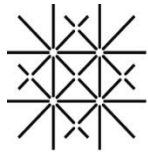


AFFORDABLE HOUSING

Practices and Prospects of House Supply
in Addis Ababa, Ethiopia



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AFFORDABLE HOUSING: PRACTICES AND PROSPECTS OF HOUSE SUPPLY IN ADDIS ABABA, ETHIOPIA

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Abstract

The city of Addis Ababa is burdened with both political and socio-economic activities of the country. People are flooding from all over the nation for employment, education, business and other reasons. Providing affordable houses for the rapidly increasing demand has become a challenge. It is demanding a solution more than building houses in the city. Even building houses by itself has its own bottlenecks such as gaps in project management and financial access. The integrated housing development program has brought some important insights. It was successful to some extent of its objectives. However, it lags far behind from the soaring demand of Addis Ababa residents for affordable housing. If continues in the same way or worse, the program won't be relevant anymore to benefit the poor and even the middle-income community members.

The heavy burden of affordable housing provision can never be alleviated by whatever good done in the city. In contrary, the investment in the city is attracting more people and hence more demand, for the vicious circle to continue. Thus, all stakeholders need to assume their responsibility for robust, integrated and nationwide effort, so as to guide urbanization for its optimal benefit. This paper analyzes the practices and prospects of affordable housing in Addis Ababa, Ethiopia. At the end, it proposed recommendations that are drawn from the research findings.

Keywords: Addis Ababa, affordable housing, rural-urban migration, urbanization

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Acronyms

AU	Africa Union
CBE	Commercial Bank of Ethiopia
CSA	Central Statistics Authority
EPRDF	Ethiopian People's Revolutionary Democratic Front
ETB	Ethiopian Birr
GC	Gregorian Calendar
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTZ	German Technical Corporation
HDPO	Housing Development Project Offices
IHDP	Integrated Housing Development Program
MBA	Masters of Business Administration
MHE	MH Engineering
MUDHCO	Ministry of Urban Development, Housing & Construction
MWUD	Ministry of Works and Urban Development
R&D	Research and Development
SNNPR	Southern Nations Nationalities and Peoples Region
SRS	Simple Random Sampling
UN	United Nation
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
US	United States
USA	United States of America

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

We, humans, need shelter which is basic for our health and protection. It is central to our development and also to ensure its sustainability. It is our comfort zone to raise our kids, to take rest from our busy days and to recover from our illnesses. It is a very terrible thing to have no house or to lose it. According to Universal Declaration of Human Rights article 25, “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing...” But due to resource constraints, policy barriers and ill management, many people are not able to construct their houses. The same challenge is true for house providers, especially in developing countries. As a result, one quarter of the world’s urban population is living in slums and informal settlements (UN Habitat, 2015:2).

Urbanization and increase in population are raising the need for affordable and adequate housing. Estimates concerning total housing needs in Africa have been set at around 4 million units per year (UN-Habitat, (n.d.)). Currently, about 40% of the continent’s one billion people live in cities and towns; and it is estimated that in the next few years, some African cities will be home to as much as 85% of their country’s population. In the case of Ethiopia, the lion share of the youth population (50% under age 18) coupled with a population growth rate put pressure on the demand for housing. It is not just the construction of new houses which burdens Ethiopia but also due to only 30% of the country’s total housing stock is in fair condition which the remaining needs replacement. It is good to note that access to affordable and adequate house is beyond living in a box of floor, walls, and roof. The Center for Affordable Housing in Africa 2013 year book by referring a 2007 survey stated that “in Addis Ababa alone, the demand was between 35,000 and 45,000 housing units to be supplied annually for 10 years to replace the existing (70%) dilapidated stock as well as cater for new household formation. At the current rate of supply, even with the progress of government housing programs, this is unlikely to be met, especially in the middle to lower income bands (Kecia Rust and Lucille Gavera, (ed.), 2013).

The problem is complex

Ethiopia is the victim of corruption. According to 2016 Corruption Perception index, Ethiopia is the 108th least corrupt nations out of 176 countries (Transparency International, 2016). Corruption hinders access to affordable and adequate house-especially for the middle and low-income group. Its effect on land management is also crucial which weakens the implementation of policies. “Under Ethiopia's constitution, the state owns all land and provides long-term leases to tenants. Title rights in urban areas, particularly Addis Ababa, are poorly regulated, and subject to corruption.” (CIA, (n.d))

Providing affordable and adequate housing needs huge investment and human resource which unfortunately the country could not provide. Even if it can cover the cost and provide the necessary human resource, urbanization effect on the farmland and on the farmers’ fate is another dimension that needs critical assessment. Hence, building houses have to consider economic, social, cultural, political and environmental aspects.

The Opportunity is wide

The demand is very huge. It needs determined government, critical-thinkers, researchers and innovative entrepreneurs for adequate supply. It requires governments to intentionally organize itself and manage its cities in a planned manner. The demand for housing is looking for efficient and effective urban land management policy implementation. Researches have to be made and entrepreneurs have to come with solutions so as affordable and adequate housing become possible.

The government of Ethiopia is implementing Integrated Housing Development Program (IHDP) since 2005 (World Bank, 2015:34). But it has been criticized regarding its effectiveness in terms of affordability and others aspects. This proposal is to assess the practices and prospects of low-cost housing in Addis Ababa, Ethiopia. The thesis will dig out the challenges and opportunities the city has so as to propose different options and business ideas.

1.2. Statement of the Problem

Addis Ababa, the city of Ethiopia and the center of AU is ‘one of the fastest urban centers in the world’. The city ‘is the sole political, economic and cultural center of the country’ (Hailu, 2016). ‘Addis Ababa had a population in 2008 of 3,147,000...and an eight percent annual growth rate. The city is home to 23.8 percent of all urban dwellers in Ethiopia, and has an estimated density of 5936.2 per square kilometer.’ (New World Encyclopedia, 2016). The population of Addis Ababa will rise to 12 million in 2024 (UN-HABITAT, 2008).

The UN-Habitat publication on 2011 about “Affordable Land and Housing in Africa” put Ethiopia as a prominent example for the challenge of insufficient affordable urban land and housing provision to accommodate thousands of new urban dwellers who move to cities in search of the greater opportunities cities can provide. It states that:

‘Ethiopia currently has a relatively small urban population (16.6 percent in 2010), yet its expected urbanization growth rates are above 3.76 percent for the coming 15 years (2010-2025). Such growth will place additional housing pressure on Ethiopian cities, such as Addis Ababa; that already have serious housing problems, evidenced by the current high proportion of urban slum dwellers, 79.1 per cent.’ (UN Habitat, 2011:4).

The high percentage of urban slum dwellers coupled with eight percent population growth bring a significant challenge for Addis Ababa in providing affordable & adequate housing. This is due to the pressure it creates on the availability of affordable land & construction materials, access to finance and urban management.

UN-HABITAT publication in 2008 expressed the severity of the problem Addis Ababa faced saying: “Its geographic location, combined with its political and socio-economic status have made it a melting pot to hundreds of thousands of people coming from all corners of the country in search of employment opportunities and services. High rate of unemployment (31%), concentration of slum dwellings, and poor housing, infrastructure and sanitary development, characterize Addis Ababa more than the few good features it possesses. The challenge is not only to reverse current situation through balancing the economic growth with the population increase, but also to catch up with decades of neglect.”

1.3. Objectives of the Study

It is difficult to get land or house in Addis Ababa. The price of rent is also dramatically increasing. It needs a system that deals with the case that, “affordable housing is inadequate and adequate housing is unaffordable” (UN Habitat, 2015). But this has to be done with consideration of interrelated factors from economic, political, social and other aspects. Hence, continuous and informative research is important for government and stakeholders who are dealing with the complex problem of Addis Ababa.

The general purpose of the thesis is to assess the practices and prospects of low cost (affordable and adequate) housing in Addis Ababa, Ethiopia. The specific objectives are:

1. To assess the extent of the use of condominium houses by those who are direct beneficiaries of IHDP.
2. To discuss on the likelihood of effectiveness and sustainability of the government housing program (Integrated Housing Development Program).
3. To assess some factors that can influence the provision of affordable housing.

1.4. Basic Research Questions

By doing this research it is intended to answer the following basic questions.

1. What proportion of the residents of condominium houses are those who directly benefited from the IHDP?
2. What percentage of the monthly income of the household is spent for rent/mortgage of condominium houses?
3. What proportion of the residents who live in condominium lived in Addis Ababa before 2005 (start date of IHDP)?
4. Are the policies put in place by government addressing the issue of affordable and adequate housing?
5. What is the level of participation of private sector (real estate and financial institution) in providing low-cost housing?

