

# The Condominium Scheme as a Strategy for Housing Slum Dwellers: the case of Gofa Mebrat Hail Condominium, Addis Ababa, Ethiopia

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## Abstract

Ethiopia, like other developing nations, is striving to improve the life of its urban dwellers and Addis Ababa, the capital city, is receiving special attention to bring it up to standards in the continent. At 125 years old, the city suffers from severe housing shortage and is characterized by poor housing, infrastructural and neighborhood conditions. Considering the housing agenda as uppermost of the urban development challenge the city administration initiated a program to build several thousand homes based on the condominium concept for different categories of income groups. The initial target of the program, though, was the low income and lower middle income groups. Eleven years have passed since the program commenced in 2004. Needless to mention, even though home ownership has grown phenomenally, the price of a unit of condominium house has risen dangerously over the period. This article is based on ongoing doctoral study and looks at the affordability challenges of the condominium housing scheme, particularly regarding the poor slum dwellers and considers possible alternative means to tackle the issue. The specific study site is the Gofa-Mebrat Hail Condominium in Nefas Silk-Lafto Sub-city of Addis Ababa. The article gives a background account of the procedures followed by the researcher in the study: descriptive and analytical research methods employed, numerical and non-numerical data collected, questionnaires deployed for the household survey, interviews conducted, and relevant observations made. Moreover, secondary sources of information were available to aid analysis and corroborate findings. The most critical finding of the study was that the affordability challenge was, barring free offers or heavy subsidization, beyond prudent financial amelioration and that the only way to keep the poor slum dwellers housed was for them to pay a monthly housing mortgage installment dictated, largely, by a formula based on their ability-to-pay.

**Key Words:** Condominium Scheme, Housing, Slum Dwellers, home finance,

## Introduction

This article is based on findings from ongoing doctoral research into the socio-economics of condominium housing development in Addis Ababa City, using the Gofa-Mebrat Hail Scheme as case study. Rapid population growth in cities has been cited by many researchers and scholars as the main challenge of the developing world. Earlier studies put the rate of city growth variably between 2 to 10 percent a year (Stephen K. Mayo; Stephen Malpezzi; David J. Gross, 1986). Unprecedented growth in urban areas coupled with severe

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abject poverty put pressure, among others, on housing as the housing policies have remained inefficient and inadequate in developing countries (ibid). The world urban population is projected to reach 4.9 billion in 2030 of which 41 percent will be slum dwellers (UN-Habitat 2005). Aldrich and Sandhu state that ‘the presence of slums and squatter settlements in a society is a clear indication of the failure of a society and government to provide adequate habitat for human development’ (Brian C. Aldrich and Ranvinder S. Sandhu, 1995).

Giving the fast pace of growth of the urban population in Africa, particularly in sub-Sahara Africa, a projected 300 million is expected to *arrive* in towns and cities between 2000-2030 which would be beyond the ability to accommodate (Kessides 2005). As the scale of urbanization increases, the task of providing appropriate and affordable housing to the urban poor has persisted as one of the most intractable problems facing developing countries. Africa, as Ngombo pointed out in 2010, “had a slum population of 199.5 million people which represented 61.7 per cent of its urban population in the same year” (Ngomba 2010).

The general problem of habitat can be described as housing poverty whereby its sources of variation is attributed to imposition of norms from industrial societies, mismatch between local and global interests, level of economic development, role of the World Bank which designed its policies on long-term macro-economic stabilization and adjustment policies before 1990 and, of course, issues related to land use and bureaucracy (Brian C. Aldrich and Ranvinder S. Sandhu, 1995). However, global efforts made show attempts to ease shortage in urban housing since striving to attain remarkable improvement in the lives of 100 million slum dwellers by 2020 is one of the targets under the Millennium Development Goals. Meanwhile, a total 227 million people in the world have moved out of slum conditions since 2000, meaning governments have collectively surpassed the Millennium Development target by 2.2 times (UN-Habitat 2010).

