ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT

ASSESSMENT OF INTEGRATED HOUSING DEVELOPMENT PROGRAM IN ADDIS ABABA: HOUSING PROVISION AND EMPLOYMENT CREATION

BY

JEMILA HUSSEN

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A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES, ADDIS ABABA UNIVERSITY, DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE MASTERS DEGREE IN PUBLIC ADMINISTRATION.

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ASSESSMENT OF INTEGRATED HOUSING DEVELOPMENT PROGRAM IN ADDIS ABABA: HOUSING DISTRIBUTION AND EMPLOYMENT CREATION

BY: JEMILA HUSSEN

Approved by Board of examiners

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented for a degree in any other university, and that all sources of material used for the thesis have been duly acknowledged.

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ABSTRACT

The major goals of the Integrated Housing Development Program in Addis Ababa (IHDPAA) are government housing production to meet the housing needs of the low and medium income people and also to create mass employment opportunity for Micro and Small Enterprises (MSEs). The purpose of this paper is to assess the effectiveness of the Program in meeting these two goals and the challenges that are facing the Program in meeting these goals. Questionnaires had been distributed for condominium house owners on a random basis and to MSE operators by using stratified sampling method in Arada, Bole and Nifas Silk Lafto Sub Cities. Focus Group Discussion was conducted with Site committee members and MSE supervisors in the above selected sub cities in addition to the in - depth interview with MSE and housing officials from Addis Ababa Housing Development Project Office, Ministry of Works and Urban Development, and the selected sub Cities. Percentages, tables, graphs and coefficient of correlation by using SPSS version 17.0 were used in analyzing and examining the quantitative data. The empirical results indicate that IHDPAA is not achieving its goal as originally planned. The first goal of meeting the housing demand of low and medium income people did not achieve due to slow rate of housing production, low income level of residents, absence of housing finance, lack of serviced land and lack of institutional capacity to effectively implement the Program. The Program is successful in meeting the second goal that is creating employment opportunity. The limitation of the Program with regard to employment is that the jobs created lacks sustainability. The findings indicate that MSEs that are participating in the Program face different challenges of growth and expansion. Therefore, the study suggests that the Program should consider alternative housing delivery mechanisms to meet the housing demand of the city especially the housing needs of the low and medium income people who are more vulnerable to the problem. Supporting the MSEs, by solving the challenge they face, can enhance the job opportunity that can be created by the Program. In addition, the government should consider other policy interventions that encourage labor intensive technologies in order to reduce the unemployment problem. Therefore, this study can be used as an important reference on some issues related to IHDPAA in order to improve the effectiveness of the Program.

ACRONYMS AND ABBREVIATIONS

AAHDPO	Addis Ababa Housing Development Project Office
AdCSI	Addis Credit and Saving Institute
CSA	Central Statistics Authority
ETV	Ethiopian Television
FDRE	Federal Democratic Republic of Ethiopia
FMSEDA	Federal Micro and Small Enterprises Development Agency
GTZ- IS	German Technical Cooperation International Service
IHDPAA	Integrated Housing Development program in Addis Ababa
MoFA	Ministry of Federal Affairs
MoTI	Ministry of Trade and Industry
MoWUD	Ministry of Works and Urban Development
MSEs	Micro and Small-Scale Enterprises
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
TVET	Technical and Vocational Education Training
UN Habitat	United Nations Human Settlements Program
UN	United Nations

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Research

Housing is one of the most essential needs of human beings next to water, food and cloth (Paul, et al., 2000:127). Since the adoption of the Universal Declaration of Human Rights in 1948, the right to adequate housing has been recognized as an important component of the right to an adequate standard of living, and joined the body of universally accepted and applicable international human rights law. Living in a place and establishing one's own peaceful, secured and dignified personal habitat should be considered neither a luxury nor a privilege. Rather, housing is the basic necessity for personal security, privacy, health and safety (Ethiopian Civil Service College and Ministry of Works & Urban Development (MoWUD), 2008:97).

Despite this, the need for housing is not in complete equilibrium with its supply in any country in the world (Paul, et al., 2000:127). Housing is one of the acute problems in many Third World countries. High urban population growth in these countries has significantly increased the demand for housing (Brian and Ranvinder, 1995:18). Brian and Ranvinder (1995:18) also stated that the prevalence of squatter and slum settlements are indicators of the extent of poverty and shortage of housing in a society. It indicates the presence of a crisis because squatter housing generally lacks the primary fundamental requirement of certainty of tenure. The presence of slums and squatter settlements indicate a house that lacks the most necessary component for building of human communities and fails to contribute to human development.

According to Brian and Ranvinder (1995:18), it is very difficult to get reliable estimates of the number of people in the developing countries who experience housing problem.

However, according to some estimates by United Nations in the year 2000, half of the Asian cities residents would reside in slums or squatter settlements. The housing inadequacy ranges from 33 to 90 percent in African cities. Being one of the developing countries, Ethiopia also shares this phenomenon.

Currently, there is a high shortage of housing in urban areas in Ethiopia. The contributing factors to this shortage are rural to urban migration, natural population growth, the aging of the original houses and the lack of meaningful action in order to address the problem (Tegegne, 2000:13). According to Paul, et al. (2000:127), 90 percent of Addis Ababa dwellers reside in substandard informal housing and as many as 85 percent of current dwellings have serious defects. At March 2004, there was a shortage of about 300,000 houses in Addis Ababa. Moreover, the quality of the available houses is very low. Out of the existing stock, 150,000 housing units are deteriorated and slums that need immediate replacement (AAHDPO, 2007:4).

Addis Ababa, capital city of Ethiopia, has a population of about 2.8 million in the 2007 population census and an annual population growth rate of 2.1 percent (Central Statistics Authority (CSA), 2008:1). It demonstrates a paradoxical situation in Ethiopia. On the one hand, with the relatively highest concentration of facilities per population than other areas of the country, it enjoys a privileged position. On the other hand, the city is not capable of accommodating the increasing population that are drawn by the existing facilities and in search of employment opportunities. Hence, housing is not the only problem that the city experiences. There is extreme and widespread poverty in the city, and it was found that up to two thirds of house holds live at or below subsistence levels, with the rest was living below the poverty line in the year 2000(HABITAT, 2007:30).

Compounding the housing problem, a poorly developed economic base, a high level of unemployment and a terrible incidence of poverty characterize Ethiopia's urban centers. The nation's urban unemployment rate is estimated to be on average 20.4 percent (May 2009) according to study conducted by CSA (2010a:64) but it shows great heterogeneity in its distribution both geographically and across groups of people in the country (World Bank, 2009:1). According to CSA, larger cities show greater unemployment rate and it would be up to 27.9 percent in Addis Ababa (CSA, 2010a:66). Moreover, women and young people face particular challenges in getting employment in the market. According to UN- HABITAT (2007:25-26), females have always comprised the largest proportion of the unemployed in Addis Ababa. The May 2009 survey conducted by CSA shows that national unemployment by age group is found to be higher for the younger groups that is 15 to 24 years and reported that they contributed nearly more than 60 percent of the unemployed population (CSA, 2010a:65).

Ethiopia's Second Poverty Reduction Strategy, the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2005/06-2009/10), outlines a continued plan for increasing agricultural productivity but also incorporates a renewed emphasis on urban development issues. The main objective of Urban Development Program during the PASDEP period is to achieve the goals of the National Urban Development Policy. That is Ethiopia's cities are expected to provide efficient and effective public services to residents, to compliment and facilitate rural development, to be models of participatory democracy and to build accelerated economic opportunities that create jobs (MoWUD, 2006:4).

The Urban Development Policy, which is one pillar of PASDEP, was formulated and approved by the Council of Ministers of the Federal Democratic Republic of Ethiopia in 2005. The policy was formulated to enable urban centers to be competitive locally, regionally and internationally. This in turn requires enabling the urban centers to build infrastructures, industries and good governance that will promote their competitiveness. The main objectives of the policy is to empower urban residents and achieve the benefits of development and reach development stages attained by countries with middle level income and to enable urban areas to be center of development that will have significant contribution in urban development and national economic growth. The Policy identifies five critical intervention areas to attain the overall objectives of accelerated and equitable growth in the urban centers. According to MoWUD (2005:2), these critical interventions are:-

1. Housing development
2. Expansion of Micro and Small Enterprises (MSEs)
3. Facilitating land delivery and infrastructure development
4. Expansion of Social Services and
5. Setting Urban Standards and plan, Urban Environmental Protection Governance.

These interventions are expected to reduce the unemployment problem that prevails in the urban centers directly or indirectly.

Urban Housing Development and MSE expansion are identified as a key priority intervention areas of the government's Urban Development Policy. The areas in the policy document are considered as the base for the development of the Integrated Housing Development Program (IHDP) in 2006, which is designed for implementation between 2006 and 2010 across the country. The program speculates not only the provision of decent and low cost urban housing to citizens, but also the utilization of housing development as an instrument to create employment opportunities, to enhance saving culture among the society and to overcome the slum problem of the city and to promote urban development (MoWUD, 2008:2).

The IHDP was first introduced by the Addis Ababa city administration in 2004 to address the housing problem. The development of the national IHDP in 2006 capitalized on the experiences of Addis Ababa city administration between 2004 and 2005 that had introduced new ways of delivering low cost affordable housing to urban residents (MoWUD, 2008). The program designed under the rationale of housing as an essential human need, Ethiopia's promise on millennium development goal that are "cities without slum" by 2020 and reduction of poverty by 2015. Large scale housing programs create employment and it has substantial capacity for absorbing the already launching Technical and Vocational Education

Training (TVET) system particularly in the construction sector. Generally, the program is designed to provide low-cost and affordable housing and to reduce the problem of unemployment and the widespread prevalence of the informal sectors in the city (AAHDPO, 2007:6).

The other objective of the Integrated Housing Development Program in Addis Ababa (IHDPAA) is to improve the standard of living of citizens by providing affordable housing especially to low-income residents of the city through employment. In line with this, as it is an integrated program; it intended to overcome multiple problems that face the city's residents in addition to housing development and employment creation (AAHDPO, 2007:7).

Any policy should be assessed in order to evaluate the actual performance of the program by taking the plan as the base and to take corrective measures. Therefore, this study will assess the performance of IHDPAA against the established objectives and there-by identifying the gaps that need to be filled and the strengths to be maintained.

1.2 Statement of the problem

Urbanization has received little attention by planners and policy makers in developing countries. Hence urbanization in many countries is regarded as spontaneous phenomena. Such spontaneous growth of urban centers has manifested itself in extreme concentration of activities in few centers and shortages of facilities like housing (Tegegne, 2000:1). In most developing countries like Ethiopia, housing is one of the major problems that are prevailing in cities and towns. The housing situation also lacks infrastructure, at least half of all city dwellers in developing countries live in substandard informal housing (Paul, et al., 2000:130).

Even though there is an expansion of condominium construction through Integrated Housing Development Program in Addis Ababa (IHDPAA), at 2009 the city lacks 300,000 houses and the housing shortage increases by 50,000 per year due to population growth (ETV, 18 December 2009). The most critical problem of the housing sector is the issue of affordability by the population living in the city. The program therefore, aims mainly to benefit the city population especially people who are low and medium income groups (AAHDPO, 2007:7).

Despite the fact that condominium constructions are highly subsidized by the government and construction materials are imported exempted from Value Added Tax (VAT), the prices of houses are still high not only to the lower income people but also is above the average citizens' purchasing power. As a result, those who have won the lottery are unable to pay the down payment and are leaving the house for those who are on the waiting list and who are able to pay (The Reporter, 28 February 2009). According to the weekly newspaper, the Addis Ababa City Administration had reported that several winners of the condominium lottery in Addis Ababa have been unable to claim their houses because of its high price.

In order to tackle the affordability problem, the program arranged different supportive payment modalities in cooperation with government Banks and Micro Finance Institutions. But fulfilling the criteria for loan is also difficult for most of the city residents who don't have fixed employment as a civil servant or within the private sector (Yewoinshet, 2007:5).

Besides, some people may get financial support from families, friends and employers to make the down payment but many buyers, however, complain that the monthly mortgage fee is simply beyond their ability to pay. For people who used to live in the *kebele* houses with very low monthly rent, it has been found out that the mortgage payment is much higher and their ability to cover household expenses has been limited, bearing in mind the rising cost of living (Fortune, 01 March 2009). Based on the researcher's observation and experience, most owners prefer to rent their houses for a better price and then pay the monthly mortgage payment.

The program aims not only to solve the housing shortage problems but also tries to reduce unemployment that prevails in the city by developing and supporting MSEs to construct low cost housings (Bob, et al., 2008:2-3). The role of MSEs in developing countries is significant in terms of their employment creation capacity, quick production response and their adaptation to weak infrastructure and use of local resources, and as a means of developing and using indigenous entrepreneurial skills for sustained industrialization (Fasika and Daniel, 1997:37). However, this role has been constrained by a number of factors like finance, skill and other constraints in countries like Ethiopia (Sonko, 1994 cited in Fasika and Daniel, 1997:37).

The Addis Ababa City Administration asserts at different times that the condominium construction program is creating lots of jobs for MSEs in an effective way. In contrast, MSEs that are found in Addis Ababa face many constraints like bureaucracy during registration and licensing, high investment need in fixed assets during start up time, intensity of competition; human resource development problem, financial problems and inadequate and costly credit facilities are the major challenges (Habtamu, 2006:56).

The researcher was instigated by the above mentioned problems and wanted to assess the performance of the program especially the housing provision and employment creation goal and to identify gaps and provide possible recommendations to the policy makers.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the research is to assess the outcome of the IHDPAA and to determine whether or not the Program is meeting it objectives according to its plan.

1.3.2 Specific objectives

1. To assess whether or not the IHDPAA is benefiting the low and medium income people
2. To find out the constraints that the program faces to benefit the low and medium income people
3. To assess the employment creation situation of the program to MSEs
4. To find out major constraints that MSEs face in the program.
5. To identify gaps and weaknesses of the program in meeting the above two objectives and there by provide possible recommendations and suggestion to the concerned stakeholders and decision makers.

1.4 Research Questions

1.4.1 General Question

Does the Housing Development Program achieve its objective as it was planned?

1.4.2 Specific Question

1. Does the program address the housing needs of low and middle-income people as it was planned?
2. What constraints does the program face that hinder the program in order to address the housing needs of the low and medium income people?
3. Does the program create employment opportunities for MSEs as it was planned?
4. Do the subsidies provided by the program benefit the low and medium income residents?
5. What constraints do MSEs face that are participating in the program?

1.5 Significance of the study

Currently, housing development is a hot issue in Addis Ababa. The program is developed in order to meaningfully solve the housing and other complex urban problems. It is believed that IHDPAA, other than reducing housing problem helps to build the capacity of the construction industry thus creating a wide employment opportunity to MSEs and also promote the urban residents' income and saving capacity. Therefore, this thesis assesses the performance of the program which would help the decision makers and implementers to assess the success of the Program and draw lessons from experience. In addition, it can also be used as a base and reference for other researchers to conduct comprehensive study of the Program.

1.6 Scope and Limitation of the Study

The program that will be assessed in this study intends to provide low cost and affordable housing, especially to low and medium income people, to create employment opportunity for existing and new MSEs, developing and upgrading the slum settlements, enhancing saving culture in the society and the like. But due to time and financial constraint and broadness of the issues addressed by the program, this study will focus only on the assessment of the performance of the program in addressing the housing needs of the low and medium income people and the employment creation situation of the Program for MSEs. The study has not assessed the long term as well as indirect impact of the program. It will be confined to assess only the direct output of the program with regard to the above two objectives. Furthermore, the study will not assess the possible contribution of other policies and programs to the aforementioned goals of the housing development program.

Moreover, the program is an integrated program that aims to solve multiple problems that face the city. In addition to the government, German Technical Cooperation International Service (GTZ -IS) is the main participant in the construction of the houses. But due to time and financial constraint, the focus of this study is only on the condominium houses that are built and distributed by the government (Addis Ababa Housing Development Project Office (AAHDPO)) and MSEs that are participating in the government condominium housing program. It does not include MSEs that are participating under private contractors. The main objectives of MSE development are two, that are to promote them and make them absorb more labor force and to improve the TVET system through their integration with the housing development. But the improvement of the TVET system subsequent to the program and also the contributions of MSEs to the program are beyond the scope of this research paper.

With regard to time and geographical coverage, since the IHDPAA is an ongoing program beginning 2003/04, the study was limited in its five year implementation period (2005- 2009) and geographically limited to Arada, Bole and Nifas Silk Lafto Sub Cities in Addis Ababa.

The researcher faced different constraints in the data collection process. The first thing was the 2010 election that was held in the nation. It was difficult to get respondents freely especially condominium house owners. This is mainly due to the fact that housing development and employment issues were sensitive issues at that time. Moreover, the studio and single bed room types are mostly rented. As a result, it was difficult to get owners in all types of houses. Finally, there was limited database in the AAHDPO concerning the transferred houses, the winners who failed to claim the house and number of houses that are transferred and rented.

1.7 Research Methodology

The research is intended to assess the performance of the IHDPAA. Specifically, in order to assess the performance of the Program, the study used 'goals-based evaluation' method that compares data on what actually happened to what was planned. The performance of the IHDPAA is presented as a *numerical measure of the degree to which the* housing needs of the low and medium income people are addressed and the absolute number of jobs created to MSEs. The study used descriptive and evaluative research method. The study tried to assess as well as evaluate the performance of the Program according to the stated outcome of the program.

1.7.1 Data Sources

The research used both primary and secondary data. Primary data was collected from condominium house owners, Site Committee members, MSE members and from both housing and MSE officials who are responsible for administering the program. News, publications, books, journals, publication from website published and unpublished reports and documents from AAHDPO, reports from international and local institutions were used as a secondary data source for the subject under study.

1.7.2 Data Collection Tools

In order to collect the primary information from condominium house owners and MSE operators, the researcher used structured questionnaires and they were administered by the researcher and three assistant data collectors. Explanation about the study objective and training on the content of the questionnaire were given to the assistant data collectors. The data collectors were selected based on their level of understanding of the study area.

In addition to the questionnaires, key informants in depth interviews were conducted with experts from Addis Ababa housing Development Project Office Agency, MoWUD and Sub City Housing and MSE Officials.

Furthermore, the researcher held focus group discussion with selected site committee members and with MSE supervisors in each Sub City to have better information to meet the objectives of the study.

1.7.3 Sampling Technique

According to the data obtained from AAHDPO, there are about 82 sites and 30,452 residential condominium housing units and also 1,414 MSEs that are participating in housing construction and material production in Addis Ababa. In order to get better information, different sites and MSEs that are found in the three sub cities were selected randomly. A mix of convenient and professional sampling techniques was used in selecting three different locations in Addis Ababa. The researcher used the location of the sub cities as criteria for selection. According to HABITAT and UNESCAP (2008:7), the location of housing is extremely important for the urban poor. They will always try to locate in areas of the city that are as close as possible to income-earning opportunities. Based on this, the sub cities that are selected are Nifas Silk Lafto (Peripheral Zone), Bole Sub City (Intermediate Zone), and Arada Sub City (Inner Zone). The MSEs were selected from the above Sub Cities based on the activity they are performing. The MSEs participating in the housing development Program mainly participating in the production of construction materials and in the construction of houses. The study also selected MSEs that were involved in similar activities in the three sub cities. Moreover, in order to select key informants, the researcher conducted informal communication in the concerned offices.

1.7.4 Sampling size

Looking at the population size and concentration, time and financial budget available, the researcher selected 30 percent of the sites on random basis from each Sub City and then from the selected sites 10 percent of the residential houses were selected randomly for questionnaire administration.

Table 1.1: Number of Residential Condominium Housing Units that are Selected for Questionnaire Administration (See Annex VII)

No	Sub-City	Total condominium Site in Each Sub City	Selected Sites (30% of the Total)	No. of Residential Houses	Sample size (9%)	No of selected residential housing units
1	Arada	17	Ethiopia Tikedem	90	10	9
			Serategna Sefer	70	10	7
			Key Bahir Hotel	138	10	14
			Police club	120	10	12
			Ras Desta	200	10	20
2	Bole	6	Japan Embassy	304	10	30
			Bole Ring Road	124	10	12
3	Nifas Silk	7	Batu I	526	10	53
			Mechanissa II	248	10	25
Total	3	30	9	1820	10	182

Source: AAHDPO, Unpublished Report (2009)

The MSEs that are found in the above Sub Cities were categorized in to two based on the activity they were performing in the Program. MSEs involved in housing construction and MSEs involved in production of materials. Due to the age and educational background similarity of the respondents, 30 percent of MSEs from each sub city are randomly selected based on the above stratification and one MSE operator from each MSE was contacted for questionnaire administration purpose.

Table 1.2: Number of MSE Operators Selected Randomly for Questionnaire Administration

No.	**Sub City**	**Activity of the MSE**	**No. of MSE participating in different categories**	**Sample size to consider** (%)	**Selected MSEs (Based on Stratified Random Sampling)**
1	Arada	Precast	13	30	4
		Slab	42	30	13
		Electrical installation	30	30	9
		Sanitary installation	20	30	6
			105	Total	**32**
2	Bole	Precast	10	30	3
		Slab	15	30	5
		Electrical installation	20	30	6
		Sanitary installation	15	30	5
			60	Total	**19**
3	Nifas silk	Precast	7	30	2
		Slab	36	30	11
		Electrical installation	15	30	5
		Sanitary installation	14	30	4
			72	Total	**22**
Total			**237**		73

Source: AAHDPO, Unpublished Report (2009)

Moreover, two experts from AAHDPO, two experts from MoWUD and two housing and MSE officials were selected for an in depth interview.

1.7.5 Data Analysis

The quantitative data that was collected from different sources was presented and analysed by using SPSS Software (version 17.0) and simple statistical tools including percentages, ratios, charts and tables. In addition, the quantitative data was more explained by qualitative data.

1.8 Organization of the paper

The study is categorized in five chapters. Chapter one contains the research proposal; it includes general background of the study, statement of the problem, the objectives, significance, scope and limitations of the study. The research methodology to be used, the types and method of data collection, and data analysis are included in the first chapter. The second chapter constitutes the review of literature related to the study. Chapter three is all about an analysis and presentation of quantitative and qualitative data obtained from questionnaires, interviews and secondary sources. Chapter four presents the conclusions and recommendations of the study.

1.9 Definition of Key Terms

- **Slum settlements**: defined as legally constructed permanent buildings where the housing conditions are Substandard due to age, neglect, subdivision and consequent overcrowding. A slum is an area of a city characterized by substandard and poor structural quality of housing and overcrowding, inadequate access to sanitation and other infrastructure and lacking tenure security (HABITAT & UNESCAP, 2008:2).
- **Squatter settlements**: are settlements that have aggregates of houses built on lands not belonging to the house builders without legal claims to the land and/or permission from the concerned authorities to build houses and also characterized by inadequate infrastructure and services due to their illegal status (Abme, 1999:159-160).
- **Condominium:** A condominium is a building for residential or other purpose with five or more separately owned units and common elements, in a high rise building or in a row of houses, and includes the land holding of the building (Proclamation No. 370/2003).
- **Block Financial Grants**: Grants to states, and hence to local governments, which can be used for local housing initiatives

- **Micro Enterprises**: are those small business enterprises with a paid-up capital of not exceeding birr 20,000, and excluding high technology consultancy firms and other high technology establishments **(**Ministry of Trade and Industry (MoTI, 1997:4).
- **Small Enterprises**: are those business enterprises with a paid-up capital of above 20,000 and not exceeding birr 500,000, and excluding high technology consultancy firms and other high technology establishments (MoTI,1997:4).

