%	-	10 years
Commercial	100%	-	-	-

Source: Based on data from: Haregewoin, Y. (2007) *Integrated Housing Development Programs for Urban Poverty Alleviation and Sustainable Development (The Case of Addis Ababa)*. Proceedings, European Network for Housing Research 2007: Sustainable Urban Areas. Rotterdam, 25-28 June 2007. p.13.

cross-subsidy from commercial to residential with the sale of commercial units financing the construction of infrastructure for each site.

No credit or income checks on potential beneficiaries are undertaken. The assumption is that if beneficiaries have the financial capacity to meet their mortgage obligations, they will do so. If not, they will rent out their unit and finance the mortgage through this income. The CBE refers outstanding mortgage repayments to the HDPO, who, depending on the grace period, in turn may replace the household with another household who has the ability to pay.

In an effort to improve affordability for low-income unemployed households, the programme originally

regions of Ethiopia. It was thought that this action would address the problem of migration from rural areas to the urban centres at the source, and potentially improve secondary cities, whilst acting “as a preventive measure against slum development”<sup>4</sup>.

Methodologies and guidelines were drawn from Addis Ababa’s experience of the programme, and adapted to suit the regions. As of mid-2010, the programme had built a total of 69,921 units in the regions of Ethiopia, of which 22,699 have been transferred. However, the IHDP has been suspended in the regions for a variety of reasons. The condominium blocks have been described as ‘an eye-sore’ in the smaller low-rise provincial towns and demand has been low due to considerably lower purchasing power in the regions than in Addis Ababa.

### 2.2.5 Consistent project specific features

Within the programme there are common elements across all individual condominium projects: the housing design typologies, the provision of commercial units and communal buildings, costing and quantity surveying systems, and building permits and land transfer agreements.

#### *Condominium housing typologies*

At the start of the IHDP, the Mayor of Addis Ababa at the time, Mr. Oqubay Arkebe, approached the architecture and engineering firm, MH Engineering, to call upon their assistance to draw up schemes for the first two phases of the programme. The firm quickly became the lead architect-and-engineering firm for the concept designs of 31 condominium projects.

Their design proposals were based on the logic that because the houses themselves could not be of such fine quality because of the low-cost nature of the project, ample outdoor green space had to be accommodated on-site to make residents feel proud of their surroundings and 'remove the stigma of housing for the poor'. They attempted to address the inevitable difficult cultural transition of some occupants in moving from low-rise buildings to high-rise buildings through providing a well-designed neighbourhood, provision of communal buildings, and a strong connection to land. Unfortunately, the demands placed on increasing the density of sites resulted in the modification of the original master plan and their design principles, specifically the

loss of the original clarity of the master plan objectives and a sizable percentage of outdoor green space.

Densification is the driving concept behind condominium housing. The IHDP believes that is generally more expensive to create lateral development than vertical development so high-rise housing should be encouraged, especially in valuable inner-city locations. IHDP projects range in density from 175 to 300 households per hectare<sup>6</sup>. At present condominium blocks are 'ground floor plus four storeys (G+4) in height, in some cases five storeys (G+5), therefore avoiding the need for a mechanical lift, which minimizes associated construction and maintenance costs. However, in the most recent condominium project, located in Addis Ababa's Lideta district, condominium blocks are ground floor plus seven storeys (G+7). Although this model requires an internal lift which increases construction and maintenance costs, the value of the centrally located land necessitates the higher density to maximise the use of the inner-city land on which it is located.

There are four unit typologies incorporated into each condominium block: a studio, 1-bedroom, 2-bedroom, and 3-bedroom unit types (Table 4). Each unit includes a bathroom, which includes a shower, flush-toilet, and basin, and a separate kitchen. Each unit has water, sewerage, and electricity connections.

Typically 40 per cent of units are 1-bedroom as statistics have shown that the balance between floor-area and purchasing price of a 1-bedroom unit is the most

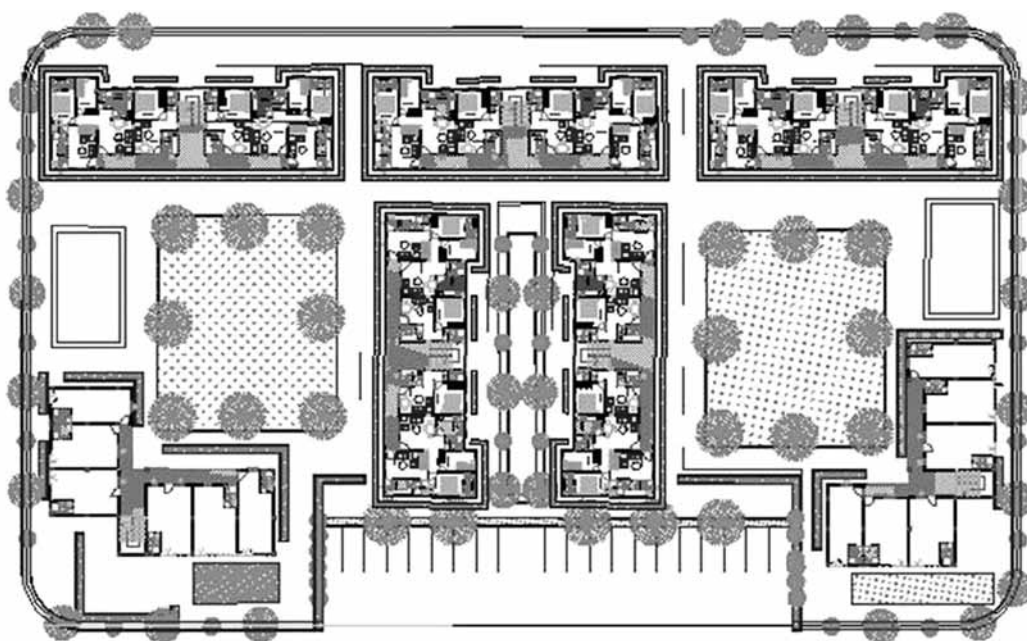


Figure 16: Project sites include unit blocks arranged around outdoor green space. Sengatera LDP 1

popular amongst condominium-applicants. The unit types are distributed evenly across each storey, rather than each storey having only one type to encourage a mix of income groups.

The same overall design strategy is used across all projects, although minor modifications are made to make each project site specific. The site layout of the condominium blocks, commercial units, and communal buildings depends on the specific site, responding to available land area, land topography, and required densities. The HDPO hires new architects through a competition system to avoid monotony between sites.

THE ARRANGEMENT OF THE SPACE ON A CONDOMINIUM SITE SHOULD ACCOMMODATE NOT ONLY GREEN AREAS BUT ALSO SCHOOLS, PLAYGROUNDS, AND COMMERCIAL HUBS – SPACES WHICH CAN PROVIDE ENOUGH REVENUE TO SUBSIDISE THE HOUSING. THIS WOULD CREATE A MIXED-USE NEIGHBOURHOOD WHICH SERVES ITS COMMUNITY AND, MOST IMPORTANTLY, AVOIDS DISPLACING PEOPLE SOCIALLY<sup>5</sup>.



Figure 17: Condominium models at the HDPO Headquarters.

The condominium blocks are constructed from a frame of reinforced concrete (a mix of in-situ and pre-cast) with masonry infill walls, plastered both inside and out. Units are handed to beneficiaries with skim concrete floors to reduce costs for the government. Windows and doors are made from metal frames with single glazing. The modular design reduces construction times and allows for the repetition and adaptation of designs across projects. The design utilises standard sizes of materials therefore reducing costs further (for instance standard

hollow brick dimensions are kept to remove the need for cutting them to size).

The Government also explored prefabricated walls fitted with PVC windows and doors, as used in a Chinese initiative and has utilised pre-cast concrete elements to promote cost efficiency and time-saving construction on-site to help to achieve the target construction time of between one and one-and-a-half years per condominium site. The housing programme was the first in Ethiopia

Table 4: Breakdown of unit typologies in each condominium block

Unit type	Floor area (m <sup>2</sup> )	Percentage in each block
Studio	<20	20
1-bed	20-30	40
2-bed	30-45	20
3-bed	>45	20



**Figure 18: Bole Summit under construction**  
Addis Ababa. © UN-HABITAT/ Katherine Hegab



**Figure 19: Finished condominiums in Mikililand**  
Mikililand, Addis Ababa © UN-HABITAT/ Katherine Hegab

to employ pre-cast concrete for beams, floor-slabs and in some designs, internal staircases. The blocks have a predicted lifespan of 100 years. The seismic capacity of the designs are tested and verified using a computerised earthquake simulation tool.

#### *Commercial units*

Ten per cent of each condominium site is allocated to commercial purposes, primarily small shops located at ground level but also plots of land for commercial use. The commercial units are sold, not rented, and the plots of land for commercial use are leased. These commercial units are small shops, restaurants, pharmacies, salons and music shops. Although there are no restrictions on commercial activities, the units are not appropriately sized for large-scale industrial enterprises and therefore can only accommodate small businesses which do not require special spaces or service provision.