By the late 1960s, public housing programs in which governments built uniform massive housing, such as the sites-and-services strategy (1970) and ‘the enabling approach’ (since the 1980s) have been put in place to house the poor. The evolving low-cost housing policies of the World Bank have passed through different levels such as the Affordability-Cost-Recovery, connecting housing to macroeconomic conditions which required the creation and use of housing credit institutions, and later growth and development of the entire housing sector which put an enabling strategy at its center. Notwithstanding that governments need to focus on enabling tasks, the role of governments in providing and financing housing on a massive scale in cities is still immense. Standardized multi-storey apartments are not unusual in cities in pursuit of goals and efficiencies toward providing homes to accommodate the ever-increasing population. Ethiopia took the bold initiative to shelter its urban citizens deprived of adequate and affordable houses all over the country by adopting the condominium scheme. However, mass inability of the general population to afford has raised troubling questions about cost recovery from families with very low incomes invariably compelling the government to revisit the whole scheme of low-cost housing production.

## Background

Since mid-1960s, an area that has remained a prime concern of successive governments is the dire situation of urban housing. The conditions of housing in urban Ethiopia today is appalling and - old deteriorated/dilapidated buildings, overcrowding, insanitary and unhygienic neighborhoods – is a fairly accurate description of the characteristic appearance of homes in the cities and towns. Historically speaking, the genesis of the problem dates back to the Imperial period during which time settlement development was haphazard and without binding urban plans, when the poor relied on the *houses* built by the feudal landlords (the ruling elite class) and paid regular rent as tenants. On coming to power in 1974 the Derg<sup>1</sup> regime (the Socialist government) abolished the feudal land ownership and nationalized all urban and rural land. Furthermore, all extra homes and rented houses owned by the elite class were seized through Proclamation No. 47/1975 and transferred to the Kebele<sup>2</sup> Administration and Agency for Administration of Rental Houses (AARH) with responsibilities to collect rents, renovate the existing stock and build new dwellings to meet future demands. However, the rental amount levied was low and uneconomic so the Agency was unable to repair the existing housing stock, let alone support the construction of new residences and apartments.

Since 2004 the main low-cost urban housing delivery mode has remained the condominium scheme. Yet, the affordability reaches remain far beyond the ability of the target population while the vast character of most urban areas stay designated slums. According to various studies, slum existence is said to be close to

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<sup>1</sup> Derg is the name of the Military junta/government that seized power from Emperor Hailesilassie through coup d’etat  
<sup>2</sup> Kebele (or ward in city/town) –used to be the lowest Administrative level in Addis Ababa City until recently

between 70 and 80 per cent of the total urban population living below the subsistence level<sup>1</sup>. Thus, the housing backlog is in millions of units requiring doubling-up of efforts and resources to mitigate the threatening social circumstances of slum dwellers. Ethiopia is required to produce about 3.4 million housing units in urban areas until the end of 2015 to adequately treat backlog and address future needs<sup>2</sup>.

Needs assessment conducted in 2004 revealed that to meet the Millennium Development Goals in 2015, Ethiopia had to build 2,250,831 houses corresponding to an annual average of 225,000 houses for 10 consecutive years (UN-Habitat 2010). Moreover, an assessment report released in 2004 indicated that the urban housing backlog was 900,000 – 1,000,000 of which the capital city alone accounted for one-third (ibid). With such chronic shelter predicament as background various actors – government, International organizations, cooperatives, NGOs, individuals – have over the years made remarkable contributions at various levels – low and middle income - in the city of Addis Ababa. Notably, the program for low-income households in Kolfe in the mid 1960s, the upgrading of Tekle-Haimanot area in the early 1980s, and the on-going condominium program are worth mention.

A GIS survey conducted by the City Administration of Addis Ababa in 2004 confirmed that 387,000 buildings were identified out of which 238,000 units (61.5%) were residential buildings. However, the 2007 Population and Housing Census cut the number of buildings to 374,742 and indicated that 269,814 (72 percent) found in inner-city were in such appalling state and calling for total renewal. At the time, the need for new housing stood at 176,262 units, thus, bringing the total housing backlog of the city - new construction and replacement - to 446,076 units, according to Addis Ababa Housing Construction Project Office, June 2012. Since 2004, the condominium housing program for the low income groups has been the sole means of formal housing provision in the city. The plan was to build nearly 50,000 units per annum (Ministry of Works and Urban Development 2007).

