



Homeless International

**Feasibility study for the application of
Community-Led Infrastructure Finance Facility
(CLIFF) operations in Ethiopia**

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Urban Management Programme

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LIST OF ABBREVIATIONS

AARH	Agency for the Administration of Rental Housing
AEMFI	Association of Ethiopian Micro Finance Institutions
CBO	Community-Based Organisation
CII	Community Infrastructure Improvement
CLIFF	Community Led Infrastructure Finance Facility
CRDA	Christian Relief and Development Association
EDO	Environmental Development Office
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESRDF	Ethiopian Social Rehabilitation and Development Fund
GDP	Gross Domestic Product
GTZ	German Technical Co-operation
MFI	Microfinance Institution
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
PADCO	Planning and Development Co-operative International
SACCDO	Savings and Credit Co-operative Development Office
SDI	Shack/Slum Dwellers International
SDPRP	Sustainable Development and Poverty Reduction Program
UFFW	Urban Food for Work Project
UNECA	United Nations Economic Commission for Africa
USD	US Dollar

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WHAT IS THIS STUDY?

Homeless International was commissioned to carry out research into the feasibility of introducing a Community-Led Infrastructure Finance Facility (CLIFF) in four countries in sub-Saharan Africa (Ethiopia, Ghana, Uganda and Zambia). The feasibility studies are intended to contribute to national and city government strategies for tackling slum upgrading, and to enhance donors' understanding of their potential roles in scaling-up the CLIFF concept. They also aimed to help ensure that the preparatory work is in place to aid the eventual process of developing CLIFFs in these countries if it is judged appropriate to do so.

The studies were carried out in Uganda, Ghana, Ethiopia and Zambia during 2004. Wherever possible, the Homeless International team sought to work collaboratively with local UMP partners and with Homeless International's own partners in the Shack/Slum Dwellers International (SDI) network. This paper documents the findings in Ethiopia and makes recommendations for steps required to catalyse community-led slum upgrading in partnership with government and other stakeholders, and how a CLIFF could be introduced to build upon these partnership approaches.

1 NATIONAL CONTEXT

1.1 MACRO-ECONOMIC, POLITICAL & SOCIO-ECONOMIC OVERVIEW

Ethiopia is a country covering an area of 1,133,380 square kilometres (437,600 square miles) in the region known as the Horn of Africa. As one of the oldest independent nations of the world, it has a long history of indigenous urban development, but the country is presently one of the least urbanised in Africa, with only about 17 percent of its population living in urban settlements. As the country's total population is over 71 million, however, the absolute size of its urban population remains significant. In addition to this, the country is presently witnessing one of the highest rates of urban growth in the world, i.e., about 5% per annum.

1.1.1 Political and economic overview

Ethiopia is currently undergoing market-oriented reforms. As a result of the reform programme there have been improvements in economic stability and growth in terms of real GDP, which has reached an average of 5.6% per annum. Some progress has been achieved in reorienting public expenditure to infrastructure and social sector development¹. However the cost and availability of land in Addis Ababa, the capital, has been identified as an obstacle to private sector development and is associated with the city's 30% unemployment rate. Unemployment is particularly high amongst 15-29 year olds. According to a 1996 International Labour Organisation report, the informal sector accounts for 61% of total employment, 70% of which is comprised of women.

The total public debt of the country has been rising considerably in the recent past. For instance during the 2003/2003 fiscal year the total external and domestic outstanding debts of the country increased by 9.6 and 8.6 percent respectively over the previous fiscal year. On the whole, the total outstanding external debt of Ethiopia stood at USD 6.8 Billion at the end of the 2002/2003 fiscal year. Comparatively the total domestic outstanding debt stood at Birr 26.5 Billion at the end of the same fiscal year. The country paid more than Birr 1.1 billion during the same period to settle both external and internal debts².