1.5. Scope of the Study

In Addis Ababa, the government is the key player by providing low-cost housing. Hence, the study will focus on government subsidy program called IHDP (Integrated Housing Development Program). In the study, the selected Addis Ababa residents in the sampled condominium sites¹ of the program are covered. Two clusters are randomly selected from the list of most relevant and recent condominium houses distribution round. The quantitative data gathered from IHDP houses residents is organized from the two clusters while the qualitative data and literature review mainly shows the general perspective of IHDP built houses affordability in Addis Ababa. The main issues discussed are the practices and prospects of the program towards providing affordable and adequate housing for the city inhabitants. However, the development partners of the Ethiopian government and private sector participation is also assessed to some extent.

1.6. Significance of the Study

The government of Ethiopia is implementing Integrated Housing Development Program (IHDP) since 2005 (World Bank, 2015:34). But it has been criticizing on its effectiveness in terms of affordability and others aspects. This study assesses the practices and prospects of low-cost housing in Addis Ababa, Ethiopia. The paper analyses the challenges and opportunities the city has and the effectiveness of IHDP. Finally, the study recommends other options based on the research findings.

1.7. Ethical Consideration

Data or information taken from other sources is properly cited in the study report by using Harvard style and at the bibliography part of the paper. During the time of primary data collection: the interviewer/researcher explained the purpose of the research for respondents before the information is gathered. Respondents were assured regarding the confidentiality of the information as it will be coded and could not be traced to specific renters, homeowners or key

¹ Please refer chapter three for the methodology

informants. As a result, the data is gathered only after the respondents expressed their willingness to participate.

1.8. Organization of the Paper

The research report has five chapters. The first chapter is Introduction which gives an overview of the thesis. It includes the background, statement of the problem, objective of the study, basic research questions, scope of the study, significance of the study, ethical considerations, and organization of the paper. Chapter Two presents the relevant literature reviewed. The literature review organized under subsections of urbanization, population growth, inflation, informal settlement, developing countries common problems, government effort & birth of IHDP, and key players in the IHDP. Under Chapter three (Research Methodology): research design, sampling design, method of data analysis, and problems & limitations in doing the research are discussed. Chapter Four focused on the findings and analysis of the data obtained from field. Chapter five, the final chapter, provides summary, conclusion and recommendations that are derived from the research findings.

CHAPTER TWO: LITERATURE REVIEW

There are a number of publications on affordable housing which are done by different non-governmental and governmental organizations, and individual researchers. However, most of the researches focused on broad perspectives of developing countries or sub-Saharan Africa. Though there is information on the urban context of Ethiopia, researches done are very limited in number.

It is difficult to find common and detailed definition of affordable housing that works for all. This is due to the context of countries which is different and the difference they had is wide. The income of the people, the development level of the country, and cost of living are some of the factors. For instance in USA, housing is usually considered affordable if it costs less than 30% of gross household income (Center for Affordable Housing, (n.d.)). The US Department of Housing and Urban Development states that “Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.” But some general definitions can be found. Scottish Planning Policy officially defines affordable housing as:

“housing of a reasonable quality that is affordable to people on modest incomes... affordable housing may be in the form of social rented accommodation, mid-market rented accommodation, shared ownership, shared equity, discounted low-cost housing for sale including plots for self-build, and low-cost housing without subsidy.” (Development Trusts Association Scotland, (n.d.))

A paper presented at 2016 World Bank Conference on Land and Poverty puts the UN-Habitat general definition as affordable housing is “adequate in quality and location and does not cost so much that it prohibits its occupants meeting other basic living costs or threatens their enjoyment of basic human rights” (Weldesilassie et al. 2016, pg 7)

By referring Milligan, Professor Phillip O'Neill expressed that “Practical definitions of what constitutes affordable housing are usually specific to the policy and program context in which they are used. Typically, however, they have common features, such as a notion of what comprises affordability and a reference to the target group(s) for whom they are intended” (O'Neill 2008, pg 8).

Rapid urbanization, increasing population growth, inflation, and the increase in the informal settlement are making urban the focus of policy makers and researchers.

2.1. Urbanization

Urbanization is soaring; cities are becoming the drivers of economy, and rural-urban migration is accelerating. Cities are generating more than 80% of global GDP (World Bank, 2017). It was only 3% and 14% of the world's population resided in urban areas in 1800 and 1900 respectively (Barkan, 2012). In the past 50 years, urban population has increased dramatically and this trend will continue for at least 30 years due to the fact that increasing people that born in cities and rural-urban displacement (UN-HABITAT, 2003). Today, more than half (54%) of the world population resides in urban areas (UN-HABITAT, 2016). Referring Todaro (2000), Mediel Hove, expressed that about sixty percent of the Sub-Saharan African countries urban population is accounted by migration from rural areas and it increases to 75% for some exceptions. The same article states that the main factors of the rural-urban migration in these countries are two. The first one is poverty in rural areas. This is due to low agricultural productivity, aggravated by demographic growth. The second factor is neglect of rural areas in terms of resource allocation which make them under-served in terms of physical, financial, social and economic infrastructure (Hove, 2013).

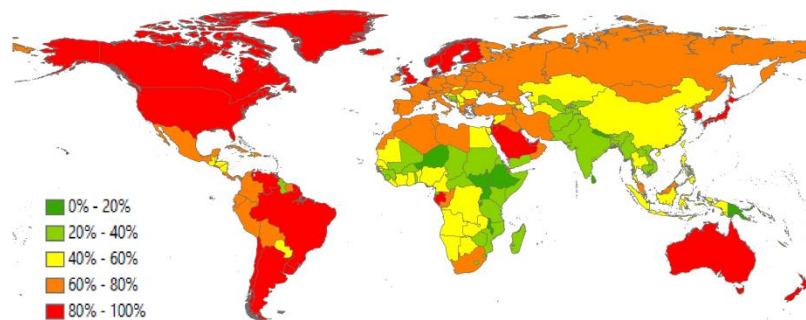


Figure 1 2015 World Urbanization percentage from total

Source: Wikipedia, https://commons.wikimedia.org/wiki/File:2015_World_Urbanization_Map.png

Though urbanization is higher in the developed countries, its growth rate is much faster in the least developed parts of the world with Africa being the most rapidly urbanizing. Africa urban growth rate is 11 times more rapid than the growth rate of Europe (UN-HABITAT, 2016). Urbanization comes with its pros and cons that are reflected in both urban and rural life. The rapid urbanization problems include of inadequate affordable housing, unavailability of basic infrastructure, complex urban management, and environmental pollution. Cities generate 70% of global carbon dioxide emissions. According to UN Habitat, 40 percent of the world's population will need proper housing by 2030 and this means our world have to complete and provide 96,150 housing units per day (UN-Habitat, (n.d.)). Though providing such houses is more challenging for developing countries, Africa and Asia are urbanizing faster than the other regions. By 2050, these regions are projected to become 56 and 64 percent urban respectively (United Nations, 2014:1). The same is true for Ethiopia. A (World Bank, Ethiopian government, and Cities Alliance-core study team, 2015) analytical study kept the Ethiopian urban population growth as it will triple to 42.3 million in 2037 from 15.2 million in 2012. Referring CSA data, the study also kept the estimation that rate of urbanization will grow from 3.8 to 5.4 percent a year which makes the growth of urban population to be triple even earlier.

2.2. Population Growth

Thomas Malthus (1766-1834) was pessimistic regarding higher population growth rate. He described that people become starved when population growth is above the growth of food supply. However, he also believed that increasing living standard accelerates the increase in population growth rate which reverses these gains. As Kuznets (1930) described population growth can be resulted from immigration or increasing natural birth rate due to favorable economic circumstances. Regardless of its cause, population growth leads to higher demand for customer goods, especially for more and durable housing. The increase in population growth results for an increase in demand and the demand attracts more investment which leads to economic growth. This enables to take the advantage of the economies of scale. However, the more the number of people joined the labor force, the lower the wage become. And the decrease in wages minimizes spending and investment which starts the downward phase of the economic cycle (Pressman, 2006).

As Abel described, “In many developing countries a higher rate of population growth is considered to be a major problem and reducing it is a primary policy goal.” The Solow growth model shows the relationship between population growth and a country’s level of development. The model described the increase in the workforce reduces the capital-labor ratio. Which means the new steady-state output per worker and consumption per worker will diminish as well. As a result, the model justifies population growth decreases living standard since lower level of capital per worker results lower level of income. It suggests policies that control population growth will lead to better living standard (Abel, 2008). According to the Solow model countries with higher population will have lower level of GDP per person. Countries with higher population growth rate are poorer than those of with lower population growth rate (Mankiw, 2010).

The main demographic issue of 20th century was population growth and it remains to be the focus of attention for the developing world. Population growth is increasing but by diminishing

rate. Recently, increment to urban population is exceeding the increment to total population (UN-HABITAT, 2003).