The aim of the condominium housing project (variously called Integrated Housing Development Program, or Grand Housing Program) was the renewal of slum neighborhoods by redevelopment into modern, multi-level, high-density housing estates with the affected population offered appropriate/commensurate replacements in the scheme (i.e. studio type, one-, two- or three-bed rooms) on completion. However, the scheme's mode of delivery fell far short of both achieving its stated objective and satisfying the need of the displaced slum poor, though the explicit strategy was patently pro-poor, including the creation of employment for the poor to strengthen their financial capacity to pay for the new homes. Families who could not afford to acquire the new homes were to be temporarily relocated to government-owned houses elsewhere in the city.

The situation attracted scathing commentary from the UN-Habitat as follows; 'Whilst the IHDP has the laudable aim of targeting the low-income sector of the population, unfortunately experience has shown that the 'poorest of the poor' are not benefiting from the IHDP due to inability to afford the initial down-payment (UN-Habitat, 2010, Pp. 40)'. So, questions bubble up here: Does it mean the condominium housing strategy did not work out? If so why? Hence, the housing issue has become an urgent concern for both city authorities and citizens.

### **The Problem**

The housing problem is enormous - a huge backlog, overcrowded occupation, old dilapidated homes, increasing non-durable structure housing, low neighborhood sanitation, absence of toilet facilities – it is the inability of the poor to qualify to access finance which poses the bigger problem. Though gradual progress is visible as selected slum sites in the city undergo demolition giving way to new condominium housing, the painful evidence of lack of affordability on the part of the majority of the displaced poor families remains a tough nut to crack. The financing arrangement put in place through the Commercial Bank of Ethiopia (CBE) is way above the capacity of the poor. The standing arrangement enables all beneficiaries of the housing scheme to access mortgage funding from CBE and to make monthly installment repayments over an agreed number of years. This article issues from a main research into the whole subject of public-financed housing in Addis Ababa.

### **Methodology**

The data for the research was obtained from primary data (first-hand information) gathered from households in the condominium housing units of Gofa-Mebrat Hail Condominium Site by questionnaire survey using purposive systematic sampling. The approach allowed households from each housing typology - studio,

<sup>1</sup> Abraham 2007; Tolon 2008; Mekonnen 2011

<sup>2</sup> MWUD 2005 cited in Lealem, n.d.

one-, two- and three-bed rooms - to be included. Secondary data was obtained from various government and private sources, including official reports, books, articles and the internet.

### Findings

The said study interviewed 90 households in the Gofa Mebrat Hail Condominium Site in a comprehensive field survey that covered the entire range of housing typologies - studio, one-bedroom units, two-bedroom units, and three-bedroom units. The survey cut across essential biographic data lines such as gender, education, family size, and employment in order to establish character of the beneficiary population and, thereby, determine the economic threshold of the condominium housing demand population.

Educational status reveals that only 20 percent is from Diploma level to Masters degree holders while 18.8 percent are either illiterate or can only write and read. The majority share 61.2 percent of the total which falls between grades one to twelve (figure 1). The bigger the family size, the better educated the person is and the permanency of the job the person has further incentive to own a house (Ahmad et al 2010, Pp. 51). This general truth also works for families residing in the study area – Gofa Mebrat Hail Condominium Housing – where, majority of the households are below the college diploma level earning low income which burdens families to allocate enough amount of money for housing. A slight difference from this theory, in this study, is most of the families are with large size but its members are not well educated which directly affects the income of the households. In most families, it is only one or two members who earn a living for households and the remaining family members are dependents.