Changes in exchange rates of Birr against the US Dollar (USD) during the last ten years have been such that the value of Birr has been falling steadily albeit at a slow rate. As shown in Table 1, the auction average marginal exchange rate of Birr to the USD rose from a low of Birr 5.77 in the 1993/1994 fiscal years to a high of Birr 8.62 in 2003/2004 fiscal year. Comparatively parallel market rates changed from Birr 7.05 to Birr 8.68 during the same period.

¹ Reference: Tarekegn Assefa, Urban Development and Housing for the Low-Income Groups in Ethiopia, paper submitted to the Conference on Housing and Urban Development for Low-Income Groups in Sub-Saharan Africa, July 2002

² Reference: Ministry of Finance & Economic Development, Annual Report on Macroeconomic Development in Ethiopia (2002/2003), September 2003

Table 1 Changes in Exchange Rate (Birr / USD) 1993/1994-2003/2004

Year	Exchange Rate (Birr/USD)	
	Auction Average Marginal Rate	Parallel Market Rate
1993/1994	5.77	7.05
1994/1995	6.25	7.30
1995/1996	6.32	7.64
1996/1997	6.50	7.16
1997/1998	6.88	7.08
1998/1999	7.51	7.69
1999/2000	8.14	8.31
2000/2001	8.33	8.79
2001/2002	8.54	8.69
2002/2003	8.58	8.71
2003/2004	8.62	8.68

Source: National Bank of Ethiopia

1.1.2 Urbanisation trends and urban poverty

It is well known that the highly accelerated urban growth that Ethiopia is presently witnessing is primarily a product of high rates of natural increase and rural-urban migration. This highly accelerated urban growth rate is naturally being reflected in the rapid spatial expansion of the existing urban centres as well as in the emergence of new towns. However, as the country's economy is still primarily agricultural and as its Gross Domestic Product (GDP) per capita remains fixed at about \$100, the fact remains that its accelerated urban growth rate is not accompanied by a commensurate growth in the urban economy. Thus like most urban centres of the developing countries, Ethiopian cities and towns are presently facing a plethora of problems including acute and ever worsening housing shortage, insufficient solid and liquid waste management, poorly developed access roads, notoriously clogged and smelly drainage channels, serious shortages of potable water, inadequate health and educational services and a growing problem of unemployment and poverty.

Even though nearly all of the urban centres of Ethiopia are suffering from the kind of problems mentioned above, it appears that it is Addis Ababa that is presently displaying most of these troubles in their worst form. Addis Ababa, which was founded by Emperor Menilik II in 1886, is presently a primate city, which is approximately 14 times as large as Dire Dawa, the second largest city in the country. Although official statistics put its population size at 2.8 million in July 2004, most authorities on the subject tend to hold the view that the most acceptable estimate of the size of its inhabitants is not less than 3.5 million. There are projections that this figure will increase to 12 million within 20 years. The importance of the city does not only lie in its size and the fact that it is the national capital. Due in part to its unparalleled location near the geographic centre of the nation with road and air

connections to the various corners of the country, it is also the commercial capital of the country. Added to this is the fact that it is a melting pot of the diverse cultures of the 80 or so various ethnic groups of Ethiopia. Of no less significance is the fact that it is the diplomatic capital of Africa as the seat of the headquarters of the United Nations Economic Commission for Africa (UNECA) and the African Union.

Out of the endless development related problems that Addis Ababa is presently facing, it appears that it is the poor housing conditions of the majority of its residents that is crying aloud for an immediate solution. Although a number of attempts have been made in the recent past to improve the conditions of housing and physical infrastructure in the city, it appears that most of those efforts have failed to produce the desired results. In this paper an attempt is made to shed light both on the past and present conditions of housing and infrastructure in the city with a particular emphasis on inner city slums and the efforts made to upgrade them.

1.2 DECENTRALISATION

Federal and regional constitutions have enshrined authority for self-rule to people at all levels. However there has been little developed around specific roles and relationships and local government is relatively undeveloped in formal terms. The national government sets policies, strategies and broad financial parameters for regional government who give conditional grants to weredas, local government units which consist of a number of kebeles or neighbourhood units in an urban setting and peasant associations in rural areas. However there is no discretion for local government to change allocations between sectors according to local priorities.