“During 2015-2050, half of the world’s population growth is expected to be concentrated in nine countries” which includes Ethiopia (UN, 2015). The projected figure of Ethiopia population for the year 2015 is 90,078,005 and specifically for Addis Ababa, it is 3,273,000 (CSA, 2007/2015). Based on Worldatlas most populated countries list, Ethiopia is the 13th most populated country in the world and the 2nd in Africa (next to Nigeria) (Worldatlas, 2017) . According to Worldometer (2016) referring the recent UN estimate, Ethiopia population is more than 102 million and the growth rate is 2.48%. Accordingly, the urban population coverage increased from 5.4% in 1955 to 19.8% in 2016. Since more than 50% of Ethiopian population is youth, there is no doubt about the future increase of natural population growth and rural-urban migration. This adds additional demand for affordable housing.

One problem that needs to be considered here is: regardless of the current decentralized government power system which gives other cities the opportunity to grow, cities are still very small compared to Addis Ababa. “Addis Ababa is a true primate city, with More than 3 million people, which is 14 times bigger than Mekelle, the second largest city in the country.” (MUDHCo, 2014). According to CSA Population projection values of 2017, Addis Ababa alone has greater population (3,434,000) than any country’s region total urban population, except Oromia and Amhara which has 5,354,000 and 3,682,000 urban dwellers respectively. The sum of urban population which resides in cities of Bahir Dar, Hawassa, Adama, Mekele, Dessie, Arba Minch, Dire Dawa, Gambela, Assosa, and Jijiga is equal to only 68% of the population in Addis Ababa (CSA, 2013). This shows that the heavy burden of the country’s urban population demand for livelihood is dumped on one city.

2.3. Inflation

As Andrew B. Abel (2008) described, the economy is said to be experiencing inflation when the prices of most goods and services are rising over time. Irving Fisher (1867–1947) simply expressed inflation as a change in prices faced by a typical family. According to Hayek (1945), inflation reduces the economic efficiency and thus the standard of living for the nation. He also

stated that using income policies as a tool to combat inflation is ignoring the real cause of inflation- too much money. “Governments are tempted to print money and create inflation in order to repay borrowed money with money that is worth much less because it can purchase fewer goods” (Pressman, 2006). The quantity theory of money states that the central bank has an ultimate control over rate of inflation. Whenever the money supply increases rapidly the price level increases as well and whenever the money supply is constant the price level stays constant. The quantity theory of money and the Fisher equation ($i = r + \pi$) shows how money growth affects the nominal interest rate.² “According to the quantity theory, an increase in the rate of money growth of 1 percent causes a 1 percent increase in the rate of inflation. According to the Fisher equation, a 1 percent increase in the rate of inflation in turn causes a 1 percent increase in the nominal interest rate.” The extent of the cost of inflation can vary depending on its expectedness. Unexpected cost of inflation is much evil than the expected one. If inflation is higher than expected the debtor wins and the creditor loses. It also hurts individuals on fixed pension (Mankiw, 2010).

Inflation makes the provision of affordable housing difficult. The housing sector is affected by not only the construction material inflation but also by others, like food price increase. It is due to the household consumption increase that in turn decreases their ability for saving in order to spend in the future. In 2008, Ethiopia’s inflation was reached 64% due to major causes which are high fuel and food prices shocks, weaker foreign exchange earnings, and rising demand for imports that depleted international reserves of the country. Even from the major causes, the highest increase was observed in food, housing, fuel, and transport services. Though UNDP kept it the causes separately; it is obvious that all the prices increase are burdening the household income which makes households opportunity cost high and saving amount low. The highest price increase was observed in food, housing, fuel and transport services, making the urban poor the most vulnerable to the impacts of inflation. The inflation rate somehow decreased to 40% in 2012 and 7.8 % in 2014. However, it is good to keep in mind that the decreased inflation rate doesn’t mean the prices fall down to where they were. The increased prices are still on their peak mountain and they are still increasing though at a lower rate (UNDP, 2014).

² The interest rate that the bank pays is called the nominal interest rate (i), and the increase in your purchasing power is called the real interest rate (r). And p denotes the rate of inflation.

2.4. Informal Settlement

The formal sector is unable to provide affordable houses due to administrative and regulatory burdens it has. As a result, the informal economy is the best choice of many people in the developing world. This leads people to live in dangerous and poorly constructed houses. According to Karol Boudreaux (2008), different African government involvements in the housing sector make houses unaffordable. This is through monetary policies that raised inflation, through fiscal policies that increased interest and through land policies that nationalized land. “In most large cities in the developing world, the formal market for land and housing serves only a minority of the population. It is estimated that between 30 and 70% live in ‘irregular’ settlements and that up to 85% of the new housing stock is produced in an extralegal manner, with severe social and environmental consequences.” (Berner, 2007)

Similarly, the formal sector is not able to provide the housing need in Ethiopia. Housing Shortage Estimates for Ethiopia for 2013 is 1,000,000 which mean the country needs additional 225,000 backlog/year (World Bank, 2015). In Ethiopia, Informal unplanned housing provision constitutes a considerable proportion of the total housing supply. Informal housing is especially prevalent in Addis Ababa, accounting for 34.1 percent of total housing supply between 1996 and 2003, and it is the fastest growing supply method (UN Habitat, 2011). This makes the Addis Ababa population to live in overcrowded houses which cover more than 40 percent of the city population (UN Habitat, 2011:21).

As the informal sector is playing a significant role in providing houses, increasing number of people are living in slums. In 2003 UN-HABITAT report on the Challenge of Slum states that: “In 2001, 924 million people, or 31.6 percent of the world’s urban population, lived in slums. The majority of them were in the developing regions, accounting for 43 percent of the urban population, in contrast to 6 percent in more developed regions. Within the developing regions, sub-Saharan Africa had the largest proportion of the urban population resident in slums in 2001 (71.9 percent) and Oceania had the lowest (24.1 percent). In between these were South-central Asia (58 per cent), Eastern Asia (36.4 per cent), Western Asia (33.1 per cent), Latin America and the Caribbean (31.9 percent), Northern Africa (28.2 percent) and Southeast Asia (28 percent)... It is almost certain that slum dwellers increased substantially during the 1990s. It is further

projected that in the next 30 years, the global number of slum dwellers will increase to about 2 billion, if no firm and concrete action is taken.”

2.5. Common Problems of Affordable Housing Provision in Developing Countries and the Widely Practiced Wrong Solutions

Stephen Malpezzi (1987) said, “Housing policies in many developing countries are inefficient and inequitable and the wrong solutions are often applied to the problems.” One of the problems he mentioned is the perceived shortage of housing. However, many come with the common solution, which is usually wrong. This is for government to build houses. He argues that housing shortage is the result of fast growth in demand and of impediments to the supply of housing. As a result, he recommends government to mitigate or remove market imperfections as the private sector can respond faster or more efficiently than government. The other problem is poor quality of housing. The common solution, yet often wrong, is to raise standards through stricter building codes and better enforcement. However, many current standards, based on western codes, have little to do with basic structural soundness or hygiene and it just makes the price unaffordable. He recommends for standards and codes to focus on basic requirement for safety and health. The third problem that is commonly responded with wrong solution is the existence of too many squatters. The common solution that is being applied is to clear the squatters. However, it is wrong for many reasons. This retards development as far as slum housing constitutes large part of the poor’s capital stock. According to him, improving conditions more cheaply and for more people is better than clearance programs. The other developing countries problem he mentioned is high price of housing for many families. The common solution and yet wrong one is to control rents and the price of land and building materials. When price of housing increases faster than general prices, it is the indication of the market to produce more housing relative to other goods and services. As a result, it is better to deal directly with the causes of rising costs rather than to shift the problem to landlords. Otherwise, such solution will worsen the problem by reducing the quantity of houses and land for rent.

2.6. Ethiopian Government Effort and Birth of IHDP

Since the overthrow of ‘Derg’ by Ethiopian People’s Revolutionary Democratic Front (EPRDF), it was at 1994 that Addis Ababa implemented its first housing policy. It was assumed that the housing market can meet the housing demand for the city low-income population. However, despite the intense subsidies and land provided the private sector was failed to meet the expectation. “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.” Also, the national Ministry of Works and Urban Development (MWUD) was created with the objective to lead the country urbanization and research its pattern. (UN Habitat, 2011)

In 2004 the Integrated Housing Development Programme (IHDP) was launched and started its implementation in 2005 based on the proposal prepared by former State Minister Oqubay Arkebe which was submitted to German Technical Corporation (GTZ). The program is “a government-led and financed housing provision programme for low-and-middle-income households in Ethiopia.” In addition to constructing 400,000 condominium units, the program initial objectives were to promote homeownership for low-income households, to create 200,000 jobs, to enhance the capacity of the construction sector, and to promote the development of 10,000 micro and small enterprises. (UN Habitat, 2011)