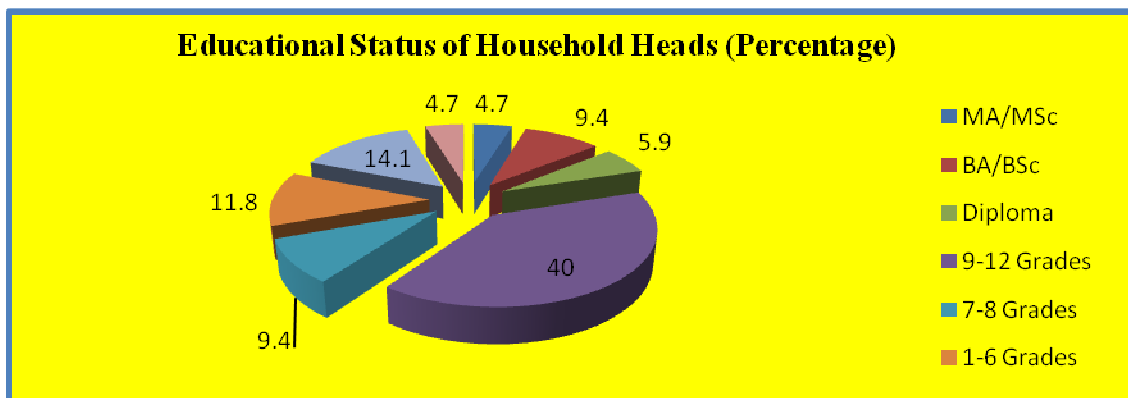


Figure 1: Educational level of Households  
 Source: Own Survey, 2014

Findings showed that as much as 70 percent of the surveyed occupants were temporary employees or pensioners with low incomes, a fact that raises serious concerns about their qualification for the mortgage and ability to pay the monthly installment. As a result of the low employment status, affordability of the housing scheme was under extreme pressure. Again, the study found a much higher disproportionate number of female members of families indicating greater dependency on men as women give birth and culturally stay at home and lose their income contribution to the family. Moreover, 115 persons (29.6 percent) were below 15 years and above 65 years which further increased the dependency ratio of the families. Overcrowding (Table 2) was found to be a general phenomenon in most of all the different types of accommodation surveyed, although the problem seemed to reduce with larger accommodation. From the household survey, 59 percent had 3 to 5 family members, 24.1 percent had 6 to 8 members, and 3.6 percent had 9 to 10 family members, the rest had one or two family members.

Table 1: Household Size per Housing Typology

| No. | Category              | Studio | 1-Bedroom | 2-Bedroom | 3-Bedroom |
|-----|-----------------------|--------|-----------|-----------|-----------|
| 1.  | Persons in Occupation | 2 to 5 | 2 to 7    | 1 to 10   | 2 to 8    |
| 2.  | Average family size   | 3.57   | 4.12      | 4.57      | 4.54      |
| 3.  | Average persons/Room  | 3.57   | 4.12      | 2.28      | 1.5       |

Source: Computed Research Survey, 2014

According to the survey, the main determinant for choosing house types was financial affordability. Findings indicated that studio household spent 22.1 percent, one-bedroom household spent 22.6 percent, two-bedroom household spent 29.4 percent, and three-bedroom household spent 46.6 percent, all of their respective average monthly incomes (Table 3).

Table 2: Household Income Range and Average Income per House Type (in Birr)

| No. | Category (ETB) <sup>1</sup> | Studio    | 1-Bedroom | 2-Bedroom | 3-Bedroom |
|-----|-----------------------------|-----------|-----------|-----------|-----------|
| 1.  | Range of income             | 500-1,500 | 500-5,000 | 500-9,000 | 500-6,148 |
| 2.  | Average Income              | 958.33    | 1,930.8   | 3,175.3   | 2,840     |
| 3.  | Monthly Installment         | 212.2     | 437       | 933.58    | 1,322.7   |
| 4.  | % MI <sup>2</sup> on AI     | 22.1      | 22.6      | 29.4      | 44.6      |

Source: Computed Research Survey, 2014

According to Ahmad et al (2010) if a home buyer allocates 30 percent of gross monthly household income, it can be said that the family possesses the ability to afford to buy a house. Among the studio owners there were many households whose gross incomes was ETB 500 (25 USD) per month which raised the percentage average monthly repayment installment of ETB 212.2 to 42.44 percent of their gross monthly income. Hence, households with large family sizes found it a difficulty to pay the regular installment. The same was true for households residing in other types whose earnings were lower than the recommended threshold of 30 percent.