On the other hand, CSA defines MSEs based on the size of employment and the nature of equipment. Small enterprises employ less than ten persons and using motor operated equipments while micro enterprises operate with less than ten persons but it doesn't use motor equipments and are subdivided into informal sector operations (non- registered household type establishments and cottage and handicraft industries(perform their activities by hand using non power driven machines) (CSA, 2006).

- **City Government**: refers to the City Government of Addis Ababa and it is a component part of the federal government (Proclamation No. 361/2003).
- **Sub City**: refers to the second administrative stratum of the city government. The city Government is divided it to ten sub cities (Proclamation No. 361/2003).
- **Kebele**: refers to the third administrative stratum of the city government and it is a unit of Sub City (Proclamation No. 361/2003).
- **Iqub**: is a traditional community revolving funds, where usually 10 to 20 neighbors, colleagues, etc. for a savings group for different purposes and each member pays monthly or weekly into its fund. Then a member can withdraw the whole amount for whatever purpose (reportedly often used for housing improvement). The turn of members for withdrawal is usually determined by lottery (Tegegne & Mulat, 2005:60; GTZ IS, 2006).
- **Housing need:** for the urban sector is usually defined as the number of dwelling units required to adequately house the whole present population (and by projection, the anticipated population for a specific period), on the basis of one household per

dwelling. Thus housing need at any one point of time is made up of three components : Replacement of deteriorated stock, New household formation which has not been accommodated by the housing system and natural increase plus migration to towns)

- **Housing demand,** in contrast to housing need, is defined as the expressed monetary demand for housing or housing elements which consumers can afford and towards which housing production is oriented.
- **Housing affordability**: *is concerned with securing some given standard of housing or different standards at a price or rent which does not impose, in the eyes of some third party (usually government), an unreasonable burden on household incomes* (Peter & Alan, 1999).

International experience shows that housing is considered as affordable if one can spend 28 to 30 percent of the monthly income for housing cost or rent. On the other hand, the IHDPAA estimate a maximum of 20 percent of the monthly income to be devoted for housing for the lower income groups and a maximum of 25 percent for medium and high income households (AAHDPO, 2007:33).

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter constitutes a review of literature concerning the importance of housing, housing problems and their causes in developing countries in general and in Ethiopia in particular, the contribution of housing construction for employment generation and the role of Micro and Small Enterprise (MSEs) in employment creation. It also presents different policy approaches for solving housing problems together with other countries' housing policy implementation experiences in addition to different models of program evaluation.

2.2 Importance of Housing

Shelter is one of the basic needs of mankind and it is important for the physical survival of human beings. Housing is also recognized as an entitlement for all human beings (HM Treasury and Office of Deputy Prime Minister, 2005:31). Furthermore, adequate housing has a vital importance for social welfare and for the development process of a given country as a whole (Robert & Sally, 1998:137; Olayiwola, et al., 2005:1). In line with this, HABITAT (2005/ 2006:13) speculates that settlements in which people live and work provide economic, social and physical environments which facilitate or hinder the ability of people to generate and increase income. According to John and Daniel (2007:137), adequate housing stimulates both physical and economic improvement of the population. It is mainly due to the fact that where we live affects so much of our daily lives. Besides, the cost of housing is large in the household budget.

Houses are not only just places to live but also they are assets for their owners. It can be used to generate income through home-based business activities and it can also serve as collateral for loans for the owners (HABITAT & UNESCAP, 2008:4; Bill & John, 2000:153). It can be summarized that owning a house is fulfilling one's basic need and right as well. In addition, good housing condition improves the health and the productivity of the inhabitants and thereby contributes to their wellbeing and also to the broader economic and social development of the society and the nation at large.

2.3 Housing Problem in Developing Countries

The problem of housing is not a localized phenomenon to any specific area. Rather it is a global challenge which all countries are facing. Even though the problem manifests itself in different ways in different societies, it is usually the poor that are more vulnerable to this problem.

> *Around 20 percent of the world's total population is thought to be lacking decent housing. With regard to the residents of the developing world, it is estimated that over half of the population live in substandard and overcrowded housing (Robert & Sally, 1998: 137).*

The problems of housing in developing countries are enormous and complex; it also exhibits visible regional differences. In most urban centers, the problem is not only restricted to quantity but also to the quality of available housing units and the physical state of the living environment (Nigeria Federal Ministry of Environment, Housing and Urban Development, 2008:14 ; Olayiwola, et al., 2005:1).

According to Abrams (1964 cited in Robert & Sally, 1998: 137), there are at least three distinct types of poor urban dwellers in developing cities:

- *There are the homeless and the street sleepers,*
- *A population that are to be found renting accommodations in slums and tenements and*
- *There are squatters and occupants of slum areas.*

Accordingly, among the three poor urban dwellers' categories, it is the squatter settlement or the slum settlement that is the most common sign of rapid urban development in the developing world. Hence, it is estimated that shanty towns and squatter settlements constitute about 50 percent of the total urban population of the developing countries, but on some occasions like Addis Ababa and Casablanca, the proportion is far higher to 90 to 70 percent respectively. Moreover, in the majority of cities in the developing world, the people who live in squatter and slum settlements live in overcrowded situation with little or no infrastructural services (Robert & Sally, 1998:139).

Moreover, residents who live in slums and squatters are usually unable to afford even the most minimal housing provision by the formal land and housing markets with basic services. People also face vast barriers in accessing legal housing and land because of the difficulty of the bureaucracy (HABITAT & UNESCAP, 2008:4). In addition to lack of infrastructural services, the main problem experienced by residents of squatter settlements in developing countries is insecurity of land tenure. Because they do not have an authorization to occupy the land they inhabit, they can be evicted by authorities at any time. The constant threat of eviction is a major factor in the reluctance of residents of informal settlements to invest in the improvement of their dwelling. It is also a major factor in the decision of utility companies (like electricity and water) and other service providers (like loan providers) are also reluctant to go into informal settlements. As a result, squatter settlements often remain neglected and unimproved for years (HABITAT & UNESCAP, 2008:7).

2.4 Causes of Urban Housing Problem in Developing Countries

The rate of urbanization is considered to be one of the indicators of a country's economic development. When the urban center grows in developing countries, it leads to the increase in the population mainly through rural-urban migration. High population growth contributed to an increase in the demand for houses in urban centers.

When a country becomes more urban, more houses will be needed to accommodate the increasing population in urban centers. However, in developing countries the pace of urbanization is not supplemented by the provision of adequate housing. This is one of the reasons for crowdedness and the development of squatter settlements in most cities of the developing countries (Abreham, 2007:27).

Moreover, the inability to properly plan and manage rapid urbanization has also resulted in uncontrollable growth of cities, decayed inner cities and growth of slums, especially in urban periphery areas (Nigeria Federal Ministry of Environment, Housing and Urban Development, and 2008:14). According to Bob (2007:18), the supply of housing has been constrained due to restrictive government land policies, marginalization of the private sector in housing development and shortages of key construction resources, which have caused price increase and delays in the delivery of buildings.

In line with this, Thwala (2005:6) stated as the main cause of the housing problem in the developing countries to be governments' lack of financial capacity to deal with the problem in an effective and efficient manner. In addition to lack of financial resource, lack of willingness by politicians and the inadequacy of institutional framework which are in place to deal with the problem are the other factors that aggravate the problem. However, as the provision of housing is a very expensive process, one of the main problems in providing adequate housing is associated with the difficulty to make adequate investment on it as mostly governments give low priority to the housing sector due to shortage of resources (Tilahun, 1997:115). Furthermore, the existence of severe housing shortages, poor quality housing situation and the expansion of squatter settlements in majority of developing countries is caused by the governments lack of willingness in addition to lack of capacity to address the issue in a fundamentally structured, sustainable and large-scale manner.

The other cause of the housing problem is the existence of weak housing finance development in these countries. The reason is that many developing countries lack the financial muscle that could go to housing (HABITAT, 1991:4). Due to this, the residents' who have low level income are unable to afford even the smallest or cheapest professionally constructed legal house with basic services (Robert & Sally, 1998:137).

Bob (2007) also identified the imbalance between housing supply and the increasing housing demand due to natural increase in population, high rate of rural-urban migration, overcrowding and deterioration of the already existing housing. In addition, he stated the high price of land, building materials and labor, a lack of alternative investment opportunities and speculation as the major causes of housing shortage in developing countries. Other factors like the absence of urban policy that incorporates housing policy could help to successfully narrow the gap between urbanization and housing development (Abreham, 2007:1).

In general, the above authors identified lack of resources, lack of political will, population growth, uncontrolled and unplanned urbanization, lack of residents' capacity to afford legal houses, the low rate of economic growth, constant increase in land prices and construction materials, inappropriate strategies for urban planning and land appropriation and absence of urban policy that incorporate housing policy to be the major causes of housing problem in developing counties.

2.5 Urban Housing in Ethiopia

The population and housing census of 2007 result shows that Ethiopia's urban population constitutes about 16 percent of the total population (CSA, 2008:21). This shows that Ethiopia has low urban population ratio than most developing countries. Even with this low level of urbanization, most urban centers suffer from a variety of urban problems including inadequate infrastructure, housing and services, high unemployment and weak institutional mechanism for good urban governance and sustainable urban development (Tegegne & Mulat, 2005:60).

According to Abreham (2007:27), housing shortage is one of the major problems that the country faces in almost all urban areas. Recent estimates concluded that, currently the housing shortage is between 900,000-1,000,000 in urban centres of the country (MoWUD, 2008:1). In addition to the shortage, the existing houses are below qualitative standard and lack adequate space. Moreover, the extent of provision for water supply, electricity, drainage facility and other services in the existing settlements is also very low (Abreham, 2007:27). The problem is aggravated due to the country's low investment in the housing sector. The country's investment in housing construction is below 3 per cent of GDP which is in lower condition compared to the 6 percent recommended by the UN for developing countries (Gutama, 1994 and Region 14 Works and Urban Development Bureau, 1996 cited in Mehret, 1999:8).

With regard to Addis Ababa, which constitutes 15 percent of the country's urban population, the city is experiencing an acute shortage of residential housing (MoWUD, 2008:1). According to information obtained from Ethiopian Television, there is lack of about 300,000 houses and also the demand for housing increase by 50,000 per year due to high population growth in Addis Ababa (ETV, 18 December 2009; AAHDPO, 2007:4). The housing problem that the city faces resulted in severe congestion and overcrowding in the living condition of the city's residents. Moreover, the existing huge gap between the supply and demand for housing has led to illegal housing construction and squatter settlements in many places throughout the city (Addis Ababa City Government, 1997 cited in Mehret, 1999:8).

Besides, many of the housing units constructed in the city are of poor quality due to old age, limited variety and poor workmanship. The scarcity of shelter related infrastructure, especially lack of adequate water supply and sanitation has also contributed to the poor housing condition in the city (Tsion, 2007:329). Most international estimates put the proportion of the Addis Ababa's population that is living in rundown and slum settlements as one of the highest in the world. According to Robert and Sally (1998:139) the proportion of squatter and slum settlement in Addis Ababa is 90 percent. Worse housing conditions that are combined with the expansion of squatter settlements cause a rapid increase in the proportion of the population of Addis Ababa that live in such settlements (Tsion, 2007:327).

One of the reasons for this problem is that there is a huge gap between the housing need and the housing supply in the city (Mehret, 1999:8). As the housing supply remains at low growth rate, housing demand in Addis Ababa has been increasing due to high population growth, migration to the city from all over the country and the deterioration of the existing housing stock subsequent to poor maintenance. In addition, other factors that aggravate the demand for housing include progressively increasing the Diaspora demand for housing, lack of alternative investment and speculation (World Bank, 2009:2).

Furthermore, housing crisis of the city highly affects the low income group of the city's population. Low economic development level of the city, where the livelihood of a great number of the population depends on informal economic activities is the main factor that hinders the majority of the city's population to acquire housing. Even though there are efforts to reduce the housing problem, most ongoing housing projects that are implemented in the city focus on the supply of housing for the middle income and high-income groups. Almost all real estate projects by private developers target the middle and high-income groups. Unfortunately, these projects even could not be accessible even for the middle class groups due to the high market price (Zelalem, 2007:249).

Generally, Addis Ababa's housing problem could be summarized into four categories: the shortage of housing, the overcrowding and poor quality of housing unit which is especially reflected in the center where owner of the houses is mostly the government, low neighborhood infrastructure development and limited affordability of the houses mainly due to very low household income (Zelalem, 2007:249). Despite the prevalence of the problem, different measures have been pursued to tackle the problem in the country.

2.6 Housing Policy Approaches

Nations around the world have adopted different housing policy approaches to solve their particular housing problem that depend upon various philosophies of governments. Countries tend to choose for one or two major strategies for the provision of affordable housing, i.e. universal and targeted approaches. A universal approach aims to provide the whole population with decent and affordable housing. The targeted approach, which is more common, is based on the assumption that while the market plays a primary role in housing provision, special programs are implemented to address the needs of the low-income or vulnerable groups that are excluded from the market distribution system (Asia Development Bank, 2009:3). The following are major housing policy approaches that encompass most of the housing provision strategies.

2.6.1 Supply Side Approach

The supply side approach focuses on the effort of the government to provide housing to its citizens. Certain governments have directly confronted their nations need for affordable housing by undertaking major construction campaigns by using government funds entirely to finance the development costs. Under this approach, governments usually build the houses and transfer them to households with certain financing subsidies for home purchasers or rent them at relatively low prices (Martha, 2006a:11; John & Daniel, 2007:228). Public housing, subsidy to housing buildings, interest subsidy to construction and tax benefits to home-owners are major strategies to provide housing under this policy approach. This policy approach is most often utilized when there is a shortage of housing supply, inadequate capacity within the private sector to build houses, and when the government policy favors public ownership of housing.

However, the supply-side housing policy instrument is criticized as the active involvement of government in either production or financing of housing construction inhibits private sector initiative in the housing sector involvement and tends to lead to the public sector dominance of housing (Martha, 2006a:11). Others also criticize the approach due to the failure to respect consumer sovereignty, difficulty to estimate and assess the expenditures, its sluggish rate and it's lagging behind market conditions and resulting in spatial segregation and concentration of poor neighborhoods. So these opponents justify that, subsidized housing programs are just too expensive to adequately house all the people needing housing (Aprodicio, 1983:14).

2.6.2 Demand Side Approach

Demand side approach gives subsidies directly to the poor and let them choose their own housing. It is a less restrictive method of providing affordable housing through giving households a subsidy to locate and rent housing within the private sector. The private sector is expected to produce housing, while the government provides assistance to the public focusing on bringing the housing affordability through subsidy (Martha, 2006a:11). Under the demand-side policy, low-income households are given housing coupons that can be redeeming for housing. The coupons have two advantages over public housing. Firstly, under some circumstances, the coupons are equivalent to cash so they generate a larger increase in utility than an equal expenditure on public housing provision; and secondly, the coupon can be spent on used houses, which are typically less expensive than new houses and it will be advantageous for the poor.

According to World Bank (2003:1), there are two kinds of demand-side subsidies that are mostly recommended and implemented today in the housing sector, i.e. capital grants and housing allowances. These are subsidies that are given directly to households or directly paid to service providers on behalf of the households. Capital grants are one-time subsidies that households can use to purchase, build, or complete (new or existing) units or to rehabilitate existing units. The grants are usually funded via an explicit appropriation process within the government's budget, which makes their cost transparent to the public.

Housing allowance on the other hand, is a regular ongoing subsidy provided to owners or renters to offset some of the costs of their housing and housing-related services. Allowances can take two forms. The household receives a fixed subsidy based on the typical prices prevailing in the housing market and must pay the difference between this amount and the total rent of its housing unit. As a result, each household's contribution will vary depending upon how successful it is in finding an economical housing unit. This approach gives households a powerful incentive to rent for the economical housing. Under the second approach, the government specifies a fixed amount of money that a household must pay a percentage of its income towards its own housing costs regardless of the total amount of its rent.

Demand side policy approach can function effectively only in a market with adequate supply of housing units. This approach allows greater flexibility to the consumer since the location and quality of housing is selected by each household's and not by government. The cost of such approach varies widely according to the breadth of assistance chosen by the government (Martha, 2006a:11). However, opponents of the demand side program argue that the best way to make sure that the low income households actually improve their housing is for the public sector to build housing for them (John & Daniel, 2007:228).

2.6.3 Sites and Service Schemes

As a reaction to most governments' inability to provide adequate shelter to all the urban poor households, there has been a shift in thinking from the state as a provider of housing to a facilitator of the self-help housing by the people themselves. Hence, in this strategy, the government provides plots and basic services in a planned manner to individuals, cooperatives, or private housing developers, and providing utility and infrastructure services to service the houses that is going to be built by them(HABITAT & UNESCAP, 2008:32).

This strategy encourages the public sector to focus on public functions of land allocation and infrastructure construction, and relies on individual, cooperatives and private enterprises to construct and finance housing structures (Martha, 2006a:12). This approach allows greater participation of individuals and the community in the development of their own housing and the government plays a lesser role than it does in fully-built public housing. Moreover, it also enables governments to share responsibility for providing housing with low-income groups and thus save scarce public resources (HABITAT, 2005/2006:13; HABITAT & UNESCAP, 2008:32).

2.6.4 Enabling Strategy

It is an effective and lower cost government housing strategy that will indirectly support all types of appropriate housing, rental and ownership, small and large, upgrading and new construction, in the most cost effective manner (HABITAT, 2005/2006:13). This strategy relies greatly on the private sector and individuals in constructing and financing new or upgraded housing. But, if resources are available, government may subsidize housing or lending for lower income households to achieve the equity goal (Martha, 2006a:12). Accordingly, there are indications that many governments are now moving towards an enabling strategy to mobilize resources and apply entrepreneurial skills for increased housing and infrastructure production (HABITAT, 2005/2006:13).

2.7 Governments Housing Provision Experience

Different countries implement the aforementioned different housing policy approaches based on their political and economic outlooks. As the study is focusing on the Government Housing Development Program, the study tries to revise Hong Kong and Singapore's experience on government housing provision.

Proponents of government housing provision policies frequently refer to the success stories of Hong Kong and Singapore in the 1960s and early 1970s. The governments of Hong Kong and Singapore were able to provide decent and affordable housing to all low income group of their population in their cities. The government of Singapore could satisfy the housing need and around 88 percent of the total population lives in government apartments. In Hong Kong, public housing constitutes 50 percent of the city's housing stock and the government also continued the pursuit of high production of subsidized houses (HABITAT & UNESCAP, 2008:32).

However, opponents of supply-side housing policy argue that state provision of housing doesn't meet its main objective i.e. the housing needs of the low income people who are most in need. They assert that the reason for the success of the policy in these two countries is due to the fact that Hong Kong was a colony. And, unlike other countries, Singapore has no countryside and therefore no rural migrants constantly flow into the city to create a shortage on the existing urban housing stock. So, neither of which had to work within tight public budgets, like much of the rest of the world (HABITAT & UNESCAP, 2008:32).

The first attempts to solve the housing problem in developing countries began in the 1960s and 1970s through governments housing construction. But this action was slowed down as it became clear that it would not solve the problem as expected. Despite several well-publicised success stories, such as Hong Kong and Singapore, government housing programmes are largely out of favour in the developing world due to the inability to satisfy the housing demand of low income people (HABITAT, 2007:1).

Though governments retain the provision of housing to the poorest and disadvantaged groups, housing programmes and activities intended to benefit low-income groups that have often been misdirected, inefficient, inaccessible and inadequate (HABITAT, 2006:11). It is difficult for many developing countries to provide public housing without facing corruption, political interference, inefficiency, unfair allocation and extensive delays. In order to make such public housing affordable to the low income people, the costs of constructing and managing it must be subsidized. Very few governments have the political will or the financial resources to pay for this subsidy or to build enough housing to meet even the smallest fraction of the housing needs of the country's low income people (HABITAT & UNESCAP, 2008:30). As a result, governments recognize that they can play a more effective role in meeting housing needs through facilitation and support of housing development and improvement by other actors and through partnerships, rather than trying to provide housing directly themselves (HABITAT, 2006:188).

2.8 Urban Housing Policies in Ethiopia

2.8.1 Housing Policies implemented in Pre 1991

The housing sector has been subjected to a variety of policy interventions in the past years in Ethiopia. In the pre 1975 period, housing market operated in free market principles. Landlords leased urban land and constructed residential houses to tenants, and there was no restriction with regard to the selling and buying of houses. Though the government had little involvement in the housing sector, due to the housing shortage it was expected to provide low cost housing without taking the role of the private sector which was at that time mainly catering for medium and high income groups (Tilahun, 1997:117). However, the then free market condition was one of the factors that were blamed for the unplanned development of most urban centers, in addition to the very high cost of rent for tenants. As a result, the majority of the urban population was forced to live in highly crowded and congested houses that are mostly built and owned by land-lords (Tilahun, 1997:117; Solomon, 1994:278).

Following the 1974 revolution, the Derg nationalized all urban land and extra houses by Proclamation No. 47/1975 and was directly involved in the supply of housing. Due to low public sector production of housing, the Derg organized and supervised housing cooperatives to respond to housing requirements. To encourage the development of the cooperative system, the Derg intervened with a wide range of incentives including allocation of land without charge for the construction of owner-occupied housing units, subsidizing building materials and mortgage loans below the market rate were also provided on a subsidized basis to cooperatives (Abreham, 2007:117; Martha , 2006b:20).

Despite this effort, total housing production satisfied only a small portion of the demand for the period. The majority of the urban residents that the Derg claimed to stand for could not benefit from the land reform where urban land was granted free of charge, because their income was too low to construct the smallest standard dwelling houses(Solomon, 1994:278). Tsion (2007:331) also claimed that, the housing development approaches that were implemented by the Derg were unable to successfully address the neediest which are mainly the low and lower middle income group. Although the factors causing these consecutive failures are numerous, the basic cause can be stated as the choice of non-inclusive housing development approaches that are less responsive to local situation (Solomon, 1994:279).

2.8.2 Housing Policies implemented in Post 1991

Since the transition in 1991, the EPRDF government has sought to introduce a more market-oriented approach to housing development. With the introduction of the urban land lease holding Proclamation in 1993, the government defined leasehold as the tenure form of choice. Land to be used for social services and low-cost houses may be leased free of charge (Proclamation No. 80/1993). The Addis Ababa City Government‘s Urban Land Lease Holding Regulation No. 3/1994 declared that urban land should be used for business activities and residential construction. In addition to the land lease law, other measures have contributed to the liberalization of the housing market. Subsidies on the sale of building materials have been removed and interest rates for housing construction have been set at market rates, etc (Regulation No. 3/1994).

In addition, a consolidated Urban Development Policy was formulated and approved by the Council of Ministers of the Federal Democratic Republic of Ethiopia in 2005. Urban housing development is identified as a key pillar in the priority intervention areas of the government's Urban Development Policy (MoWUD, 2005:2). The policy generally can be termed as inclusive when it comes to housing. The intervention areas identified in the policy document form the bases for the development of the Integrated Housing Development Program (IHDP) in 2006, which is designed for implementation between 2006 and 2010 though the Housing Development Program is implemented in Addis Ababa since 2004.

2.8.3 Integrated Housing Development Program in Addis Ababa

To solve the housing problem of the city, it is essential to enable the construction of houses in existing parts and also in new areas of the city. Hence, the Addis Ababa City Government has designed an Integrated Housing Development Program that aims to improve the quality and quantity of houses that are available in the city. In addition to the housing shortage, the majority of the existing houses are decaying. Any effort to solve the housing problems of the city should, therefore, consider the redevelopment and upgrading of the decaying houses under the city's *Kebele* Administrations and the renewal of the slum areas (AAHDPO, 2007:4).

