

# Government-Led Condominium Housing: Policies and Practices (The Case of Addis Ababa)

Wubalem Seraw Gezie(MSc)  
Senior Researcher, FDRE Policy Study and Research Centre,  
Urban Development Study & Research Department, Addis Ababa, Ethiopia

## Abstract

The Housing Development Program of condominium houses are a multi-issues program launched in Addis Ababa in 2003 and is expanding into regions and cities. The program is designed to provide citizens with opportunities to cover shelter problems, create job opportunities for the public, and improve the well-being of the community. The purpose of the study is to assess the policy & practice of government sponsored condominium housing in Addis Ababa. Data source for the study was secondary data collected by reviewing strategy documents of the ministry of urban development and housing, central statistics agency as well as Addis Ababa Housing Development Program offices reports. The study concludes that government sponsored condominium housing is often intended for low-income people, but the reality is that the goal is not achieved the target. In spite of the fact that shelter needs were not sufficiently satisfactory, the performance of the housing program in Addis Ababa was particularly high, according to various government performance reports. Therefore the government should expand the rental housing options for residents who are unable to become a home owner and the strategy will be revised giving more incentives to take part in a policy and strategy that will encourage the private sector and the public private partnerships to participate in huge housing development.

**Keywords:** Affordable housing, Condominium, Housing development and Low income group

## 1. Introduction

Housing always is a critical problem of cities in general and of Addis Ababa in particular, where the process of urbanization is very fast and high inward migration. There were three sectors in housing supply in Addis Ababa: the private, the public and the informal sectors, but public sector played the main role in construction and provision of housing production. The housing policy was heavily subsidized. The Government has distributed housing in kind, which was including infrastructure system, public facilities...etc. In Addis Ababa, a large number of residents do not have adequate housing.

## 2. Problem Statement

Rapid urbanization and unprecedented population growth over the past decades have created enormous pressure on Addis Ababa's capacity to provide affordable housing and access to basic services for the citizenry, especially for the low-income households. The gap between demand and supply of land and housing is growing day by day (Eshete and Teshome, 2015).

Various studies also have shown that the urban population is growing fast and this is an international phenomenon. The reason for this rapid urban population growth was the push factor or the pull factor of the rural urban migration, resulting in a natural increase due to variation of fertility and mortality in the city as well as the rural areas get urban status or the rural reclassification.

In developing countries each of these three contributing factors contributes its own role particularly in Ethiopia like sugar development and industrial parks (mega projects) and urban construction sectors development contributing to the rapid growth of urban population. According to the Ethiopian Urbanization Review, the population growth rate of urban population in urban areas by 2016 is 404,955 (37.6%) by natural population growth, 365,845 (34%) rural-urban migration, 165,845 (15.4 Percent) of mega projects, 141,321 (13 percent) of rural areas will be incorporated to the city administration.

Urban development policy is emphasized by constructing of standard houses in urban areas and accessible to all sections of the population, with the emphasis on avoiding urban slums, addressing shelter problems, creating of saving culture, creating a broader employment opportunity and guaranteeing the utmost benefit of the population and thereby contributing to the development of urban and economic structural transformation. But the housing challenge cannot be resolved, although the strategy is proposed.

As a result, the shortage of housing constraint in the big and medium cities of the country, including Addis Ababa, is extremely high. This implies that there is a disparity between the supply and demand of urban housing and the ever increasing demand for housing. The government has launched a National Integrated Housing Development Program to address this problem through the construction of condominium houses, which is based on the condominium development program launched in Addis Ababa & in 56 cities in different regions of the country.

The government's major housing programs involve high levels of implicit and explicit subsidies, which

appear to have sustainability challenges as such subsidies, restrict the ability to reach a large number of beneficiaries within current fiscal constraints. A large but undefined share of the urban population across the country looks for housing solutions either in the private rental sector (usually informal) or by buying land informally from farmers in peri-urban areas.

### 3. Objectives of the Study

The main objective of the study is to assess the policy & practice of government sponsored condominium housing in Addis Ababa.