The program provides houses through three schemes which are 10/90, 20/80, and 40/60 based on the down payment required to obtain the house. Upon the owning of the houses constructed under 10/90, 20/80 and 40/60 program schemes, beneficiaries will pay the 10%, 20% and 40% of the house price and the rest will be paid in 25 years for 10/90 scheme and in 15 years for other schemes except for studio under 20/80 years which is 20 years. While 10/90 scheme has only a studio, other schemes comprise studio, one bedroom, two bedroom and three bedrooms units. Studio houses target those beneficiaries with avege monthely income of 0-300 ETB. One bedroom houses targeted those with average monthly income of 301-600 ETB while 2 bedrooms and 3 bedrooms targeted beneficiaries with average monthly income of 601-1200 ETB and >1200 ETB respectively. “In terms of income groups, the program is intended to benefit residents of the city mainly in the following income groups. The extremely low income groups,

who earns monthly income of below Birr 300 (equivalent to 23 USD at the time of the start of the program), constitute 50% of the residents of the city. The very low income group, (Birr 300 – 600), low income group (Birr 600 – 1200), medium income group (Birr 1200 – 1800) and lower middle income (above Birr 1800) constitute 30%, 10%, 6% and 4% of the city, respectively. Accordingly, of the total houses planned to be constructed, 40%, 30%, and 20% are designed for Studio, one-bedroom, two – or three – bedrooms. Such arrangement targets with the assumption that the houses are transferred to extremely low income group, very low – income, and low middle – income groups, respectively. The remaining 10% are designed for commercial purposes.” (Weldesilassie et al., 2016)

Though the program had not met all of its objectives, it has also important contributions. For instance, these positive contributions are manifested on 11.5 % growth rate of GDP, and 176,000 jobs are created. However, it was unfortunate for the program was unable to provide affordable housing for ‘poorest of the poor’ or low-income community due to their inability to afford the initial down-payment and monthly service payments. (UN Habitat, 2011)

2.7. Key Players in the IHDP

Under the umbrella of the EPRDF, Ministry of Works and Urban Development (MWUD), Addis Ababa City Administration, The Housing Development Project Offices (HDPOs) and Commercial Bank of Ethiopia (CBE) are important actors of the program. Whilst MWUD provides support and direction at national level, the city Administration was managing agency of the program. HDPOs were responsible for ensuring successful delivery of design, construction, and housing transfer & administration. CBE finances the implementation of the IHDP. (UN Habitat, 2011)

Besides the government which was leading the program, there were private and NGO stakeholders with significant contributions. These are German Technical Corporation (GTZ) and MH Engineering (MHE). GTZ was implementing body and also administers the financial and construction aspect of the program. The “large Ethiopian architecture firm”, MH Engineering, was taking the role of preparing the concept design for the first condominium project in Ethiopia. (UN Habitat, 2011)

CHAPTER THREE: RESEARCH METHODOLOGY

The first step of conducting the research is literature review. The data on the selected publications are analyzed and re-interpreted in order to show the practices and prospects of affordable housing in Addis Ababa, Ethiopia. The next step taken was gathering data based on the research and sampling design as presented below. After field work is completed, the gathered data is analyzed using IBM SPSS Statistics version 20.0.

3.1. Research Design

The researcher gathered both qualitative and quantitative data. A qualitative approach is used during key informant interviews through a questionnaire which includes open-ended questions. Key informants are identified from construction companies, government offices, NGOs, Inter-governmental and financial institutions. Quantitative method is employed to gather the required data from those who are living in the houses that are built by IHDP.

3.2. Sampling Design

Over the past ten years, Addis Ababa City Administration built and transferred 136,000 residential houses (Ethiopian News Agency, 2016). Since one of the purposes of the research is to find out who owns the IHDP built houses, the researcher purposively selected recent condominium distribution round. As a result, 10th round distribution is selected. In this round 33,585 HHs won the lottery under 20:80 scheme. The older distribution lists/rounds are not preferred for sampling due to the fact that winners can sell their houses after completing mortgage payment or changing residence area over the long years. The most recent one (11th round) is not also suitable since households may not start residing in the houses due to taking time for some finishing works or other reasons. But using the 10th distribution round can minimize these variables and make the conclusion more reliable. From the three schemes of the IHDP, 20:80 is selected for this study. The 10:90 scheme is not selected as its focus is only on

the affordability than adequacy. It is intended to provide studio units³ for the lowest income group with average monthly income of 300 ETB (Weldesilassie et al. 2016). This is done regardless of their family size. As a result studying the affordability of low cost houses that undermine adequacy might lead to wrong conclusion. The other scheme which is 40:80 is left out from this study since these house units' distribution is not yet started.

In the first phase of the research, the researcher used two-stage cluster sampling to gather quantitative data from HHs. First, all 23 valid⁴ clusters in the population are listed. Considering the time and budget constraint, 2 clusters are selected using simple random sampling (SRS). The selected clusters are *Lideta Melso Malmat* and *Yeka Ayat 3* which has 393 and 142 beneficiaries respectively. Second, 25 households from each cluster are selected using systematic random sampling. The principle is that, the house distribution list shows all the condominium house winners in each sampled cluster from 1-N. The interval size is $K=N/n$, where n is sample size (25 households) and K is sample interval. Then the researcher took every K^{th} unit by adding on the randomly selected integer which is between 1-K.

In the second phase of the research, quantitative and qualitative data were gathered from companies and key informants that were selected purposively. This was done considering the companies and employees relatedness for the study. 26 key informants are selected purposively in regard to their work-relatedness to the study. The companies are real estate developer/construction industry (2 key informants), government offices (10 key informants), financial institutions (10 key informants) and NGOs/Inter-governmental Organizations (4) that have experience on housing development in Addis Ababa Ethiopia.

Table 1 Number of sample respondents

S.N	Type of sample Respondents	# of sample respondents
1	HHs who live in Condominium (2 clusters)	50
2	Key Informants	26
Total		76

³ The recommended size of the studio is 25 M²

⁴ A cluster with at least 25 HHs (Houses) is valid for the research.

3.3. Method of Data Analysis

After the field work is completed, all the questions in the questionnaires were coded and data is analyzed using IBM SPSS Statics 20.0. Descriptive analysis is used to analyze the results. Responses for the qualitative questions are coded and included under the findings of the study. Recommendations and related responses of interviewed professionals are also presented in the paper.

3.4. Problems and Limitations

Time and budget are among the main constraints especially for the field work which limited the number of respondents in the sampling size. The researcher personally gathered the data in order to ensure that the data collection is done with quality and within budget. Initially, it was intended to include more number of key informants including UN-HABITAT and other real-estate developers. However, UN-HABITAT did not respond to the survey questions emailed with an online link. Only MH Engineering⁵ is interviewed from construction companies due to the time constraint. Regarding HH survey, very few HHs were not available in their residences though checked two to three times. As a result, those absent HHs are replaced by their immediate neighbors based on the order of the HH list used for sampling.

⁵ “MH Engineering is a large Ethiopian architecture firm. 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.” (UN HABITAT, 2011)

CHAPTER FOUR: FINDINGS AND ANALYSIS

This chapter discusses the findings gathered from the field. The first part summarizes and analysis the IHDP residents response. The respondents are sampled from 10th round condominium houses distribution. The sampled clusters are Lideta Melso Malmat and Yeka Ayat 3. Households and clusters are selected based on the sampling methods discussed above. The second part discusses the views and recommendations of Key Informants from different relevant sectors.

4.1. Residents of the IHDP Built Houses

4.1.1. General Information

Most of the sampled IHDP houses residents fall under the age group of 26-35 and 36-45. These groups cover 74% of the respondents. All resident household heads were between the ages of 18 and 65. Among the households, 74% are male headed and the remaining 26% are female-headed households.

Table 2 Household heads by age category

HH Head Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	3	6.0	6.0	6.0
26-35	22	44.0	44.0	50.0
36-45	15	30.0	30.0	80.0
46-55	4	8.0	8.0	88.0
56-65	6	12.0	12.0	100.0
Total	50	100.0	100.0	

4.1.2. Migration

In the research context, the Rural-Urban migration is higher for the period after 2005 G.C which is 53.6%. Only 44% of condominium houses residents are those who were born in Addis Ababa. All other residents came from different regions of the country. Tigray region took the highest percentage of migration which is 16% and SNNPR is the region with the second largest migrants

which is 14%. There are also Eritrean refugees who covered 4% of the sampled condominium resident households.

Table 3 Household heads by their origin

	Region	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Amhara	5	10.0	10.0	10.0
	Oromia	6	12.0	12.0	22.0
	Tigray	8	16.0	16.0	38.0
	SNNPR	7	14.0	14.0	52.0
	Eritrea	2	4.0	4.0	56.0
	Addis Ababa	22	44.0	44.0	100.0
	Total	50	100.0	100.0	

Except for these Eritrean refugees who came to Addis Ababa due to conflict, all Ethiopian migrants were moving to Addis Ababa due to different pull factors. Among these factors, 39.3% of migrants were attracted by employment opportunity in Addis Ababa. Education attracted 25% of respondents as a primary reason to come to the capital city. Others came either for business or to live closer to other family members. The majority of the respondents, which covers 70.4%, expressed their interest in staying in Addis Ababa even if similar opportunities can be created in their regions or birth places.