The Housing Development Program also considers the very high unemployment problem and prevalence of the informal sector in the city. Moreover, the program recognizes the potential role of the construction industry in creating employment opportunities and inducing the development of MSEs. Therefore, the Program is designed to create large employment and increase the incomes of the city residents. Apparently as income of the wider public increases, the potential for enabling low income residents to become house owners and fair distribution of income will be enhanced (AAHDPO, 2007:5).

Currently, low-cost building technology is not widely applied in the construction industry in the country. So long as housing construction cost remains very high, it becomes difficult to create a situation where the wider public would be able to rent or buy these houses. Thus, the program intends to construct affordable houses using cost-saving building technologies. Hence, it is important to involve as many MSEs as possible in the program so as to promote low cost housing technologies that require lower level of skill that can be implemented extensively in a short period of time (Bob R. et al, 2008:2).

Generally, the strategy of the city government that has adopted to implement the Integrated Housing Development Program is very consistent with multiple objectives of poverty alleviation and economic development. In particular, the Program is designed to be consistent with the Millennium Development Goals and Targets. It would contribute directly to Goal 1 of eradicating extreme poverty and hunger by stimulating local economies, creating jobs and access to decent housing. The Program also contributes to Goal 3 of Promoting gender equality and empowerment of women by creating jobs, supporting women to establish their own businesses and access to decent housing. And it is directly related to Goal 7 of Ensuring environmental sustainability (sustainable access to safe drinking water and basic sanitation, as well as a significant improvement in the lives of slum dwellers) by delivering decent housing with adequate infrastructure and services (MoWUD, 2008:1).

2.8.3.1 Major Objectives of the IHDPAA

The Addis Ababa Housing Development program set the objectives that are mentioned below (AAHDPO, 2007:7-9):-

- Solve the housing problem that exists in the city and improve the city residents' in terms of living standard
- Renew and upgrade the slum and decaying parts of the city
- Reduce unemployment and improve income of the residents based on the housing development program, particularly expand MSE
- Enhance and strengthen the construction industry and improve the vocational training system
- Ensure fair wealth creation distribution by housing construction for low income households and ensuring tenure security.

Thus, in order to achieve the above objectives the major goals that are set by the IHDPAA for the plan period 2004-2008 are:

- Build the city governments construction capacity to construct on average 50,000 housing units per year

- Reduce slum and decaying areas of the city by 50 percent
- Establish and strengthen 2300MSEs and create 80,000 Jobs on a sustainable basis in the construction industry
- Change the current training systems in the construction industry
- Ensure the fulfillment of minimum construction standards and develop and utilize low-cost housing technologies
- Prepare and develop 1,200 hectares of land required for the housing development and related local development works, build institutional capacity that is able to execute the construction of 50, 000 houses per year, enable low-income residents to become house owners and thereby ensure fair distribution of income and create conducive environment for development.

2.9 Housing Finance

Finance is one of the key factors that has considerable influence over the availability of housing and the performance of the construction industry. Lack of financial resources is one of the main causes that result in housing shortage in developing countries (Bill and John, 2000: 162). The supply of housing finance is constrained mainly because of banks' inability to accurately assess credit risk associated with low income borrowers, lower profit margins, lack of land titles, and uncertainty of recovery (UN-HABITAT, 1991:4). The varieties of methods that exist to finance affordable housing in developing countries are presented into four broad categories.

2.9.1 Conventional Mortgage Finance

This is a large loan that is offered for 10 to 30 years to those who have a minimum and regular income, and to those with immovable tangible assets and registered title deeds as collateral. This is usually provided by the formal sector financial organizations and it is for the purchase or construction of housing units. Repayments of loans are fixed, with regular periodic payments which consist of capital and interest. Conventional mortgage finance usually avoids servicing the poor because of the fear that they may not repay loans.

Conversely, low-income households find mortgage finance unsuited to their needs, since the poor prefer to build incrementally. In addition, low-income groups prefer small loans for short periods of time, a form of lending in which mortgage financial houses are not interested because of the associated high administrative costs (HABITAT, 1991:4).

2.9.2 Housing Subsidies

Government housing bank or subsidy of borrowing, capital grants subsidies and subsidies which support the issuance of mortgages are among housing finance subsidies. Capital grant subsidies, also known as end-user subsidies, are targeted at the demand rather than the supply of housing are extended to lower income households, who utilize them to buy houses developed by the private sector. In this approach the government creates a subsidized lending program or direct subsidy program providing housing and financing to low income groups (Martha, 2006b:20).

2.9.3 Housing Micro Finance

The third method for housing finance is loan from microfinance especially for low-income households to access loans for housing. This lending aims to meet the shelter needs of low and medium income households who are excluded from formal mortgage finance due to low and irregular incomes and who lack legal land tenure. Furthermore, this loan facility has been successful in part due to the fact that it enables poor households to build up savings and credit histories that, in turn, reduce the risks incurred by lenders, leading to lower interest rates in the long-term. In addition, this kind of financing can be critical in slum upgrading programs, which frequently disregard housing and focus only on improving or extending basic urban infrastructure, land tenure and other services (Martha, 2006b:4).

2.9.4 Informal Finance

It has been defined as individual and group savings, windfall, small loans from neighborhood lender, barter arrangements and communal self-help. It is prevalent in developing countries and also more useful for low income households. This type of finance holds the potential of helping a range of development programs in addition to housing. Despite its potential, informal finance can be unreliable and irregular, leading to a situation where housing consolidation takes a long time (HABITAT, 1991:2).

2.9.5 Housing Finance in Ethiopia

There is slow development of financial institutions in Ethiopia. This can be demonstrated in the fact that there were no private financial institutions until recently and also formal housing finance mechanisms do not have good record in Ethiopia. Around the culmination of the Imperial Regime, two housing finance institutions were established. When the Derg assumed power, these institutions were merged to form the public sector Housing and Saving Bank (HSB). This bank provided housing loans with subsidized interest rates (4 to 5 percent) from 1975 to 1991 to members of housing cooperatives with verifiable regular incomes. After financial restructuring, the Housing and Saving Bank was reorganized as an all purpose retail and investment bank and renamed the Construction and Business Bank (CBB). Its former emphasis on housing finance was reduced and market interest rates (as high as 18 percent) were applied to housing loans (MoWUD, 2006:20).

Currently, there is an expansion of micro finance institutions all over the country that lend money especially for the low income people who can't meet banks collateral requirement. Addis Credit and Saving Institute (AdCSI) is the main formal micro finance institution that is involved in financing the down payment of condominium lottery winners in Addis Ababa (Martha, 2006b:23).

However, the formal housing finance institutions provide services mainly to the upper and middle-income groups because the urban poor lack collateral, regular income and savings. The urban poor mostly depend up on social credit sources such as *ikub and Idir*. Even though, they can offer only limited capital compared to the cost of construction, these social credit sources often successful in providing housing finance for the poor. This is due to the fact that they are mostly based on social ties and requires little bureaucracy and paper work (Zelalem, 2007:249).

2.10 Employment Potential in the Process of Housing Provision

Investment in infrastructure and construction has long been considered as a precondition for industrial and commercial development. Being a relatively labor-intensive industry with a high demand for semi-skilled and unskilled labor, the construction industry offers a great potential for employment and income generation (HABITAT, 2001:15). The construction industry is particularly important for absorbing unskilled labor and providing job opportunity to the lowest income sector in the economy. In countries where labor is abundant, increasing construction activity would be the best way to increase employment. The use of simple and local technologies also leads to a demand for indigenous materials and components which creates employment through backward links and for continuing goods and services production leading to forward links (HABITAT 2005/2006:6).

The relationship between housing and economic development at the state and regional level is both direct and indirect. A strong housing sector will lead to creation of business opportunity, employment and wealth accumulation as jobs and rising incomes in turn produce demand for housing and housing construction. Housing construction has the ability to stimulate domestic economic activity because the sector is highly labor intensive and creates demand for a very large variety of goods and services. Though low-income housing is an important source of employment opportunities, increasing the production of housing units cannot be achieved without ensuring an adequate supply of suitable building materials. In addition, low-income housing developments in the formal sector tend to be more labor intensive than high-income housing (Thwala, 2005:6). This is more feasible if the housing design facilitates the use of relatively simple technologies and skills and local inputs. In line with this, encouraging the participation of the community especially the unskilled labor enables individuals to acquire construction skills which will give them the opportunity for further employment (HABITAT, 2005/2006:13).

Furthermore, investment in housing can also induce the development of financial institutions which mobilize domestic savings for economically productive investments. Enhancement of housing development, therefore, increases productivity, especially that of the poor. Experience of human settlement projects indicates that improved housing conditions can have serious effects on levels of loan repayments or rents by making them affordable to low-income households who are thus forced out of schemes or left worse-off than they were before (HABITAT, 2001:15). The building of houses will not only generate an important amount of employment at different levels of skill, but may have an invigorating effect in the whole local economy. Construction has important backward linkages with industries producing building materials, furniture, and other components that can be produced locally if a stable demand is generated (Helmsing, 2005:53).

2.11 Micro and Small Enterprises (MSEs) and Employment Generation

Unemployment is one of the serious challenges that governments are facing in developing countries. According to Bob (2007:8), it is accepted worldwide that the development and growth of MSEs can play an important role in employment generation and reversing the unemployment situation. The small business sector is also seen as an important force to generate employment and create more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all these can stimulate economic development. MSEs serve as a source of employment generation and also contribute to poverty alleviation usually through creating employment to the poor. According to (Ministry of Trade and Industry (MoTI), 1997:4) in most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful effect for rapid economic growth. The MSE sector is also known as an instrument in bringing about transition by effectively using the skill and talent of the people without requesting high level training, much capital and sophisticated technology. MSEs are also described as the national home of entrepreneurship. It provides the ideal environment for entrepreneurs to exercise their talents to the full and to attain their goals (MoTI, 1997:4). Furthermore, (Zuzana, 2009:2) stated that MSEs can also innovate, adopt new technology and know-how, create jobs, broaden the tax base, and diversify risk. Benefits of MSEs can extend to the external sector, through their launching of new products.

In order to get the benefit from the MSE development, the desirability of support for MSEs is essential. MSEs support is one of the most effective means of assisting and targeting the poor, while others regard it as useless. The case for MSE promotion often relies crucially on the argument that MSEs create more and better income-generating opportunities for the poor. Other advantages of MSEs include their contributions to competition, entrepreneurship and innovation, creation of products at lower cost which are more suitable for the poor (Bob, 2007:8). Especially in poor countries, where there is large number of unskilled and semi skilled labor force and marginalized people who lack access to job due to lack of the required technical and academic knowledge, MSEs play an important role in addressing the issue of meeting the basic needs of the people. The sector provides employment to female headed households, rural population who do not have access to urban facilities, the young who are unemployed, disabled people and also to new graduates (Sitotaw, 2009:24).

However, in most developing countries, small businesses face a wider range of constraints and problems and they are unable to address the problems they face on their own. The constraints relate, among others, to the legal and regulatory environments, access to markets, finance, business information, affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, access to quality business infrastructure, and in some cases discriminatory regulatory practices (Asmelash, 2002:134).

2.12 Models of Program Evaluation

Any government policy or program should be assessed to evaluate whether it meets the intended objective or not. The result can be used to maintain the strength of the policy and to take corrective action if there is a deviation from the objective. Policy makers and administrators have always made judgments concerning the worth or effects of particular policies, programs and projects. Different evaluators are employing different value criteria and reach different conclusions concerning the merits of the same policy (James, 1990:222).

But these approaches can be categorized as two distinct but interrelated categories of evaluation, i.e. procedural and substantive models of evaluation (Evert, 1997:35).

2.12.1 Procedural Evaluation Model

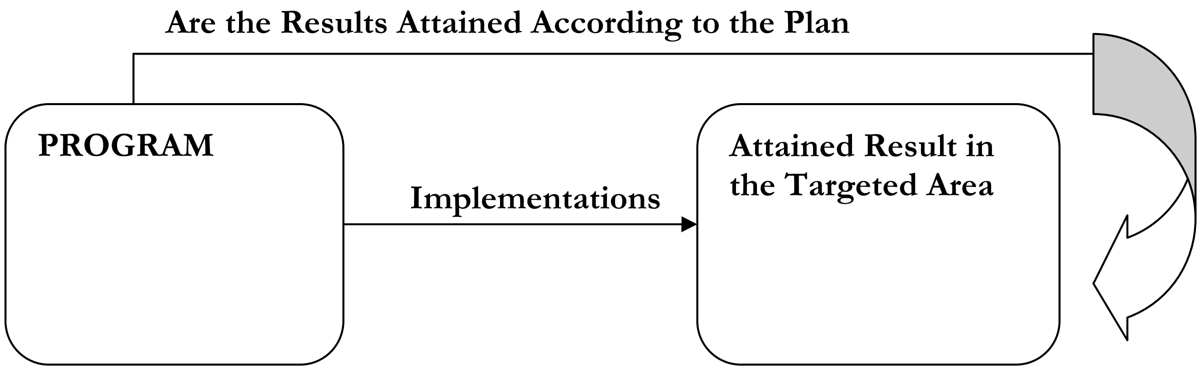
This model considers the extent to which a particular policy is implemented according to its stated guidelines. It focuses on checking legality, equity, representativeness and other qualities of the procedures according to which the interventions are supposed to be handled by responsible agencies (Evert, 1997:35). This model acknowledges that a policy and its impact may be modified or even negated during implementation. It is interested in establishing how to successfully implement such initiatives. That is, it needs to know how, why, with whom, and under what conditions, a policy or program can be successfully implemented. Successful implementation and successful impacts are closely linked (Philip, 2004:14).

2.12.2 Substantive Evaluation Model

This approach of evaluation is concerned with examining the extent to which a policy causes a change in the intended direction. It can be defined as an assessment of the overall effectiveness of a national program in meeting its objectives. Policy impact is a mixture of policy output and policy outcomes. Policy outputs are the things actually done by agencies in pursuit of policy decisions and statements. Outputs usually can be readily counted, totaled and statistically analyzed. Policy outcomes, in contrast, are the intended and unintended consequences for the society that stem from governmental action and inaction (James, 1990:223).

The simplest form of substantive evaluation is what is sometimes called a '*goals-attainment evaluation*' (Patton, 2002 as cited in Philip, 2004:4). In this method, policy makers want to know whether a desired outcome, target or goal has been achieved. This is a fairly straightforward issue of defining a desired outcome at the outset of a policy initiative and checking at some agreed future time whether this outcome has or has not been achieved. Goals based evaluations make no assumptions about whether or not the chosen goals or targets are valid or appropriate measures of effectiveness. One limitation of goals-based evaluation is that it does not consider the unanticipated outcomes or consequences of a policy initiative and, consequently, may give a partial, if not biased, view of the policy's outcomes.

Figure 2.1: Goal Attainment Evaluation Model



Source: Evert (1997:39)

The other method of substantive policy evaluation is evaluating the net effect of the program. Any government needs to know at the beginning of policy development and after policies have been implemented, their likely and achieved impacts in terms of both the positive and negative outcomes. They also need to know the net effect of a policy in comparison with doing something else or doing nothing at all (Philip, 2004:5).

As mentioned above, a program can be evaluated by using the above evaluation models and others. However, for the purpose of this study, the researcher will use goal based evaluation model from substantive evaluation model as a theoretical framework to assess the actual outcome of the Housing Development Program by using the goal of the IHDPAA as a base.

CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

3.1 Introduction

The objective of this study is to assess the effectiveness of the Integrated Housing Development Program in Addis Ababa (IHDPAA) in addressing the housing needs of low and medium income people and in creating employment opportunity for Micro and Small Enterprises (MSEs). In order to assess the effectiveness of the program, the researcher preferred to present and analyze the collected data in two parts. Part one, data regarding the effectiveness of the IHDPAA in delivering houses to the low and medium income people are presented. On the other hand, Part two looks at the data regarding the employment creation of the Program to MSEs.

A total of 255 questionnaires were distributed in the three selected sample sub cities, 182 questionnaires were distributed among condominium house owners and 73 questionnaires to MSE operators. Out of the 182 questionnaires that were distributed to condominium house owners, 6 of them were excluded in this study because they were not filled out properly (Refer section 1.7.4). Furthermore, the collected data was organized and analyzed using SPSS software (version 17.0) and simple statistical tools like percentages, ratios, graphs and tables. There were also focus group discussions among site committee members and among MSE supervisors in Arada, Bole and Nifas Silk Lafto sub cities. In addition, in-depth interview was conducted with micro and small enterprise and housing officials from Ministry of Works and Urban Development (MoWUD), Addis Ababa Housing Development Project Office (AAHDPO) and Officials from selected Sub cities.

Part One

3.2 Housing Provision through the Integrated Housing Development Program in Addis Ababa

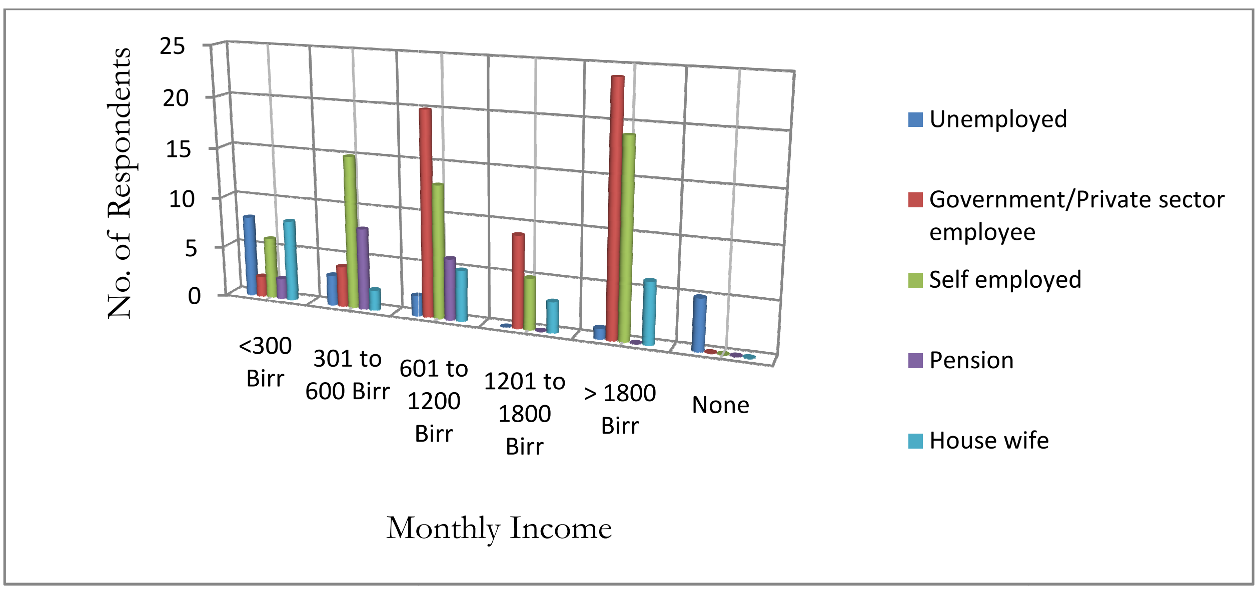
This part deals with the presentation and analysis of the massive housing delivery of the Program as it is the main objective of the IHDPAA.

3.2.1 Socio-Economic Characteristics of the Respondents

3.2.1.1 Employment Status and Income Level

The IHDPAA classified the city's residents into different income categories for the purpose of housing distribution. Accordingly, residents who earn less than 300 birr monthly, residents who earn 301 to 600 and residents who earn above 601 birr monthly are labeled as low, medium and high income group respectively (AAHDPO, 2007:8). A total of 176 condominium house owners were asked about their employment and monthly income level. Figure 3.1 shows the monthly income pattern of the respondents as obtained from the field investigation.

Figure 3.1: Respondents' Employment Status and Income Profile



Source: Survey Data (May, 2010)

As it is shown in the above figure, out of the 176 respondents 5 (3 percent) of them did not have any source of income, 26 (15 percent) of the respondents earned less than birr 300 monthly income, 32 (18 percent) of the respondents earned birr 301 to 600 monthly. In other words, 36 percent of the total respondents are included in the low and medium income group according to the Program income category. The remaining (113) 64 percent of the house owners earn a monthly income of above 600, which make them to be included into the high-income group. The figure also shows that the type of employment the condominium house owners have. Out of the 176 respondents, 59 (33 percent) of them are employed in governmental or private enterprises, 58 (33 percent) of the respondents are self-employed, 16 (9 percent) of them are pensioners, the remaining 24(14 percent) and 19 (11 percent) of the respondents are house wives and unemployed respectively. This implies that the program is not benefiting the low and medium income population of the city.

3.2.1.2 Respondents Previous Housing and Cost of House Rent

The following table shows previous housing situation of respondents. The table revealed that 34 percent of the respondents used to reside in *kebele* houses, 41 percent lived in private rented houses, 13 percent of the respondents used to live with their families, 8 percent of them in camps, 2 percent of the respondents used to live in government rented houses and the remaining 2 percent used to live in their own private houses.

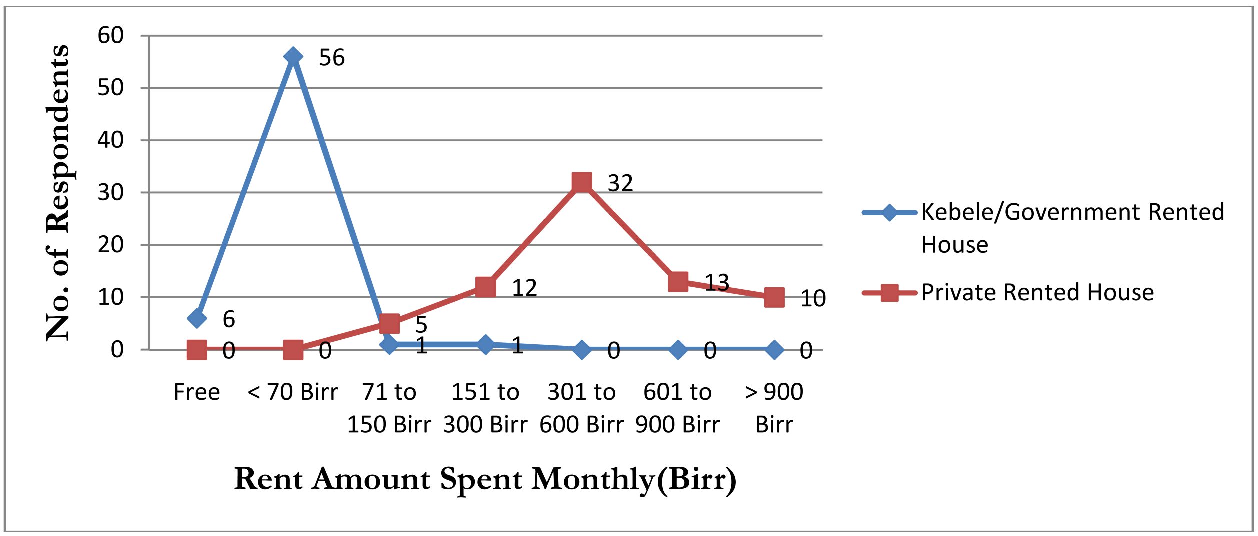
Table 3.1: Previous Housing Situation of Condominium House owners

	Frequency	**Percent**
With family	22	13
Owned private house	4	2
Kebele house	60	34
Government rented house	4	2
Private rented house	72	41
Camp	14	8
Total	176	100

Source: Survey data (May, 2010)

Figure 3.2 below shows the amount of money that the respondents used to spend for house rent on a monthly basis. Out of 64 respondents who used to live in *Kebele* and government rented houses, 56(87 percent) of them used to pay a monthly rent of less than 70 birr while 2(3 percent) of them paid from birr 71 to 300. The rest 6(10 percent) lived in *kebele* houses for free.