The Specific Objectives are to:

- Evaluate the aim of condominium housing program against its goal.
- Examine the housing provision/supply options in the city.
- Identifying the successful achievements and challenges of government highly subsidies condominium houses.
- Suggest an alternative solution to the challenges and promote the successful achievement of the condominium development program

### 4. Research Methodology

The methodology adopted for conducting the study was included the collection of data from secondary sources (from annual reports, book, internet websites, and different journals). The document review mainly focused on policy, strategies and legal official document reports. In addition, books, articles, journals, electronic materials and other related documents of the phenomenon under study were analyzed.

### 5. Significance of the Study

The study is basically concerned with opportunities and challenges of government sponsored condominium housing development program in Addis Ababa. Therefore, the study is useful in providing relevant information for policy makers and practitioners related to housing development. Moreover, the conclusion remarks could be helpful as an input for those who may be interested in undertaking further studies and researches on the issue.

### 6. Literature Review

**Housing Policy:** In the absence of a clear and accepted definition of what constitutes housing policy, Angel (2000) defines: “The housing policy environment is the set of government interventions that have a critical and measurable effect on the performance of the housing sector.”

#### 6.1 US housing policies

Let us start by describing the policies encouraging homeownership. Federal, state and local governments in the United States subsidize household investment in owner-occupied housing. The portfolio of policies includes the non-taxation of imputed rents, favorable tax treatment of capital gains, local land-use restrictions, and exemption of housing from means-tested social insurance programs, subsidized mortgage insurance, and the sponsorship of secondary mortgage-market enterprises (Jaffee and Quigley 2007).

The most significant housing subsidy programs in the US are funded by tax expenditures through the Internal Revenue Code. The special status of owner-occupied housing under the personal income tax is well-known: interest payments for home mortgages are deductible as personal expenses for the first and second homes of taxpayers, up to a limit of one million dollars; property taxes on owner-occupied houses are also deductible as personal expenses; the implicit rental income from occupying the house (the ‘dividend’) is excluded from gross income; and capital gains are essentially untaxed.

#### 6.2 The European experience

Contrary to the United States, there is no common housing policy at the European (federal) level since, formally, the European Union (EU) is not legally empowered to make housing policy competence in the area of housing policy is held by individual member states. In most European countries, however, there is a mixture of many interventions, but three pillars of housing policies in Europe can be put forward: (i) promote home ownership; (ii) construction of public housing; and (iii) direct rental subsidies to households, especially low-income households. In some sense, these policies are relatively similar to those implemented in the United States.

#### 6.3 Housing policy in China

Before 1949, most urban housing was private rental, provided by landlords. This was changed through a socialist transformation in the 1950s, in which the majority of properties owned by big landlords were nationalized. Public housing was built by government owned enterprises and institutions (work units) and distributed directly to their employees as part of a comprehensive welfare provision system. Other elements in this welfare system

include free education, health care and pensions.

### **6.3.1 Types of Low-Income Housing in Chinese Cities**

Currently there are two main types of low-income housing in China: (1) “cheap rental housing”, hereafter (CRH), and (2) “economic and comfortable housing”, hereafter (ECH). CRH refers to housing subsidies in the rental sector to “low-income households with housing difficulty”, which can be provided in different forms: 1) “housing provision with controlled rents” – public housing provided by the government or work units with government-controlled rents; 2) “rent subsidies” – monetary subsidies to low-income households who rent private housing on the market; 3) “rent reduction” – a further rent reduction for households who already live in public rental housing. Since 2007, “rent reduction” has been combined with “rent subsidies.” Recently defined as low-income housing, ECH is ownership-oriented housing provided by developers on free land allocated by local municipal governments, and sold to qualified households at government controlled prices. ECH offers only partial property rights, which constrains homeowners from selling on the open market for profit.

Recent housing policy experience in developed countries indicates that demand-side; income-related housing subsidy programs (such as housing subsidies and housing vouchers) are generally more effective in getting decent and affordable housing to the needy than public housing and other supply-side programs (Olsen 2003). The current majority view, based on numerous empirical studies, many of which are reviewed in Olsen (2003), is that demand-side; income-related rental assistance policies are more efficient than supply-side rental assistance policies, according to a variety of criteria.