The provision of commercial units aims to ensure mixed-use occupation of condominium sites, which have several benefits over purely residential developments. With as many as 10,000 households living on one condominium site (e.g. Jemo site), the commercial units capture important revenue from these residents as well as offering the convenience for residents to shop locally, reducing travel distances to obtain their shopping, for instance foodstuffs and related weekly necessities. Likewise, the food outlets and bars that occupy many commercial units provide an array of social spaces in which people can meet. Another key reason for the inclusion of commercial units was their ability to

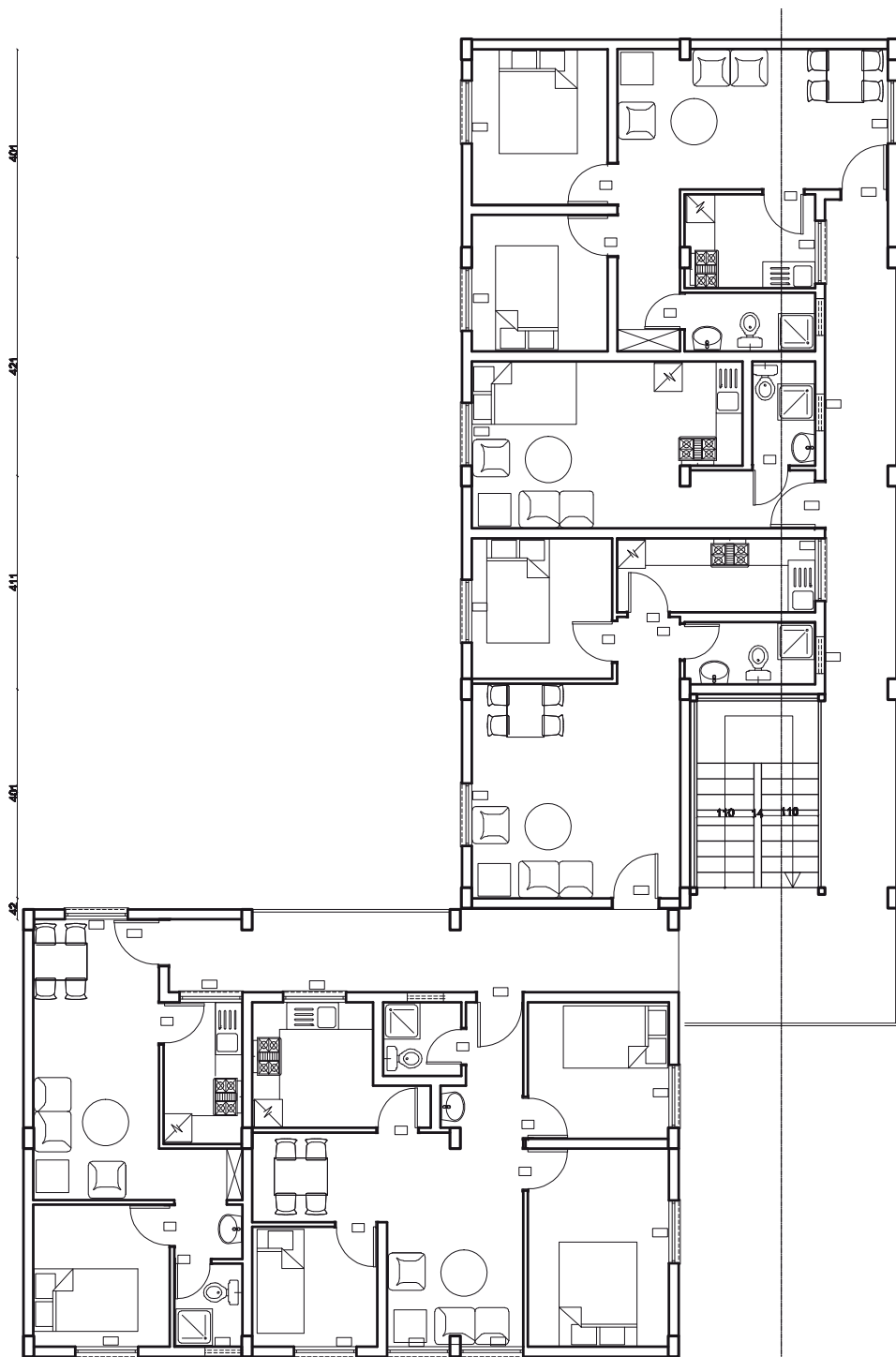
encourage activity on site at all times of the day and night, and therefore increase security and decrease the chances of unsociable activity, such as burglary, as people are continuously moving around buildings. Furthermore, as already noted, the commercial units are beneficial as they reduce the purchase price of condominium units for beneficiaries through cross-subsidisation between commercial units and housing units.

Both commercial units and land leases for plots of land for commercial use are sold by auction. These land-lease auctions happen every 15 days and momentum and interest in the plots is heightened by regular marketing on the television and radio. Prospective purchasers visit the site and can then bid at the auction. Once the auction winners are decided, they sign an agreement with the City Administration to confirm the terms of payment for the site and follow all legal procedures. The winners of the land development auctions are permitted a land-use right of 99 years.

#### *Communal buildings*

The provision of communal buildings to condominium sites was an attempt to respond to the cultural needs of residents. The function of the communal buildings is to provide a protected space for residents to perform traditional tasks such as slaughtering goats, hand-washing laundry, and cooking extensive meals: activities the housing units themselves cannot accommodate. They are typically freestanding masonry buildings located in the open courtyards created by the condominium blocks.





**TYPICAL FLOOR PLAN** 99-1:30

scale bar 5 m



Figure 20. Condominium Block Typical Floor Plan, SNNPR. MH Engineering

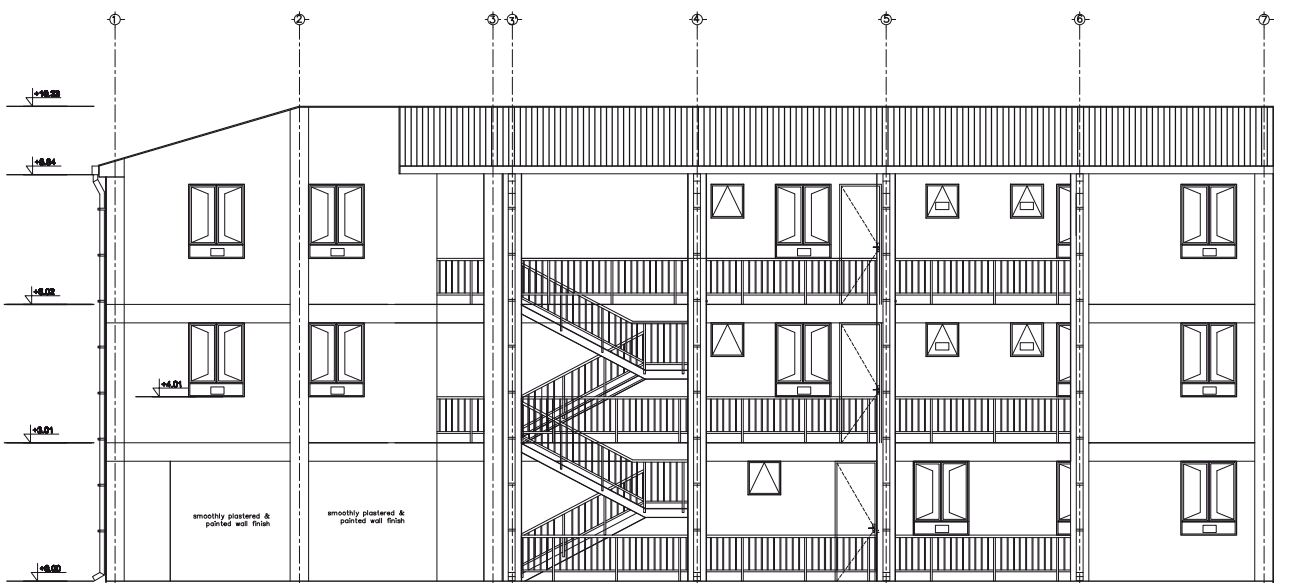


Figure 21. Condominium Block Elevation, SNNPR. MH Engineering

Although the provision of communal units is well intentioned, the post-occupation management of the communal buildings has proven problematic and there remains no overall coherent programme approach. Initially, the price of the communal buildings was not included in the unit purchase price, which has created accessibility and use problems as will be discussed in

THE PROVISION OF COMMERCIAL UNITS AIMS TO ENSURE MIXED-USE OCCUPATION OF CONDOMINIUM SITES, WHICH HAVE SEVERAL BENEFITS OVER PURELY RESIDENTIAL DEVELOPMENTS.

Part Three. At present, however, the cost of communal buildings is included in the unit purchase price, as evidenced in Gotera and Gofa sites. Unfortunately, on some project sites communal building provision has ceased in an effort to reduce construction costs.

Resident demand for communal buildings is high. On sites containing too few communal buildings, the residents themselves have started to construct them, even though this practice is forbidden by the government and it is likely these buildings will eventually be demolished.

A number of residents' associations have since bought their communal buildings from the Government. In Arada region alone, 23 communal buildings have been sold to Housing Associations composed of condominium residents.

#### *Costing, quantity surveying and construction*

The programme has tight costing and quantity surveying mechanisms that aim to minimize construction costs. The MWUD are responsible for purchasing all construction materials, in bulk and therefore at low prices. Contractors are engaged on fixed-cost contracts, which reduce the burden of soliciting for, receiving, and choosing tenders for each job. The material requirements for each condominium block are calculated and the exact material quantities are given to contractors. This centralized system minimizes wastage, helps to keep records for material supplies and distribution, and enables any surplus materials to be used on other sites. These mechanisms give greater certainty of the final cost of construction.

#### *Infrastructure provision and servicing*

The city administration coordinates and finances the construction of infrastructure and services. Infrastructure elements include the roads, car parks, footpaths and grass areas and services are water, electricity, and mains-sewerage connection for each unit.



**Figure 22. Condominium sites include commercial units at ground level in an effort to create mixed-use environments. Mikililand condominium site, Addis Ababa.** © UN-HABITAT / Katherine Hegab

On early project sites, for instance Bole Gerji, roads were the final element to be built so as to reduce damage to them by heavy machinery during condominium block construction. However, this created major delays in project completion and now infrastructure is planned and implemented much earlier in the construction phase, concurrent with condominium block construction. Furthermore, electricity and water companies delay projects with their disorganisation and limited resources which are unable to deal with the large-scale city-wide demands. One major infrastructure challenge facing the programme is the inadequate and small-scope of the Addis Ababa sewerage system. The horizontal expansion of Addis Ababa, particularly along the south-west and north-east regions of the city, has increased the cost of infrastructure provision and services on sites located in these locations. These increased costs have placed strain on the financial viability of these individual condominium projects.

Once the units are occupied residents pay for their water and electricity services.

They enter into a contract with the service providers and should they fail to keep on top of payments water and electricity can be cut off.