The need to involve civil society in strategies to address poverty has been recognized by the Government and there is a commitment to integrating widespread consultation into attempts to coordinate the views of a wide variety of actors into a common agenda. An Ethiopian Social Rehabilitation and Development Fund (ESRDF) has also been established as a multi-sector poverty reduction programme. The Fund, established in 1996, is aimed at improving the well being of the poor by supporting community-based projects which build and strengthen social and economic assets. The focus of ESRDF to date has been on basic education, health, water supply and sanitation. Beneficiary communities are expected to participate not only in labour and material contributions, but also in decision-making, cost sharing and overall ownership of the schemes. However most of the projects so far have benefited people living in the rural rather than urban areas.

1.3 POVERTY REDUCTION STRATEGY

Ethiopia is recognized as one of the poorest countries in Africa and its urban poverty is particularly concentrated. A strategy to address poverty has been developed in the country's Sustainable Development and Poverty

Reduction Program³ (SDPRP). The strategy aims at reducing urban poverty mainly by improving urban governance, providing infrastructure, alleviating housing problems, improving access to land, creating employment opportunities and enhancing environmental sanitation. It envisages strengthening urban governance and, in doing so, improving the delivery of municipal services, chiefly through legal and institutional reforms that are accompanied by capacity building programs. When it comes to housing and infrastructure provision, its aim is to launch various upgrading programs with the increased awareness and participation of the beneficiaries. The elements of the poverty reduction strategy in this regard also envisage the formulation of a housing development policy and the revision of land acquisition criteria to improve access and affordability. In the area of employment generation, one of the program's leading strategies is to design and implement extensive public works programs that create job opportunities through cash-for-work or food-for-work. The program also envisages promotion of microfinance institutions, community managed savings and credit cooperatives, provision of vocational and skills training programs that help to promote self-employment and job creation and promotion of community based rehabilitation programs for disadvantaged groups such as the elderly, commercial sex workers, street children and orphans. As regards the urban environment, the program chiefly aims at improving access to clean water, constructing various types of sanitary facilities and improving the management of solid and liquid waste primarily in ways that will help generate employment at appreciable scales.

1.4 LAND

The Municipality is the sole supplier of land and the Government retains high levels of control over land use and design. The Land Development Agency of the Municipality has been established to assist in converting agricultural land for urban development. In July 1975 the socialist oriented Military Government nationalised all urban land and rental dwellings by passing proclamation No. 47/1975. The proclamation abolished the relationship between landowners and tenants and between lessor and lessee. Individuals or families were granted the use of up to 500 square meters of urban land to build housing and provision was made for inheritance by the immediate family in case of death. However private renting was prohibited and as a consequence construction activity failed to keep pace with the growth of the population.

In 1994 the Addis Ababa Administration passed urban land lease legislation. Lands under 73 square metres were deemed free of lease charge and plots between 75 and 175 square metres were leased out at Birr 0.50 per square metre per year. Above 175 square metres of land leasehold could be acquired by a public tender rate payable over a 99-year period. Real estate developers were allowed 60-year lease terms and other ventures could be allocated leaseholds varying from 50 to 99 years. The hype was that income generated from leaseholds would enable the municipality to invest in infrastructure. The change in legislation has had negligible benefit for

³ Reference: Ministry of Finance and Economic Development, Ethiopia: Sustainable Development and Poverty Reduction Program, July 2002

the poor, however, as “only one third of households in Addis Ababa can afford to build the most modest chika (wattle and daub) unit at this time...”! (Assefa, op.cit). Assuming that a given household is able to put Birr 10,000 in a blocked account, it would then have to borrow the remaining Birr 40,000. At 10.5% over 20 years (the then Construction and Business Bank mortgage terms), the monthly payment would be Birr 410. If we assume that the household is able to allocate 20% of its income to housing (a very liberal estimate given that mean housing allocation in Addis Ababa is around 7%), then its monthly income would have to be Birr 2,049. The household survey tells us that only 4% of the households in Addis Ababa earn Birr 2,049 or more.