Figure 3.2: Respondents Previous Housing and Monthly Housing Rent cost



Source: Survey Data (May, 2010)

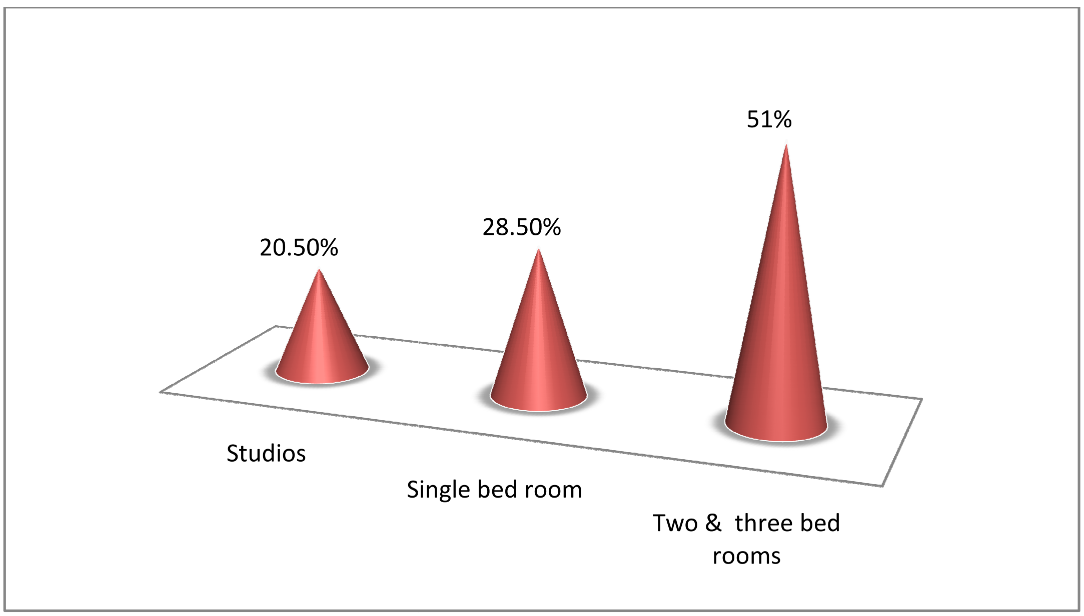
On the other hand, out of the 72 respondents who were living in private rented houses, 5 (7percent) of them used to pay from birr 71 to 150, 12 (17 percent) of them used to pay from birr 151 to 300, 32(44 percent) of them used to pay birr 301 to 600 monthly and 23 (32 percent) of them above 601 birr. This shows that paying the monthly housing installment for condominium houses is very difficult for the house owners that used to pay low house rent amount in *kebele* houses.

3.2.1.3 Types of Houses Constructed by the Program

According to the Program, the houses are designed and constructed so that low and medium income population group of the city can afford the purchase price. Furthermore, the condominium house types are designed to fit the affording capacity of the society through categorizing the residents based on their income level. Hence, 40 percent of the houses are allocated for studios that is designed for low income groups who earn less than 300 birr monthly, 30 percent of the houses to be single bed room for middle income groups who earn birr 301 to 600 per month, 20 percent of the houses will be two and three bed rooms for high income groups who earn above 600 birr monthly, while the remaining 10 percent is reserved for commercial houses (AAHDPO, 2007:8).

According to the observation of the researcher, all the houses constructed are high rise buildings. Figure 3.3 presents the data obtained from each sub city.

Figure 3.3: Type of Houses Constructed by the Program in the Selected Sub Cities



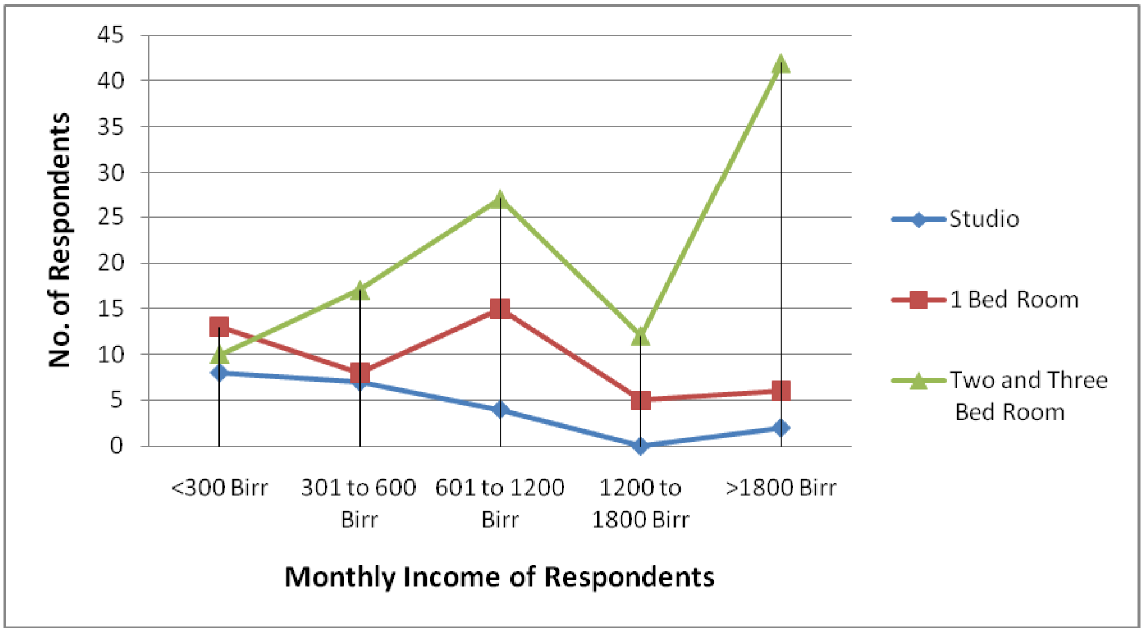
Source: Arada, Bole and Nifas Silk Lafto Sub City Offices (2009)

The above figure shows that out of the total 6255 residential houses(refer to Annex VII), 1278(20.5 percent), 1785(28.5 percent), 3192 (51 percent) of the houses that are constructed and transferred to the owners are studios, single bed room and two and three bed room types respectively. Besides, the interview with officials from AAHDPO shows that the office prefers to construct two and three bed room types as most of the studio lottery winners failed to claim their ownership as its size is too small for the lower income people who have a big family size. It can be deduced that the high rise buildings can be important in the interest of the scarcity of land the city faces though the program is not producing the housing typology that are more affordable by low and medium income earners of the society. Accordingly, this contradicts the program objective that is benefiting the low and medium income residents of the city.

3.2.1.4 Type of Houses Occupied by the Respondents and Their Income Level

The four types of houses the AAHDPO constructs and distributes to the public are studios, single bedroom, two bedrooms and three bedrooms for different income groups. The objective of the program is to construct the studios for the low income groups who earn less than 300 birr monthly, single bed room types for middle income groups who earn 301 to 600, two and three bed rooms are for high income groups who earn above 600 birr monthly. According the Program, the high income group is divided in to 601 to 1200 birr to own 10 percent of the houses, 6 percent of the houses to be for the income group from 1201 to 1800 birr and also the remaining 4 percent to be for the income group who earn above 1800 birr monthly (AAHDPO, 2007:8).

Figure 3.4: Respondents Income Level and Their Housing Type



Source: Survey data (May, 2010)

The above figure depicts income level of respondents versus the housing typology they own. Accordingly, out of the 21 studio houses 8 (38 percent) of them are owned by people with monthly income of less than birr 300, 7(33 percent) owned by middle income category which is 301 to 600 and the rest 6 (29 percent) of them are owned by people who are claimed by the program as high income group. Out of the 47 single bed room type houses 13 (28 percent) of them are owned by people with monthly income of less than birr 300, 8(17 percent) owned by middle income category which is 301 to 600 and the rest 26 (55 percent) of them are owned by people who are claimed by the program as high income group. In addition, out of the 108 two and three bed rooms type houses 10 (9 percent) of them are owned by people with monthly income of less than birr 300, 17(16 percent) owned by middle income category which is 301 to 600 and the rest 81 (75 percent) of them are owned by people who are claimed by the program as high income group. Hence the result shows that high income group residents are benefiting more from the program than low and middle income groups. The implication is that there is sharp contrast between the reality on the ground and the objective of the program.

Table 3.2: Correlation between Monthly Income Level and Housing Type of Residents

		Monthly income	Housing Type
Monthly income	Pearson Correlation	1	.271**
	Sig. (2-tailed)		.000
	N	176	176
Housing Type	Pearson Correlation	.271**	1
	Sig. (2-tailed)	.000	
	N	176	176

** Correlation is significant at the 0.01 level (2-tailed).

Source: Survey data (May, 2010)

The Pearson correlation result shows that there is low but significant(r=0.271) relation between monthly income level of residents and the type of the houses they own. This data reveals that the lion share of the houses constructed by AAIHDP goes to the high income category of the society. This, indeed, is against the objective the program stands for. It can be inferred that the distribution of the houses doesn't consider income level of the residents.

3.2.2 Efforts by the Program to Benefit the Low and Medium Income group

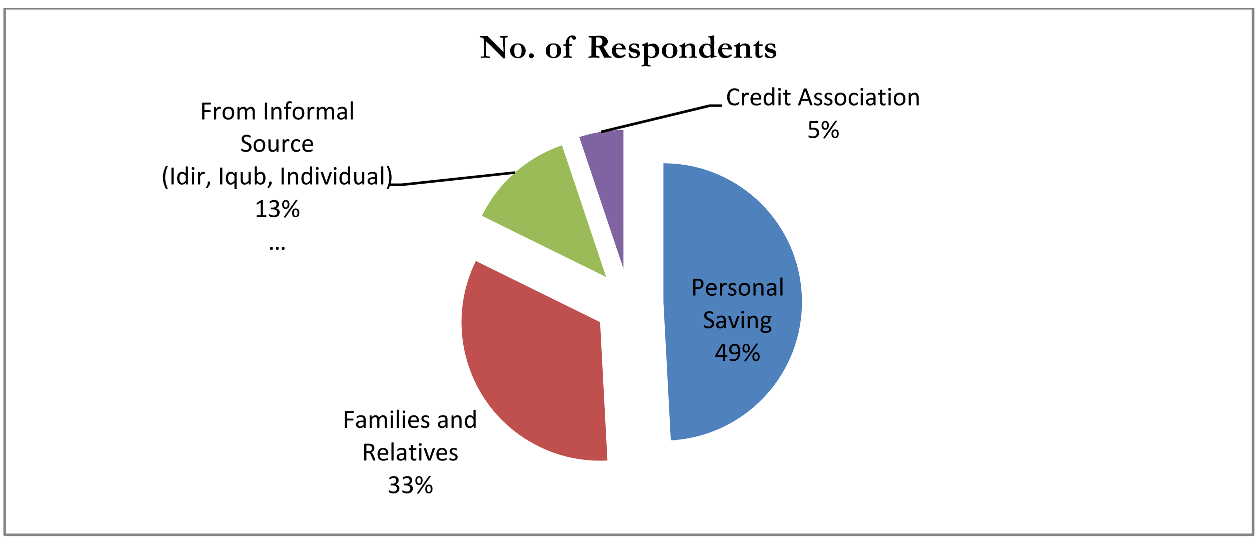
3.2.2.1Availability of Finance for the Lottery Winners

As stated in the literature, availability of housing finance is the main factor that affects the ownership of the housing for low and medium income people. But the supply of housing finance is constrained mainly by banks' inability to accurately assess credit risk associated with low income borrowers, lower profit margins, lack of land titles, and uncertainty of recovery particularly in developing countries (UN-HABITAT, 1991:4). In order to alleviate the financial problem of residents, Commercial Bank of Ethiopia (CBE) and Addis Credit and Saving Institute (AdCSI) are the main formal financial institutions arranged to finance the condominium lottery winners in Addis Ababa (Martha, 2006b:23).

3.2.2.2 Source of Finance for the Down Payment or Full Payment

The winners of the condominium houses, who could not make full payment of the housing prices, are expected to pay advance payment immediately after the announcement. Accordingly, studio and single bed room owners are expected to pay 10 and 20 percent of the total purchase price respectively while 30 percent of the total purchase price for two and three bed rooms at the beginning (AAHDPO, 2007:34). Respondents were asked about their source of finance for the down payment. Data collected from 175 house owners who had effected the payment, shows that 86 (49 percent) of the total respondents paid the down payment from their personal saving, 58 (33 percent) of them paid by borrowing from families and relatives, 9 (5 percent) of them from Workers Credit and Saving Association and 22 (13 percent) of the respondents borrowed from informal sources like "*Equb*", "*Idir*" and individual borrowing. See Figure 3.5.

Figure 3.5: Source of Finance for the Downpayment



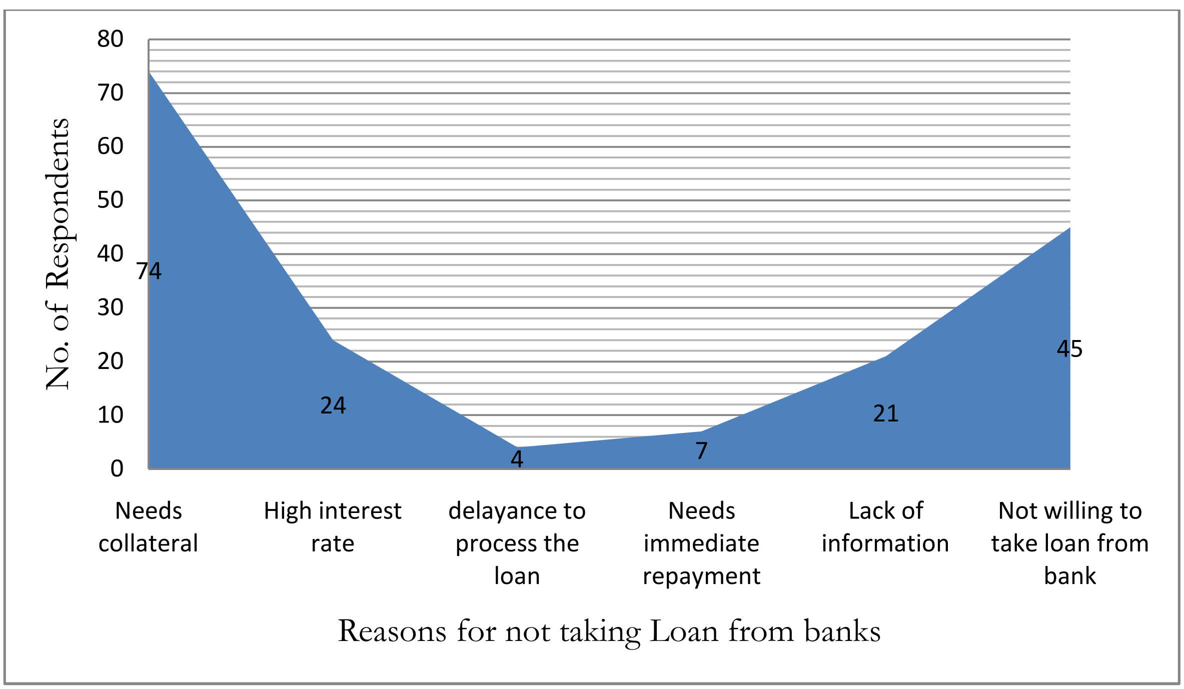
Source: Survey data (May, 2010)

Even though, AdCSI has arranged to offer down payment loans to the low income buyers of Addis Ababa City Administration sponsored condominium owners, but as presented in figure 3.5, there is no respondent who borrowed money from banks as well as from micro finance institutions to settle their down payment or full payment. Apart from that, owners who borrowed from informal sources are very low. The issue of down payment is more complicated due to the very short time granted to settle the amount. The data shows that 75 percent of the total respondents indicate that the AAHDPO didn't give enough time to make the down payment. This implies that there is low accessibility of housing finance from formal sources for the low income people who don't have property for collateral as well as there is weak source of informal finance for housing purpose.

3.2.2.3 Reasons for not Taking Loan from Banks and Micro finance Institutions by the Winners

The owners were also asked why they hadn't taken loan from the bank or micro finance to settle their down payment. As it is presented in figure 3.6, respondents expressed different reasons for not taking loan from banks or micro finance institutions.

Figure 3.6: Reasons for failing to take loan from Banks of Micro finance



** The respondents here are 175 as one respondents is received the house for free.*

Source: Field survey (May, 2010)

The above figure shows that, out of the 175 respondents, 45(26 percent) of them were not willing to borrow money from banks because they could afford paying the down payment at that time, 74 (42 percent) of the respondents were unable to borrow from the bank due to collateral requirements, 24 (14 percent) of the respondents did not borrow from banks for fear of high interest rate and the other 21(12 percent) of the respondents did not have information whether they can borrow from banks or micro finance for the down payment. The remaining 4 (2 percent) and 7 (4 percent) of respondents refrained from taking loan from banks or micro finance institutions due to a long period needed to process the loan and the need for the immediate repayment of the loan respectively.

The in-depth interview with the officials from AAHDPO shows, in reality, the Program doesn't have any loan arrangement for winners to settle the down payment. Winners can borrow money provided that they have their own collateral. Rather, the Office has an agreement with Commercial Bank of Ethiopia to lend money for the winners when the bank holds the ownership license of the houses as collateral after they pay the downpayment.

Furthermore, according to the information gathered during focus group discussion with Committee members in Arada and Nifas Silk Lafto sub city, there are many people who fail to claim their ownership due to their inability to settle the initial advance payment. The housing officials from MoWUD and AAHDPO and Officials from the three sub cities also confirmed the claim that the insecure financial foundation to be the prime obstacle. This implies that there is no available housing finance in the Program that meet the needs of the condominium house lottery winners particularly the low and middle income people who need the loan facility to settle the required payment.

3.2.3 Subsidy provided by the Program to Benefit Low and medium Income People

Subsidies are underway by IHDPAA to help low and medium income group to own residential condominium houses. The first is the sales of housing units at a price below the actual cost for studio and single bed room type. The other subsidy type is to the smaller housing units whose sales are financed below market interest rates of 0 and 2 percent for studios and single bed room types respectively. On the other hand, the advance payment request for studios and single bed rooms is smaller than two and three bed rooms (AAHDPO, 2007:34). After reviewing the Program document and contracts signed by the house owners, the researcher managed to confirm that all respondents who bought the houses by the advance payment made the remaining balance from borrowing money from Commercial Bank of Ethiopia. And the Bank has an agreement with the AAHDPO to lend money for the winners without collateral and with minimal interest rate in order to prepare the ownership license first.

As can be observed from the table below, the studio owners are charged zero interest rate; single bed room owners are charged 2 percent interest rate, while the two and three bed room owners pay 7.5 percent interest over loan they took. The bank keeps the houses as collateral until they finalize the loan payment but the owners preserve the right to sell their houses five years after receiving the house even if they do not finish the loan payment. The bank has the right to claim the houses if they failed to pay the installment for the three consecutive months. Respondents were asked of their experience regarding cancelations of contracts of owners. Out of the 176 respondents, only 23 (13 percent) of them said that they knew people whose contracts had been canceled as they saw the notices that were posted by the sub city office on the notice board. According to the focus group discussion with site committee members and residents in Arada and Nifas Silk Lafto Sub City, all questioned the fairness of expelling people who couldn’t pay their loan.

Table 3.3: Subsidy Provided by the IHDPAA

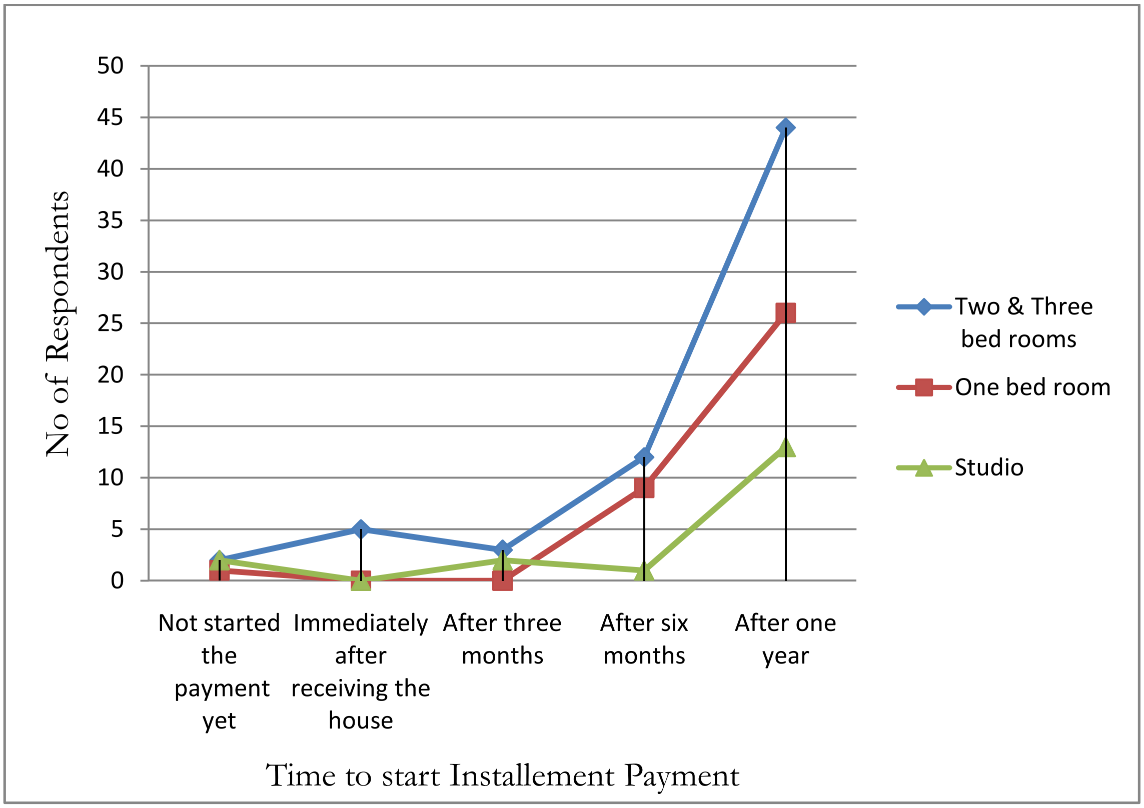
No	Description	Studio	One Bedroom	Two Bedrooms	Three Bedrooms
1	Average Monthly Income in Birr	<300	301- 600	1200	>1800
2	Average rent in Birr	70	150	300	450
3	Grace period	6 months	3 months	0	0
5	Interest rate	0	2%	7.5%	7.5%
	Advance Payment	10%	20%	30%	30%
6	Payment period	15 years	10 years	10 yrs	10 yrs

Source: AAHDPO (2007:34)

As it is shown in table 3.3, the advance payment is 10 percent, 20 percent and 30 percent for studio, single bed room types and two and three bed room types respectively. Moreover, the Program provides grace period for the winners to start the installment payment after the houses are transferred to them considering the housing type of the owners. According to table 3.3, the studio owners have a six month grace period, three month for the single bed room owners while the rest two and three bed room owners are expected to start the loan payment right away.

The survey data shows that, significant number of house owners take more time before commencing their monthly payments. As the data summarized below indicates (figure 3.7), out of the 120 respondents who purchased the houses through the down payment, more than 83 (69 percent) of the respondents start to pay monthly loan payment after a year receiving the houses, 22 (18 percent) of them started payment immediately after 6 months. Besides, 5(4 percent) of the respondents did not start the loan payment even after two or three year of receiving their house. As the focus group discussion participants in Arada and Nifas Silk Lafto sub city noted, the provision of the grace period to start installment payment was of little significance for the poor rather it exposed them to high interest payment burden.