The post-occupancy maintenance of private and communal areas is the responsibility of the residents,

THE PROVISION OF COMMUNAL BUILDINGS TO CONDOMINIUM SITES WAS AN ATTEMPT TO RESPOND TO THE CULTURAL NEEDS OF RESIDENTS. THE FUNCTION OF THE COMMUNAL BUILDINGS IS TO PROVIDE A PROTECTED SPACE FOR RESIDENTS TO PERFORM TRADITIONAL TASKS SUCH AS SLAUGHTERING GOATS, HAND-WASHING LAUNDRY, AND COOKING EXTENSIVE MEALS: ACTIVITIES THE HOUSING UNITS THEMSELVES CANNOT ACCOMMODATE.

who are responsible for maintaining service fittings (toilets, showers, basins) within their units. To this end, a written information guide has been produced by the city administration department for condominium residents outlining how to undertake simple maintenance on fixtures (such as sink drains)<sup>7</sup>. The government takes no responsibility for the maintenance of the units once they are occupied. In some projects, residents contribute a set amount of money to a kitty each month to cover the pay





**Figure 23. A communal unit in Bole Summit, Addis Ababa.**  
© UN-HABITAT/ Katherine Hegab

of a caretaker but in other projects no-one maintains the communal areas.

#### *Target beneficiaries and unit allocation*

The different unit sizes were envisaged to suit households of differing income levels. Table 5 outlines the *initial* (in 2006) unit costs and target beneficiaries (according to their income). The studio unit was targeted at the lowest income group, with an average monthly income of ETB 300 (USD 23) (Table 5).

Because demand for housing units far exceeds supply, housing units are allocated through a computer-based lottery system. Lottery registration forms are distributed at public locations within Addis Ababa, HDPO sub-offices in the sub-cities of the capital. Once applicants collect these forms and fill them out, they return the forms to the HDPO for input into a database specifically designed to receive and organise lottery entrants.

When registering for the lottery, applicants choose which condominium site, Sub-city and unit type they prefer.

30 per cent of units are allocated to women. There are no special provisions for the elderly or disabled, although if their name is drawn in the lottery they have first choice in choosing a ground floor condominium. Presently, there is no income verification system in place, but lottery entrants must be able to prove that they have lived in Addis for at least 6 months (decreased from the 2 year period initially set) and that they do not presently own property. In 2005, 453,000 applicants registered to be entered into the lottery draw for the chance of receiving a condominium unit.

The lottery takes place in a public meeting space and attendance is open to anyone who is interested. Admittance is open and free. First, the 30 per cent quota is drawn for women, then the remaining 70 per cent for men and women together. Extra numbers are drawn to compose a waiting list, as inevitably previously allocated units become available because beneficiaries who cannot afford the down-payment drop out.

The lottery system was implemented following criticism of the allocation of the first condominium project, in which certain groups were seen to be favoured rather than the low-income target population. The programme restricts the resale of condominium units, with beneficiaries not allowed to re-sell their condominium for five years from the date of taking over the property. The programme places special emphasis on minimizing disruption to residents affected by condominium development. The programme makes provision for those who have had to leave their former home for condominium development and there is a dedicated office in the City Administration who deals specifically with relocation. People living in sites that are to be re-developed are given the option to acquire a condominium house in the same location. They are not put through the lottery process but get allocated a condo automatically provided they can afford the down payment. Furthermore, it is written in law that those

Table 5: Unit type and beneficiary income level

Unit type	Monthly income in ETB (USD)	Average price (m2) in ETB (USD)	Selling price in ETB (USD)
Studio	300 (23)	800 (62)	16,000 (1,230)
1 Bedroom	600 (46)	900 (69)	18-27,000 (1,380-2,070)
2 Bedroom	1,200 (92)	1,100 (85)	33-50,000 (2,530-16,660)
3 bedroom	1,800 (138)	1,200 (92)	>50,000 (16,660)

Source: Haregewoin, Y. (2007) *Integrated Housing Development Programs for Urban Poverty Alleviation and Sustainable Development (The Case of Addis Ababa)*. Proceedings, European Network for Housing Research 2007: Sustainable Urban Areas. Rotterdam, 25-28 June 2007. p.13.

currently living in an inner-city area will be given a condominium still within the inner-city.

## 2.3 PROJECT DESIGN

Having outlined the programme as a whole, this section presents the specific aspects of the individual projects. After giving an overview of the projects undertaken to date, this section demonstrates the process from initial site selection to occupation for each project.

### 2.3.1 An overview of projects

Figure 24 illustrates the national distribution of IHDP projects. By far the majority of projects have been undertaken in Addis Ababa. To date there have been a total of 78,000 units built in Addis Ababa, located across more than 100 project sites. In Addis Ababa projects range in size, from small ones in the sub-city of Akaki that have under 300 units<sup>8</sup>, to the largest one on Jemo site, which is split into three zones, Jemo I, Jemo II and Jemo III, with a combined total of over 10,000 units. The next largest city, Dire Dawa, has only had 2,838 units built.

The first era of the Integrated Housing Development Programme is yet to be finished - 30,000 housing units are still to be transferred and by the end of 2010, another 30,000 units are intended to be completed. Plans have been made to prolong the condominium development in Ethiopia for another five years, starting with the newly selected condominium site of Basha Wolde Chilot area in Arada District.

### 2.3.2 Project design and implementation

Each condominium project follows a similar process. A generalised overview of project design and implementation steps for projects in Addis Ababa is provided below. The length of time each stage takes varies greatly across condominium sites.

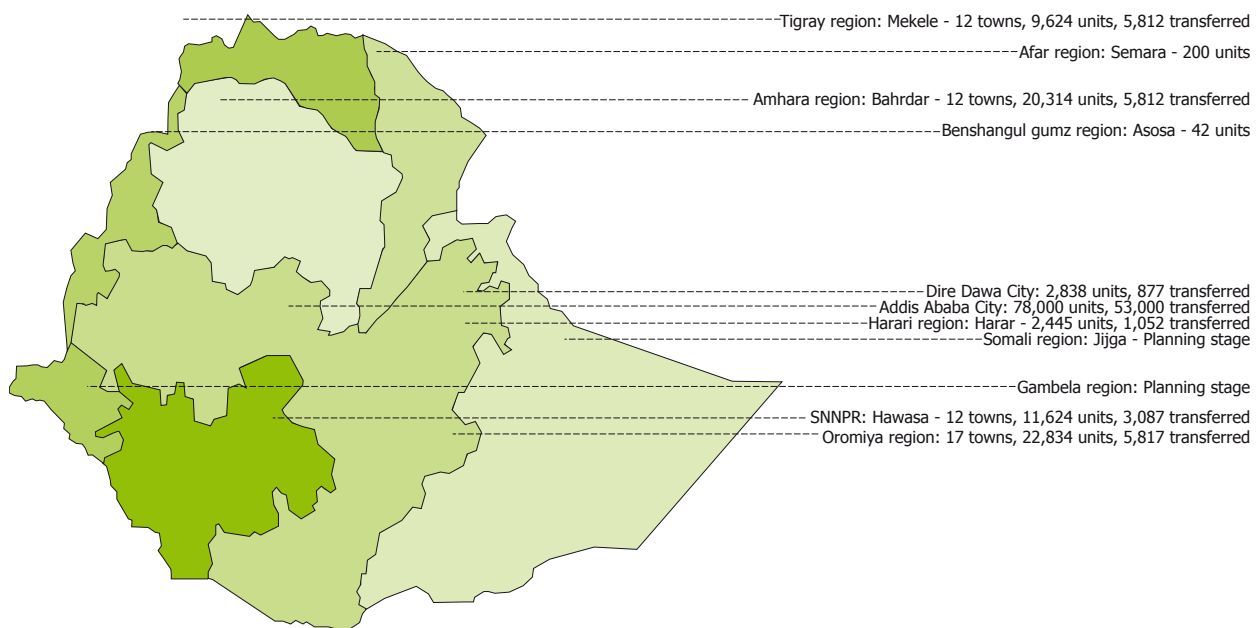
1. Addis Ababa City Administration selects and surveys potential site
2. Request for approval put forward to the Land Board
3. Apply for Government bonds from CBE
4. HDPO competition released for site masterplan
5. Shortlisted entrants develop design
6. Presentation of designs to stakeholders with a winner selected

7. Design amendments made by HDPO
8. Construction contractor vacancies released
9. HDPO hires contractors and sub-contractors
10. Condominium construction commences (first construction of houses, then infrastructure)
11. When construction is 80 per cent complete, lottery registration opens
12. Lottery draw and results dissemination
13. Winners have one month to claim condo/ complete Form 03.
14. They then pay down payment to CBE and sign General Agreement with HDPO
15. General Agreement sent to CBE and Land Authority
16. Construction complete
17. Keys given to beneficiaries.

#### *Site selection*

Initial site investigations are based on the 1997 Addis Ababa master plan, where potential sites are considered in terms of providing suitable settings for the construction of new buildings and analysis of the existing green- and brown-field sites. Consultants are hired to conduct a series of detailed studies on the area including the carrying capacity of the site; the local environmental aspects; the existing water supply and access roads; any existing pollutants and their potential relocation; the community's desire for condominiums; and the physical and economic frameworks that exist. Consultants also look at the impact a large-scale residential development would have on the existing social structure of the area. If the studies conclude the site is suitable for condominium development, a request is forwarded to the Land Board, headed by the Mayor of Addis Ababa, to secure the land for a condominium project.

Despite one of the IHDP's main objectives being to carry out slum upgrading, so far the implementation of the programme in Addis Ababa as much as possible has been carried out in open spaces or on grounds up-to-then reserved for purposes other than housing. The major reason for this approach has been to avoid the social costs of slum clearance inflicted on residents. Nonetheless, inner city redevelopment is a necessity and, Bole Summit, nearing completion, will be the last of the peripheral condominium projects built. One of the limits the Government has enforced is to restrict all house-building under the new policy to within the existing city boundary. The purpose is to apply compact city urban planning to reduce the financial strain of the building of infrastructure; and with infrastructure costs remaining high in Addis Ababa, with sewerage system currently only covering 3 percent of the city's area, this would not be something to encourage.