1.5 THE OCCURRENCE OF SLUMS IN ADDIS ABABA

A good number of those travellers who make brief stopovers in Addis Ababa might leave the city with the impression that it is a very busy metropolis like most other major cities of the world packed with high rise buildings, tarred roads, world class hotels and beautiful shops and restaurants. For many of the visitors that spend days and weeks moving around the various residential areas of the city, on the other hand, Addis Ababa is nothing but a gigantic slum interspersed with modern high-rise buildings and a few affluent neighbourhoods. To what extent is this latter impression valid? In this section we shall make a brief survey of the condition of housing and housing related infrastructure in Addis Ababa.

1.5.1 Housing

As an indigenous urban development, Addis Ababa initially grew without any western influence. The earliest settlements in the city developed haphazardly around the king's palace and the residences of his generals and other dignitaries. This original settlement pattern, supported by the then prevailing social, cultural and economic conditions, eventually led to the emergence of a residential structure where the wealthy lived side by side with the deprived. The mixed residential structure that began in those days did not change much with changes that took place in its economic base with the opening up of the country to western civilisation in the early twentieth century and a bit later during the short lived Italian occupation. Although the city has witnessed the emergence of a few high income residential areas during the last twenty or so years, to date it does not show levels of separation of housing classes that are so commonly displayed by several other major cities of the developing countries. Although it has well known areas for the concentration of one or the other ethnic group of the country, it does not as such have specifically defined ghettos. All over the city, the poor, the middle income and the rich live side by side in apparent harmony.

Presently the fronts of the main streets of Addis Ababa are dotted by high-rise apartment and office blocks giving it a rather misleading impression of a well-built and spacious city. One significant fact that is masked by its roadside buildings and apparently highly integrated residential structure is the predominantly low standard of most of its residential neighbourhoods and housing units. Although no one knows for sure the exact magnitude of

slum life in Addis Ababa, most international estimates put the proportion of the city's population that is living in rundown and slum settlements as one of the highest in the world. Indeed most of the population of Addis Ababa lives in poorly constructed and inadequately serviced substandard housing units, which, as discussed below, were hastily produced mainly during the post Italian occupation period to meet the shelter requirements of its rapidly growing and overwhelmingly poor population. Perhaps it was owing to this fact that UN experts during the mid 60s dared to put estimates of the slum dwellers in the city as high as 90%.

In general up until the outbreak of the 1974 Revolution, the population of Addis Ababa was growing so fast that its shelter requirements were met largely through the production of unauthorised and substandard dwellings. It appears that squatting was almost unknown in the city in those days as the landlords were too powerful to allow such developments. The main culprit behind the proliferation of substandard units, therefore, appears to have been the ease with which the landlords were able to build houses without municipal permits. Some studies suggest the municipality rarely issued more than 500 municipal permits per annum for the construction of housing units. However, there are records that suggest that the city witnessed housing production rates that sometimes exceeded 4,000 units per annum during the few years that preceded the outbreak of the Revolution. In view of the fact that the Ethiopian government did not even have a housing department until the late 1950s, it is not difficult to see that the rate of production of unauthorised dwellings was even higher during the decades preceding the 1960s.

There is hardly any doubt that the main drive behind much of the hasty production of unauthorised dwelling units that Addis Ababa experienced during the post Italian occupation period was none other than a market response to a fast growing demand for cheap rental accommodation. In addition to this it was also through the illegal subdivision and extension of existing housing units that the landlords attempted to meet the fast rising shelter requirements, especially of the inner parts of the city, during the population boom years of the 60s and early 70s. On the whole the rental accommodation in the city, which was predominantly made up of such substandard units, amounted to approximately 60% of the housing stock of the city during the mid 70s. The problem of substandard shelter however was not limited to rental accommodation as a large proportion of owner occupied dwellings were also produced without municipal permits.

