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.
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.

Rather than drawing from theory or abstract models, Housing Practices addresses the demand for practical guidance on housing programmes based on experience. Each volume holistically documents one ‘best-practice’ housing programme that has achieved significant results. The volumes are thoroughly researched and presented in a way that clearly communicates the country’s housing sector context, the elements of the programme, key achievements and challenges, and suggestions for further programme improvement.

Disseminating up-to-date information on country-specific large-scale housing programmes is vital to reveal to other developing countries the programmatic opportunities for addressing their housing shortages, reducing slum formation and growth, and improving the housing conditions of their citizens.
ACKNOWLEDGEMENTS

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UN-HABITAT acknowledges the contribution of all individuals and organisations whose names are listed below. In addition to those mentioned here, appreciation is given to the households who participated in the household surveys undertaken in Bole Gerji and Gotera.


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

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 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
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 169th 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 line1, 2. National unemployment is high at 16.7 per cent3, although in the capital city of Addis Ababa it is even higher at 32 per cent4.

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 year5.

Despite having one of the lowest proportions of urban population in the world at only 16.7 per cent6, Ethiopia is rapidly urbanising at a high annual growth rate of 3.49 per cent7. In the space of seventeen years the urban population more than doubled from 6.4 in 1990 to 13.8 million in 20078. The population is very young with 45 per cent under 15 years of age9.

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 upgrading10, 11, 12. 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

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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 CENT10, ETHIOPIA IS RAPIDLY URBANISING AT A HIGH ANNUAL GROWTH RATE OF 3.49 PER CENT11.
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 Dawa15, 16. 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 year17.

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 tenants18. 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 individuals, equating to ownership of over 10,000m² each19, leading to 55 per cent of housing units being rental housing20.

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 country23. 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 accommodation24.

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 cent25. 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) 26.

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 Ababa30. The low rental rates resulted in little to no investment in housing, which led to a further deterioration of housing quality.

BY THE MID-1980s, RENTAL HOUSING ACCOUNTED FOR 60 PER CENT OF THE TOTAL HOUSING STOCK IN ADDIS ABABA30. THE LOW RENTAL RATES RESULTED IN LITTLE TO NO INVESTMENT IN HOUSING, WHICH LED TO A FURTHER DETERIORATION OF HOUSING QUALITY.

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”27, 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 Ababa28. 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 20m², 35 per cent of all houses had only one room, and 39 per cent of the urban
population lived in overcrowded housing that lacked basic services such as potable water and sanitation.\footnote{30}

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.\footnote{31} 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.
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. 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. 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. 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. This delivery method was established in 1978, through

<table>
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<th>Housing supplier</th>
<th>No. of houses</th>
<th>Percentage share</th>
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<tr>
<td>Public</td>
<td>7,409</td>
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<td>Cooperatives</td>
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<td>Individuals (formal)</td>
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<td>Real estate developers</td>
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<td>Informal sector</td>
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<tr>
<td>Total</td>
<td>87,976</td>
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</table>

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. 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. 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.

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. Building materials are high in price and of a low quality relative to neighbouring countries.

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
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\textsuperscript{52}.

The construction industry comprises four main sectors: building and residential development sector (construction companies), civil engineering sector, professional services, and informal self-building sector\textsuperscript{53}. 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)\textsuperscript{54}.

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”\textsuperscript{55}. 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\textsuperscript{56}.