Figure 3.7: Grace Period to Start Loan Payment



Source: Survey data (May, 2010)

Furthermore, the IHDPAA designed target subsidy schemes (presented in table 3.3) which are intended to benefit the low and middle income households. Subsequently, the City Government subsidizes 30 percent of the total housing cost for those who apply for studio and single bed room type. However, regardless of this, the houses are distributed among the lottery winners without considering income level as a criterion. The implication is that, the subsidies that are designed to help the low and medium income people are misallocated as the houses are distributed based on the housing typology rather than individuals income level. Moreover, some supports like grace period have negative results for the low and medium income group as opposed to the intended positive objective.

3.2.4 Challenges of the Integrated Housing Development Program in Addis Ababa to benefit Low and Medium Income People

While the IHDPAA has made a considerable progress in increasing the delivery of urban housing to the residents of the city, the Program faces some challenges in addressing the housing needs of low and medium income residents. The following are some of the challenges.

3.2.4.1 Low Rate of Housing Production

Direct provision of housing is slow and lags behind the market demand to satisfy the housing demand of the public (Aprodicio, 1983:14). Total number of residents who are registered for the condominium houses in Addis Ababa in the year 2005 were about 438, 841 (AAHDPO Unpublished Report, 2009). In order to satisfy this mounting housing demand, the Program was planned to construct 50, 000 housing units per year in new areas as well as by replacing old settlements of the city to fill the back log of 300,000 houses. However, the data obtained from AAHDPO (Table 3.4) shows that, the Program built and transferred to the owners only 30,452 (12.2 percent of the plan) housing and commercial units to owners from year 2005 to 2009, which is very small number even compared to a one year plan of constructing 50,000 housing units.

Table 3.4: Planned Vs Actual Production of the Houses by IHDPAA

Number of houses planned to construct for five years (2005 to 2009)	Actual houses constructed and transferred to owners from 2005 to 2009	Difference
50,000 houses each year x 5= 250,000 houses	20,630+ 9,822*= 30,452 houses	(219, 548 houses)

* The 9,822 houses are constructed by the GTZ and are not included in the sample of the study

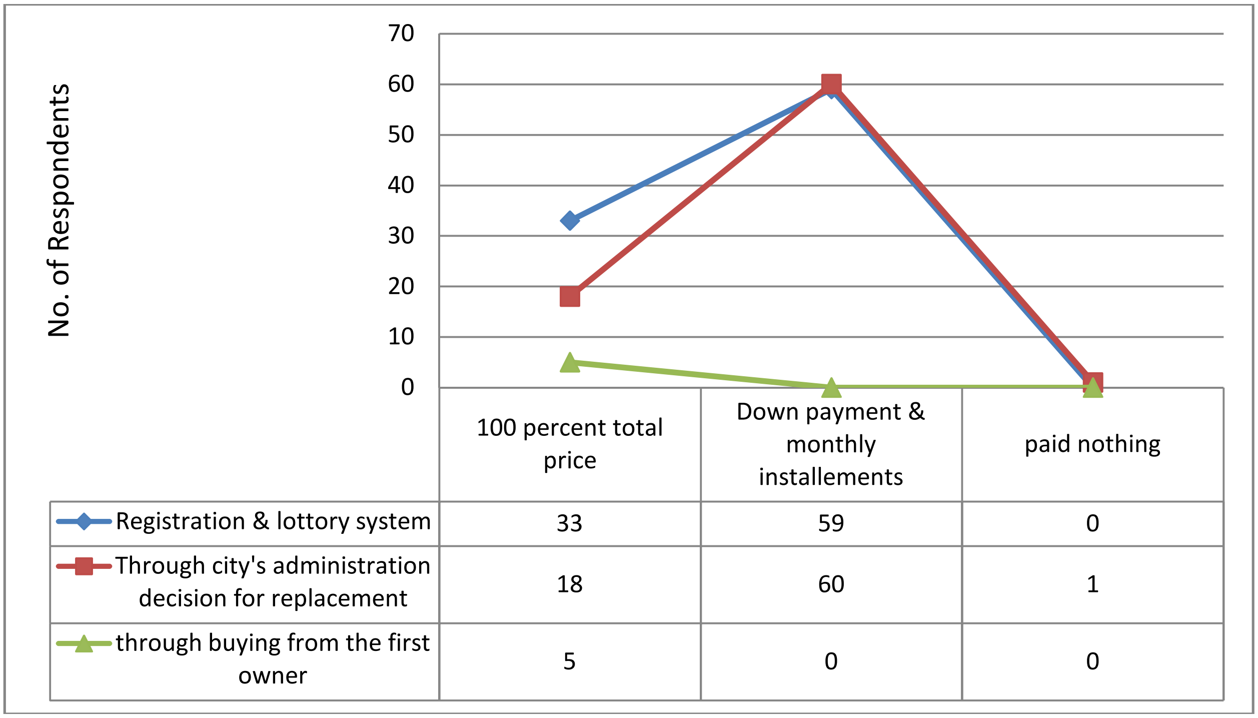
Source: AAHDPO Unpublished Report (2009)

According to the housing officials of AAHDPO and MoWUD, the global price increase and also very high growth in the demand for construction materials in the county contributed for the slow construction of the houses. According to the Central Statistics Authority (CSA), the consumer price index study for construction materials at the country level shows that the inflation rate for construction materials reached 46.9 percent from December 2006 to June 2009 (CSA, 2010b:64). In addition to this, a high growth of construction activities in the city contributed for an increase in production inputs like cement, building iron bars, etc. This implies that the cost of house production inflates and it contributes to the rise in the price of the houses. The higher price in the cost of houses will make it difficult for the lower income population who are targeted to be the major beneficiaries of the IHDPAA.

As the provision of housing is a very expensive process, one of the main problems in providing adequate housing is the difficulty to make adequate investment in it due to shortage of resources particularly financial resources (Tilahun, 1997:115). The IHDPAA initial cost is planned to be covered by the City Government. Later, the financial cost of the project is covered from the treasury that will be reimbursed from the prospective owners on installment. The target during the five year period (2005-2009) was to construct 250,000 housing units in total. The estimated overall budget for the housing construction and related infrastructure for each year was Birr 2.4 billion for the five year period (City Government of Addis Ababa, 2004:7). Initially, it was thought that the total budget would be recovered immediately for consecutive projects as a cash sale is assumed. However, according to the information of AAHDPO officials, this is not met as the expected amount was not recovered from the sale of residential and commercial units. The officials attributed the failure to the low affordability level of the lottery winners and the limited access to financing mechanisms.

The interview conducted with officials in AAHDPO shows that, the office gave priority for those who could make a full-fledged payment in the first and second round lottery to collect the money and then to build other houses. This was asserted by the focus group discussants in Arada and Nifas Silk Lafto Sub cities site committee members. As it is presented in figure 3.8 out of the 176 respondents, 92 (52 percent) of them got the houses through lottery, 79 (45 percent) through City's Administration decision and 5 (3 percent) by purchasing from the initial owners.

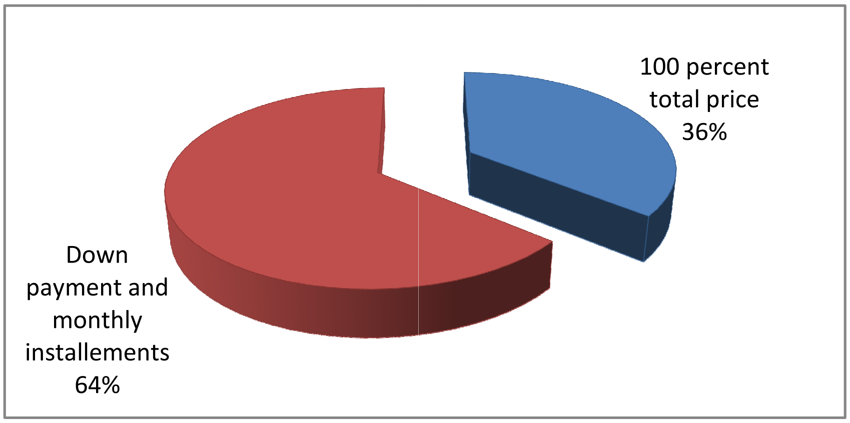
Figure 3.8: Method of Transferring the Houses



Source: Survey data (May, 2010)

Data collected (Figure 3.9) shows that, from the total of 92 respondents who accessed the house through lottery, 33 (36 percent) of them won the lottery for the 100 percent payment while the remaining 59 (64 percent) won for the installment payment. However, according to the official from AAHDPO, 100 percent lottery winners failed to claim the ownership of the houses as there is no change of payment modality for the winners after the announcement.

Figure 3.9: Payment Modality of Lottery Winner



Source: Field survey (May, 2010)

According to the focus group discussants in Bole and Nifas Silk Lafto sub city sites, even though the majority of the residents who owned the houses through the City Administration decision were resettled from kebele houses, the government is also using the houses to execute other obligations like using as a compensation for its retired as well as existing soldiers who are not even residents of the city.

3.2.4.2 Low Income Level of Residents

Poverty is the most serious constraint in delivering houses especially for the low income group. Their income level is too low and fluctuating to permit the commitment of scarce resources to invest in houses (HABITAT, 2005/2006:13). According to officials from AAHDPO, MoWUD and from the three selected sub city offices, the low income level of residents was also the other challenge that the IHDPAA faced in transferring the houses to the low and medium income people. According to the study conducted by the Finfine Master Plan Revision (2002) cited in MoWUD (2006:10), the income levels of the city's residents are presented below.

Table 3.5: Addis Ababa Household Income Distribution (2000)

Household Income Bracket	Percentage of Households within Each Bracket (%)	Household Income per Bracket (Birr/month)
High	4	Above 2000
Middle	16	670 to 2000
Low 1	30	340 to 670
Low 2	24	167 to 340
Low 3	16	Below 167

Source: Finfine Master Plan Revision (2002 cited in MoWUD, 2006:10)

The above table shows that 24 percent of the city's residents earn a monthly income of birr less than 340 birr, 30 percent earn from birr 341 to 670, 16 percent earn from 671 to 2000 and the rest 4 percent of the residents earn above birr 2000 monthly. Condominium house owners had been asked whether the low and medium income people benefited from the IHDPAA (Table 3.6). Accordingly, 53 percent of the respondents believed that the program benefited the low and medium income people, 24 percent of the respondents believed that it benefited them partially, 21 percent thought that it hadn't benefited the low and medium income people totally while the rest 2 percent of the respondents expressed that they were unaware.

Table 3.6: Whether or not the Program met Its Objective

	Frequency	Percent
Yes	93	53
Partially	43	24
No	37	21
Do not know	3	2
Total	176	100

Source: Survey data (May, 2010)

The housing official in AAHDPO as well as MoWUD rejected the claim that the office is trying its best to maintain the purchase price of the houses though the price of construction materials increased. They tried to justify that the cost of the construction material increased by 46.9 percent from December 2006 to June 2009 while the purchase price of the houses increased for only 27.3 percent from 2005 to 2009. But according to officials it is attributed to the price of common kitchen for the site in addition to the inflation (Table 3.7).

Table 3.7: Comparison of Selling Price of Condominium Houses

No.	Housing Type	Selling Price/ Square Meter as of 2005/06(In Birr)	Selling Price/ Square Meter as of 2009 (in Birr)
1	Studio	1055	1450
2	One Bed Room	1356	1865
3	Two Bed Rooms	1658	2280
4	Three Bed Rooms	1733	2385

Source: AAHDPO (May, 2010)

According to the affordability study conducted by the Adama Master Plan Revision Housing Team and used by the MoWUD (2006:9), the mean city's household might be able to devote, at a maximum, some (543 birr/month X 0.25) 140 birr per month for housing which is studio where as the mean sample respondents could devote at a maximum of 210 birr per month (841 birr/month X 0.25) for housing. This shows that the average income of the respondents is 841 birr, which is categorized as high-income level by the IHDPAA. As a result, it can be concluded that the program isn't meeting its goal in distributing the houses to the low and medium income residents speculated to be its prime objective.

The IHDPAA involves direct government subsidy of housing by selling the houses below the actual cost and by lending money below market interest rate and also for low-income groups at zero interest rate (AAHDPO, 2007:34). However, as the interview with AAHDPO officials shows, winners especially in the first round failed to claim the ownership due to the need for 100 percent payment. According to them there was no data recorded on the amount of the default to claim ownership in the three round lotteries. So, the researcher preferred to use the fourth round lottery information for the study.

Table 3.8: Lottery Winners Who Failed to Claim Ownership in the 4th Round

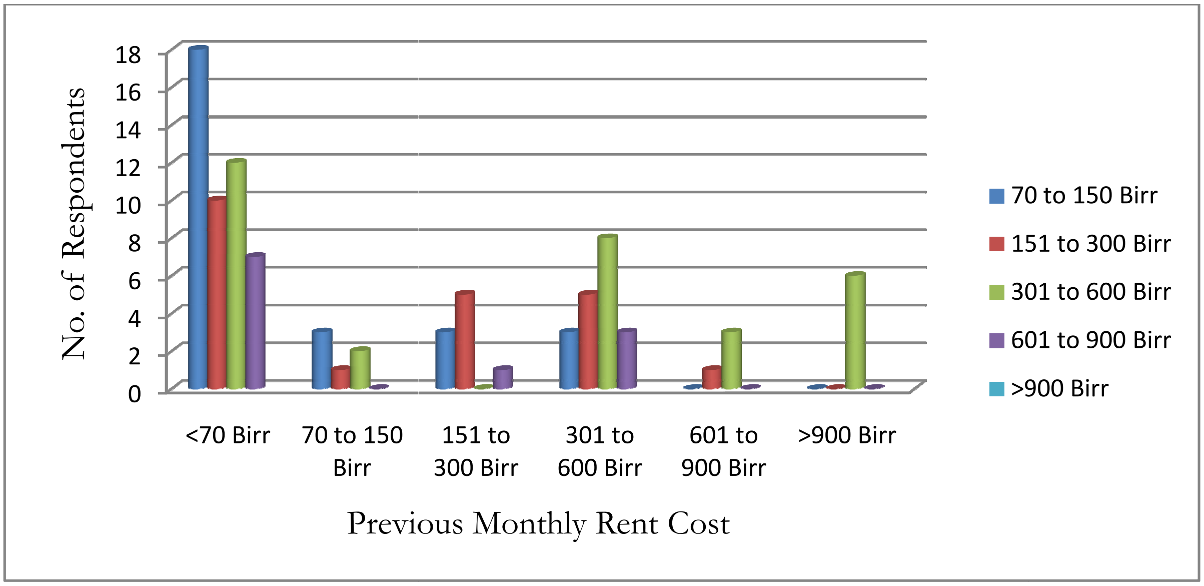
No.	Housing Type	Houses Transferred to the Owners in the 4th Round	Total No. of Owners failed to claim ownership	Percentage for each housing type(%)
1	Studio	2799	1304	47
2	One Bed Room	6755	1527	23
3	Two Bed Rooms	4108	1613	39
4	Three Bed Rooms	1372	262	19
	Total	15034	4706	31

Source: AAHDPO Unpublished Report, (2009)

As it is shown in the above table, out of the total lottery winners 31 percent of them failed to claim ownership. Out of which the studio types shows high percentage that is 47 percent, two bed rooms 39 percent followed by single bed room 23 percent and three bed rooms 19 percent. According to the officials from AAHDPO, the main cause of the failure is low-income level of residents to afford the payment, unsuitability of the housing typology for the residents and lack of the lottery information to every resident. The researcher observed at some sites (Japan Embassy, Ethiopia Tikdem, Police Club and Batu I) that the main type of the house that had not transferred to the owners were studios. This shows that low-income level of residents is a major constraint for the Program to fall-short of meeting its objective.

According to the information from site committee members in Arada, Bole and Nifas Silk Lafto sub cities, owners even faced the problem to pay their monthly installment and subsequently most of them were forced to rent the house for a better price to cover their cost for finishing and modification and also to pay the monthly installment as well as their debt for the down payment.

Figure 3.10: Respondents Previous Housing Cost Vs Current Installment Payment



Source: Field Survey (2010)

Figure 3.10 compares owners' previous and current housing expense. Accordingly, from a total of 47 respondents who used to pay monthly housing rent below 70 Birr (as it is expressed by respondents mostly the rent was between 5 to 30 Birr), 18 (38 percent) of them are now paying in the condominium houses birr 70 to 150, 10 (21 percent) of them 151 to 300 birr, 12 (26 percent) of them 301 to 600 birr and the rest 7 (15 percent) of the respondents are paying from birr 601 to 900 monthly. The implication is that, residents who used to live in *kebele* and government rented house are forced to pay high monthly installment for the condominium houses compared to their previous payment and this forced the lottery winners to retreat from claiming their ownership or to rent their houses in order to pay the monthly payment.

But 98 percent of the respondents paid their monthly debt regularly as the interest is increasing and their contract would be canceled if they failed to do so. According to site committee members in Arada Sub City, low income house owners failed to live in the houses rather they preferred to rent out the houses as they were forced to spend large amount of their monthly income to the monthly installment payment except some owners who rented out for other reasons like unsuitability of the houses and their distance from working places. The researcher observed this fact in all sample sites in that above half of the houses were rented out by the owners.

3.2.4.3Absence of Housing Finance

Finance is one of the key factors that have considerable influence over the availability of housing (Bill & John, 2000:162). Availability of formal and informal sources of housing finance is very limited for the low and medium income people who won the lottery and needed to make their down payment. Low income residents couldn't meet the formal financial institutions collateral requirement for borrowing as most of them lacked fixed assets as well as permanent job

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The program also planned to support those lottery winners who are unable to pay the down payment as well as the full payment by facilitating loan arrangement and for those who do not have any income source by involving them in the house construction and social works. According to officials from AAHDPO, MoWUD, and sub city offices, there is no special loan arrangement in the Program for the winners who can't afford to pay the down payment and the winners can only take the houses if only they can settle at least the down payment.

3.2.4.4 Lack of Service Land

One of the principal difficulties that is associated with the provision of housing in urban centers is the problem of ensuring serviced land supply. According to the interview with officials from AAHDPO and sub city officials, the Program also faces shortage of serviced land for constructing the houses. Even though the Program planned to construct the condominium houses at the center of the city, doing so needs development of the older houses by transferring residents to the new settlements. According to the officials from

AAHDPO, the Office is constructing the houses at remote sites due to land shortage and which has social cost for the low and medium income people as it is far from their work places. As a result, lottery winners fail to go to these remote sites to live rather they stayed in their original place by renting out the new houses. According to UN-HABITAT and UNESCAP (2008:7), the location of housing is extremely important for the urban poor. They will always try to locate in areas of the city that are as close as possible to income-earning opportunities. Therefore, this is also another constraint for the program to meet the housing need of the low and middle income group without disturbing their social order.

3.2.4.5 Lack of Institutional Capacity

The Integrated Housing Development Program is administered by the MoWUD at the federal level to control the implementation of the program at the national level. The IHDP is managed by AAHDPO in charge of implementing and coordinating the Program at the Addis Ababa level. The AAHDPO is established in May 2004 by the proclamation number 15/2004 of Addis Ababa City Government. Its duty is (refer to Annex VIII) preparing land and ensuring the supply of infrastructural facilities , executing design works, procurement and the distribution of major construction inputs, MSE support, human resource management, financial management, expansion of construction capacity, as well as coordination and supervision of the activities of the various institutions involved in project work (AAHDPO, 2007:38). A number of the above activities are delegated to Sub City Project Offices, which are organized to coordinate the program at the Sub City level. AAHDPO also works closely with other governmental and non- governmental offices such as the MoWUD, the city Administration MSE department and Trade and Industry department. GTZ IS, which has been involved in the design of the Housing Program, in the provision of technical support and it was also involved as implementing partner (AAHDPO, 2007:39-41).

In spite of this, the AAHDPO and sub cities face different capacity and coordination problems that hinder the program to meet its objective. According to the information from

MoWUD officials, the Program lack adequate skilled manpower in the design of the houses that fits the needs of the residents and in the construction management. Besides, focus group discussants in the selected sub city site committee members asserted that owners complained about the design of the houses and the quality of the houses. According to the officials from AAHDPO, the office is trying to modify the design of the currently built houses in order to meet the residents' interest based on past experiences. In addition, according to officials from AAHDPO and sub city officials, winners fail to recognize whether they won the lottery or not due to the limited access to information. Furthermore, focus group discussion participants indicated that some owners were forced to take houses that were different from what had been posted on the news paper due to lack of coordination between sub cities offices and AAHDPO.

Part Two

3.3 Employment Creation by the Integrated Housing Development Program in Addis Ababa

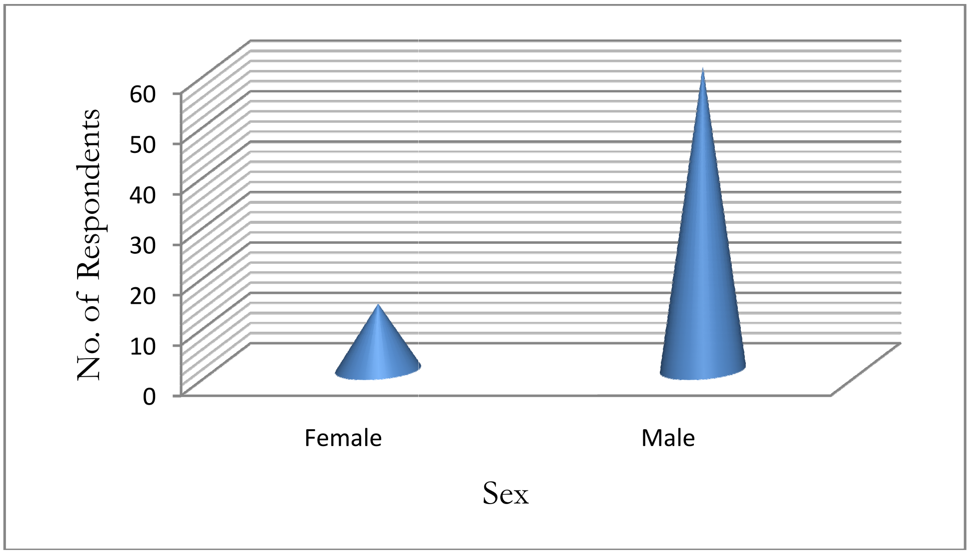
In developing countries where labor is abundant, as in Ethiopia, increasing the construction activity especially the housing construction plays an important role in creating broad employment opportunities. In addition, the use of simple and local technologies also leads to a demand for indigenous materials and components which creates employment through backward links and for continuing goods and services production leading to forward links that is demand for housing (HABITAT 2005/2006:6). Next to the massive housing construction, creating large number of jobs through creating and supporting Micro and Small Enterprises (MSEs) is another specific goal of the IHDPAA. Therefore, this section presents and analyzes the employment creation capacity of the IHDPAA. In order to assess this goal, 73 questionnaires were distributed to sample MSE operators and focus group discussion was held with MSE supervisors that are operating in the Program in the selected three sub cities: Arada, Bole and Nifas Silk Lafto.

3.3.1 Respondents Background

3.3.1.1 Gender characteristics of respondents

According to (World Bank, 2009:1) the economy in Ethiopia is characterized by high unemployment rate. Particularly, women and young section of the society are the victims of unemployment. CSA estimated (2009) an urban unemployment rate in Addis Ababa is 27.9 percent. On the other hand, female unemployment is higher than male in all urban employment unemployment surveys conducted so far in the country (CSA, 2010a:65). The IHDPAA planned to create employment opportunity for women in the three sub cities by giving them the chance to organize themselves as MSE and to participate in the Program in order to empower themselves economically (AAHDPO, 2007:9).