### **6.4 Low-Income Home Programs in Korea**

As in developed countries, low income housing programs in Korea are largely divided into two parts: supply-side programs and demand-side programs. The major type of supply-side programs is to construct and provide public rental housing for low income households. Construction of public rental housing is regarded as one of effective ways to support low income households in that the government directly provides them with decent rental housing at the below-market rents. Various kinds of supports are implemented including provision of residential land at the below-market prices, financing construction costs at the below-market interest rate through the National Housing Fund (NHF), and charging below-market rents to the recipient households. Demand-side programs aim at reducing housing cost burden of low income households. The programs include Chonseil deposit loan programs and housing benefits program.

### **6.5 Public Housing Estates/Developments, Singapore**

The public housing estate in Singapore is one of the most successful housing schemes in terms of planning, financing, construction and administration. As a result the development covers vast areas and more than sixty percent of the city’s population lives in these buildings.

**Physical features:** the neighborhood design involves grid of streets forming vast park-like green blocks with identical high rise flats as *buildings in the space*. Extensive planning and construction was involved to insure the satisfaction of the majority of the population. The buildings are elevated on columns and the ground floor is left for the continuity of the green plane. The blocks are directly serviced by public transportation systems and have central transportation depots.

**Occupancy and Administration:** the buildings are constructed and governed by the government. Mixed ethnicity is maintained in each block during the distribution of the housing units. Due to successful financing schemes the majority of the city’s population lives in these estates and most are owners rather than tenants.

**Financing and Affordability:** the housing development is heavily subsidized by the state loans. The loans are paid through social security scheme called Central Provident Fund (CPF). The fund is a compulsory saving instrument that evolved from Pension Schemes. The financing mechanism is designed in such a way that the publicly built houses will eventually privatized through CPF. However, to secure ownership after continuous payment of loan, residents need to maintain employment. As a result, CPF turn out to be critical for the national economy by maintaining steady manpower supply through encouraging continuous employment.

Employer assisted housing and provident funds. A ‘provident fund’ is a form of mandatory savings, deducted directly from the payroll of formally employed workers that is used in later life for life needs: education, health care, retirement income, or housing.

### **6.6 The African Housing Policy**

Sub-Saharan African countries (SSA), have invested substantial amounts of resources aimed at combating the housing problem that is, the problem of qualitative and quantitative deficits in the housing stock during the last three decades. However, there efforts have failed to register significant positive results. In most cases, the efforts have actually served to compound the problem. In their attempts to deal with the problem, planners in Sub Saharan Africa (SSA) countries have typically relied on planning tools inherited from the policies of colonial countries (Njoh, 1999).

## **6.7 Ethiopian Housing Policy**

The government is making broad efforts to reduce urban housing shortage. Recognizable and encouraging results have been achieved thus far. However, to supply sufficient houses at fair prices to all sections of the society, it is found necessary to design and implement a general housing development strategic framework-which promotes individual private house builders, promotes real estate development, encourages the mainly government coordinated housing development and provision programs, encourage housing cooperatives, as well as encourages the participation of various government institutions (employers) etc...to solve the housing problem step by step.

## **7. Result and Discussions**

### **7.1 The Condominium Housing program from the perspective of its targeted goals**

The housing sector is characterized by significant deficits. Roughly 3.4 million households live in urban Ethiopia, while the total number of housing units is 2.9 million. Besides quantitative shortfalls, there are also shortfalls in housing quality. An estimated 70-80 percent of the urban population lives in what might be considered slums, according to a commonly accepted international definition. This is one of the highest levels in Sub-Saharan Africa (World Bank 2015).

The Integrated Housing Development Program, which has been implemented in many cities across the country, has raised considerable financial resources to finance the construction of condominium units. Moreover, at the national level, the widespread supply gap has been addressed and the program combines a broad range of social, environmental, and macro-economic goals that has made a great saving culture. The housing projects designed to implement the Housing Development Program in various regions and cities were not based on a feasibility study on the financial and economic growth of towns. The main government housing development program has a highly visible and invisible subsidy. These subsidies are ongoing problems that will limit the number of beneficiaries due to seasonal financial constraints. The method used to solve the housing problem in the whole country is largely unpopular, either through private housing (mostly non-formal) or in rural urban areas, illegally buying land from farmers in an illegal way.