Another important finding of the study was that following successful acquisitions and subsequent relocation by families to their new homes often in unfamiliar destinations socio-economic problems, previously unforeseen or unanticipated, emerged. Such was the distress of many families whose entire economic support, built over years of being part of vibrant social and economic communities in their previous residences, suddenly found they were staring at new areas without customers and business opportunities. The true story of a family of four that relocated from the slum of Lideta to Gofa Mebrat Hail condominium housing estate is worth mention. The family head, a female, had a source of income in Lideta earning a gross monthly salary of ETB 600 (around 30 USD) excluding additional tips and bonuses at the cafeteria where she worked. In that existence, the family had lived in a Kebele house paying very minimal rent for decades and the children attended a nearby government school at no transportation costs. However, on relocation to the new estate the income ceased and the regular monthly purchase installment begun to ran into arrears.

Within 8 years of the program prices have skyrocketed for each house typology (Table 4 and Figure 3). The study findings showed that over seven years the average price growth or increase for the studio unit was 181%, for the one bedroom unit was 275%, for the two bedroom unit was 260%, and for the three bedroom unit was 222% on their original levels in 2004. Unfortunately, family incomes during the same period did not keep pace with the rising housing prices and, clearly, affordability has been severely tested.

Table 3: Transfer/Selling Prices for different round of condominium housing Distribution

| Round   | Year      | Transfer/Selling price per Square meter by year in ETB |              |              |                 |
|---|-----------|--|--------------|--------------|-----------------|
|   |           | Studio   | One Bed Room | Two Bed Room | Three Bed Room  |
| 1 <sup>st</sup> & 2 <sup>nd</sup>                 | 2006-2008 | 665  | 665          | 950          | 1,110           |
| 3 <sup>rd</sup> & 4 <sup>th</sup>                 | 2009-2010 | 1,110  | 1,414        | 1,728        | 1,807           |
| 5 <sup>th</sup> & 6 <sup>th</sup>                 | 2010      | 1,450  | 1,865        | 2,280        | 2,385           |
| 7 <sup>th</sup>                                   | 2011      | 1,481  | 1,931        | NA           | NA <sup>3</sup> |
| 8 <sup>th</sup> & 9 <sup>th</sup>                 | 2012      | 1,869  | 2,491        | 3,426        | 3,581           |
| Average price per sq. m                           |           | 1,315  | 1,673.2      | 2,096        | 2,220.75        |
| Price %tage increase                              |           | 181%   | 275%         | 260.6%       | 222.6%          |
| Average floor area (m <sup>2</sup> ) <sup>4</sup> |           | 24.91  | 43.72        | 58.59        | 75.93           |
| Average price per typology (Birr)                 |           | 32,756.65  | 73,152.30    | 122,804.64   | 168,621.55      |

<sup>1</sup> USD = US Dollar; ETB = Ethiopian Birr. 1USD = 20 ETB

<sup>2</sup> MI = Monthly Installment; AI = Average Income

<sup>3</sup> NA = Data not Available

<sup>4</sup> Average floor area for each category based on the 5<sup>th</sup> round housing transfer