Figure 3.11: Sex Distribution of Respondents



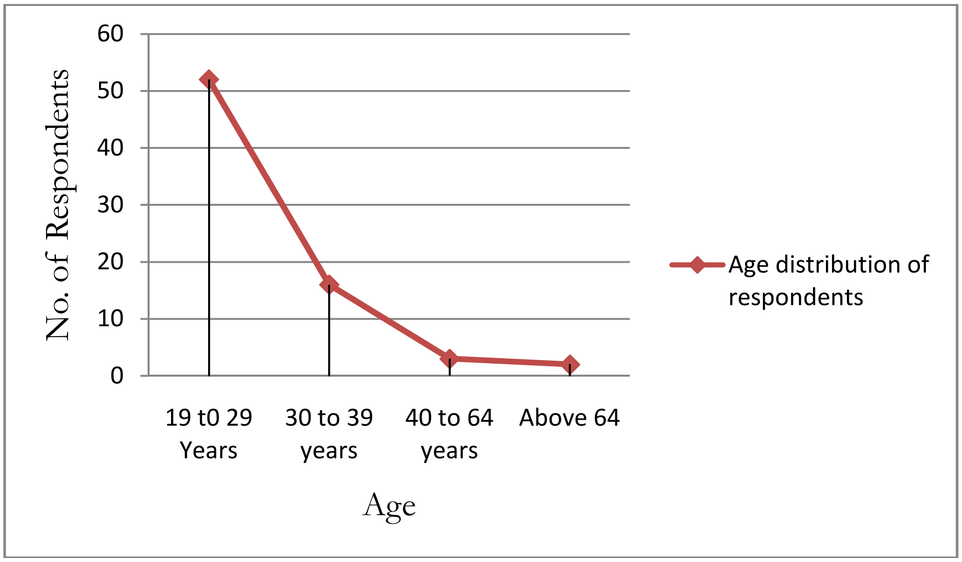
Source: Field Survey (May, 2010)

As it is revealed in figure 3.11, out of 73 respondents, 60 (82 percent) of them were male and the remaining 13 (18 percent) of the respondents are female. From the interview conducted with AAHDPO and sub city MSE officials, the Program was able to promote very small number of female MSEs until 2009. According to the officials, it was due to the fact that women participation in the Program is mainly as casual workers for MSEs as it demanded them little skill.

3.3.1.2Age Distribution of Respondents

In Ethiopia, the main victims of unemployment are the young section of the society. The rate of unemployment is much higher among youths than adults. According to CSA, they take 60 percent of the unemployed population (CSA, 2010a:65).

Figure 3.12: Age Distribution of Respondents



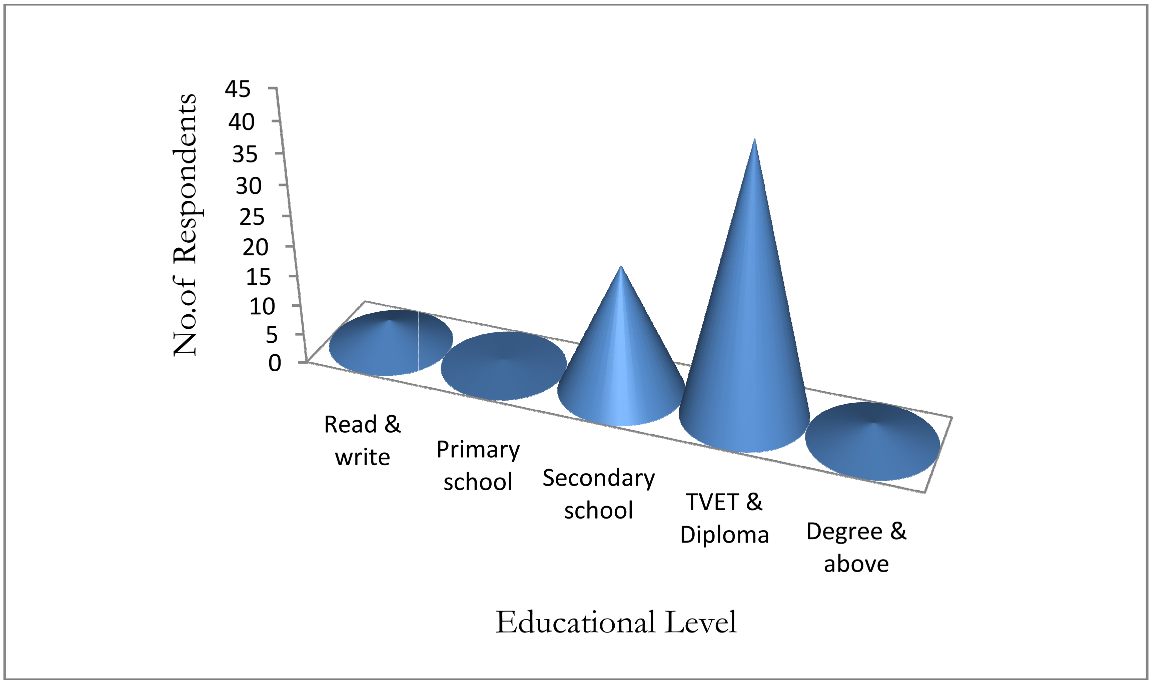
Source: Field Survey (May, 2010)

As shown in Figure 3.12, 52 (71 percent) of the sample respondents were between ages 19 and 29, 16 (22 percent) of them were between ages 30 to 39, 3 (4 percent) of them were between age 40 to 64 and 2 (3 percent) were above 64 years old. The implication is that the Program is greatly absorbing the youth who are majority of the economically active population of the sample and who are the main victims of unemployment. This in turn has a potential contribution to reduce the prevailing unemployment in the city.

3.3.1.3 Educational Level of Respondents

The IHDPAA planned to absorb more labor force from unskilled labor, semi skilled labor and graduates of Technical and Vocational Education Training (TVET) through organizing them in MSEs in order to reduce unemployment and strength the construction sector (AAHDPO, 2007:4).

Figure 3.13: Educational Level of Respondents



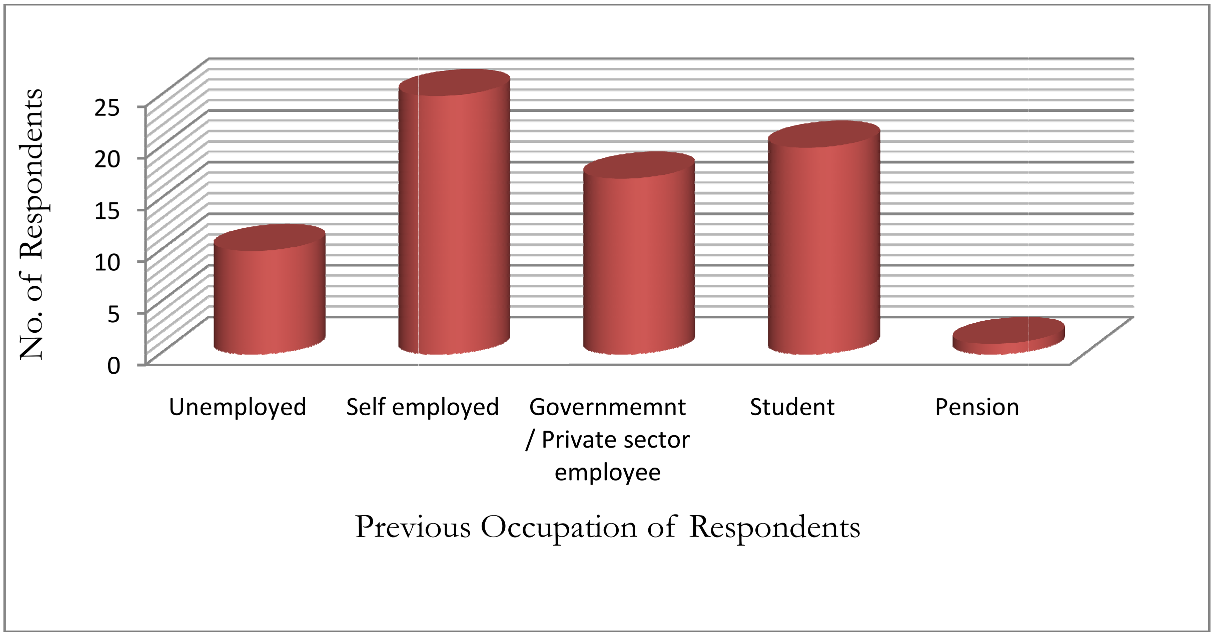
Source: Survey data (May, 2010)

The researcher has attempted to see the educational level of respondents in the above figure. Accordingly, 44 (60 percent) of the total respondents are TVET or diploma graduates in the construction field, 21 (29 percent) of them are secondary school levels, 4 (6 percent) of the respondents are respondents who can only read and write and the rest 3 (4 percent) and 1 (1 percent) of the respondents are those who are degree level and above and at primary school level respectively. The above response leads to the implication that the Program is strengthening the construction sector by employing more TVET graduates and by enabling them to develop their experience in the sector.

3.3.1.4 Respondents Previous Occupation

Respondents were asked about their previous occupations before they were employed in the Program. Figure 3.14 summarizes previous occupation of respondents.

Figure 3.14: Respondents Previous Work Experience



Source: Field Survey (May, 2010)

As shown in the figure, the respondents came to participate in the Program from different sectors. That is 25 (34 percent) of the total respondents were self employed in different activities from informal businesses to private enterprises, 17 (23 percent) of them were employed casually in different governmental and private enterprises and 1 (1 percent) of the respondents are pensioners. The rest 20 (28 percent) and 10 (14 percent) of the total respondents were students and unemployed respectively before getting organized in MSEs and began to work in the Program. This implies that the Program is creating employment opportunity for people who have diverse work experiences who needed better jobs and also for the new TVET graduates by providing them the opportunity to organize themselves to engage in one of the construction fields.

3.3.2 Enterprise Background Information

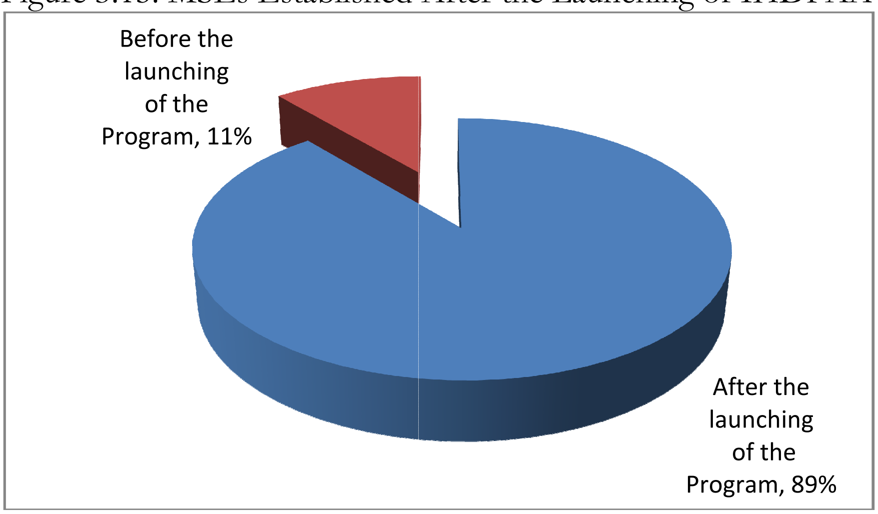
Information with respect to the type of business the MSEs operate and the contribution of the Program for the establishment of the MSEs will be described below.

3.3.2.1 Micro and Small Enterprises (MSEs) Created by the Integrated Housing Development Program (IHDPAA)

The construction sector is one of the sectors that is selected for MSE development. The IHDPAA set as a goal to promote 2300 (existing and new) MSEs for the period 2005 to 2009 (AAHDPO, 2007:20). The actual performance of the Program is that it has been able to promote 1,414 MSEs which is 61.5 percent of the plan (2009) that have been operating in different fields of the Program (AAHDPO unpublished report, 2009).

As shown in figure 3.15, from the 73 sample MSEs, 65 (89 percent) of them were organized after the launching of the Program. The remaining 8 (11 percent) of the MSEs were active before the Program. From the above data, it is possible to conclude that the inauguration of the Program resulted in the creation of most of the MSEs operating in the Program.

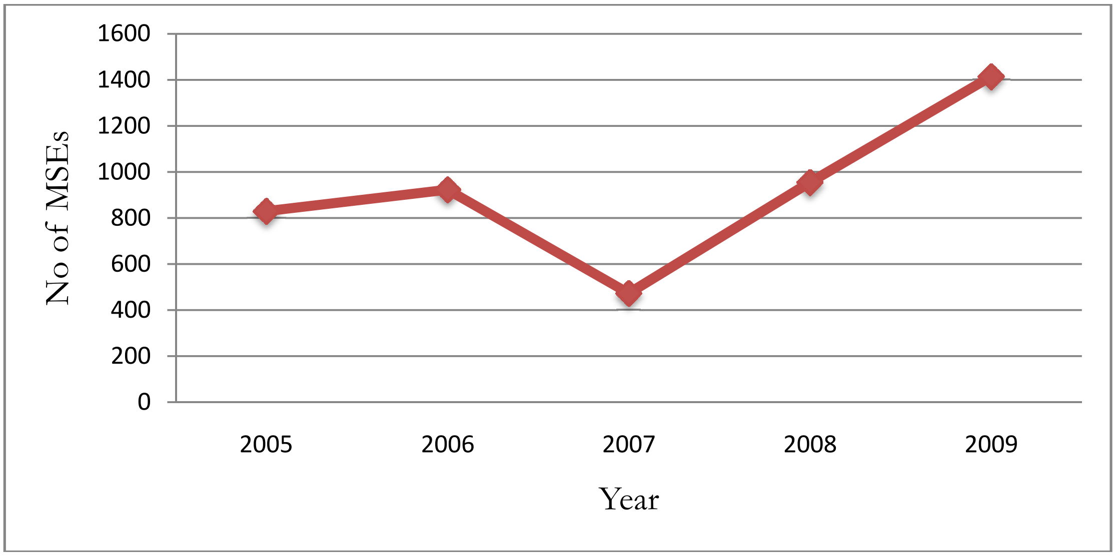
Figure 3.15: MSEs Established After the Launching of IHDPAA



Source: Field Survey (May, 2010)

As shown in the figure below, the program has been able to create 1,414 MSEs from year 2005 to 2009. The figure demonstrates that even though the Program fails to promote the intended number of MSEs according to its plan, the MSEs participation in the Program shows an increasing trend over the years except for the year 2007.

Figure 3.16: Number of MSEs created from Year 2005 to 2009



Source: AAHDPO Unpublished Report (2009)

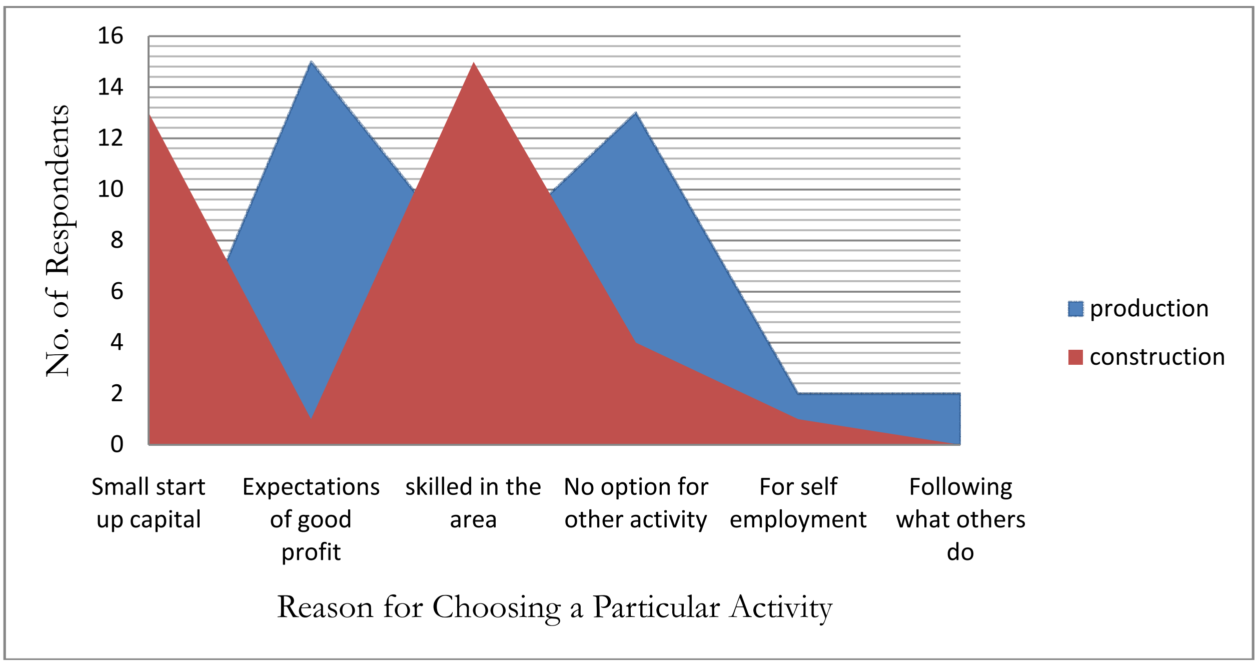
The interview conducted with Sub City MSE official reveals that the year 2007 showed decreasing trend in the MSE employment due to the post election violence that the city encountered and the subsequent temporary stagnation of the condominium housing projects. Moreover, the program met its goal in creating jobs which is 61.5 percent of the plan by taking into account the Program able to meet 12.2 percent of its plan in constructing the houses. The implication is that the contribution of the Program in creating job opportunity could have been far bigger from the existing reality if the houses were constructed as planned.

3.3.2.2 Micro and Small Enterprises (MSEs) Activities in the Program

According to the Program, MSEs are allowed to participate directly or indirectly in the housing construction. MSEs take part in housing construction directly when they participate in activities like wall construction, electrical installation, sanitary installation and finishing work. On the other hand, indirect participation of MSEs in the housing construction is when they operate in the production of construction materials. MSEs in this field produce pre-cast manhole, cement pipe, metal production, carpentry works, hollow-block and stone work and gravel production (AAHDPO, 2007:20). MSEs activity in the Program has been assessed. Accordingly, from the total of 73 MSEs, 39 (53 percent) of the respondents were involved in the production of construction materials while 34 (47 percent) of the MSEs were involved in direct construction of the houses.

MSE operators were asked to rate their reasons for the selection of their particular activity. The reason is summarized in figure 3.17.

Figure 3.17: MSEs Reasons for Choosing a Particular Activity



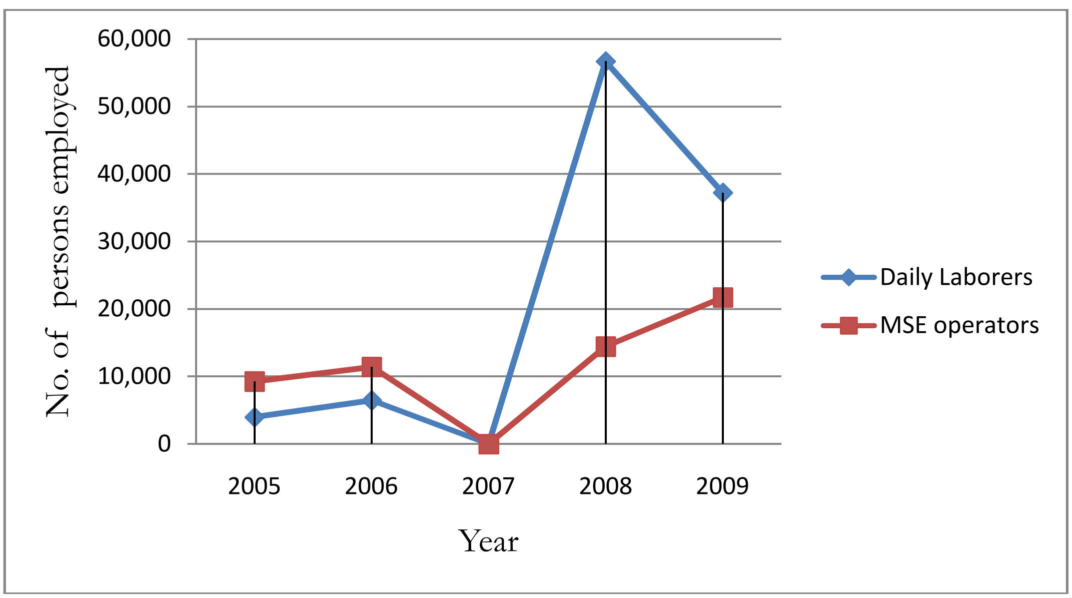
Source: Survey data (May, 2010)

Accordingly, 22 (30 percent) of the respondents said that they chose their field because they were skilled in the area while the 13 (18 percent) referred to small startup capital requirement to operate in the field. Moreover, 17 (23 percent) of the respondents have put limited option to participate in other activities due to *kebeles* decision and 16 (22 percent) of the respondents mentioned good profit expectation as their reason to choose the particular activity. The rest 3 (4 percent) and 2 (3 percent) of the respondents choose their particular activity for self employment and following the footsteps of what other MSEs did respectively. This implies that MSEs participating in direct construction choose their particular activity because they are skilled in the area and the need for small start up capital while expectation of good profit and limited option for other activities are reason for MSEs operating in the production of construction materials.

3.3.2.3 Contribution of the Integrated Housing Development Program in Creating Employment

Through the promotion and support of MSEs and through the employment of casual workers in construction sites, the program has planned to create 80,000 job opportunities from year 2005 to 2009 (AAHDPO, 2007:20). Despite this, as shown in figure 3.18, the Program created more than 58,909 job opportunities for different sections of the Society; which is 73 percent of the plan (AAHDPO Unpublished Report, 2009).

Figure 3.18: Employment Created by the Program



Source: AAHDPO Unpublished Report (2009)

The employment trend that is shown in the above figure is increasing except in 2007. As it was discussed before in section 3.3.2.1, the zero employment rate in the year 2007 was due to temporary freeze of housing construction projects in the city after 2005 election. Besides, MSE operators were asked whether they would employ additional work force in addition to the MSE members. As shown in table 3.9, out of the 73 respondents 68 (93 percent) of the MSEs employed casual workers for their firms when there was much work while 5 (7 percent) of the respondents did not employ additional workers.

Table 3.9: Additional Labor Employment by MSEs

		Has your firm increased number of workers in different times		
		Yes	No	Total
Activity of the Enterprise	Production	38	1	39
	Construction	30	4	34
Total		68	5	73

Source: Survey data (May, 2010)

According to MSE supervisors, those MSEs that didn't employ additional manpower were MSEs that needed knowledge in the area and required less labor force. According to the information from Sub City MSE officials, these MSEs were mostly skill based. So, it was not convenient for them to employ casual workers who are mostly unskilled. This implies that the Program is successful in creating mass employment for unskilled and unemployed individuals in addition to MSE operators.

The data from the Addis Ababa City Administration Trade and Industry Bureau and the selected sample sub cities (table 3.10) shows that the MSEs participating in different sectors to be increasing from time to time. Besides, after the launching of the IHDPAA, the contribution of the construction sector exceeds other sectors in creating mass employment for MSEs.