Separately looking the Addis Ababa Integrated Housing Development Program (IHPD) its own technical evaluation, the Integrated Housing Development Program (IHPD) in Addis Ababa has contributed to improve the overall quality of housing in the city and provide rental alternatives. Thereby, the program minimizes the quality problem of houses in Addis Ababa. On the other hand, the program has taken high subsidy and high costs, the government's financial support may not last forever. Despite the huge subsidy, the low income of the population makes it challenging to become the owner of a house. Also, there is a reason to remember that the program is working in Addis Ababa, where there is a great housing demand. Source (UN-Habitat, 2010), MUDHCo (2013b)

Government sponsored condominium housing is often intended for low-income people, but the reality is that the goal is not achieved the target. The indicator of this problem is difficult to distinguish the accurate information between those who have a house or have not as a country where a cadaster system is not established. On the other hand, many condominium residents rented the house and number of condominium units bought and sold in an illegal practice/manner. As a result, subsidies for the low and middle income sections of the society are being converted to other high income groups against the planned. Problem of delivery of developed land, lack of capacity for construction and project management skills, lack of transparency in procurement process, low cost construction technology and design limitations, lack of construction inputs and cost escalation, lack of involvement of stakeholder groups and lack of coordination, lack of finance and existing lack of transparency in the transferring process the houses to the beneficiaries have made the burden of government resource allocation.

Generally, the housing development program has succeeded a tremendous and significant achievement, in addition to addressing the problem of housing issues, building the culture of saving, creating more job opportunities, strengthening the construction industry and supporting other industries. However, the housing development process is only applied in the capital cities, with a slower pace and a lack of supply of housing and the capacity to provide adequate housing to meet the increasing demand for housing will be mentioned as the key problem to providing sustainable and integrated housing development services.

In spite of this high demand for housing, the supply is still far from satisfactory, and hence balancing them is a challenge that needs its own time and commitment. The Addis Ababa Housing Development Agency has been striving to meet its goals despite the emerging challenges. Shortage of construction materials such as cement, metals, gravel and capacity limitations are some of the challenges.

However, in addition to the fact that housing demands in Addis Ababa is a major factor in the housing development, besides the national and international status of the city, housing as a human right are a major issue, with the first priority given to the city administration by taking diverse steps to address the problem of housing and due to population growth and rapid urbanization and expansion and also establishment of new urban settlements have made it impossible to meet housing demands.



## **7.2 Factors Affecting Addis Ababa City Housing Demand**

The population in Addis Ababa is increasing rapidly. This high population growth has made it impossible to meet social and economic services. It is not hard to imagine the escalation of housing shortages by increasing demand for housing and quickly increasing the demand for shelter and shelter, as the size of household family's has been increase.

On the other hand, as a result of the renewal and aging of cities from the year 1999, at least 1% every year, 10% (62,892) in every 10 years houses were planned to demolished and rebuild in new and a half million population increased every year over the last 10 years. It is estimated that by the end of this year 850,000 housing units with having four family sizes more than 730,000 total additional housing needs will reach. Therefore, it is estimated that the demand for housing in Addis Ababa and the low housing construction quantity will be higher than the above.

## **7.3 Demand for housing Compared to the backlog**

In addition to the backlog demand for housing, urban expansion and urban renewal, with more than 80% of the 629,000 housing units in the city being built with wood & mud exist in poor conditions, of which 15% require repairs, 41% are overcrowded and slums needs renewal interventions as indicated by the 2011 study on Addis Ababa's national and international role, while the remaining 156,000 of the Kebele's cities need to be rebuilt.

## **7.4 The housing demand & supply perspective of Addis Ababa City**

Beyond some of the reasons mentioned out why Addis Ababa's housing demand & supply were not met is pull factors, it needs thinking as national level. The efforts to build houses for the city of Addis Ababa only except considering for the fact that migration from different directions of the country the housing problem in Addis Ababa is unthinkable. As a result of the high housing shortage in Addis Ababa, the increasing numbers of households are becoming more and more, with the increasing number of living in condense membership in a single room and homelessness increasing rapidly in the neighborhood the citizen will loosen their hope due to housing development program delays. On the other hand, the construction of houses is expected to be completed by one year and six months, but it needs to be finished up to six years. Since the cost of the transfer has been increasing from time to time it has been challenged the low and middle-class residents.