**Figure 24: National distribution of condominium projects across the nine regional states of Ethiopia.**

#### *Preliminary site and housing unit design*

The HDPO opens a competition to design the master plan for the site. Although the housing block designs are largely set (in terms of unit types, number of storeys, etc) the competition is for the site design, the layout of the blocks, communal buildings, and open spaces on the site. Entrants are short-listed and then develop the design. The schemes are presented to a review group including private consultant and government architects and amendments are made based on their comments. In Addis Ababa final design changes are made in the HDPO, but the organisation of the construction process happens in the ten HDPO sub-branches located in the sub-cities of Addis Ababa.

#### *Land clearance, compensation, temporary resettlement*

On green- and brown-field sites compensation and resettlement is not an issue. If the proposed development site is occupied by kebele housing, the project aims to undertake wide and open consultation with existing residents on plans for condominium development. Households that are to be relocated to make way for condominium development are either: resettled (in another kebele), compensated, or they get first option for a new condominium unit on this site. If they are to buy a condominium unit on the same site they are given temporary accommodation in makeshift timber and iron sheds in another location while the condominium blocks are built.

#### *Construction contractor engagement*

In order to be contracted for work on condominium projects, construction companies must register with the Ministry of Works and Urban Development. There are controls on which companies can work. Construction companies are graded in terms of their experience: Grade 6 is the highest and indicated significant experience. To secure a condominium block contract the minimum is Grade 5. The previous requirement that contractors

HOUSEHOLDS THAT ARE TO BE RELOCATED TO MAKE WAY FOR CONDOMINIUM DEVELOPMENT ARE EITHER: RESETTLED (IN ANOTHER KEBELE), COMPENSATED, OR THEY GET FIRST OPTION FOR A NEW CONDOMINIUM UNIT ON THIS SITE.

had to have 12 years experience was inhibiting and was therefore reduced to four years. Engineers need three years experience to be contracted for IHDP work.

Construction contractors are specifically hired to build the structure of each block. The task of fitting out the buildings, including the plumbing and electricity works and the application of finishes, is given to sub-contractors



**Figure 25: Lideta site being cleared.**  
© UN-HABITAT/ Katherine Hegab



**Figure 26: Construction of Bole Summit, Addis Ababa.**  
© UN-HABITAT/ Katherine Hegab

consisting of Micro and Small Enterprises (MSE). This sub-contracting of smaller tasks is done in an effort to enable the capacity and development of MSEs, to keep a tighter control on costs, and increase competition that aims to improve construction quality. Consultants are hired to oversee construction and maintain construction quality.

The HDPO acts as the project manager of each project. It allocates portions of each project to individual contractors. The selected contractors visit the HDPO to analyse the specifications and decide whether they will accept the fixed-cost for the job offered to them by the Government. Once the HDPO and the contractors come to an agreement on the fixed price of the project and a bill of quantities, the contractor's final step is to provide the HDPO with written confirmation of their agreement.

Differently graded contractors are allocated the construction of different percentages of the housing blocks on-site. Grade 6 contractors are often given only two blocks; Grade 5 contractors are given three blocks; and Grade 4 contractors are given four blocks.

#### *Construction stage*

A central feature of the projects is the centrally sourced and distributed building materials. The Ministry purchases all materials (cement, reinforcing bar, electricity and sanitation equipment, etc.) in bulk in an effort to reduce the cost and control quality. This means that there is less risk for contractors of material cost overruns. Construction quality is monitored by consultants, who conduct on-site checks. New contractors can be hired if quality levels slacken.

#### *Unit allocation and transfer*

When construction work is 80 percent complete, registration for the lottery opens and the lottery is conducted, as per the process described above. Results are published on the internet, in newspapers and on kebele information boards.

When beneficiaries come forward, they must sign 'Form 03' at the branch Housing Transfer and Administration Office as a form of contract with the office for the first stage of the transfer. Depending on whether or not they decide to take advantage of the bank loan available to them, they must take this form to the Commercial Bank of Ethiopia to make their claim. This form presents the bank with proof that a contract has been made between the beneficiary and the HDPO following successful selection from the lottery, and calls for the family's payment of the 20 percent down-payment. Once paid, the bank issues the family with a receipt which they must deliver to the HDPO along with Form 03 to initiate the signing of the title deed.

The HDPO presents the General Agreement to the beneficiary and following their signing of this document it is dispatched to the land administration and sent to the Bank. Beneficiaries must also pay ETB 200 (USD 15) for land administration charges and a 1.03 per cent charge for stamp tax of the total amount of their loan. Commercial Bank of Ethiopia signs the loan agreement between themselves and their customer and this form is sent to the sub-city office where the house keys can then be issued. In many cases, residents move into their condominium blocks before construction finishing work is completed to prevent the theft of facilities.

## Box 2: Dallol General Construction

The small enterprise of Dallol General Construction was established in 2007, through the government-led Micro and Small Enterprise Development Programme. Having seen an advertisement in the local newspaper for a condominium sub-contractor, and being granted a loan from the Credit and Savings Bank and Micro Finance Institution of the Government<sup>9</sup>, the company applied to the HDPO for the advertised position. They were subsequently contracted to build the external staircases of all buildings on one a condominium site. Once the company's capital exceeded the ETB half-million (USD 38,400) cap put on the Government's MSE Development Programme, they found themselves in a position to operate on the more competitive market of the private sector building industry without the need for Government support.

## Box 3: Misrak Chora General Construction

Misrak Chora General Construction was another company to have benefited from the MSE scheme. They started off as 12 graduates from the technical and vocational training colleges of Addis Ababa with the common goal of creating a successful construction business. In 2005, the enterprise joined the MSE Development Programme and established links with the HDPO and the IHDP. The company was hired to partake in a number of condominium construction sites and "as a result, received technical training and fully-serviced free-land."<sup>10</sup> The company received so much work that they had to employ a further 20 full-time staff members and 40 daily labourers and though they started with only ETB 1,000 (USD 76) to invest into simple tools, they have now accumulated a capital of ETB 2 million (USD 153,000) which has afforded them sophisticated construction machinery. They also benefited from the Government's tax-free allocation of imported dump-trucks to strengthen the construction industry by submitting an application to the MWUD and receiving two trucks in return. One daily labourer working for Misrak Chora says that being employed has given him the opportunity to move out and become independent<sup>11</sup>. This gentleman earns ETB 19 (USD 1.4) per day working as a daily labourer and a small amount by night working as a security guard so that he may earn his monthly salary of ETB 300 (USD 23). These wages are simply too small to create any comfortable lifestyle or room for investment, and demonstrate that there are still crucial gaps in the employment sector that need to be addressed.

### *Post-occupancy stage*

Once residents move in, the project is deemed complete. As many post-occupancy issues have arisen, however, two written guides have been prepared by the HDPO to help residents adjust to life in condominium housing. The first guide is the code of conduct; the second outlines how to carry out basic maintenance on the units. Apart from this, there is no government monitoring and evaluation of the projects.

Rubbish collection is organized as door to door collection. Pre-collectors are usually youth cooperatives or MSE which are paid by the Kebele administration. They carry the rubbish to collection point in the neighborhood, usually big open containers. The containers are collected by trucks and transported to the landfill site. The costs are paid by the unit owners together with the water bill. On some sites, however, rubbish collection has not been organized, which creates problems for the ongoing hygiene and appearance of condominium sites.



**Figure 27: Quality checks on building materials are crucial to ensure a high-quality result. Lideta, Addis Ababa.** © UN-HABITAT/ Katherine Hegab



**Figure 28: Workman applying plaster to the first-storey of a condominium block. Bole Summit, Addis Ababa.** © UN-HABITAT/ Katherine Hegab



## 2.4 CASE STUDIES

Two case studies are presented here to give a descriptive overview of how the IHDP projects are implemented. They are from different points in time and therefore different stages in the IHDP: Bole Gerji was a relatively small pilot project on a brown-field site and led by GTZ and Lideta was an inner-city upgrading project that was the first project to use a ground floor plus seven storeys (G+7) condominium typology.

### *Bole Gerji – the condominium pilot project*

Bole Gerji in Addis Ababa was the first condominium project to be constructed in Ethiopia. It was initiated by GTZ and the Addis Ababa City Administration in 2002, following a request from the Mayor. The first master plan for the design of the project was drawn by renowned architect Fasil Giorgis and accommodated 750 housing units, composed of studios, 1 and 2-bedroom typologies; an office building and several commercial units. The scheme was the first major building project in Addis Ababa to introduce sub-contractors which, in turn, avoided the formation of stack-profits. During its launch



**Figure 29: Lottery winners are announced around the city HDPO Headquarters, Addis Ababa.** © UN-HABITAT/ Katherine Hegab

in 2004, GTZ was the managing agent for the Bole Gerji site working on behalf of the City Government in their hiring of contractors and daily labourers, who were directly employed by GTZ.

As the project was the first of its kind in Ethiopia, it received considerable support for its construction and major work was completed in a stint of eight months, although some elements remained unfinished. Government agencies had been responsible for the delivery of the water supply and electricity so as to reduce costs further, but these bodies proved to be inefficient. External plastering was not carried out before it was time



**Figure 30: Accumulated rubbish adjacent to condominium buildings Mikililand condominium site, Addis Ababa.** © UN-HABITAT/ Katherine Hegab

for residents to move in and, as a result, the exposed walls suffered from weathering. Internal walls within each unit remained absent of plaster to keep costs to a minimum, so people undertook the role of plastering the internal surfaces themselves. Unfortunately, they followed this by pouring the plaster residue onto the GTZ-landscaping and killing many of the flowers.

Since the condominiums were transferred, they have been criticised for their substandard quality and lack of synchronisation between separate construction events at the time of their erection. However, the government say they have learned from their mistakes at Bole Gerji and amongst their new moves, they have made it a requirement to plaster all houses both internally and externally on future project sites. As this was the Pilot Project, the lottery draw system of condominium allocation had not been established and most units were not distributed at random; instead they were given to Government employees already living in Gerji, and businessmen, architects and lawyers.

Community groups have been self-formed and between themselves, residents plastered and painted their communal parts, planted new pockets of landscaping and organised the security gate separating the site from the main road.