Proportion of residents by their migration reason

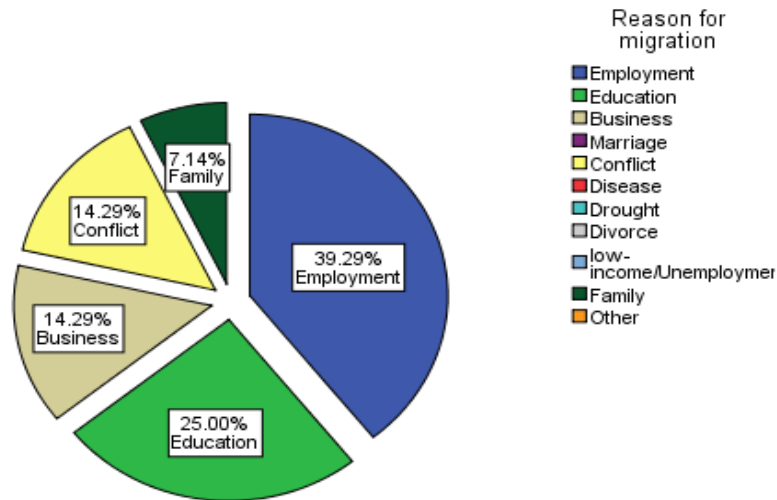


Figure 2 Residents by reason of migration

4.1.3. IHDP (Condominium) House Affordability

According to the research finding, only 36% of those who reside in the IHDP house are homeowners while 64% are renters. Among the homeowners, 72.2 % are direct beneficiaries of the IHDP. The remaining 16.7% respondents bought it from someone else and 11.1% of respondents got the house from relatives who were the program beneficiaries. The research result shows that 48% of the residents are self-employed, 24% are government employees, 16% are private company employees, 4% are retired and 8% are unemployed. During the interview, the two unemployed people expressed that their relatives (especially their children) are supporting them. The other two Eritrean respondents cover their expenses using the money they are getting from UNHCR. Half of the residents expressed that the household head is not the only person who bring all the household income but there are other members, especially spouses, who have a contribution. Despite this, 38.9% homeowners and 37.5% renters expressed that they are paying more than 50% of their income for mortgage and rent respectively. And in the case of those who are paying 31%-40% and 41%-50% of their income (after tax), renters cover 37.4% of respondents while homeowners are 5.6%.

Table 4 Rent and mortgage payment burden

Percentage of rent or mortgage payment from total household monthly income (after tax)	Ownership status				Total	
	Own		Rent			
	Count	% within Ownership status	Count	% within Ownership status	Count	% within Ownership status
<20%	2	11.1%	2	6.2%	4	8.0%
21-30%	5	27.8%	6	18.8%	11	22.0%
31-40%	0	0.0%	2	6.2%	2	4.0%
41-50%	1	5.6%	10	31.2%	11	22.0%
>50%	7	38.9%	12	37.5%	19	38.0%
Payment completed	3	16.7%	0	0.0%	3	6.0%
Total	18	100.0%	32	100.0%	50	100.0%

4.1.4. Condominium Houses Adequacy

The respondents have family members ranged from one to seven. One bedroom house is where 64% of respondents live. The research result indicates 62% of residents feel that the number of rooms is sufficient for their family members. This means 38% of residents are living in the inadequate number of rooms. However, half of the renters who are living in the inadequate number of rooms still preferred to live in the same house due to its accessibility to their workplace. The other half preferred it for its affordability. Necessary infrastructures (electric, water, road...) are fully available for 88% of residents and the remaining 12% are those who have the facilities partially. Water is the main thing that they expressed as it is not available constantly. All respondents agreed that the houses are not built with emergency exist.

4.1.5. Condominium Houses Prospect

Considering the cost of living, price trend (e.g. food inflation) and income, only 20% of residents are optimistic regarding their ability to continue rent/mortgage payment without compromising to meet the needs of their household. This shows that 44% of respondents are very pessimistic and 34% are somewhat pessimistic. The remaining 2% are those who are not sure. When the data

is segregated to homeowners and renters, 61.1% of homeowners are pessimistic about their future ability to pay the mortgage. The figure increases for renters to 87.5%.

According to 76% of respondents' observation on the price trend and other factors, they are pessimistic about the future possibility of low-income community members to own condominium houses. Others are somewhat optimistic (12%) whilst the remaining 12% are not sure.

Regarding the current housing (living) situation, 38% of respondents expressed that they are very stable and secure. But it is important to note that 77.8% of those who are very stable and secure are homeowners, not renters. Among the renters, 34.4% of them are very unstable and insecure due to increasing rent payment and uncertainty on the decision of the owners on their stay in the house. In a nutshell, it can be said that half of the renters feel unstable and insecure regarding their current housing situation. The main reasons are: increase in rent price and renters limited ability to decide for how long they should stay in the house. Therefore, only 5.6% of owners feel instability and insecurity due to relatively fair mortgage price as compared to the rent. In addition, their sole decision-making ability on their stay also contributes for more homeowners to be stable and secure.

Table 5 Condominium Houses residents feeling about their current situation

Feeling about current housing situation		Ownership status				Total	
		Own		Rent			
		Count	% within Ownership status	Count	% within Ownership status	Count	% within Ownership status
	Very stable and secure	14	77.8%	5	15.6%	19	38.0%
	Fairly stable and secure	2	11.1%	4	12.5%	6	12.0%
	Just somewhat stable and secure	1	5.6%	7	21.9%	8	16.0%
	Fairly unstable and insecure	1	5.6%	5	15.6%	6	12.0%
	Very unstable and insecure	0	0.0%	11	34.4%	11	22.0%
Total		18	100.0%	32	100.0%	50	100.0%

In both categories of homeowners and renters, residents feel that they are more stable and secure by living in condominium houses as compared to renting rooms in someone's compound. Though this percentage is high (77.8%) in the case of homeowners, it is also significant for renters that cover 65.6%. Those who feel indifferent in both living conditions are 5.6% and 6.2% for owners and renters respectively. The remaining 24% of respondents feel that they are less stable and less secure for being in condominium houses.

Table 6 Households feeling regarding living in condominium houses as compared to renting in someone's compound

Ownership status		Comparison between current and non-condominium housing situation that respondents used to live			Total
		More stable and secure	About the same level	Less stable and secure	
Own	Count	14	1	3	18
	% within Ownership status	77.8%	5.6%	16.7%	100.0%
Rent	Count	21	2	9	32
	% within Ownership status	65.6%	6.2%	28.1%	100.0%
Total	Count	35	3	12	50
	% within Ownership status	70.0%	6.0%	24.0%	100.0%

4.2. Perspectives of Key informants on IHDP and Low-cost Housing in Addis Ababa

This section discusses the perspectives and recommendations of different professionals from organizations which were involved since the inception of IHDP. These are government organizations (Addis Ababa City Administration, MUCDO and CBE), NGO (GIZ) and Private Company (MH Engineering). In addition, the analysis contains the view of other professionals from the financial sector which are Debu Global and United Bank.

4.2.1. General Information

Most of the respondents are from IHDP implementing government offices which cover 52.2%. Others are from NGO, Financial Institutions, and a private company.

Table 7 Key informants by Employers type

	Institution	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government Organization	12	52.2	52.2	52.2
	NGO	2	8.7	8.7	60.9
	Financial Institution	7	30.4	30.4	91.3
	Private Company	2	8.7	8.7	100.0
	Total	23	100.0	100.0	

4.2.2. IHDP Effectiveness

As 60.9% of respondents agreed, it is partially that condominium houses are being used by low-income IHDP target beneficiaries. This means some of the houses are either sold or being used for rent. According to 87% of key informants, first and periodic payment is not affordable for low-income community members.

Table 8 IHDP houses first and periodic payment affordability

	Affordability	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	2	8.7	8.7	8.7
	No	20	87.0	87.0	95.7
	Don't know	1	4.3	4.3	100.0
	Total	23	100.0	100.0	

4.2.3. IHDP (Condominium Housing) Practices and Prospects

4.2.3.1. Policy Situation

Whilst 47.8% of respondents conclude that Housing policy is not effective to provide low-cost housing, 39.1% agrees on its effectiveness to some extent. As per the response of 40.9%, the effect of land policy on providing affordable housing is positive. However, 36.4% of key informants disagree with that. Others (22.7%) are not sure of the effect. More than half (54.5%)

of the respondents condemned the finance policy that the poorest segments of the society has no access to credit which is discouraging affordable housing and homeownership.

Table 9 Housing policy effectiveness in providing low-cost housing

IHDP Effectiveness		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	2	8.7	8.7	8.7
	No	11	47.8	47.8	56.5
	Partially	9	39.1	39.1	95.7
	Don't know	1	4.3	4.3	100.0
	Total	23	100.0	100.0	

4.2.3.2. Private Sector Participation

According to 87% key informants, the private sector is not engaged to provide/assist low-cost housing. The key informants identified the major reasons for the private sector being inactive or partially active. Among the reasons, 42.1% of the respondents agreed on the targets of the private sector (real-estate and financial sectors) which is high-income community members and luxury homes, not affordability by the poor. Other factors mentioned are high cost of land, undeveloped technology, low R&D practice, low financial access, lack of appropriate regulation, unavailability of international banks, extreme profit orientation, and high cost of serving the poor.