## **7.5 The lack of affordable housing development**

When we think of fulfilling a city's housing needs, houses built by the state have two options: i, Rental House option; ii, House ownership for sale. Beyond the supply of government sponsored house ownership with long term payment option, there is lack of adequate rental housing provided in the Addis Ababa City Government, especially for the low income groups. This has shown that the affordable housing policy has not been fully implemented, and that failure to meet the housing demands of the city. A study on Addis Ababa's national and international roles indicates that in 2011, only 73.6% of the residents in Addis Ababa have paid the pre-paid fees and 26.4% of the residents are very poorer. Since the lower groups of society cannot afford the condominium fees, the construction of an affordable housing for this community is not implemented. As a result, urban dwellers at low income level have not addressed their housing problems yet. As a result of this, Addis Ababa City participants have confirmed that the city has not been supplied an option to afford to rent or buy a condominium.

## **7.6 The housing development does not recognize the socio-economic situation of the city**

While the construction of condominium houses does not reflect the economic situation of Addis Ababa's Socioeconomic situation, various research outputs shows that if a city has a vibrant market, with low unemployment rate or decreasing unemployment, rapid population growth, If there is a high rate of increasing income and there is a high volume of migration to rural and neighboring areas, Building a house for the low-income community a rental housing option should be a priority, and building a sales house for the middle income community is a first priority. On the other hand, if economic activity is relatively weak, if the number of unemployed is high or where the population numbers are decreasing or stagnant, then the cost of renting and sales of the housing market in this area is likely to be lower than expected and there would be an extra free houses without people. Therefore, regardless of the national housing development strategy, each regional state or city administration has a freedom to select its own different alternative housing development strategy but not seen practically implemented. According to a research study by Federal Urban Plan Institute (2005) in Burayu City Administration proved that the existing number of housing units was 6693 whereas the household number was 6215 being this there was an extra free 478 housing units condominium housing was built by the government in the city. This has proved that focusing only on condominium housing options is not necessary/ inappropriate without any feasibility. On the other hand, the National and International Role of Addis Ababa in the year 2003 A research report outlines the issues affecting the provision of housing development options

indicates:

- i. Local housing market transaction status
- ii. The local economic situation
- iii. Local population growth and migration
- iv. Its local political and historical situation

As a result, there should be a need to address the speculation housing problems and to find a solution to the local housing market transaction problems in the future.

## 8. Conclusion and Remarks

### 8.1 Conclusion

The supply of housing for both business and residential buildings in urban areas of the country and Addis Ababa is provided by different governmental, private individual, cooperative housing development and real estate developers. Since, It is possible to build more than 270,000 condominium units in the city with different housing development program (10/90: 20/80: 40/60) for the residents but the growing of housing shortage cannot be reduced to the desired level.

As a result of the government's efforts to address housing problems, beyond participated directly in the construction of housing development projects, incentivize the private sector to succeed the housing development program in supplying developed land in 2011 and before that with allocated land and now lease system. Due to the backlog housing shortages and the rapid population growth, rapid expansion of the city and establishment of new urban settlements has made it impossible to meet the housing demands.

Meanwhile, the housing problem in Addis Ababa has risen steadily and social collisions have shown that the low-income groups cannot afford housing with rental or buying from market and the current housing price gap is widening. It becomes now beyond the capacity level even to afford the low-standard housing for the poor.

Therefore, the main reasons that aggravated the housing shortage in the housing market in Addis Ababa that is not driven by demand and supply based market-oriented are:

- The private sector housing supply is very limited/small;
- The Government sponsored condominium housing development is not completed as its adequate quality, time and cost planed;
- Stopping of supplying land for cooperatives;
- The Government and Private Joint Venture Investment is not implemented as the strategy stated;
- Not give attention for rental housing option ;
- Low developed land preparation and supply;
- Lack of Housing finance source;
- An increase in urban population and migration;
- Lack of affordable housing standard to construct/build;
- Escalation of housing market to buy and rent;
- Housing market problem (holding home for the benefit of the future) /speculation/ existence;
- Lack transparency and accountability;
- Existence of corruption, wastage and general ethical issue problems in housing development;