Table 3.10: Number of MSEs in Diffeent Sectors in the Selected Sub Cities from 2004 to 2009

Year	No. of MSEs Organized in different Sectors					Total
	Textile	Wood & Metal Works	Food Preparation	Construction	Municipality Service	
2004	3	22	9	16	5	55
2005	17	203	57	157	46	480
2006	7	67	15	13	21	123
2007	2	63	15	33	10	123
2008	13	18	21	69	13	134
2009	28	78	76	165	32	379
Total	70	451	193	453	127	1294

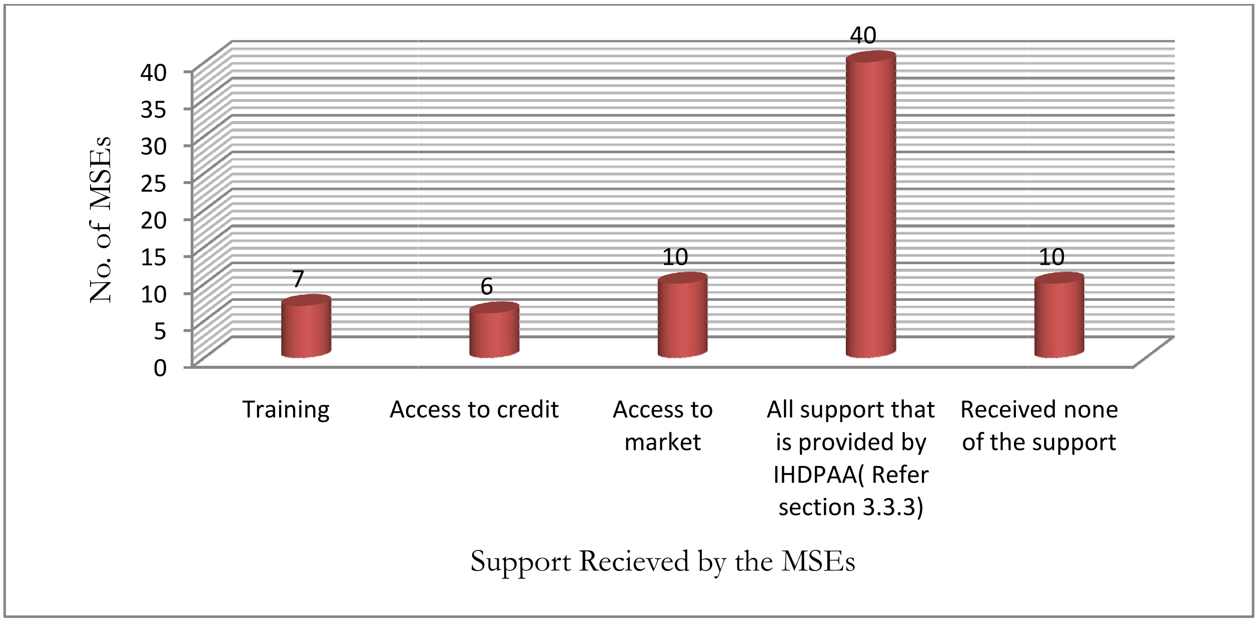
Source: Arada, Bole and Nifas Silk Lafto Sub City MSE Development Bureau (2010)

3.3.3 Supports Provided by the Program to Encourage MSE Participation

New MSEs require support and assistance to improve their organizational, managerial and technical skills to enable them provide better services and products and to expand themselves (Bob, 2007:8). The IHDPAA provides a range of support to MSEs participating in the program when they enter into operation by providing working place, facilitating credit access with no collateral and low interest rate from AdCSI, providing training and access to raw materials, subsidy for the purchase of huge machineries and creating the market by buying products and services from enterprises (AAHDPO, 2007:20-22).

In line with this, MSE operators were asked to state the support service they were provided by the IHDPAA at the entry level in the Program. Figure 3.19 presents the result

Figure 3.19: Support Provided for MSEs by the IHDPAA

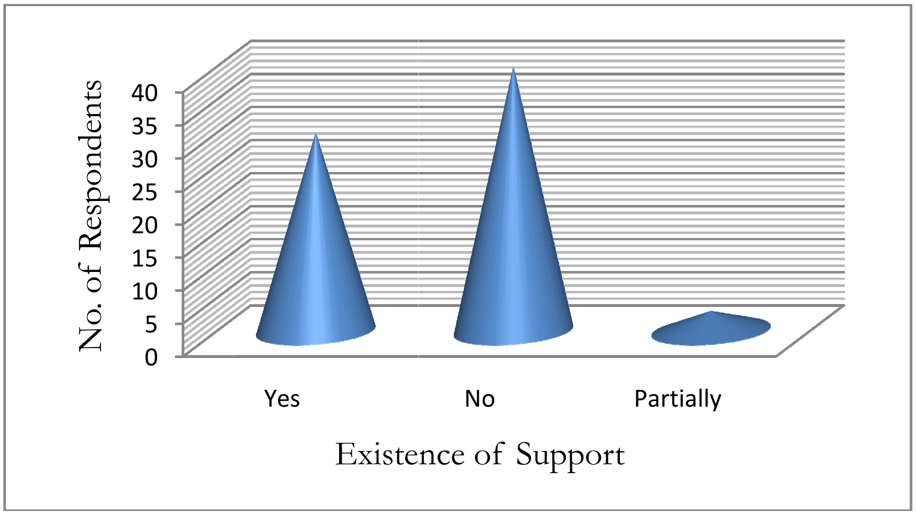


Source: Survey data (May, 2010)

According to the data obtained from MSE operators (as shown in figure 3.19), out of the 73 MSEs, 40 (55 percent) of them received all the support that was provided by the IHDPAA. On the other hand, 10 (14 percent) of them were provided with market access, 6 (8 percent) of the MSEs accessed credit facility while the 7 (9 percent) of the MSEs were provided training facility at the beginning. The remaining 10 (14 percent) of the respondents received none of the above supports.

The interviews conducted with Arada and Nifas Silk Lafto Sub City MSE Officials revealed that the Program provides different kinds of supports for MSEs to enhance their capacity when they start operation. According to them, those who didn't receive the support or who received selective supports were MSEs that were involved in activities that do not need big startup capital, working place or equipments. However, MSE supervisors' focus group discussants showed that, the support that was available at the entry level when the program starts has been declining. The implication is that the low level assistance at the entry level for new MSEs would considerably affect the program's plan of creating and participating MSEs in the Program.

Figure 3.20: Availability of Support During Operation in the Program



Source: Survey data (May, 2010)

Figure 3.20 summarizes the availability of support for MSEs during their operation level in the Program. The response shows that out of the 73 respondents,30 (41 percent) of them said that the AAHDPO and Sub city offices were willing to provide support for MSEs that was provided at the beginning and also other administrative supports if they were in need. However, 40 (55 percent) of respondents complained very much about the inadequacy and the inappropriateness of the AAHDPO and the Sub City administration to provide support for MSEs due to lack of capacity and coordination. The rest 3(4 percent) of respondents got partial support and did not comment.

According to the focus group discussion participants of MSE supervisors at Arada sub city, the offices give priority to political outlook of the MSE operators to provide the support. Moreover, the offices do not give attention for sustainability as well as growth of the enterprises after their establishment. However, the sub city officials downplayed this complaint from MSE supervisors by arguing that the office is trying to create market for the MSEs with the cooperation of MoWUD and AAHDPO even outside Addis Ababa (MSEs are participating at Tendaho Agro Industry Enterprise housing construction for its employees). This shows that, in spite of the relatively good support service for MSEs to promote their capacity at the beginning, the program fails to sustain the support to MSEs when they are in operation.

3.3.4 Challenges that MSEs Face in the Housing Development Program

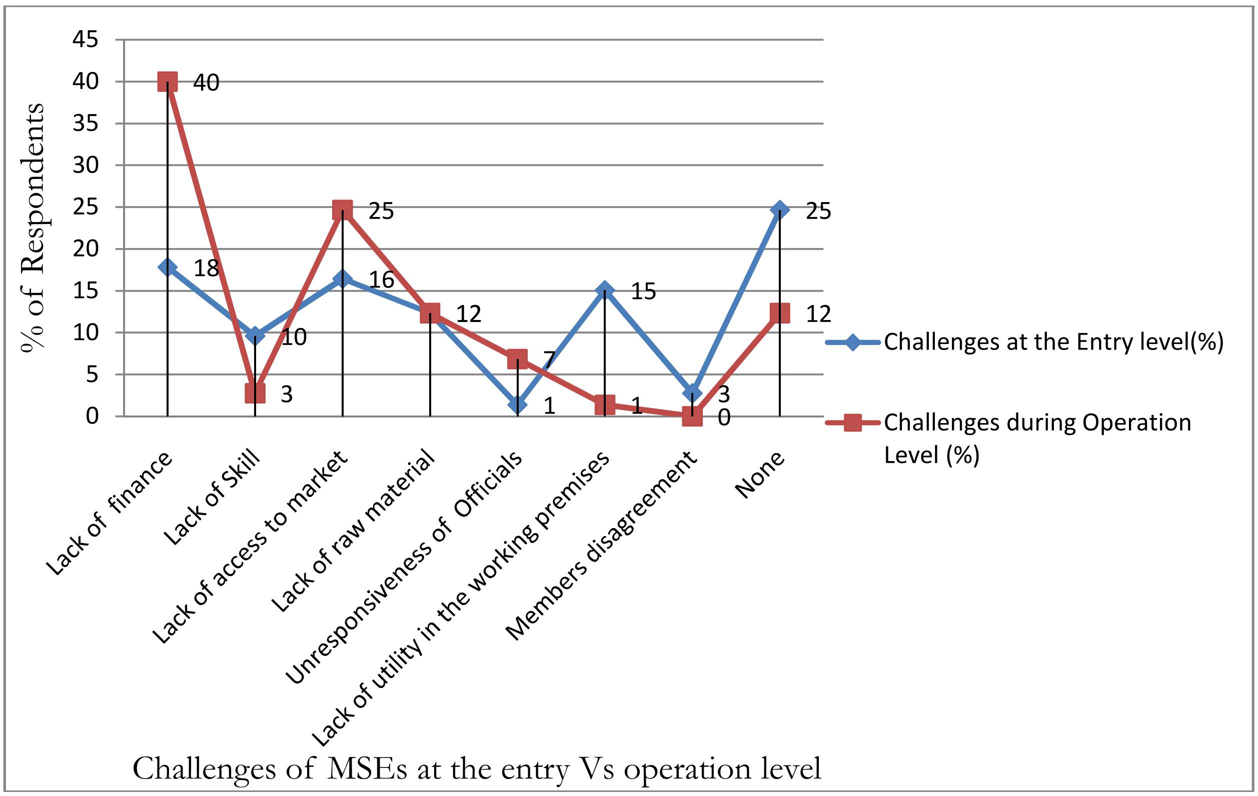
The role of MSEs in developing countries experience different kinds of constraints to enter into the market and also to expand and grow in the market (Fasika and Daniel, 1997:37). The IHDPAA use different mechanisms to support MSEs to start business in the Program and to stay within the incubators in order to protect them from competition. Despite their contribution for employment creation, MSEs that are operating in the Program are held back by problems (mentioned below) that hinder them from operating effectively. Most of the identified problems by the respondents are related to external factors of the MSEs. Out of the 73 MSEs(as shown in figure 3.21), 18 (25 percent) of them claimed that there was no challenge for MSEs at the entry level while 9 (12 percent) of them face no challenge during their operation level. Major constraints that MSEs face are described below.

3.3.4.1 Lack of Finance

Shortages of startup capital as well as working capital are the main constraints that MSEs face in the IHDPAA. As it is shown in figure 3.21, out of 73 MSEs, 13 (18 percent) of them faced lack of finance at the entry level due to limited access for credit while 30 (41 percent) of the MSEs put financial shortage as their serious challenge during their operation in the Program. According to the information gathered from focus group discussion with MSE supervisors, the main cause for financial shortage was slow payment condition for the work they did by the offices. In addition, the office didn't order the work formally rather they ordered them orally. So, the office used the opportunity to pay MSEs whatever amount they thought the work was worth as they didn't have legal contract document to legally demand their payment on time. Besides, when the work requested big payment, the office might take one to two years to finalize the payment. Due to this, MSEs faced the high interest payment burden as they could not settle the interest on time along with the inability to pay salary for their casual workers.

Conversely, the information from the interview with MSE officials in Arada, Bole and Nifas Silk Lafto Sub Cities shows that, the payment problem arose from MSEs failure to deliver the product according to the stated quality. Besides, the officials further mentioned that the quality problem is attributed to MSEs failure to perform the work by themselves rather they employ non skilled daily laborers to do the work. The office might take long to check the quality of the MSEs products before effecting any payment.

Figure 3.21: Challenges that MSEs Face During Entrance and Operation Level in the Program

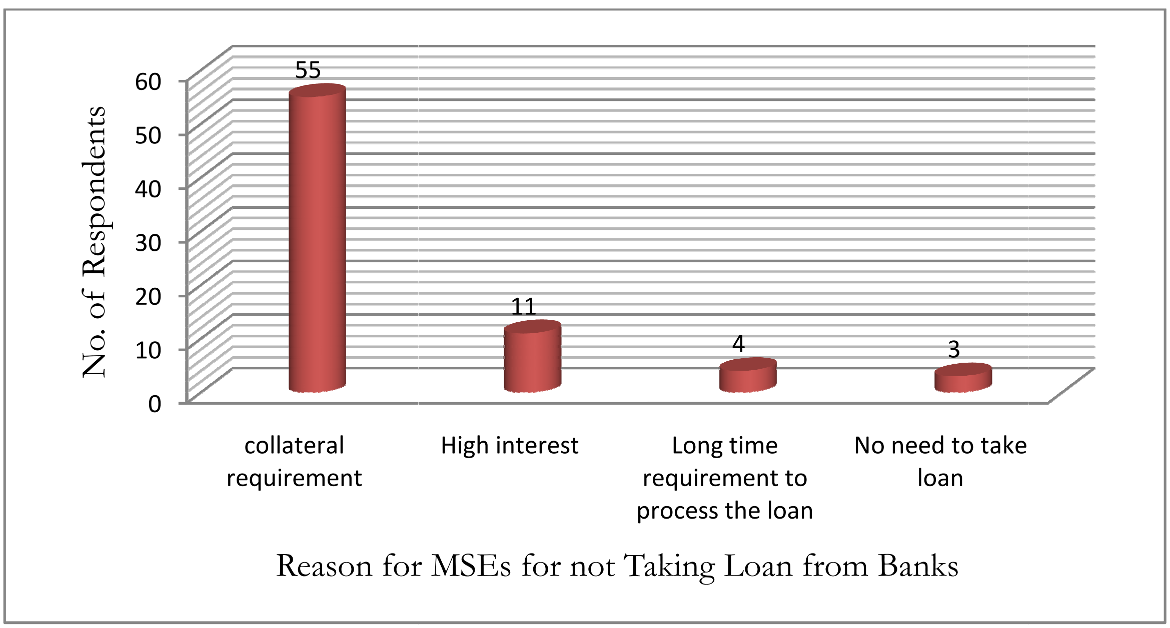


Source: Survey data (May, 2010)

According to the information from the focus group discussion with MSEs supervisors in the sample sub cities, the other cause for the financial shortage is the absence of credit facility without collateral requirement and with low interest rate. The high transactional cost involved and the inability of small enterprises to provide the collateral that banks require is the cause for MSEs serious lack of funds at all stages of their development ranging from start up to expansion and growth (Zuzan, 2009:2).

Respondents were asked about the availability of bank access for the MSEs. The result shows that, all respondents agree that there was no access for them as long as they were unable to meet the banks requirement. Besides, the respondents were asked of the main reasons that hindered them to taking loan from banks. As shown in figure 3.22, 55 (75 percent) of the respondents agreed that there was no financial access for the MSEs as long as they were unable to fulfill the bank's collateral requirement. And also 11(15 percent) of the respondents' considered high interest rate, 4 (6 percent) and 3 (4 percent) of the respondents stated that the need for a prolonged time to process the loan and the unwillingness to take loan respectively as their constraints to get the loan from banks.

Figure 3.22: Reasons for MSEs for not Taking Loan from Banks



Source: Field Survey (2010)

From the interview conducted by the researcher with sample sub cities MSE officials, MSEs could borrow money only from the Addis Credit and Saving Micro finance Institute

(AdCSI). AdCSI has the agreement with AAHDPO to lend money to MSEs without collateral and with low interest rate. But according to the MSE officials from the AAHDPO, MSEs are advised not to borrow excess money and to have an effective cash management system in order to prevent them from bearing the burden of large interest payments.

According to the focus group discussion conducted with MSE supervisors in the selected sub cities, the third cause for the financial problem is the low price rate that is set by the AAHDPO for MSEs products and services. As shown in table 3.11 the price for their product and service is two to three times lower than the market price. The prices for the MSEs products and services are set at 2005. But, even after the registered 60 percent inflation rate in the construction materials since 2006 to 2009, the AAHDPO didn't update the prices for the MSEs products and services as of the time of this data collection. According to MSE supervisors in Bole sub city, the MSEs managed to keep themselves in the market by producing very low quality products by abandoning the AAHDPO quality standards in order to compromise the low price that is paid by the AAHDPO.

Table 3.11: Comparison of Market Price and Program Price for Materials and Services

No	Items	Measurement Unit	Selling Price at Market Rate/Birr	Selling Price of MSEs in the Program/Birr	Difference /Birr
1	Precast/4m*	Meter	570	180	390 Birr
2	Electric Installation	Point	30	14	16 Birr

* The AAHDPO provides the cement and steel that are needed for precast production

Source: Bole and Arada Sub cities MSE Supervisors (2009)

However the justification for setting low price, according to the MSE officials from AAHDPO was not to increase the housing price on recipients. Despite this, as shown in table 3.7; the office is selling the houses by increasing the price by 27.3 percent compared to the old prices. This shows that, the AAHDPO add price on the price of the houses while it didn't adjust the price for MSEs products and services. This implies that MSEs are not allowed to increase price following the increase in material cost which affect quality of MSEs products and limits the profitability and expansion of MSEs.

3.3.4.2 Lack of Market

The other serious constraint that MSEs faced in the Program is limited access to market for their products and services. According to the response from the 73 MSE operators, 12(16 percent) of the MSEs faced market problem at the entrance level while the 18 (25 percent) are facing market problem at the operation level too. Even though the MSEs are organized to work mainly in the IHDPAA, the program failed to create sustainable jobs for MSE operators as well as casual employees due to slow rate of housing construction and lack of market interaction with outside clients other than IHDPAA.

According to the response from the 73 MSE operators, who were asked if they could sell their products to outside customers, 40 (55 percent) of them could do so while 33 (45 percent) could not. Most of the MSEs that cannot sell their products to clients other than IHDPAA were MSEs that produced construction materials and received raw materials (like cement and steel) from AAHDPO. The researcher also observed this as they were sitting idle particularly MSE operators in Arada and Bole sub cities around their production. This was because the condominium construction projects had been finalized at that time and the scenario may continue until the new project starts. According to MSE supervisors in Arada and Bole Sub cities, the situation will continue like this from three to six months.

Creating MSEs and shielding them from competition by firms outside the Program is the most important support that the Program provides to MSEs. According to the focus group discussion with MSE supervisors in Bole sub city, even if the Program aimed at creating employment opportunities to the MSEs through labor-intensive technology, the AAHDPO allowed Chinese and Turkish companies to participate in slab production and mirror works at a market price. According to these supervisors, these giant foreign enterprises turned out to be a threat for MSEs as they squeezed their market share from the Program by using machine intensive technology and by producing large amount of products at a time.

On the other hand, the MSE officials from AAHDPO contended this claim asserting that MSEs suffered incompetence in light of delivering the required quality of products at the required time. The MSEs still depend on the AAHDPO and sub cities to instruct them what to do and they were always waiting for the government to create the market. The above information implies that the MSEs have market constraint in addition to the financial problem that hinders them to work and grow. It also shows that the market-related constraint having a negative influence on the success of the Program to create sustainable employment to MSEs.

3.3.4.3 Poor Utility Facility in Working Premises

Lack of utilities (availability of electricity, water, transportation to the working premises) is one of the problems that MSEs faced in IHDPAA. According to the response from the 73 MSE operators, 15 (21 percent) of the MSEs received a working premise which do not have utilities like electricity and water. However, the problem is low at the operation level that is only 1 (1 percent) of the MSEs are facing this problem. The MSEs supervisors in Arada and Nifas Silk Lafto sub cities claimed that, MSEs were allotted inappropriate working premises which had Poor utility facility especially water and electricity. These utilities especially water and electricity is unreliable due to their frequent interruptions. The other problem that was claimed by the MSE supervisors and also observed by the researcher was poor access to transportation service due to the remoteness of the location of their working premises (especially in Arada and Nifas Silk Lafto Sub Cities) that prevent them from easily accessing the market and looking for potential customers.

According to MSE officials in AAHDPO and Arada Sub Cities, even though this kind of support is not stated in the Program directly, the AAIHDPO and sub city offices provided the working premises for MSEs with a complete provision of electricity and water services.

They argued that the existing problem is not related to the location of the working premises; rather they attributed it to the electric power interruption that the country faced.

3.3.4.4 Lack of Adequate Raw Material

The other bottleneck that some MSEs were facing was the limited access to raw materials. AAHDPO is responsible for providing major raw materials like cement, steel and electric wires etc, that are important for the work of the MSEs. Out of the 73 respondents (figure 3.21), 9 (12 percent) of them faced raw material and production equipment provision problem at the entry level. Furthermore, out of 73 respondents 9 (12 percent) faced raw material problem throughout their operation. According to the information collected from focus group discussion with MSE supervisors in selected Sub Cities, even if the office had the raw materials, they were unable to provide them at the appropriate time. Due to this, MSEs failed to deliver the required quantity on time and resulted in payment problems for the work they accomplish.

The MSE officials from AAHDPO outlined a number of reasons for the shortage of raw materials. The first one was related to the national problem of fluctuating price of raw materials. The other problem was related to inappropriate distribution and use of the stored raw materials. Mostly, contractors were responsible to receive and distribute the raw materials for the MSEs even if they failed to do so on time. This shows that the inadequate raw material provision and distribution affected the MSEs work as it prevented them to deliver the required quantity on time and this led to a delay for the AAHDPO to finalize the houses on time according to the plan.

3.3.4.5 Officials Unresponsiveness

Out of the 73 respondents (figure 3.21), only 1(1 percent) of them encountered challenges from officials in *Kebeles*, sub cities as well as AAHDPO at the entry level while out of 73 respondents 5 (7 percent) faced this problem during operation. According to MSE supervisors focus group discussion in Arada and Bole Sub Cities, MSEs face this problem in their relation with sub city and AAHDPO MSE officials. According to these supervisors, the unresponsiveness of the officials to the MSEs questions and problems drove them into desperation. The officials were not willing to work together with MSEs rather they gave priority to MSEs who are members of the ruling party. In addition, the supervisors blamed the sub city MSE officials for plunging themselves into different forms of corruptions as they got involved in construction material production by organizing themselves as contractors and MSEs.

According to the interview conducted with MSE official in Arada, Bole and Nifas Silk Lafto sub cities, the Project office and sub city offices admitted only the coordination problem between the concerned offices in facilitating the operation of the MSEs. However, the informal interview with employees of Nifas Silk Lafto sub city shows that there are MSE officials who are involved in the program as sub contractors. Consequently, it leads officials to favor MSEs who kept quite and work with them smoothly than other MSEs. Due to this, some MSE operators are frustrated to perform in the Program instead they employ other casual workers to work on behalf of them.