Table 10 Private sector engagement to provide/assist low-cost housing

Private Sector Engagement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fully active	1	4.3	4.3	4.3
	Partially active	2	8.7	8.7	13.0
	Inactive	20	87.0	87.0	100.0
	Total	23	100.0	100.0	

The majority of key informants (45.5%) agreed that there is limited opportunity for private real estates and financial institutions to engage in low-cost housing. The remaining respondents which cover 13.6% concluded that there is full opportunity whereas 40.9% key informants say zero opportunity. After the interviewed professionals examined relevant policies, market and potential for innovation, eighty-seven percent of interviewed professionals recommended for other companies to engage in Ethiopia and provide low-cost housing. NGO engagement is considered inactive by 60.9% of key informants and partially inactive by 26.1%. The reasons mentioned are:

- The existing environment (e.g. policy and government interest) is not inviting
- The sector is dominated by the government
- NGOs give low priority for housing
- The government is not willing to spend extra money and work with NGOs that were previously engaged in the sector
- NGOs lack commitment

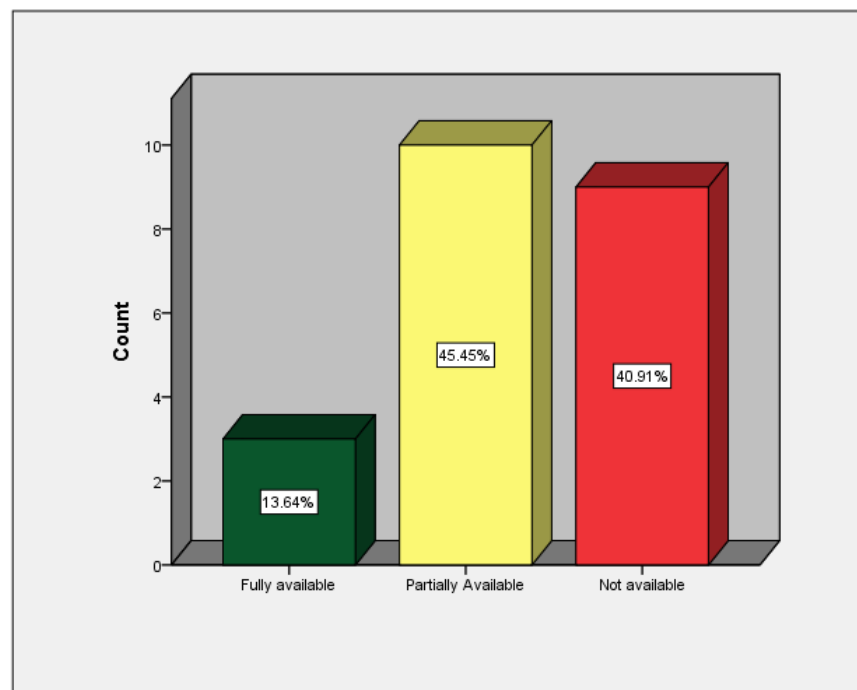


Figure 3 Opportunity for private sector (real-estate and financial institutions) to engage in low-cost housing

4.2.3.3. Other Options to Provide Affordable Housing

More than 77% of different professionals agreed that housing programs (e.g. IHDP) alone will not solve the housing problem in Addis Ababa. In order to improve urban life and manage rural-urban migration different recommendations are provided. Accordingly, 65% of professionals considered developing the existing regional cities is a better option while 20% preferred to build new cities.

Regarding the construction method, 60.9% of key informants expressed their belief that Ethiopia needs other methods of building houses so as to make houses affordable. The suggested methods include:

- Modernize traditional houses using homemade finishing materials such as waste woods
- Conduct research and encourage R&D in the housing sector
- Expand industries (e.g. steel & cement) so as to increase production, decrease shortage, and decrease price
- Use cheaper partition and finishing materials
- Engage private sectors and improve land policy
- Outsource the provision of affordable housing to (international) companies that work on low-cost housing

The professionals expressed that they have worries regarding low-cost housing provision in Addis Ababa. These include:

- The increasing price of land and land scarcity
- Low quality/strength of condominium buildings which will undermine their life span
- Small size of condominium blocks. They expressed that, though the demand for affordable housing is soaring, the current condominium blocks are not big enough to accommodate more number of households. The professionals expect that in the near future (20-30 years) the demand for the high-rising building will become evident. And this had to be put into consideration early before or at least at this time.
- Low practice of R&D and unavailability of technology that can support the sector
- Gap in the project management of affordable housing provision

- Insignificant participation of the private sector
- Financial institutions, contractors and consultants capacity gap which is affecting both time and quality
- Negative effect of the existing land policy
- Existed corruption in different modalities
- Increment of jobless youths in the city who most likely cannot afford whatever cheap houses can be provided
- Increasing labor and material cost
- Increasing income difference

The major change areas that the interviewed professionals indicated are to:

- build low-cost houses in selected residence areas than in the city centers
- improve the R&D practice and encourage such institutions
- reduce the cost of land
- provide land and engage private real estate developers in the program to speed up the construction
- improve the project management practices of affordable housing provision
- minimize interest for mortgage payers
- improve policies to engage private sectors
- enable youths to become self-sufficient and generate income for their livelihood
- improving/changing the design of affordable houses and the materials they are built from
- be intentional to practice the right for decent and affordable house

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1. Summary

Initially, IHDP was developed and financed with the objective to bring affordable houses for low- and middle-income households. Despite its successes on some other aspects, for instance job creation, it was unfortunate that the program could not provide affordable house for the poor and even middle-income segments of the city inhabitants. Referring the case of most of residents, neither the renters nor homeowners are enjoying affordable houses. According to the research finding, 60% of residents expressed that they are paying more than 41% of their income (after tax) for mortgage or rent. Considering the cost of living, price trend (e.g. food inflation) and income, only 20% of residents are optimistic regarding their ability to continue rent/mortgage payment without compromising to meet the needs of their household. This shades affordability of IHDP houses. In addition, the research finding shows that, only 36% of those who reside in the IHDP house are homeowners while 64% are renters. It means most of the IHDP houses are used for renting which clicks another research question on the why. This indicated that continuing the same program, in the same way, may not bring any better result but depletion of resources for those who are better off.

It is evident that Addis Ababa is shouldered the heavy political and socio-economic activities of the country. As a result provision of affordable housing is not simply about constructing cheaper houses in the city. Also, it does not mean building low-quality houses. Affordable housing provision needs more integrated action beyond that. Otherwise, whatever good that can be done in Addis Ababa will attract additional population pressure to the city. This additional population will come with additional demand which depletes the city capacity to respond for its increasing inhabitants. Due to this, the vicious circle continues. This will make the problem even more complex. The city minded solution leads to an unbalanced resource distribution in the country, and brings economic and environmental pressure on the surrounding community. Therefore, amendment of relevant policies, proportional development of other cities, deployment of attracting incentives for people to migrate to other cities, splitting the capital city, investing on

research and development, and improving private sector engagement are some of the important alternatives to alleviate the city from its heavy burden.

5.2. Conclusion

According to the research finding, only 44% of condominium houses residents are those who were born in Addis Ababa. This implies that Addis Ababa is flooded by high number of migrants that are attracted by employment and other opportunities in the city. Most of the residents (64%) who are living in the IHDP built houses are not the program targets but renters. Among the 36% homeowners 72.2% are program beneficiaries. Other program beneficiaries either sold their houses or they are living in other places. It is observed that both the renters and homeowners are burdened with rent and mortgage respectively. Whilst 62% of residents feel that the houses are adequate for their family size, those who live in the inadequate houses still prefer it for its affordability and/or accessibility.

Considering the cost of living, price trend (e.g. food inflation) and income, only 20% of residents are optimistic regarding their ability to continue rent/mortgage payment without compromising to meet the needs of their households. According to 76% of respondents' observation on the price trend and other factors, they are pessimistic about the future possibility of low-income community members to own condominium houses.

Regarding the current housing (living) situation, 38% of respondents expressed that they are very stable and secure. Among these, 77.8% are homeowners. In both categories of homeowners and renters, residents feel that they are more stable and secure by living in condominium houses as compared to renting rooms in someone's compound.

In both interviewed condominium house residents and professionals' response, similarity is observed. For instance, 60.9% of key informants observed that it is partially that condominium houses are being used by IHDP target beneficiaries. Eighty-seven percent of key informants also expressed the condominium houses are not affordable for low-income community members.