### 8.2 Remarks

#### Policies issues to be reviewed

- ❖ The supply of developed and infrastructure development problem or integration problem. Developed land mean the basic infrastructure required for housing development like the construction of roads, drinking water, sewers, electricity and other social services of education, health and market etc. It is difficult to provide government only in the targeted area where there is a lack of policy framework for cost sharing.
- ❖ Government-sponsored houses give less attention to rental housing options. Expand the rental housing options for residents who are unable to become a home owner. It needs to revise the existing housing strategy to incorporate a wider range of options than just owning condominium housing units (i.e. rental housing, housing upgrading, housing cooperatives, etc.).
- ❖ Lack of a policy and legal framework for the city administration for a choice of a housing topology to suit the needs of the local population because each housing topology does not work equally for all regions and city administrations.
- ❖ The absence of legal framework providing a variety of incentives and subsidies to private developers involved in housing development, instead of the government participating in direct housing development, and the public private partnerships housing supply option stated in the strategy have not detail implementation legal framework.
- ❖ To solve the housing finance there should be a separate financial institution mobilizing a revolving fund.
- ❖ There should be a mechanism to promote improved and practical construction technology.

- ❖ Develop a strategy that will promote the social, economic and engineering aspects of housing development.
- ❖ A policy to be developed that encourages the construction of mixed use building structure.
- ❖ Develop a policy and legal framework that will increase the number of individual actors involved in housing market and create a consistent and sustainable system.

#### **Improve the implementation strategy methods**

- ❖ Develop a strong check and balance system that insures transparency and accountability.
  - Consultant and contractor construction work will be awarded based on fair competition and micro and micro small enterprise as a sub-contractor can be entered into work.
  - Housing development agency/institution should focus on the major task and get out their hand from supplying of construction inputs and capacity building etc. for those involved in construction sector.
- ❖ Develop a system of accountability for any form of liability or criminal activity involving any person or organization or any third party involved in construction offense and illegal action, and may be able to improve the implementation strategies with the help modern technology system to ensure that it is strictly controlled for its implementation.
- ❖ Strengthen the participation and cooperation between concerned actors throughout the project cycle.

#### **Solve Institutional capacity problem /organizing the structure/**

- ❖ The capacity of institutional capacity to effectively implement the policy and strategy should be given attention. Implementation includes the organization's human resource, institutional structure, input and technology. If the institute develop its capacity it is possible to supply an affordable housing as a sale or a rental. So that every individual can afford to choose the type of home that is suitable for rent or sale, in particular, it helps to reduce housing problem by expanding rental housing options.
- ❖ Organize a viable and efficiently integrated institution that satisfies the needs of the current generations by making housing development sustainable. To this end, those organized in different institution financial enterprises and housing project office as a one City Administration Development Enterprise will be organized not only to solve the housing problems of the low and middle class but also to address the impact of the subsequent market price.

#### **References**

- Addis Ababa Housing Construction Project Office (2005). A study conducted around the utilization of a condominium building by those residents, who are dwelling at the Gerji model houses
- Angel, Shlomo (2000) Housing Policy Matters: A Global Analysis, New York: Oxford University Press
- Eshete, Z.S., and Teshome, K.W. (2015). Performance, challenges and prospects of real estate financing in Addis Ababa: Micro- and macro-economic implications. *American Journal of Economics, Finance, and Management*, 1(1), pp.
- Jaffee DM, Quigley JM (2007) Housing subsidies and homeowners: What role for government-sponsored enterprises? In: Burtless G, Rothenberg Pack J (eds), *Brookings-Wharton Papers on Urban Affairs*. Brookings Institution Press, Washington, DC
- Ministry of Urban Development and Housing Construction. 2005E.C.. *Urban Housing Supply Strategy Framework*, Addis Ababa (Amharic).
- Njoh,A.J. (1999). *Urban planning, housing and spatial structures in sub-Saharan Africa: Nature, impact and development implications of exogenous forces*. Aldershot, UK; Ashgate.
- UN-HABITAT (2011) "Condominium Housing in Ethiopia, the Integrated Housing Development Programme" Nairobi, Kenya
- UN-HABITAT (2010). *The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme*. United Nations Human Settlements Programme: Nairobi, Kenya
- UN-HABITAT (2003). *Rental Housing - An Essential Option for the Urban Poor in Developing Countries*, Nairobi, Kenya.
- World Bank (2015) *Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia*.
- Youqin Huang (2012). *Low income Housing in Chinese Cities: Policies and Practices*. *The China Quarterly*, 212, pp 941964 doi:10.1017/S0305741012001270