CHAPTER FOUR

CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

The Addis Ababa Integrated Housing Development Program is launched with a vision of massive government housing provision within the city and to reduce the existing severe unemployment. As the general objective of the Program is too broad, this study gave more emphasis to the assessment of the effectiveness of the program in addressing the housing needs of the low and medium income people and in creating employment in the period 2005- 2009.

This study provides empirical evidence on the effectiveness of the IHDPAA in addressing the housing needs of low and medium income people and its mass employment creation based on collected data through questionnaire, focus group discussion, in depth interviews and unpublished reports from AAHDPO. Based on the data presented and analyzed in chapter three, the following conclusions and recommendations are drawn by the researcher focusing on the effectiveness of the Integrated Housing Development Program in Addis Ababa with respect to addressing the housing needs of the low and medium income people and also in employment creation.

The IHDPAA constructed a total of 30,452 residential and commercial housing units from year 2005 to 2009, which is 12.2 percent out of the planned 250,000 units to have been constructed. Out of the total 30452 constructed and distributed houses, 2,017 houses constructed in Arada, 2,359 houses constructed in Bole and 2,232 houses constructed in Nifas Silk Lafto Sub cities for the period 2005 to 2009. The reason for the construction of only 12.2 percent of the planned houses was due to the shortage of financial and material resources required for mass housing construction, price increase in construction materials, lack of serviced land for the construction of the houses and lack of institutional capacity to implement the Program.

In addition, the Program fails short of meeting its main objectives of addressing the housing demand, particularly, to the low and middle income people; rather the high income people have been more beneficiary. The correlation result shows that there is insignificant relation (r= .271) between income level of residents and housing distribution. This is mainly due to lack of housing finance and lack of institutional capacity to effectively target the houses to the low and middle-income group. The result shows that, around 30 percent of the condominium lottery winners failed to claim their ownership mainly due to lack of money to pay either the down payment or the total cost.

The program tried to subsidize the low and medium income people by allocating subsidy to a studio and one-bed room type houses. However, the subsidy is mis-allocated and some of them are not appropriate as the distribution of the constructed houses is performed based on a lottery system which disregards the income level of the residents. Besides, The Program is planned to provide loan service for the down payment for those who are not able to pay; however, there is no financial loan service for the down payment, so far, even for the very needy. Hence, the program failed to achieve its objective of giving priority to the low and middle-income people.

The study showed that the IHDPAA has contributed significantly to employment creation and income generation as the researcher only considered the absolute number of jobs created. The IHDPAA was able to promote 1387 MSEs and created a total of 58,909 job opportunities in the period 2005 – 2009 and out of which 37,198 were casual workers and 21,711 were MSE operators. This means the program was able to develop 61.5 percent of the planned MSEs and to create 75 percent of the job opportunities. However, compared to the 12.2 percent of the constructed and distributed houses, the program has met the employment creation objective. Even though the volume of employment opportunity created by the Program is increasing from time to time, the Program lacked in creating sustainable employment for MSEs.

In addition to creating the MSEs, the Program provided different support for MSEs at the entrance and operation level to facilitate the employment situation for MSEs. These mainly include training and credit facility, provision of working premises, subsidy to purchase machinery and equipments and creation of market interaction. But as it is indicated from the study, the program failed to continue the support to MSEs at the operation level. Besides, the support at the entrance level also decreased from time to time.

The IHDPAA faced different challenges that hinder the program to meet the housing needs of the low and medium income people. As shown by the study, there is lack of financial resource for construction and purchase of construction materials, high price increase in construction material and lack of housing finance for the lottery winners to settle the required payment. Furthermore, there is lack of capacity for coordination among the concerned offices to distribute the houses to the targeted beneficiaries.

Even though the Program is creating many employment opportunities to MSEs and the young citizen's of the city, the MSEs participating in the Program face different challenges during the entry and operation level. The major challenges faced by MSEs are mainly lack of financial resources due to lack of access to credit, slow payment process and low price rate for MSEs products and services. Moreover, limited market access as most MSEs are allowed to produce for the program, low utility facility, slow provision of raw material and unresponsiveness of the sub city and AAHDPO MSE officials are major constraints that MSEs face. Due to these challenges, the MSEs were unable to grow and expand into bigger enterprises.

4.2 Recommendations

Based on the findings of the study, the researcher believes that IHDPAA has to consider the following recommendations for the program to achieve its intended goal of housing provision and to reduce the unemployment problem in its extended five years of time.

Since the program is mainly intended to distribute the constructed houses to the low and medium income people, the income level of people who are registered and anticipate to get the houses to be thoroughly assessed and priority should be given to the low and middle income people accordingly.

In order to effectively satisfy the existing huge demand for houses, the City Government need to enhance capacity and competence in the current condominium construction Program and also encourage the integration of different policy approaches including demand side housing provision, sites and services and enabling strategy. Moreover, the City Government could not meet the huge housing demand by implementing the IHDPAA only; rather it needs to encourage the participation of the private sector, cooperative house builders, and Non Governmental Organizations to provide houses for the very low income people by encouraging the production of low cost houses. Besides, to attract the private sector into low-income housing construction, governments should use a wide range of incentives like provision of construction materials at a fair price, provision of land for residential use and training service on the construction sector, and administrative support needs to be provided by the Government. Conversely, the Government can make it mandatory for the private sector to provide houses to the economically weaker section of the society along with those of the higher income group by providing different incentive like tax free import of construction materials, providing serviced land, etc to the private developers.

Since lack of housing finance was the main problem that low and medium income lottery winners face to buy the condominium houses, the Program should be in a position to provide alternative financing mechanisms which integrates a mix of short, medium and long-term loans. In addition, promoting micro-finance institutions and informal finance institutions (*Iqub, Idir*) that provide housing finance for the low and medium income people is important. Furthermore, information should be provided to all lottery winners regarding the available facilities and services. The Program should also encourage the participation of Non Governmental Organizations to deliver credit to the low-income people to ensure the accessibility of the condominium houses.

The provision of subsidy should be distributed to the beneficiaries by critically identifying the income category of residents as well as selectively targeting the lower and middle-income people as planned in the Program. In addition, subsidy schemes should be prepared by studying their short term as well as long-term effects in order to meet the intended goal.

The City Government needs to encourage the participation of the city's residents in evaluating the implementation and performance of the program to maintain the strength and to take corrective action in any aspect that does not meet the residents' interest. In addition, the AAHDPO and sub city offices may coordinate their efforts with regard to keeping and sharing up-to-date database of current and future housing beneficiaries and information regarding the implementation of the program.

The study shows that the massive employment created by the Program is unquestionable even if it faces the problem of sustainability. So, the MSEs should be allowed and encouraged to create market interactions with clients outside the program by preparing trade fair in order to sustain their existence given that the continuation of the housing construction is the main source of employment. Conversely, the AAHDPO can strictly control the MSEs to work up to the required quality. Furthermore, the office should encourage the MSEs that can use their own raw material and pay them reasonable price for their products and services in order to avoid the existing conflict between the office and MSEs. In addition, to solve the unemployment problem in a sustainable manner, the government should design different sets of policy approaches that advocate labor intensive methods in addition to enhancing the existing mass housing construction

The price for the products and services that are produced by the MSEs should be reviewed regularly by taking into account the market prices of inputs that are not provided by the Program. Furthermore, the AAHDPO as well as sub city offices should evaluate MSEs timely and the MSEs should be informed about their weakness and strengths and appropriate measures should be taken accordingly. The concerned offices should support successful MSEs to grow to a higher level as a model MSEs in addition to helping and encouraging new MSEs to enter into the Program.

The concerned offices should enhance different mechanisms to support and solve problems of MSEs during the entrance and operation level in the Program. In addition, the finding noted that shortage of finance is the main constraints for the growth and expansion of MSEs due to different reasons. So, government intervention is needed to improve legal frameworks in order to make formal financial institutions accessible for MSEs. As the raw material provision is the duty of the offices, there should be coordination with the concerned parties to minimize the time waste.

It is necessary to recognize that policies should incorporate the issue of social and economic development of rural areas. Improving the economic and infrastructure of the rural areas will reduce the rural-urban migration which is the main cause for prevalence of urban unemployment as well as housing shortage.

There should be continuous evaluation on the implementation and performance of the program to maintain positive experience and to take appropriate corrective action for any failure. In addition, there should be continuous research and gap analysis to be conducted concerning the construction sector specially the low cost housing as well as the implementation of the program to provide more low cost housing production.

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Addis Ababa University School of Graduate Studies

Faculty of Business and Economics

Department of Public Administration and Development Management

Dear Sir/Madam

This questionnaire is prepared for academic study conducted by a student at Addis Ababa University School of Graduate Studies, Department of Public Administration and Development Management. The title of the study is ***Integrated Housing Development Program in Addis Ababa***. The questionnaire is intended to get the views of condominium house owners and residents regarding the Addis Ababa Housing Development Program. Your reply will have a real contribution to the accuracy and usefulness of the study. Therefore, I kindly request your cooperation in filling out the questionnaire. All the data gathered will be held confidential.

Thank You!

Annex I: Questionnaire for Condominium House owners

Sub City ___________________

Site__________________ Code No…………………

I. Respondents Information

1. Sex 1 ☐ Male 2 ☐ Female

2. Housing Type

1 ☐ Studio 2 ☐ One bed room 3 ☐ Two and three bed Rooms

3. What is your occupation?

1 ☐ Unemployed 4 ☐ Government/Private sector employee

2 ☐ Family Enterprise 5 ☐ Self employed

3 ☐ Student 6 ☐ Other……………………………………

4. What is the average amount of your monthly income (Birr)?

1 ☐ <300 3☐601-1200 5 ☐ Above 1800

2 ☐ 301-600 4 ☐ 1201-1800 6 ☐ Other……………………

II. Housing ownership information

5. How did you own this house?

1 ☐ Registration and lottery system

2 ☐ Through city's Administration decision without lottery

3 ☐ Through buying from the first owner

4 ☐ Other………………………………………………………………..

6. Where did you live before you moved into this house?

1☐ With Family

2☐ My own private house

3☐ Kebele house

4☐ Government rented house

5 ☐ Private rented house

6 ☐ Informal settlement/ ጨረቃ ቤት/

7 ☐ Other……………………………………

7. If you were living in Kebele or government rental house, how much did you spend monthly on average, for house rent?

1☐ <70 birr

2 ☐ 70- 150

3☐ 151-300

4 ☐301- 600

5 ☐601- 900

6 ☐Above 900

7 ☐Other……………………

8. If you were living in Private rental house, how much did you spend monthly on average, for house rent?

1☐ 70- 150

2☐ 151-300

3 ☐301- 600

4 ☐ 601- 900

5 ☐ Above 900

6 ☐Other……………………….

III. Availability of Housing Finance and Subsidies to condominium lottery winners

9. Which payment mode did you use to pay the purchase price?

1 ☐ 100 percent cash payment

2 ☐ Down payment and monthly installments

3 ☐ Other…………………………………………..

10. From where did you get money to pay the total cash or the down payment at the beginning?

1 ☐ From personal saving

2 ☐ From family and relatives

3 ☐ From bank loan

4 ☐ From Micro Finance

5 ☐ From informal source (Iqub, Idir)

6 ☐ Other………………………

11. Did you get grace period to pay the down payment?

1 ☐ Yes 2 ☐ No

12. If you took loan from the bank to pay the down payment or the 100 percent cash, how much do you monthly pay to settle your bank debt?

1☐ 70- 150 3☐301- 600 5 ☐ 901 and above

2☐ 151-300 4 ☐ 601- 900 6 ☐Other………………

13. If you took loan from informal credit or from family to pay the down payment or the 100 percent cash, why didn't you use the formal bank or microfinance loan?

1☐ Needs collateral

2☐ High interest rate

3☐ Needs long time to process the loan

4☐ Needs immediate repayment

5 ☐ Lack of information

6☐ I can afford to pay without taking loan from bank

7☐ Other…………………………….

14. If you bought the house by installment, how much do you monthly pay to settle your bank debt?

1☐ 70- 150 3☐301- 600 5 ☐ 901 and above

2☐ 151-300 4☐ 601- 900 6 ☐Other……………………

15. Are you paying you the installment regularly?

1 ☐ Yes 2 ☐ No

16. If you are not paying it regularly, why?

1 ☐ Lack of income

2 ☐Lack of capacity due to double loan payment

3 ☐The weakness of the institutions to collection of the installement

4 ☐ Other…………………………………………

17. When did you start to pay the monthly installment?

1☐ I haven't started the payment yet 5 ☐ After one year

2 ☐ Immediately after receiving the house 6 ☐ Other…………………..

3☐ After three months

4 ☐ After six months

18. Do you know individuals whose contracts are canceled due to failure of loan payment?

1 ☐ Yes 2 ☐ No 3 ☐ Don't Know

19. Do you think the objective of the housing program fulfilled regarding to the needs of low and medium income people?

1 ☐ Yes 2 ☐ No 3☐ Partially 4☐Don't Know

Annex II: Questionnaire for MSE Operators

Sub City ____________________ Code No……………………….

I. Enterprise background information

1. Activity of the Enterprise in the Program

1☐Production 2☐ Construction 3☐Other…………………

2. When did your firm start operation?

1☐ Before the launching of the Program 2☐ After the launching of the Program

3. Has your firm increased the number of workers after it started operation in the program?

1 ☐ Yes 2 ☐ No

II. Respondents background information

4. Sex 1 ☐ Male 2 ☐ Female

5. Age 1 ☐ <18 2 ☐ 19-29 3☐ 30-39 4 ☐ 44-64 5☐ Above 64

6. Educational level

1 ☐ Write and read 3☐ Secondary school 5 ☐ University and Above

2 ☐ Primary school 4 ☐ TVET/ Diploma 6☐ Other……………….

7. What was your previous work before getting employed / organized in this firm?

1☐ Unemployed 4 ☐ Family enterprise

2☐ Self Employed 5 ☐Student

3 ☐ Government/Private sector employee 6 ☐other……………….

III. Enterprise constraint in the housing development program

8. What challenges did your firm face when it started participating in this program?

1☐Lack of finance 5☐ Lack of working premises

2☐Lack of raw material 6☐ lack of skill

3 ☐ Lack of access to market 7☐other……………………..

4 ☐ Unresponsiveness of officials

9. Was there any support from government organizations' to your firm during entry in the housing development program?

1 ☐ Yes 2 ☐ No

10. If you get support, what kind of support did you get?

1☐Training (managerial, technical) 5☐ Easy access to market

2☐Access to credit 6☐ Other………………

3 ☐Provision of working place

4 ☐Provision of production equipments

11. Will there be any support from government organizations' if your firm faces any challenge in the housing development program?

1 ☐ Yes 2 ☐ No

12. What kind of problems did you face after joining the Program?

1☐lack of finance to operate 5 ☐ lack of technical skill

2☐Lack of managerial skill 6☐Lack of raw material for the firm

3 ☐ Lack of access to market 7 ☐other……………….

4 ☐ Lack of utility in the working premises

13. Why did you choose this particular activity?

1 ☐It needs small start up capital 5 ☐ For self employment

2 ☐Expectations of good profit 6 ☐ Following what others do

3 ☐ Skilled in the area 7☐ Other…………………………..

4 ☐ No option for other activity

14. If you don't have access to bank credit, what do you think is the reason?

1☐ It needs credit collateral

2☐ Long time needed to process the loan from formal lenders

3 ☐ High interest rate

4 ☐ Not need to take loan 5 ☐other…………

15. Can your firm produce and sell to other customers out side the program?

1 ☐ Yes 2 ☐ No

16. Is your firm allowed to participate in other activities of the program?

1 ☐ Yes 2 ☐ No

17. Does your firm has access to bank credit?

1 ☐ Yes 2 ☐ No

Annex III: Interview Questions for Housing Officials

1. Do you think that the low and medium income people are benefiting from the housing development program as it is planned? If not, why?
2. What effort does the Program made to benefit the low and medium income group of the society?
3. DO you think that the Integrated Housing Development Program is meeting its objective?
4. What constraints do you think that faces the program in meeting the housing needs of the low and medium income people?
5. What do you recommend to further improve and strengthen the condominium housing development program in addressing the housing needs of the low and medium income people?

Annex IV: Structured Interview Questions for Micro and small enterprise (MSE) officials

1. How do you evaluate the employment creation situation of the housing development program to existing and new MSEs?
2. What kinds of support is your office providing for the MSEs which are participating in the Housing development program at their start up time and during their participation?
3. What are the major constraints that MSEs face on their entrance and during their participation in the program? How these constraints affect the MSEs?
4. What do you recommend in order to enable more participation of MSEs and to create more employment than before in the Housing Development Program?

Annex V: Structured Questions for Focus Group Discussion with Site Committee members

1. Do you think that the program is benefiting the low and medium income group of the society? discuss
2. Why do you think that individuals fail to claim their ownership after winning the lottery?
3. What do you think that the reason for the owners to rent their houses?
4. What constraints do you think the program faces that prevent it to meet the housing needs of the low and medium income people?
5. What measures should be taken in the program in order to enable the low income people group to benefit from the program?

Annex VI: Structured Focus Group Discussion Questions with Micro and Small Enterprises (MSEs) supervisors

1. Do you think that the housing development program is creating employment opportunity as it is needed?

No	Site Name	No of	Typology of the Houses	

2. Is there any kind of support for your firm on the entrance and during participation in the Program?
3. What are the major constraints that MSEs face on their entrance and during their operation in the program? How these constrains affect your firms?
4. What do you recommend in order to facilitate more participation of MSEs and to create more employment than before in the Housing Development Program?

Annex VII: Total Condominium Sites and Houses in the Sample Areas

			Commercial	Studio	One bed room	Two bed room	Three bed room	Total
1	Aware	4	0	30	50	70	0	150
2	Greek Club	2	0	26	50	23	0	99
3	Janmeda	3	0	20	40	50	0	110
4	Wereda 9 Police Station	7	6	70	81	108	0	265
5	Kebele 10	3	15	15	35	40	0	105
6	Police Club	3	0	10	10	75	25	120
7	Atikilt Tera	3	6	20	36	48	0	110
8	Ethiopia Tikdem	2	0	10	10	55	15	90
9	3rd Police Station	3	0	20	40	50	0	110
10	Unity College	2	0	20	20	40	0	80
11	Key Bahir Hotel	4	18	0	20	70	30	138
12	Good Sheperd	2	0	10	30	30	0	70
13	Somale Tera I	2	0	10	30	30	0	70
14	Ginfele	5	0	90	90	20	0	200
15	Ras Desta	5	0	100	100	0	0	200
16	Press Agency	1	0	0	20	10	0	30
17	Seranegna Sefer	2	0	10	10	40	10	70
	Total	53	45	461	672	759	80	2017

1. **Arada Sub City**

2.Bole Sub City

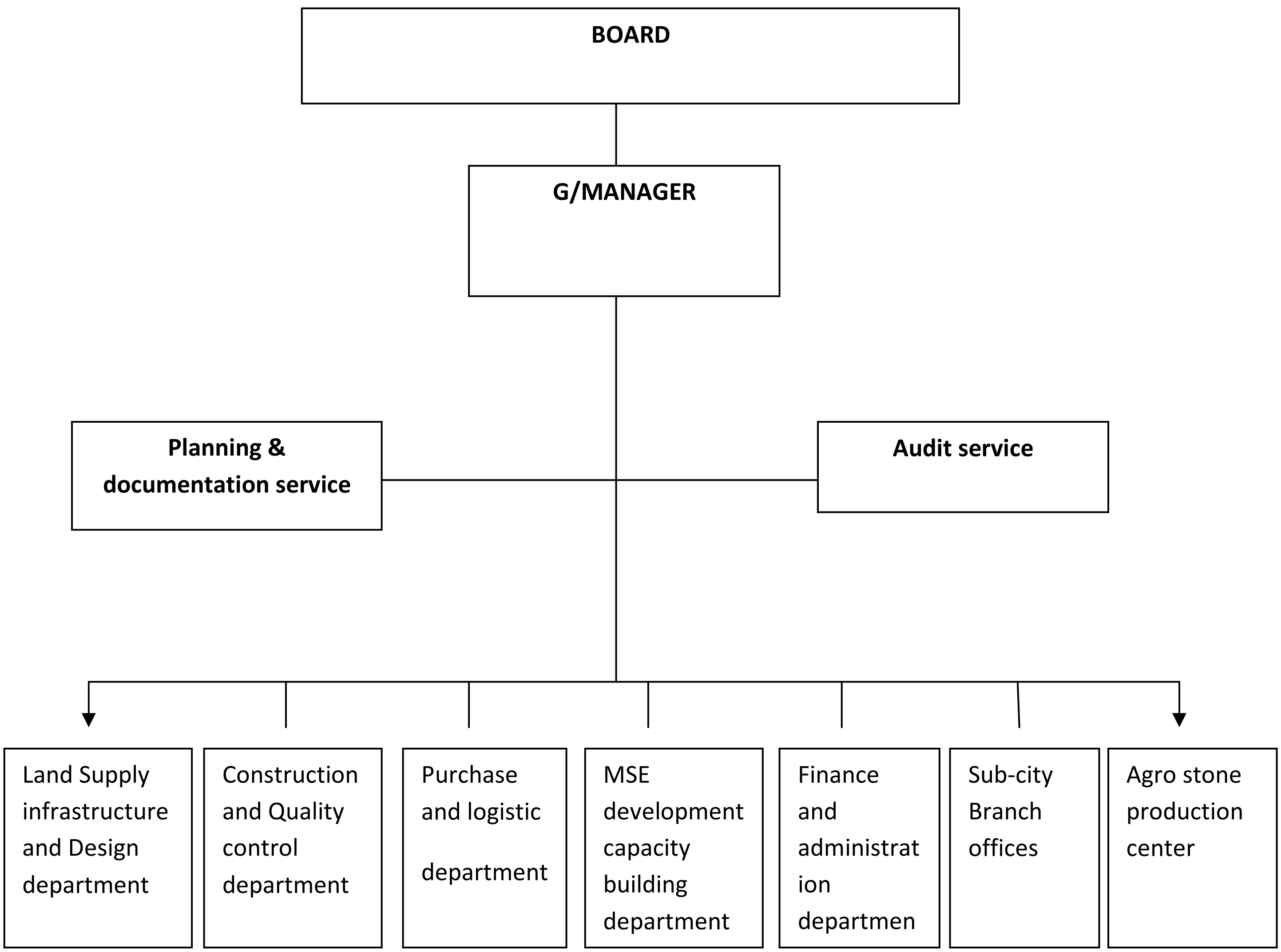
No	Site Name	No of Blocks	Typology of the Houses					
			Commercial	Studio	One bed room	Two bed room	Three bed room	Total
1	Japan Embassy	8	12	76	76	152	0	316
2	Bole Mikael	7	12	46	86	112	0	256
3	International Stadium	10	34	58	74	184	28	378
4	Gerji V	21	44	156	188	464	54	906
5	Adwa Park	10	30	74	106	164	0	374
6	Bole Ring Road	4	12	9	45	54	9	129
	Total	60	144	419	575	1130	91	2359

2. Nifas Silk Lafto Sub City

No	Site Name	No of Blocks	Typology of the Houses					
			Commercial	Studio	One bed room	Two bed room	Three bed room	Total
1	Batu I	13	59	59	69	279	63	539
2	Batu II	8	17	81	131	71	25	325
3	Batu III	5	6	28	78	56	20	188
4	Batu IV	15	50	106	106	326	48	636
5	Batu V	2	0	20	20	40	0	80
6	Mechanisa II	6	20	48	88	108	4	268
7	Nifas silk Shell	5	12	46	46	92	0	196
	Total	54	164	398	538	972	160	2232

Source: AAHDPO (2009)

Annex VIII: Organizational Structure of the AAHDPO



Source: AAHDPO (2007)