Though 47% of professionals conclude that the housing policy is not effective, 40.9% of them considered that the effect of land policy on affordable housing is positive. Eighty-seven percent

of key informants categorized the private sector (real estate and financial sector) as inactive to provide low-cost housing. More than 60% of interviewed professionals expressed their belief that Ethiopia needs to research and find other methods of building houses so as to make houses affordable. They also suggested some methods and expressed their worries regarding the provision of affordable housing in the capital city.

5.3. Recommendation

Rather than jumping in to a quick fix, for instance letting the government to build more houses, it is good to examine a wider perspective of the nation to make affordable housing affordable. Especially for a poor country like Ethiopia with constraints of resources like money and skilled man power, dumping all the solution to the government can never be the rewarding option. But the government has to play its own role while the stakeholders do the same. Concluding the cost of house as caused by only due to the construction materials would be wrong. It is important to examine the community ability, focus on R&D and make use of any available resource for affordable housing provision. To the context of Ethiopia, specifically Addis Ababa, considering the below points would help for a better Affordable Housing Provision.

- **Distributing the Country's Resource to encourage the development of other cities:** Investments of a country affects where people have to be located. The economic and political role of Addis Ababa makes the city to provide: higher employment opportunity, better access to quality education, higher supply and demand for doing business, massive roads, more public houses, better telecom services, only international airport, and many more privileges that other cities couldn't compete with. These pull factors of migration have to be evenly distributed to different existing and/or new secondary and tertiary cities of the country. It is important to ensure that the growth of cities is in a balanced way so as the population and the countries resource is evenly distributed as much as possible. This will help to monitor the growth of population in Addis Ababa for a better urban center development and for other cities to share the burden of increasing urbanization.
- **Understanding the limit of the city:** It is very important to know the limit of the city and existing constraints. The people should not be more than the city can provide for their demand. Splitting the economic and political city is one option that can significantly

decrease the burden which is rocketing in Addis Ababa. This option can improve the Addis Ababa dwellers living condition if implemented in a well-planned manner. Its effect can be manifested on the scarcity of land, inflation, population density, high road traffic and like. This is also a good opportunity to minimize slums and population pressure so as to make the city well designed for its diplomatic status, for international organization offices and gatherings, if selected as a political city. This will also help to alleviate unmanaged and growing burden of the city expansion on the surrounding community that is causing conflict.

- **Deployment of Incentives:** In addition to the cities expansion that the government is implementing, attracting incentives have to be employed for cities that need to be favored. These incentives should help to guide the rural-urban migration by diverting its path from Addis Ababa to other cities that have better and untapped capacity to respond for the increasing demand for land and house. Attracting mechanisms might include deployment of rewarding policies. For instance minimized tax rates can be used to attract people to dwell in cities other than Addis Ababa.
- **Maximizing the benefit of rural-urban interaction:** It is important to note that, planned urbanization can assist to decide where to build cities and where to left the land for farm. It helps to preserve the green and ensure environmental sustainability. It is critical to be aware of the interaction between rural and urban areas of the country. Rather than having uncontrolled and overcrowded cities, planned and monitored urbanization can benefit both the urban and the rural population. This is true when the concentrated labor force in the cities can be equipped and used for industrial production while the decreasing population density in the rural areas can come up with more land size⁶ for agricultural production. In the other side, the increase in the urban population increases the demand for food items. This will benefit the decreased number of Ethiopian farmers to access sufficient market and grasp their fair-share in the Economy. It can have positive impact on the country's struggle to ensure Food Security since it is logical to equip small number of farmers to feed many than to equip many in order to feed small. This is due to the reason that, the insufficient market can hamper the production which makes poor farmers

⁶ The increase in the land size can happen when used places (e.g. to construct houses) are left empty and transferred/sold for farmers who remain in the area. On the other hand, the land holding size per farmer will increase even for the same land size due to the decrease in the number of farmers.

poorer. When the farmers are unable to produce more and become poorer, it increases the food price. It negatively affects the urban life including their ability to pay rent or save for future home ownership.

It is very critical to study the effect of cities expansion on the country's food security. If cities are taking the best fertile and productive land that the country has, it means cities are being horizontally growing at the cost of the countries agricultural production. For instance, the World Bank urbanization projection indicates that by 2035 about 40% of the Ethiopian population will dwell in urban areas. By that time the seven major cities out of ten will expand on the "Productive" geographic area of the country. These seven major cities are Addis Ababa, Bahir Dar, Adama, Gonder, Hawassa, Jimma and Shashemene. Only Mekelle, Dire Dawa and Jijiga will expand on the other two agro ecological zones of Ethiopia which are "Food Insecure" and "Pastoral" Ethiopia (Egis, 2015). Relatively, the "Productive" agro ecological zone of Ethiopia is characterized by High rainfall, fertile soils, predictable climate, larger landholdings, crop, vegetable, and dairy production (USAID, 2011). As a result cities found in this agro ecological zone better grow vertically with tourism, service and selected industries that support the surrounding agricultural activity.

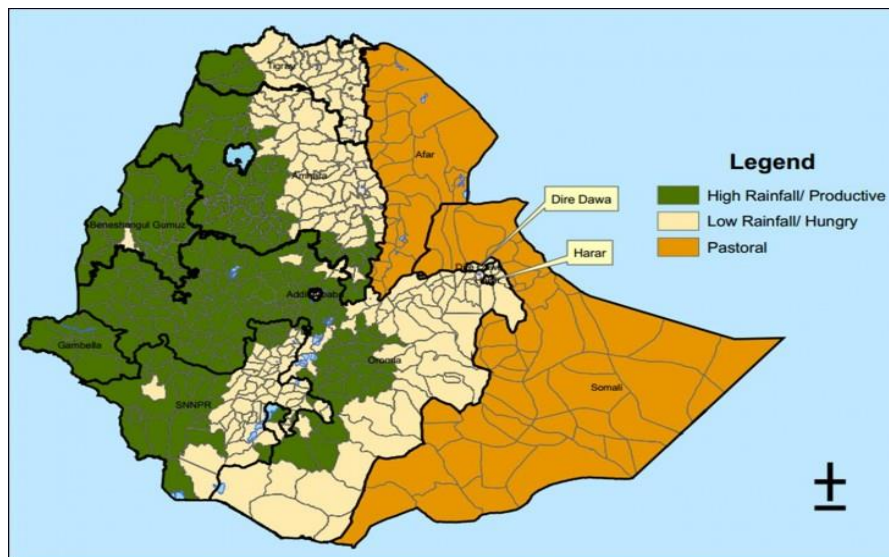


Figure 4 Agro-ecological Zones of Ethiopia

Source: USAID-Feed the Future, <https://www.usaid.gov/ethiopia/agriculture-and-food-security/feed-future>

- **Understanding urbanization for efficient service delivery:** Access for government and private services are essential to say a house is affordable and decent. Urbanization helps government and service givers to deliver their service efficiently since the people in the cities live closer to each other. Similarly, the decrease in the rural population will help government and its partners to focus the limited resource on the smaller number of farmers to intensively teach them, guide them and modernize their farming system. In whatever the cases, the good of urbanization will come only when planners are faster than the rate of migration. It is the planners that must lead the urbanization not the urbanization that have to lead the planners. As a result, no matter what is planned for one city, the positive or negative effect of the plan for the other smaller cities and rural areas has to be considered. These considerations will guide our policies, priorities, planning and budgeting.
- **Policies Amendment:** Affordable housing needs the support of policies. The land, financial and housing policies have to be tailored in a way that can cultivate the provision of affordable housing for low-and middle-income Ethiopians. Policies have to be devised in a way to increase the supply of land, to create accessible and sustainable financial resource, and to make house construction cheaper.
- **Improving private sector participation:** Rules and regulations have to be in place that drives the private sector to play its role and progressively take over the housing sector from the government. Opportunities have to be opened and their capacity has to be developed in order to make the effort successful and long lasting. Opening doors for capable international companies and encouraging them to be involved in financial, research, manufacturing and real estates development can accelerate the provision of low-cost housing.
- **Research and Development (R&D):** Institutes of Research and Development have to be installed and encouraged. Customary methods of construction have to be studied and improved consistently. Cheaper building materials have to be produced in indigenous industries and through Foreign Direct Investment (FDI). This pushes Ethiopia to look at its effort for integrated afforestation, industrialization, and education. Even if cement

companies are increasing, it is not wise to solely depend on cement to meet the increasing demand for construction materials. Ethiopia has to come to more efficient methods of construction that minimizes the cost of money, material and time. The development and use of technology (e.g. software and database) that can support the housing management through planning, construction and distribution is also mandatory.

In addition, the start of studying the country's urbanization prospects for instance by developing different scenarios can support informed decision making process and should have to continue. Such studies would be much helpful if includes the analysis of the effect of cities on the agriculture production.