### *Lideta – the first inner-city relocation project in Addis Ababa*

One of the challenges faced by the programme regarding the introduction of new condominium developments to Addis Ababa has been in the scarcity of empty land. Once all of the Government-owned brown-field sites in

the inner city were developed and the periphery of the capital had been exploited, the city government decided to focus their efforts on the existing city of Addis Ababa. They began a dialogue to redevelop pockets of the city's informal settlements and the Lideta area is the first of five occupied sites to be re-developed by the programme. It is, therefore, a pilot project for inner city redevelopment based on the resettlement of a significant proportion of the population. Like much of the city, Lideta did not contain any formal sewage system or latrines as it was primarily an unplanned, densely populated settlement.

The 26 hectare site of Lideta contained 1,070 existing households and up to 6,000 people living within them. Between them, these families inhabited 932 Kebele houses, 323 privately-owned houses and 55 housing administration houses. There were also 11 existing government and religious buildings on site, including a protestant church, which had to be relocated, although it was possible to maintain Lideta School on-site. On such a central site as Lideta it was deemed important to maximize the value of the land and therefore condominium blocks had to be at least 7-storeys high.

The Local Development Plan for Lideta was launched on 6 May 2009 and proposed the following site allocation: 1 ha of land was specifically allocated to green space for residents; 2 ha of land were assigned for social services; 3 ha of land were provided for allocation to private homeowners whose houses had to be demolished; an area of 5 ha was designated to multi-use facilities; 2 ha were designated to the building of infrastructure; 4 ha were set aside for commercial purposes; and 8 ha were allocated to condominium development.

An assembly took place in March 2009, to give the government the opportunity to meet the community of Lideta and inform them of their plans to redevelop the site, explaining what was going to happen and how it was going to be achieved. They also used the occasion to ask current residents to leave their homes in Lideta in exchange for a government-provided residence or plot of land elsewhere. Lideta residents interviewed by UN-HABITAT said that government representatives carried out five rounds of consultations with residents of Lideta over a period of four months to overcome resistance to their plans, although according to State Minister Arkebe, the consultation process between Lideta residents and Government representatives took almost two years to convince those living on-site of the benefits that were to come. He declared that “*no upgrading programme can be done without the consensus of the community. Participation of the community should be the basis of slum upgrading.*”

To gain the support of the existing community, the city administration had to propose a number of incentives which they presented to residents:

*Option A: Kebele tenants receive condominium units in Lideta or elsewhere*

Those living in Kebele housing were offered a new condominium by the government if they could afford the 20 percent down-payment. 47 percent of Kebele occupants made the choice to be relocated to a two-bedroom condominium elsewhere despite the struggle they anticipated in affording their monthly payments. To help these families with their potential financial burden, the government gave Kebele residents the opportunity to pay the 20 percent down payment in three stages.

Moreover, the Government approached an NGO called the Network of Ethiopian Women's Association to request the provision of some form of financial support for 200 women-headed-households of Lideta who could not afford to pay the down-payment for a condominium. Through fundraising, the NGO secured ETB 800,000 (USD 61,500) for the 200 women, where ETB 300,000 (USD 23,000) was used for the down-payment of studios for each woman and the remaining ETB 500,000 (USD 38,500) was used as a start-up capital to help the women set up their own businesses and small-scale enterprises. The women were given training in skills they could use to gain employment in the future, such as brick-making and bread-making, and the products manufactured from this training were sold back to the construction companies working on Lideta to generate money to pay back to the NGO for the loan. The women were also organised into a cooperative to ensure the fair distribution of funds between themselves. This has been the only intervention by an NGO so far for Lideta.

The city government also agreed to pay one year's rent for each household that agreed to temporarily move outside of Lideta, during the construction of Lideta's condominiums, as there would be a condominium property available in Lideta for each of these households thereafter. According to Mr. Tsegaye, “it is written in law that those currently living in inner city areas will be given a condominium still within the city,” should they be asked to move for condominium development.

In fact, out of the 650 households who were happy to accept condominium units elsewhere, only 11 have chosen to move back to Lideta, once construction is completed.

*Option B: Kebele tenants are allocated other Kebele units within the same district*

420 households could not afford to purchase a condominium unit and have chosen to accept another Kebele house within the same district. The vacant Kebeles offered to such families are assessed in advance by a technical committee within the HDPO to decide whether or not they are in habitable condition. If they are not, they will not be selected for the resettlement of households displaced by condominium construction. However, if they are, the houses are registered and reported back to the Kebele Administration so that they can be allocated to affected households. A separate lottery draw takes place for the households opting to be re-housed to another Kebele. If selected, a household can inspect the condition of the Kebele house and depending on its condition, can claim for refurbishment expenses or wait for another kebele unit to become available should they decide that it is not in an adequate condition. If they are happy with the conditions of their new Kebele, the head of household signs a rental agreement with the Kebele Administration.

*Option C: Owners of private houses receive compensation and an alternative plot*

For households living in privately-owned houses, the Administration offered to pay compensation equivalent to the value of their residence at the time of its construction. Residents are also given the option to access a free plot of land equal to the size they occupied in Lideta in an area within Nefas Silk, Lafto, Akaki Kality, Bole or Kolfe.

The problem with the current federal law for homeowners displaced by condominium projects lies in the decision as to whether or not they own the property in which they are living. The majority of housing in Addis Ababa does not have a title deed as the plot size of 50 percent of privately-owned houses is below 75m<sup>2</sup>. The government offered these households a new plot of land greater than 75m<sup>2</sup> to enable them to obtain a title deed and gain legal ownership of their land. 44 privately-owned households opted for a condominium rather than taking the plot of land.

*The relocation/resettlement process and the new scheme for Lideta*

The five consultation meetings between residents of Lideta and the Kebele Administration were attended by almost all Kebele residents, and during each meeting the Administration called out the names of more than 400 residents who had been drawn from Lideta's own housing lottery to receive the next set of available condominiums.

Beneficiary representatives drafted a Memorandum of Understanding with the Administration and once approved by both parties, it was signed to commence Lideta's renewal, starting with a 45-day window in which residents had to leave their homes.

Within this period, residents filled in a series of forms to indicate their preference regarding their compensation, whether it be in the form of a new condominium or the allocation of a plot of land with compensation.

A total of 780 households from Lideta moved to Gotera site and Gofa and many others moved to the new suburb of Nefas Silk.

The new scheme for Lideta is a mixed-use residential development. It encompasses 25 per cent of land for private investors, which has been sold through the land-lease auction at prices that will further subsidise the affordable housing on-site: Awash International Bank will lease 2,800m<sup>2</sup> of land; Dashen Bank will lease 2,696m<sup>2</sup>; Zefran Plc will lease 987m<sup>2</sup>; and Dure Abbas Mohammed Plc will lease 149m<sup>2</sup> of land. The fifth lease holder, who has been kept anonymous, is to occupy 2,333m<sup>2</sup> of land with a 4-star hotel. All companies have been given the minimum requirement to build structures of at least 4-storeys.

The proposal for Lideta, designed by private architecture firm TELDA Consult Plc, incorporates condominium housing blocks of between four and nine storeys; solar panels; lifts; playgrounds and a number of green spaces. A total of ETB 236 million (USD 18 million) has been put towards the development of Lideta and new residents



**Figure 31: Labourers building the foundations for Lideta condominiums Lideta, Addis Ababa.**

© UN-HABITAT/ Katherine Hegab

will be able to avail of a newly built CBE branch, in close proximity to the site so as to make beneficiaries' monthly payments easier to carry out on time.

*Critical reflection on the relocation/resettlement process*

Although the government has committed to an approach to urban renewal that is pro-poor, the views of many affected residents and other stakeholders UN-HABITAT spoke with raise the question of whether due process was exercised during the eviction procedure. The most frequent complaint from Lideta residents is that they have not been offered adequate compensation and were not given adequate time to move.

A closer look reveals that despite the government's efforts to include consultation and compensation in the slum clearance and resettlement process in Lideta, there has been criticism from various stakeholders. Some consider the approach to be a 'forced eviction' and recommend that certain components of the process have to be significantly improved so that it follows due process in line with international human rights standards in general and guidelines for eviction and development-driven displacement in particular.

Eviction notice: Relocated residents share a common feeling that adequate and reasonable eviction notice was not given to them. According to one lawyer interviewed by Addis Fortune Magazine, the 45-day advance notice "contradicts the Ethiopian expropriation law... The owner of an immovable property should be given notice concerning the expropriation of his/her house 90 days in advance...I don't see the legitimacy in delivering the notice just 45 days in advance." One family was given a longer period of time within which to organise their departure as their new condominium was delayed by a year in its construction. However, when the family delayed their move even further due to incomplete finishes of their new home, the government took measures to force them from Lideta by stopping their electricity and water supply and giving them a warning after a period of a further 45 days.

Consultation: Residents claim that, following the first assembly, no other consultation meeting took place.

Presence of government officials or their representatives: Residents complain that no government representatives visited the site at the time of their relocation.

Provision of legal aid to persons who are in need of it to seek redress from the courts: Residents report that they were not given legal aid despite their concern that it was needed.

Compensation: A total of ETB 88 million (USD 6.7 million) has been distributed amongst approximately 300 private homeowners as compensation, but a number of residents remain unhappy with the amount they have been given. This is because the compensation only covers the value of the house at the time of construction and only acknowledges the roofing, walls and other permanent building installations. It does not consider the investment occupants have put into the internal decoration of their houses or the land on which it sits. The compensation has certainly not been sufficient to build a comparable house in another location.

Assistance for physical relocation: Relocated households complained that they have not found relocation easy. They had been promised support by the government in moving their belongings from one site to the next but were not given it.

Through its accession to the International Covenant on Economic, Social and Cultural Rights (ICESCR) on 11 Jun 1993, Ethiopia has the obligation to prevent forced evictions and, in the exceptional cases where they are justified, to follow the procedural protection and due process prescribed by the Committee on Economic, Social and Cultural Rights. For the internationally adopted definition of 'forced eviction' and the prescribed procedural protection and due process in eviction cases, see Box 4.