Following the nationalisation of urban land and housing in July 1975, the housing situation in Addis Ababa went from bad to worse. The main damage that Proclamation No. 47, 1975 did to the urban housing sector was none other than the disruption of the housing market itself. As a result of the disruption the city suddenly found itself facing an acute housing shortage. More than anything else it was the sudden freeze in the production of affordable rental accommodation that hit the sector the hardest. Private sector production of rental dwelling units was made unlawful by the proclamation. The public sector was neither willing nor capable of producing affordable rental accommodation. The kebeles, or neighbourhood associations, who were administering the bulk of the nationalised dwelling units became disinterested in collecting rents, due in part to their inability to use proceeds.

In addition to this, the extremely low and never changing rental values of the nationalised units made it virtually impossible for the kebeles to repair them. As a result old slums got worse. As the housing deficit intensified and the nationalised land in effect became nobody's property, squatters began to invade the peripheral areas of the city in their thousands.

In 1986 the Government formulated a Housing Policy for the first time in Ethiopia. The aim was to standardise building codes, improve research into building materials and housing design, encourage community house building and use the existing housing stock more effectively by allowing co-dwelling and by regulating the purchase and sale of houses. This provided a measure of temporary relief but led to a severe constraint on housing production. Government became the main provider of housing but was unable to meet the demand, and the new bureaucracy relating to standards made co-operative housing construction tortuously bureaucratic. Government restrictions on house prices meant that houses that were sold were generally priced at considerably less than their real value.

In 1990 the Government issued Special Decree No. 15/1990 to amend the previous legislation. This was aimed at facilitating self-build housing and also recognised the right to transfer housing. In 1991 when the Transitional Government of Ethiopia took power a new Economic Policy based on market principles was introduced. This incorporated consideration of housing development based on Decree No 15/1990. However housing was not denationalised and ownership of land remained firmly under Government control.

One thing that makes squatter settlements a bit different in the case of Addis Ababa is the fact that, unlike in most other developing countries, it is largely people who belong to the middle class that have illegally occupied the peripheral areas of the city. Unlike squatters in many other large cities of the Developing World who build their shelters in marginal areas, the squatters of Addis Ababa built their dwellings on prime urban land except for its peripheral location. Besides, the materials from which most of the squatter homes are produced are exactly the same as the building materials that are used by the formal housing sector. As discussed below, largely owing to their peripheral locations, and very recent origin, most of the squatter settlements of the city have a far from adequate access to basic urban services, including access roads and utilities.

The worsening housing conditions of the city together with the emergence of squatter settlements have undoubtedly led to a rapid increase in the proportion of the population of Addis Ababa that lives in such settlements. The above-mentioned UN estimate of the magnitude of the population of Addis Ababa that lives in slums appears to be considerably exaggerated. Nonetheless, the situation was undeniably grave even during the late 70s. The results of a city-wide survey that was conducted in 1978, for instance, shows that 45.5% of the housing units in the city were built without any foundation and about 53.4% had no ceiling whatsoever and that only 27% of the housing stock was in good repair. As alluded to in the preceding paragraphs, it appears that not much has improved in the city by way of slum upgrading during the following two and a half decades. This,

however, is not to deny the construction of numerous modern high rise buildings and villas and, more recently, the construction of the state of the art ring road and airport terminal.

As the results of the 1994 population and housing census indicate, the city was suffering from a housing shortage that was worse than what it faced ten years earlier. This can be seen in the fact that the number of households per housing unit rose from what was 1.03 in 1984 to 1.07 in 1994. During the same period the occupancy rate increased from 5.3 to 5.5 persons per housing unit. An estimate made in 1988 reveals that the level of overcrowding in the city has been rising so fast that the proportion of households with more than 2.4 persons per room, the upper limit of acceptable occupancy rate recommended by the UN, increased from 43% to 66% in a span of only 4 years. There is little or no doubt that the situation is even worse now given that municipal officials openly state that the city is suffering from a housing deficit of no less than 250,000 units.