- **Creating job opportunities:** As the current practice is also manifesting, creating employment opportunity has to be the central objective of affordable houses provision due to the fact that unemployed people can hardly afford even houses that are considered cheaper. As a result, unemployed youths have to be the major participants of housing development and related industries.
- **Managing the effect of inflation and devaluation:** However, doing whatever efforts without controlling inflation and devaluation might neutralize the effort of cheaper houses provision. Hence, the country needs to work on increasing its production. For instance, increasing food production and managing its distribution can help to minimize the food inflation. This will enable households to save more and plan for their house. Production of different housing materials and processed goods can assist the country to meet the domestic need and to export abroad. This fills the gap for the hard currency needed to finance the housing sector and minimize the effect of devaluation on the imported products. As a result industrialization is the best way towards planned urbanization.
- **Further Research Need Area:** This study doesn't include IHDP beneficiaries who are not currently living in the program built houses. But more findings can be found regarding why those beneficiaries sold or rented the program house. In addition, it can provide information regarding their current housing condition. As a result a research with a wider scope is necessary. Studying affordable houses in other cities can also give a nationwide perspective.

In a nutshell, it is important to note that provision of affordable housing is not about building low-quality houses but it is making houses purchasable by the city inhabitants. However, this cannot be achieved by government or private sectors alone. As far as affordable housing provision is concerned the development of agriculture, industry and service is very critical. These sectors have to generate sufficient jobs and income. Besides, for the low cost house to be affordable, residents have to spend their income on these sectors product fairly. In other words, the needs of the city residents which are other than house have to be met with fair price in order to be able to pay rent/mortgage or save for future home ownership. In addition, it is highly unlikely to think that affordable housing is possible whilst the integration with other sectors is loose. As a result, an integrated development of agriculture, industry and service is vital to build healthy cities.

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Appendix

1. Questionnaire for IHDP house residents

LEADSTAR COLLEGE OF MANAGEMENT AND LEADERSHIP

GRADUATE PORGRAM-MBA

Topic: Questionnaire for IHDP house residents

My name is Esrael Woldeeyesus-MBA student at Leadstar College of Management and Leadership. The objective of this study is to assess Affordable (condominium) Housing Practices and Prospects in Addis Ababa, Ethiopia. Please be aware that the purpose of the study is purely academic. I would appreciate your taking the time to complete the following questionnaire. It should take about five minutes of your time. Your responses are voluntary and will be confidential. Responses will not be identified by individual. All responses will be compiled together and analyzed as a group.

General Information (HH Head): Please tick the box or answer on the space provided

1. Age: 18-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ 56-65 ☐ 65>☐
2. Sex: Male ☐ Female ☐

Migration

3. Place of birth _____ Region _____
4. When did you moved to Addis Ababa?
Before 1998E.C/2005G.C ☐ After or in 1998E.C/2005G.C ☐
5. Why you moved to Addis Ababa?
Pull factor: Employment ☐ Education ☐ Business ☐ Marriage ☐ Family ☐
Push factor: Conflict ☐ Disease ☐ Drought ☐ Divorce ☐ low-income/Unemployment ☐
☐ other ☐ specify _____
6. Are you willing to move back if what you got here is available around where you were?
Or if the problems solved? Yes ☐ No ☐

Condominium House Affordability

7. Do you own or rent your current residence? Own ☐ Rent ☐
8. If you are the owner, how did you own it?
Bought from someone else ☐
Received from relative ☐
Received from Government (beneficiary) ☐
9. Household Head Employment type:
A. Self-employed/entrepreneur B. Government employee
C. NGO (Humanitarian) employee D. Private company employee
E. Contract employee F. Have more than one job
G. Unemployed H. Retired
10. Is there anyone else (e.g. spouse) in your household who contribute for the HH monthly income? Yes ☐ No ☐
11. Approximately what percentage of your total household monthly income would you say you spend on your rent or mortgage payment? (if the respondent is not sure ask the payment and divide by HH monthly income(after tax))
<20% ☐ 21-30% ☐ 31-40% ☐ 41-50% ☐ >50% ☐ Payment completed ☐

Condominium House Adequacy

12. What is the number of your house hold members (including parents and anyone who is permanently living with you)? _____
13. What type of house you're living in? Studio ☐ 1 bedroom ☐ 2 bedroom ☐ 3 bedroom ☐
14. Do you think the house has enough rooms for your family? Yes ☐ No ☐
15. If no, why you don't live in another adequate house?
Accessibility ☐ Affordability ☐ Other ☐ Specify _____
16. Do you think the house has all necessary infrastructures (electric, water, road...)?
Yes Fully ☐ Partially ☐ Not at all ☐
17. Does your house have emergency exit? Yes ☐ No ☐

Condominium House Prospect

18. Considering the cost of living, price trend (e.g. food inflation) and your income, how optimistic you are that you will continue your rent/mortgage payment without compromising meeting the basic needs of your house hold? Very optimistic ☐
somewhat optimistic ☐ somewhat pessimistic ☐ very pessimistic ☐ not sure ☐
19. Considering the price trend and other situations you think that matter, how optimist you are about low income community members' opportunity to own condominium houses? Very optimistic ☐ somewhat optimistic ☐ somewhat pessimistic ☐ very pessimistic ☐
not sure ☐
20. How do you feel about your current housing situation? Very stable and secure ☐ fairly stable and secure ☐ just somewhat stable and secure ☐
Fairly unstable and insecure ☐ Very unstable and insecure ☐
21. Compared to your housing situation before moving to condominium, would you say that now you feel more stable and secure, less stable and secure, or about the same level of stability and security in your housing situation? More stable and secure ☐ about the same level ☐ less stable and secure ☐

2. Questionnaire for Key informants from GO,NGO,FI, Private companies &Inter-governmental Org

LEADSTAR COLLEGE OF MANAGEMENT AND LEADERSHIP

GRADUATE PORGRAM-MBA

Topic: Questionnaire for Key informants from GO,NGO,FI&Inter-governmental organization

My name is Esrael Woldeeyesus-MBA student at Leadstar College of Management and Leadership. The objective of this study is to assess Affordable (condominium) Housing Practices and Prospects in Addis Ababa, Ethiopia. Please be aware that the purpose of the study is purely academic. I would appreciate your taking the time to complete the following questionnaire. It should take about ten minutes of your time. Your responses are voluntary and will be confidential. Responses will not be identified by individual. All responses will be compiled together and analyzed as a group.

Please tick the box or answer on the space provided

General Information

1. What is the type of organization you are working in?

Government Organization ☐ NGO ☐ Inter-governmental organization ☐ Financial Institution ☐ Private Company ☐

IHDP (Condominium Housing) effectiveness

2. Do you think those who are living in houses built by Integrated Housing Development Program (Condominium Housing) are those, targeted, low income beneficiaries? Fully ☐ Partially ☐ Not at all ☐ Don't know ☐
3. Do you think first and periodic payment of condominium house is affordable for low income community of Addis Ababa? Yes ☐ No ☐ Don't know ☐

IHDP (Condominium Housing) practices and prospects

Policy Situation

4. Do you get the housing policy effective in providing low cost housing? Yes ☐ No ☐
Partially ☐ Don't know ☐
5. How do you see the effect of land policy on providing low cost housing? Positive ☐
Negative ☐ Don't know ☐
6. Is Ethiopia promoting finance policies or programs aiming to enable access to homeownership and/or other affordable housing by the poorest segments of society, by providing credit through financial institutions (public, private or quasi-private)?
Yes Public ☐ Yes Private ☐ Yes quasi-private ☐ No ☐

Participation of Private sector

7. Do you think the private sector (real estate/financial institution) is active? Fully active ☐
☐ Partially active ☐ Inactive ☐
8. If your answer for question 7 is partially active or inactive, what are the reasons?

9. Do you think opportunities are available for private sector (real estate/financial institution) to engage in provision of low cost housing in Addis Ababa? Fully available ☐ partially available ☐ not available ☐
10. Considering related policies, market and potential for innovative way of building houses, Do you recommend other business companies to engage in providing low cost housing in Addis Ababa, Ethiopia?
Yes, I recommend ☐ No, I don't recommend ☐
11. Do you think the local and international non-governmental organizations are active to provide/assist low cost housing in Addis Ababa? Fully active ☐ Partially active ☐
Inactive ☐
12. If your answer for question 11 is partially active or inactive, what are the reasons?

Options to be considered

13. Considering the rural-urban migration and population growth trend, do you think housing problem in Addis Ababa will be solved by housing programs (like IHDP) only? Yes ☐ No ☐ Don't know ☐

14. Do you believe Ethiopia needs to develop the existing regional cities or build new city in order to improve urban life and manage rural-urban migration?

A. Develop the existing regional cities ☐

B. Build new cities ☐

C. Comfortable with the current situation ☐

D. Other ☐

Specify _____

15. Considering the cost of construction, do you think Ethiopia (Addis Ababa) needs to find other methods of building houses? Yes ☐ No ☐

16. If your answer for question 15 is yes, what do you suggest?

17. What are your biggest worries to provide low cost housing in Addis Ababa (if any)?

18. What changes would you like to see as far as provision of low cost housing in Addis Ababa is concerned (if any)?