#### Box 4: Forced eviction and the prescribed procedural protection and due process

Under international law, forced eviction is defined by the Committee on Economic, Social and Cultural Rights in its General Comment 7 - The right to adequate housing (Art.11.1): forced evictions<sup>12</sup>, as “the permanent or temporary removal against their will of individuals, families and/communities from the home and/or the land they occupy, without the provision of, and access to, appropriate form of legal or other protection. The prohibition on forced evictions does not, however, apply to evictions carried out by force in accordance with the law and in conformity with the provisions of the International Covenants on Human Rights”.

In exceptional cases where eviction is considered to be justified, it should be carried out in strict compliance with the relevant provisions of international human rights law and in accordance with general principles of reasonableness and proportionality. Appropriate procedural protection and due process which should be applied in relation to forced evictions include:

- (a) an opportunity for genuine consultation with those affected;
- (b) adequate and reasonable notice for all affected persons prior to the scheduled date of eviction;
- (c) information on the proposed evictions, and, where applicable, on the alternative purpose for which the land or housing is to be used, to be made available in reasonable time to all those affected;
- (d) especially where groups of people are involved, government officials or their representatives to be present during an eviction;
- (e) all persons carrying out the eviction to be properly identified;
- (f) evictions not to take place in particularly bad weather or at night unless the affected persons consent otherwise;
- (g) provision of legal remedies; and
- (h) provision, where possible, of legal aid to persons who are in need of it to seek redress from the courts.

Evictions should not result in individuals being rendered homeless or vulnerable to the violation of other human rights. Where those affected are unable to provide for themselves, the State party must take all appropriate measures, to the maximum of its available resources, to ensure that adequate alternative housing, resettlement or access to productive land, as the case may be, is available. All the individuals concerned have a right to adequate compensation for any property, both personal and real, which is affected.

More detailed guidance on displacement is provided in the “Basic Principles and Guidelines on Development-Based Evictions and Displacement”, developed by the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living.<sup>13</sup> The document is available at: [http://www2.ohchr.org/english/issues/housing/docs/guidelines\\_en.pdf](http://www2.ohchr.org/english/issues/housing/docs/guidelines_en.pdf)

Figure 32: The latest condominium project under construction and the last one to be built on the edge of the city: Bole Summit, Addis Ababa. © UN-HABITAT / Katherine Hegab



# PROGRAMME PERFORMANCE

# 3

## 3.1 ANTICIPATED RESULTS AND ACHIEVEMENTS

There are three main areas that the programme aimed to address and in which achievements have been made: (i) the programme has made a positive impact on the country; (ii) it is of a large scale and produces units at very low cost; and (iii) achieves a physical improvement in the housing and urban environment.

### *Impact on country*

The IHDP has had a major positive impact on the capacity of the following four sectors of the country: construction, skilled-labour, the manufacturing industry, and transportation.

Despite producing only half the target number of affordable housing units in Ethiopia, Ethiopian Government officials suggest that the programme has contributed to a GDP growth rate of 11.5 per cent. It has created 176,000 new jobs and significantly increased the technical capacity of the construction sector. As well, the quantity and capacity of micro- and small-enterprises has increased producing direct employment and economic benefits at ground-level.

Following its implementation in Addis Ababa, there have been a number of important results for city dwellers: the cost of rent for a dwelling has nationally decreased; the housing shortage has been stemmed; the provision of public services for citizens has increased and greater job opportunities are available to the youth of Addis Ababa.

### *Large scale and low cost*

A significant number of units have been built: 171,000 thousand units, representing 2,850 units per month, 12 units per working hour. In many countries this would be a significant achievement, but it is especially significant for Ethiopia considering the relatively young construction and financial sectors and previously low capacity to deliver housing at such a large scale as outlined in Part One.

The programme has achieved its goal of delivering housing at low cost. In fact, the costs are extremely low, with units costing around ETB 1,000 (USD 77) per m<sup>2</sup>, whereas if private contractors constructed them on the free market they would cost ETB 2,500 (USD 193) per m<sup>2</sup><sup>1</sup>.

## CHAPTER THREE PROGRAMME PERFORMANCE

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- 3.1 *Anticipated results and achievements*
- 3.2 *Unanticipated results and achievements*
- 3.3 *Unanticipated challenges facing the programme*

THERE ARE THREE MAIN AREAS IN WHICH ACHIEVEMENTS HAVE BEEN MADE: (I) THE PROGRAMME HAS MADE A POSITIVE ECONOMIC IMPACT ON THE COUNTRY; (II) IT IS OF A LARGE SCALE AND PRODUCES UNITS AT A LOW COST; AND (III) ACHIEVES A PHYSICAL IMPROVEMENT IN THE HOUSING AND URBAN ENVIRONMENT.

#### *Urban and housing development*

The programme has achieved several housing and urban development aims. Residents that have moved into condominium housing have a greatly improved physical environment compared with their previous housing. All units have basic services and infrastructure and unit owners have security of tenure.

Inner city condominium projects, for instance Lideta, are aimed at achieving the urban development goals of compact urban growth, densification of economically valuable urban land, and regenerating deteriorated areas of Addis Ababa.

### **3.2 UNANTICIPATED RESULTS AND ACHIEVEMENTS**

In addition to the aforementioned anticipated achievements, the programme has achievements that were not anticipated yet contribute to its accomplishments. There are three main unexpected achievements: (i) high demand and support for the programme; (ii) the creation of many low-income landlords; and (iii) positive changes to the rental housing market.

#### *High demand and support for the programme*

Upon launching the programme the government was confronted with extremely high demand for housing units, which they did not anticipate. When the government first offered units in 2004, around 450,000 people registered in the hope of securing a condominium unit. The high demand has continued throughout the programmes' five year life so far. The

demand is composed of effective demand by those who have the required down-payment and ability to service the monthly mortgage, and 'aspiration' demand by those who want to own a unit but do not have savings to meet the down-payment.

The demand results from attractiveness of the condominium units to low- and middle-income Ethiopians, predominantly those living in Addis Ababa, since unit ownership offers the opportunity to not only improve one's housing conditions but also to take advantage of the wealth generation opportunity which owning a unit provides, with the unit being an extremely secure private asset.

#### *Low-income landlords*

An anticipated beneficial outcome of condominium housing is that it creates homeowners. A parallel unanticipated outcome is that many unit owners have become landlords since they move out of their unit and rent it to another household. Unit owners that are unable to service the required monthly mortgage repayments have chosen to privately rent out their unit, rather than risk losing it through foreclosure by the bank. As households cannot legally sell their unit for five years from the date of purchase, renting is an attractive option.

Ironically, most condominium unit landlords are the very low-income households and many of these landlords were previously unemployed. There are no legal or local community administration restrictions on this strategy and no checks made on unit occupation. It is financially advantageous for unit owners to rent out their property, with rental charges more than covering the mortgage repayments.

The government appears to support condominium homeownership becoming a tool by which beneficiaries can generate substantial income through renting out their condominium, moving into a cheaper rental place and using the access rental income for income-generating or other productive activities. Thus, condominium ownership has turned into an effective poverty reduction strategy. While exact figures are not available, recent Government estimates suggest that in total up to 70 percent of homeowners rent out their condominium (either the whole unit or a part of their unit in which they continue to occupy) to increase their income to ease the struggle of paying back their bank loan, and/or receive a regular income.





Figure 33: View from a communal corridor, Bole Gerji, Addis Ababa.

#### *Land and rental housing market*

As a result of the above mentioned practice, a significant supply of rental property has been introduced in Addis Ababa that has in turn reduced the city's market rent level. This has made rental options more affordable for all income sectors.

The programme has reduced the number of cases of illegal development on land in Addis Ababa and has contributed to progress towards an improved housing market by legalising more of the housing supply and increasing the number of official property titles in circulation (in contrast to informal urbanisation processes). The housing market was known for being "generally inefficient"<sup>2</sup> and characterised by high transaction costs, fragmentation, and imperfect information on market properties. Despite there being a five-year restriction on the re-selling of a condominium, findings have shown that there are a number of informal estate agents who facilitate the selling of condominiums prior to that 5-year limitation period.

### 3.3 UNANTICIPATED CHALLENGES FACING THE PROGRAMME

In many respects the programme is extremely successful yet it faces five main challenges that need to be acknowledged and addressed. The first two concern beneficiary and programme finance: the affordability of

THE PROGRAMME HAS THREE MAIN UNEXPECTED ACHIEVEMENTS: (I) HIGH DEMAND AND SUPPORT FOR THE PROGRAMME; (II) THE CREATION OF MANY LOW-INCOME LANDLORDS; AND (III) POSITIVE CHANGES TO THE RENTAL HOUSING MARKET.

units for low-income households and the unsustainable financing of the programme as a whole. The other three challenges are beneficiary consultation and management, project specific issues (location, built environment design, and construction quality), and the lack of post-occupancy management, monitoring and evaluation. If left unaddressed, these unanticipated challenges will jeopardize the long-term success of the programme

and its ability to achieve its aims of slum reduction and prevention, economic growth, and improvement in the living conditions of the low-income population.

#### *Affordability*

While the IHDP has the laudable aim of targeting the low-income sector of the population, unfortunately experience has shown that the 'poorest of the poor' are not benefiting from the IHDP due to inability to afford the initial down-payment and monthly service payments.

The 'poorest of the poor' are primarily excluded from securing a unit because they do not have the financial capacity to pay the required down-payment. Even

WHILST THE IHDP HAS THE LAUDABLE AIM OF TARGETING THE LOW-INCOME SECTOR OF THE POPULATION, UNFORTUNATELY EXPERIENCE HAS SHOWN THAT THE 'POOREST OF THE POOR' ARE NOT BENEFITING FROM THE IHDP DUE TO INABILITY TO AFFORD THE INITIAL DOWN-PAYMENT.

if they manage to pool resources between family and friends to meet the down-payment (a common approach), if they choose to live in their unit servicing the monthly mortgage is difficult if not impossible because the majority have no stable formal employment or income source. Furthermore, in addition to mortgage repayments, monthly service charges such as electricity must be paid, placing extra financial strain on already economically challenged households. For the 'poorest of the poor' the increase in monthly expenditure is significant considering the low rent and service charges paid in previous Kebele housing. As noted above, to cope with this economic pressure many households move out from their units and rent them out to middle-income people who can afford the monthly expenses. Alternatively, groups that have pooled resources to secure a unit live in the unit together, resulting in overcrowding that places additional strain on households, communal areas, and infrastructure and services.