The results of the 1994 census also show that the overwhelming majority of the existing dwelling units of Addis Ababa are poor in quality and extremely small in size. About 82.2% have walls that are made of mud and wood and are as such known as the traditional 'chika' type structures. The majority of these structures are so poorly constructed and in the main lacking good foundations that they age quite rapidly. As a result a substantial proportion of them are always in need of major repair while a sizeable number are so old and in such poor shape that they are only fit for demolition. Comparatively, units made of bricks or stones account for less than 6% of the total housing stock. On the whole as the existing data suggests that only about 17% of the total housing stock in Addis Ababa can be considered to be in good shape at present.

Another indicator of the poor quality of most the residential units in Addis Ababa is the fact that more than half of them are single storied attached or row houses. Their roofs are almost invariably made of corrugated iron sheets that display a vast and unpleasant sight of rust in the central and older parts of the city. The fact that more than one half of all the units have mud or earthen floors is also a good indicator of the disturbingly poor quality of most houses in Addis Ababa. The existing data also show that about one-half of the units do not have any ceiling whatsoever while nearly one quarter of them do not have toilets.

The picture gets even worse when we try to look at the condition of houses in Addis Ababa from the perspective of size. Although data on distribution of houses by floor size in the city is hard to come by, an estimate made in 1988 revealed that more than three-quarters of the units have areas that are less than 40 square meters while those that have less than 20 square meters comprise about one-fifth of the total. What is all the more worrying in this regard is that the problem has gotten worse between the two censuses. For instance the proportion of dwelling units with only one room in the city has risen from 26.4% in 1984 to 33% in 1994. All in all, as the results of the 1994 census indicate, about 78% of the city's housing units have three or less rooms. These figures are considerably worrying in view of the fact that the average household size of the city is about 5.2 persons per household and also in the light of the strong likelihood that the poor, who constitute probably not less than 60% of

the city's population, tend to have larger families. In fact, these findings suggest that the level of overcrowding or congestion that is being experienced in the residential areas of Addis Ababa is much worse than is indicated by the occupancy rates or room densities that are given above. As Taitu Ali, working with the Co-operative Movement in Ethiopia put it during an interview for this study – “Kebele houses are not really houses. 8 square metres for eight people without sanitation is not a house – it’s a disaster!”

1.5.2 Access to shelter-related infrastructure

In sharp contrast to its status as a national capital and as an important centre of diplomatic activities, Addis Ababa’s physical infrastructure is considerably underdeveloped, as the table below demonstrates:

Table 2 Access to shelter related infrastructure in Addis Ababa, 1996

Percent units with	Part of the city		
	Planned	Unplanned	Total
Water to unit or compound	51.7	64.3	55.7
Private or shared electric meter	98.9	98.5	45.7
Solid waste collection	45.7	58.7	49.8
Drainage facilities	33.8	30.6	32.8
Road access	60.7	74.1	64.9

Source: Adapted from PADCO, 1996

1.5.3 Roads

To begin with, if we look at the situation of roads, the city’s present road network is far from adequate either in density or quality. Although attempts have been recently made to develop an east-west and north-south access for the city together with a state of the art ring road, much of the city is still not served by paved roads.