Source: Arada Sub-City Housing Transfer and Management Office, Addis Ababa, 2013

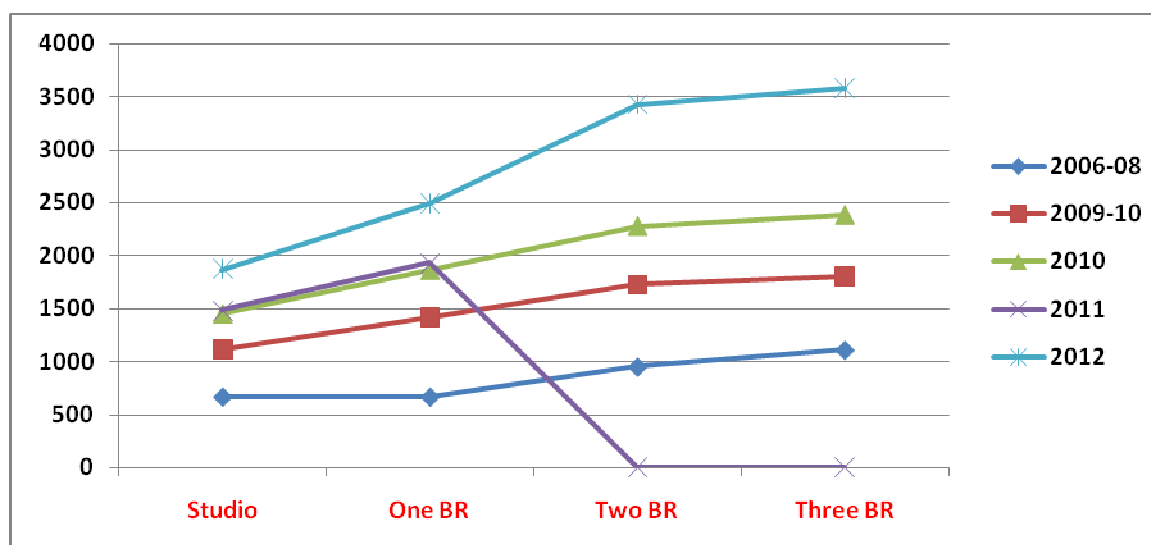


Figure 2: Condominium Housing typology with corresponding transfer value per square meter per year

The monthly installment for each housing typology kept increasing through years. Table 5 shows range of installment also differs from house to house within the same typology as the floor area differs for individual typology. Another reason for installment difference is ever increasing cost for each typology. In addition to data provided in table 5, table 4 shows rise in price of square meter to transfer the house to beneficiaries which is directly related to increased house price. As the period to completely pay the total amount is fixed, the increased housing price is meant increased monthly installment.

Table 4: Household monthly installment per housing typology (in Birr), Range and Average

| Sr. No. | Description                                    | Studio  | One Bed Room | Two Bed Room | Three Bed Room |
|---------|--|---------|--------------|--------------|----------------|
|         | Range of monthly installment per each typology | 207-225 | 230-600      | 400-1,100    | 1,180-1,560    |
|         | Average family installment per each typology   | 212.2   | 437          | 933.58       | 1,322.7        |

Source: computed from own survey, 2014

### Conclusion

In spite of the efforts made by the government, so far, the question of affordability of many families to secure housing under the condominium scheme remains unresolved. It has been shown that some demographic characteristics (family size, age, size of dependents), household income as well as the price of the condominium housing unit influence affordability. Low educational status usually corresponds to low income, often large family sizes accounting for much of the income for food, clothing, medicals; thus, leaving a small portion of the income to allocate to housing. Therefore, minimal household income and the ever-increasing condominium price is the mathematical conundrum facing the population, and which must be solved.

Challenges related to the financial affordability need to be solved so that access to the units can be made smoother.

1. One of the means can be increasing the income of families through targeted job creation with less transport cost. Most of the households who resided in slum areas are poor but can work and earn beyond daily living. The housing development scheme creates jobs for many citizens and those who are cleared from the slum areas – with due support, capacity building, and follow-up – must be direct and primary beneficiaries from jobs created. It is to mean that families who are shifted to new residential

sites are supported by the government to establish Small and Medium Enterprises (SMEs) and supply building materials – such as Hollow Concrete Blocks, installation of electricity, sanitary networking – to the housing development program. For the success of this strategy institutionalization of intensive and continuous capacity building is necessary.

2. Public-NGO and Charity partnership towards housing provision for low income earners. Government can partner different charity and non-profit organizations to extend their hand to fill the gap beyond government limits to promote and coordinate community development.
3. Government shall support and provide for rental social/low-cost houses for slum dwellers that affordability holds them back from owning their housing unit. This strategy does not require down payment but direct renting to beneficiaries with very low cost.

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