The inclusion of four unit typologies was made in an effort to address affordability but this approach wrongly assumed that unit size would relate to economic capability; that is, the smaller and therefore cheaper units would be occupied by the poorest households. However, experience has shown that the poorest, who often have

large families, do not opt for the small studio unit but the one and two bedroom units. Overall, it appears that there was insufficient thought given to affordability, both initial down-payment affordability and the percentage of monthly income required to be allocated to housing (monthly service charges and mortgage repayments).

Moreover, the programme faces a specific affordability challenge in terms of gender. While special provision to female-headed households is being addressed through the 30 per cent lottery allocation policy, the reality is that there is a higher poverty level among female-headed households<sup>3</sup>. Many of the poorest households who cannot afford condominium housing are female headed: single mothers, with little formal education or employment. Therefore, because of the affordability problems already mentioned these women and their children are excluded from development plans.

As described in the Lideta case study, an NGO has been instrumental in facilitating the down-payment for 200 women in the Lideta project. Apart from this unique case, there are no policies, public systems or financial support organizations in place to facilitate increased access to condominium housing for women and single mothers'.

#### *Programme financing*

The current financial approach underpinning the programme is unsustainable. In order to continue the programme and meet the ambitious completion targets, secure finance is necessary. Commencing projects requires considerable funding and capital outlay from city government finances, which are reportedly already

ALTHOUGH SPECIAL PROVISION TO FEMALE-HEADED HOUSEHOLDS IS ADDRESSED THROUGH THE 30 PER CENT LOTTERY ALLOCATION POLICY, THE PROGRAMME FACES AN AFFORDABILITY CHALLENGE IN TERMS OF GENDER BECAUSE THERE IS A HIGHER POVERTY LEVEL AMONG FEMALE-HEADED HOUSEHOLDS<sup>3</sup>.

stretched. Programme financing will be further tested in the coming years if residents and tenants cannot continue to meet mortgage repayments and/or the commercial units are unsuccessful. Concerns have been raised regarding what city government activities

SEVERAL PROBLEMS HAVE BEEN RAISED REGARDING THE LIMITED CONSULTATION AND PARTICIPATION PROCESSES, INADEQUATE COMPENSATION IN THE CASE OF RELOCATION, AND THE LACK OF SUPPORT FOR THE TRANSITION OF RELOCATED PEOPLE TO TEMPORARY HOUSING.

have been reduced or discontinued in order to finance condominium projects which require significant amounts of financial resources. Along these lines, caution must be taken to grow all aspects of cities in a balanced fashion, for instance to also grow urban infrastructure and services and not only focus on isolated housing projects.

*Beneficiary consultation and management*

Although the programme makes explicit effort to consult widely on development plans, provide compensation in the case of relocation, and support the transition of relocated people through temporary housing, several problems have been raised.

Private owners have concerns regarding the low level of compensation provided for their property, which they argue is below the current market value<sup>4</sup>. Furthermore, project evaluations indicate that the compensation process is not transparent and consistent, and it does not account for social and economic costs (for example moving household belongings and disruption to business income/livelihoods) incurred due to displacement<sup>5</sup>. Some have suggested that compensation was based on the estimated value at the time of construction, which is much lower than the current replacement value thus making it impossible for affected households to re-establish themselves in housing conditions that are at least equal to the previous ones.

The temporary relocation of people into transitional housing is proving problematic. Unfortunately, it is often the 'poorest of the poor' and most vulnerable in these houses because they can not afford condominium housing<sup>6</sup>. Physical conditions in temporary housing are usually worse than those in Kebele housing in which they were living previously. Furthermore, residents often have to inhabit temporary houses for a long time (6-12 months), and they are scared they will be forgotten or, if they cannot afford the down-payment for condominium

housing, will remain in temporary housing<sup>7</sup>. In addition, residents in some projects complain that insufficient notice of relocation plans was given to residents, 45 days, not the 90 as stipulated by Ethiopian law<sup>8</sup>, and that government assistance in moving personal items was not provided even though it has been agreed as part of the relocation deal. Further research is needed to ascertain the validity and scale of these issues in practice; if it is found to be the case affected households could be considered as victims of forced eviction by international human rights standards.

*Project specific issues*

**Peripheral sites**

The lack of undeveloped central-city land combined with the initial undesirability to undertake projects in occupied and slum areas led many projects to be located on the periphery of Addis Ababa, which has proven problematic for both beneficiaries' livelihoods and infrastructure provision. There are insufficient employment opportunities in such locations and transportation to access the city centre is costly and time consuming. Furthermore, the cost of infrastructure provision is greater on peripheral sites, which increases the overall project cost and in particular the cost to an already financially overstretched local government.

To address this issue, the completion of Bole Summit marks the last peripheral project and now condominium projects focus on inner city redevelopment sites, where proposals are for eight storey blocks to make them financially viable and address the density requirements. The first of these inner city projects is Lideta.

**Built environment design**

Having now been occupied for some time, several issues concerning the design of the built environment have emerged. In particular, there are design problems in terms of the responsiveness of the units and urban design to occupants' needs and activities. Most occupants are accustomed to living close to the ground and so adjusting to life in multi-storied apartment blocks is proving a challenge<sup>9</sup>.

Adding to this adjustment pressure, the unit and building design does not successfully respond to occupants' lifestyles and activities. For example, customary activities such as preparation of traditional injera bread and slaughtering of animals have long been acknowledged as crucial parts of Ethiopian culture<sup>10</sup>.

These activities require space for large ovens and open areas for slaughtering. Due to lack of space in the in



**Figure 34: Isolated nature of condominium sites on the periphery of the city. Bole Summit, Addis Ababa .**  
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the condominium units, activities such as hand-washing and goat slaughtering are undertaken in circulation areas, which causes an inconvenience for neighbours. Functionally, many occupants feel that their kitchens are too small to be useful and that they are certainly too small for preparing larger, communal meals.

Three other common grievances are the weakness of the electricity supply making it difficult to facilitate an electric heater or an injera oven; the electricity junctions that remain un-insulated, creating a danger for children; and the inadequate water pressure on the top floor of the buildings resulting in a noticeably weaker water supply at this level. Furthermore, during times of water shortages, families must collect water in buckets and carry them to their flats as there are no water tanks to generate a secondary water supply in case of such emergency.

In response to post-occupancy issues, an awareness campaign was undertaken by the Addis Ababa city administration consisting of a technical manual outlining appropriate behaviours and responsibilities in condominiums. Nevertheless, there remains significant scope to improve the design of the built environment, both the units themselves and the overall master planning, to improve the responsiveness of the physical environment to occupants' needs, values, and lifestyles.

#### *Construction quality and delays*

The programme aims to produce low-cost but not low-quality housing. Nonetheless, there are concerns over the quality of the built environment, in particular the quality of construction finishes and infrastructure. For example, there have been reports of burst sewerage pipes that leaked through all floors and wide-spread cracking of wall plaster. The expected lifespan of the units is 100 years, although local professionals and residents doubt the validity of these predictions. Construction quality is affected by micro and small enterprises seeking to make additional profit by using cheaper substandard fixtures,

THERE REMAINS SIGNIFICANT SCOPE TO IMPROVE THE DESIGN OF THE BUILT ENVIRONMENT, BOTH THE UNITS THEMSELVES AND THE OVERALL MASTER PLANNING, TO IMPROVE THE RESPONSIVENESS OF THE PHYSICAL ENVIRONMENT TO OCCUPANTS' NEEDS, VALUES, AND LIFESTYLES.



**Figure 35: Significant improvement could be made to the design of the built environment to improve the responsiveness to occupant needs and lifestyles.**

such as doors and door handles, as well as the low levels of construction skills and capacity, which is somewhat understandable considering the vast numbers of recently employed inexperienced contractors and builders necessary for projects of this scale.

Following quality issues with early condominium projects, consultants have been hired to carry out quality supervision and monitoring. Quality checks on building materials have been implemented alongside monitoring of structural frame quality, crucially important in the earthquake-zoned city of Addis Ababa.

Alongside construction quality, construction delays are a major issue facing the programme. The productivity of the construction phase has not been as efficient as planned during the programme's implementation thus far due to gross material shortages, a lack of adequate infrastructure, and poor construction management delaying completion by as much as a year on some sites. Approximately 50 per cent of condominium sites are behind schedule because of delays in the building of infrastructure. The solution to this problem is to start the construction of infrastructure prior to, or alongside, the housing units so as to avoid the delays that cause the entire development to hold up.

The most significant material inefficiency has been in the quantity of cement over the past two years. The government has commissioned the building of multiple cement factories across the country to lessen the burden on the existing three, to reduce their imports of up to

one million tonnes of cement and iron bars from as far away as Turkey and the Ukraine, and deal with the surging demand of materials for condominium projects.

To improve construction efficiency and reduce costs, the government is currently investigating alternative building technologies and systems. They are concentrating their efforts on increasing the use of local construction techniques and materials, and promoting private investment in the national production of cement, glass, and iron. Research is currently being conducted on alternative materials, in particular on the greatest challenge: that of finding an alternative material to cement, for the partition walls of the buildings, to avoid the delays it currently causes and to reduce costs.

#### *Post-occupancy issues*

One of the major challenges facing the project concerns post-occupation management and monitoring, which have received very little attention to date. The programme has no systems in place for post-occupancy engagement on issues such as community cohesion, maintenance of communal areas, and the establishment of community groups and community based management of facilities.

In all projects this has resulted in significant problems with the management of communal facilities. This is particularly the case with the specially designed communal buildings that in many projects remain unused because their cost was not included in the unit purchase price. While some self-organized resident associations have taken over the ownership and management of these facilities, the majority of them remain locked and thus unusable until agreement between residents and the government is reached.