In general it appears that the city has adopted four standards for surfacing its roads. These standards are asphalt, gravel, selected materials and not surfaced. According to Theo van der Loop, the total length of roads with varying surfaces in the city was 1330 kilometres in 2002. Of these, only 395 kilometres, or about 29.7%, were asphalted. Most of the remaining roads were either gravel-surfaced or covered with mixtures of gravel, stone and earth. More often than not the non-asphalted roads display uneven surfaces that easily trap and retain rainwater. It is also notable that in some neighbourhoods, the quality of access roads and alleyways simply degenerates to unsurfaced or poorly compacted earth, which becomes dusty in the dry season and muddy or slippery in the wet season. On the whole the city does not appear to have a clear approach as to how it chooses to surface its roads. It is therefore not uncommon to see important traffic corridors covered only by gravel while some roads of less importance are asphalted. In addition to this, where asphalted roads exist, sidewalks are for

the most part either absent or in disrepair despite the fact that the predominant mode of travel in the city is walking. As a result it is quite common for vehicular traffic to mingle with pedestrians and animals all over the city. Partly owing to this very same problem the city is currently witnessing one of the world's highest rates of car accidents involving pedestrians.

In view of what was stated above, it is not difficult to see how much work remains to be done in order to upgrade the road network of Addis Ababa to acceptable levels. Regardless of this fact, however, a study made by PADCO (Planning and Development Co-operative International) in 1996⁴ suggests that about 65% of the residential units in Addis Ababa are accessible by car. Although this may be high by the standards of nearly all Ethiopian cities, the fact that about 35% of the residential areas of a metropolis of the size and status of Addis Ababa remains outside the reach of vehicles is worrisome. Added to this is that certain roads that appear to be fit for vehicular traffic in one season may not be so in another season and could remain in that state for an indefinite length of time due to disrepair.

Although PADCO's data is a bit old, it appears that the road situation has not improved much in the past eight years due in part to the considerable legal and illegal construction that has emerged in the peripheral areas of the city where access roads are for the most part in short supply. In fact, as shown in Table 2, the older and unplanned parts of the city are far better served by access roads than its new and planned parts, which for the most part are found in its peripheral areas. In fact, only 60.7% of the units in the planned areas had road access whereas the comparative figure for the unplanned and inner parts of the city was 74.1%. One important explanation behind this paradox is the fact that the municipal government has not been able to allocate serviced lots to the producers of new units due mainly to lack of resources. Of no less significance is its inability to check the rapid proliferation of squatter settlements which now account for about 15% of the housing stock of the city as estimates made by municipal authorities suggest.

1.5.4 Electricity

As shown in Table 2, the results of PADCO's survey indicate that about 99% of the housing units in Addis are connected either to private or shared electric meters. This is perhaps the one area where the city is doing relatively very well. Nonetheless it is well known that poor households sometimes place single electric bulbs in such a way that their lights can be shared by two separate rooms. It is also known that the non-asphalted streets of the city have no streetlights whatsoever. In some parts of the city the electric power that reaches residential units is simply too weak to enable households to use major electrical appliances or even to bake the traditional pancake known as 'enjera' during peak electricity consumption hours. The problem is worst in the squatter settlements where the sharing a single electric meter by several households is widespread.

⁴ PADCO, Ethiopia Sector Final Report. March 1997

1.5.5 Water supply

As regards water supply, PADCO's findings also suggest that about 44% of the housing units in Addis Ababa were not connected to the water mains in 1996. Although there are public taps for use by such households mainly in the older parts of the city, their service is considerably constrained by the serious shortage of potable water that the city faces especially in the drier seasons of the year. On the whole, it is known that the city suffers from a significant shortage of water supply. For instance, in the year 2000, while the projected demand for potable water was 293,000 m³ per day, the city was able to supply only 173,000 m³ of water per day. By the year 2003, the city's supply of treated water stood at about 188,000 m³ per day. Thus the fact remains that well over one-third of the city's demand for potable water remains unmet. There is little or no doubt that the poorer parts of the city are hit the hardest by this ever-present problem of water shortage. Among the glaring drawbacks in the city's water supply services is the fact that an estimated 30 to 40% of the treated water that is pumped into the water mains is lost due to leakage.