Many residents have found it difficult to adjust to life in multi-storied building and their new locations. Living in condominium housing brings certain responsibilities and obligations to ensure harmonious living environment for all residents. Living in such close quarters, neighbour relations have been strained due to noise and privacy issues. As already mentioned, a written guide outlining residents' responsibilities, including such things as consideration of noise transfer to other units, inappropriate use of corridors for activities and storage places, and respect of communal areas by keeping them clean and rubbish free, has been distributed.

Livelihoods have been affected because units cannot accommodate certain income generation activities (such as baking bread for sale), which formed a central income source in their previous environment, placing extra financial pressure on many households.



**Figure 36: Redundant communal building on Mikili land condominium site, Addis Ababa.** © UN-HABITAT/ Katherine Hegab

Internal construction finishing undertaken by occupants, such as tiling, can cause building maintenance issues, for example blocking drains with cement. In the Bole Gerji neighbourhood residents plastered their internal surfaces themselves but poured plaster residue on the soft landscaping, which ruined it. Since this pilot project it is now a requirement that all condominiums are plastered inside and outside prior to occupation.

There have been operating issues with water provision and sewerage disposal. One reason is the large scale of the projects that has created high demand on existing infrastructure (especially sewerage) that is often non-existent or of poor quality.

On the whole, there has been insufficient monitoring and evaluation of programme processes and built projects, including all stakeholders and especially the beneficiaries.

THERE HAS BEEN INSUFFICIENT MONITORING AND EVALUATION OF PROGRAMME PROCESSES AND BUILT PROJECTS, INCLUDING ALL STAKEHOLDERS BUT ESPECIALLY THE BENEFICIARIES.

# CONCLUSIONS

# 4

## 4.1 KEY LESSONS

The Ethiopian Integrated Housing Development Programme highlights several lessons for addressing the housing problem. The IHDP positively demonstrates:

- There is a need for strong political commitment at all levels of administration to address low-income housing at a large scale.
- There are many advantages to scaling up small housing projects to city and national level programmes to reach more beneficiaries, quicker, and with a coordinated effort that develops the national construction sector.
- There is a need to provide tenure security so residents feel secure to invest in (and save for) house ownership and improvement.

However, the IHDP also highlights several challenges for implementing large-scale low-cost housing projects:

- Developing approaches to address the capabilities of the 'poorest of the poor' who cannot afford formal condominium housing.
- Enhancing the capacity of all stakeholders involved, including those in the public and private sectors, as well as beneficiaries.
- Finding cheaper ways of building to reduce the need for cement and reinforcing bars, which are becoming prohibitively expensive.
- Considering housing quality, not just quantity. The challenge, which is far from new, is to improve the quality (of built environment design and construction) without reducing quantity or significantly increasing costs.
- Carrying out slum clearance and resettlement based on procedural protection and due process prescribed by international human rights, to avoid forced evictions.

## 4.2 SUGGESTIONS FOR IMPROVEMENT

### *Affordability*

Serious attention should be given to the affordability of condominium units. Many low-income households are excluded because they cannot afford the down-payment or monthly mortgage and service repayments.

## CHAPTER FOUR KEY LESSONS AND CONCLUSIONS

### CONTENTS

- 4.1 *Key lessons*
- 4.2 *Suggestions for improvement*
- 4.3 *Concluding remarks – an achievement with positive side effects and scope for further improvements*

AS THE NEED TO MITIGATE THE EFFECTS OF CLIMATE CHANGE BECOME INCREASINGLY APPARENT, IT IS IMPERATIVE THAT ATTENTION BE GIVEN TO THE ENVIRONMENTAL SUSTAINABILITY OF FUTURE CONDOMINIUM PROJECTS.

Financial support mechanisms are needed to improve access to CH units for the low-income sector. Likewise, specific attention needs to be given to women-headed households who, although given preference in the lottery, cannot secure a unit due to lack of financial capacity.

#### *Information, consultation and compensation in the resettlement process*

Many improvements can be made to the information, consultation, compensation and resettlement processes. In general, this process should be carried out in compliance with procedural protection and due process for eviction and resettlement (see Box 4). The consultation process should allow sufficient time for residents to be informed about development plans, to respond to them, consider all possible alternatives, agree on resettlement options, and organize themselves in preparation for resettlement. A notice of at least 90 days prior to the resettlement date should be given to all affected persons. Government needs to provide assistance for the physical move, including personal items, and government officials need to be on site at the time of resettlement. Legal remedies and legal aid should be provided to persons who are in need of it.

All individuals concerned have a right to adequate compensation for any property, both personal and real, which is affected. Compensation for property should be based on its current replacement value instead of its value at the time of construction. Rent for temporary housing should be adequately covered by the government. The physical standard of temporary shelters for relocated residents should be improved, or the construction process modified to avoid the need for temporary accommodation but rather a direct move for beneficiaries from their existing house to new condominium house. If temporary shelters remain, greater certainty of their position regarding future condominium ownership should be given.

#### *Design and construction improvement*

While overall there is a certain level of beneficiary participation in projects, there is little participation in the building and master planning design process. Opportunities for beneficiary involvement in the planning and design should be explored in an effort to create greater attachment to the final built product and make the built environment more responsive to local lifestyles and culture. If beneficiaries remain excluded from the design process, the design professionals involved in generating the proposals should give greater attention to beneficiary dwelling aspirations and lifestyles.

Importantly, as the need to mitigate the effects of climate change become increasingly apparent, it is imperative that attention be given to the environmental sustainability of future condominium projects. Globally, the building sector accounts for a significant proportion of greenhouse gas emissions through embodied energy of materials and operational energy use. Unfortunately, to date the IHDP has not considered these two aspects, yet these should be central in the planning and design of future IHDP projects. The search for alternatives to cement as main building material is a positive effort into the right direction.

The quality of the construction should be improved. This requires continual capacity building of professionals and contractors as well as on-site quality checks (of construction processes and raw materials) by trained professionals.

OPPORTUNITIES FOR BENEFICIARY INVOLVEMENT IN THE PLANNING AND DESIGN SHOULD BE EXPLORED IN AN EFFORT TO MAKE THE BUILT ENVIRONMENT MORE RESPONSIVE TO LOCAL LIFESTYLES AND CULTURE.

#### *Post-occupancy*

There is a pressing need to undertake thorough post-occupancy monitoring and evaluation of built projects. This is important to learn lessons for use in future condominium projects. Evaluation should include all stakeholders, especially the residents.



IN LIGHT OF ETHIOPIA'S PREVIOUSLY UNCOORDINATED AND INEFFICIENT HOUSING SECTOR, THE INTEGRATED HOUSING DEVELOPMENT PROGRAMME HAS PROVED TO BE A HIGHLY SUCCESSFUL TOOL FOR AFFORDABLE HOUSING DELIVERY AT LARGE SCALE.

There is a need to address the post-occupancy issues regarding the ownership and management of communal facilities. These facilities are crucial parts of the built environment and their use should be facilitated, however, the government has to acknowledge that the majority of residents cannot afford to buy or rent these facilities and therefore the cost implications need to be thoroughly considered.

#### 4.3 CONCLUDING REMARKS – AN ACHIEVEMENT WITH POSITIVE SIDE EFFECTS AND SCOPE FOR FURTHER IMPROVEMENTS

The Integrated Housing Development Programme is an ambitious achievement for Ethiopia. It is a physical manifestation of the transition from a static urban housing sector based mainly on publicly provided and controlled poor-quality rental housing to a dynamic homeownership-based approach with intelligent cross-subsidisation for the poor, where the focus is on building the capacity of private companies and on economic development in general. The Integrated Housing Development Programme has proved to be a highly effective tool for affordable housing delivery at large scale. The recent use of condominium development for urban renewal and slum upgrading has great potential to be replicated in other areas of the city with very poor and not upgradable housing conditions, but the approach needs some improvements to comply with international human rights law.

The prevalent practice by condominium owners of renting out their units to wealthier households does not meet the original aim of improving the living conditions of the low-income sector of the population by directly providing them with affordable housing. However, since they use the rental income to move to a better kebele house and for income-generating activities, they gain in two respects: the quality of their housing environment

and their overall economic situation are improved. This rental practice is entirely 'pro-poor' because it is hard to deny that those who can afford the down-payment are economically benefiting from the programme. Thus, the Integrated Housing Development Programme, indeed, is not just a housing programme but a wealth generation programme for low-income households. Among other benefits, ownership of a condominium property can be used as collateral to enable the owner to borrow money in the future for investment.

In light of Ethiopia's previously uncoordinated and inefficient housing sector, the programme demonstrates significant achievement in 'going to scale'. It has impacted on the country beyond the provision of housing units. It has improved the economy, created employment opportunities, brought capacity development, and promoted micro- and small-enterprises. Work remains to be done, however, to improve the programme so it achieves its target of improved living conditions for more Ethiopians and especially for its lowest income group.

THE INTEGRATED HOUSING DEVELOPMENT PROGRAMME IS NOT JUST A HOUSING PROGRAMME BUT A WEALTH GENERATION PROGRAMME FOR LOW-INCOME HOUSEHOLDS.

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## SUMMARY

Since 2005 Ethiopia has been implementing an ambitious government-led low- and middle-income housing programme: The Integrated Housing Development Programme (IHDP) which aims to construct 400,000 housing units, create 200,000 jobs, promote the development of 10,000 micro- and small- enterprises, and enhance the capacity of the construction sector.

This authoritative book documents the genesis of the programme and the country's experience since its inception. As it is intended for policy makers, public sector officials, and urban and housing practitioners, it logically outlines the design of this programme and its effect on the multiple dimensions of housing. Through documenting the Ethiopian experience other developing countries with housing shortages and who face rapid urbanization and population growth can adapt and apply this logic to their own housing systems.

In light of Ethiopia's previously uncoordinated and inefficient housing sector, the Integrated Housing Development Programme has proved to be a highly successful tool for affordable housing delivery at a large scale. Importantly, the programme is not only a housing programme but a wealth generation programme for low-income households. Its success lies in its integrated nature - understanding housing as part of an integrated social, economic, and political system - which has the opportunity to greatly improve the living conditions and economic capacity of all sectors of society.

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