1.5.6 Solid waste

The overall rate of solid waste collection stood at about 50% in 1996. In the recent past, however, city wide municipal solid waste collection rate has risen to about 65%. As data from the Health Bureau of the Addis Ababa City Administration reveals, the rate of municipal solid waste generation for the city was estimated to be about 0.267 kg per capita per day in 2001. This figure is relatively low when compared to that of most cities of similar status where the solid waste generation per capita per day is estimated to be somewhere in the range of 0.4 to 0.6 kg per capita per day. On the whole it appears that the figure provided for Addis Ababa is probably a reflection of the preponderance of poor households in the city. Although the robustness of the methodology used to arrive at such a figure is open to question, it could be cautiously accepted as the lowest acceptable estimate in view of the fact that about 65% of the households in the city are thought to be living at or below subsistence levels⁵. Given that the projected population of Addis Ababa for 2001 was approximately 2.7 million, this means that the amount of solid waste that was generated during the given year was on the average about 720,900 kg by weight or 1948 m³ by volume. What is surprising, however, is the fact that the then Solid Waste Management Department of the city had a capacity of collecting and disposing no less than 3000 m³ of solid waste per day. Unless the estimated per capita generation of solid waste in the city is far below the reality, it seems that the department has been and still is operating considerably far below its capacity. If that is the case, it appears that its performance has been and still is seriously constrained by shortcomings in its own management on the one hand and by the fact that a substantial portion of the city remains out of its service either due to inaccessibility of the neighbourhoods or as a result of inadequate co-operation by households or both. It also appears that due to

⁵ Reference: Ashenafi Gossaye, Inner-City Renewal in Addis Ababa: The Impact of Resettlement on the Socio-Economic and Housing Situation of Low-Income Residents, Dr. Ing Thesis, Norwegian University of Science and Technology, 2001.

the growing traffic congestion in the city, the municipal waste collection trucks are having difficulties in making as many round trips as possible between the sources and the dumping site of solid waste.

One important fact that needs to be mentioned when it comes to solid waste management in Addis Ababa is the fact that about 60% by weight and 90% by volume of its municipal solid waste is organic matter. Composting of such wastes or using them for the generation of energy is almost unknown in the city. It is important to note here that, as a considerable amount of market gardening is taking place around the city, there is a sizeable and possibly expanding potential market for compost in and around Addis Ababa. Given that the old landfill of the city is fast filling up, it is high time to consider the introduction of not only composting and the generation of biogas but also such things as source reduction and recycling. Furthermore, it is important to note here that the use of sanitary landfills is still unknown in this country. The Repi landfill, which is located on the southwestern fringes of the city, is an old and open dumping ground that will pose a serious health risk for decades to come.

1.5.7 Sanitation

When it comes to sanitary services, the proportion of units that are connected to a modern sewerage system is negligible in Addis Ababa. According to Theo van der Loop⁶ only about 10 percent of the built up area of Addis Ababa has some access to a conventional sewer system. Although the system was originally designed to serve 200,000 residents or 38,462 houses, only 1600 units are currently connected to the system. Not surprisingly, therefore, the liquid waste that is generated by most households in the city either enters the dry pits and septic tanks that are commonly found close to most shelters or simply finds its way to the city's open ditches and streams which have literally become sewers. As mentioned earlier nearly a quarter of the housing units in the city have neither private nor shared toilets.

In the recent past the city has witnessed an increasing participation of the private sector in the collection of and disposal of solid waste for a nominal charge. For the most part it appears that these operators are jobless youth who organize themselves into a team that performs a weekly door-to-door collection of solid waste for paying households. They normally transport the solid waste that they collect to the nearest municipal garbage bin so that it can be picked up by municipal trucks. It appears that this type of business is not only on the rise but also contributing considerably to solid waste collection in hitherto less accessible or less served areas on the one hand and creating employment opportunities for a substantial number of job seekers on the other hand.

Municipal suction trucks are commonly used to collect and dump the contents of the pit latrines or septic tanks that fill up after years of use. As the municipal trucks are not available in sufficient quantity it is not unusual for

⁶ Theo Van der Loop (Ed), 2002, Local Democracy and Decentralisation in Ethiopia, UN Habitat, published by Department of Regional and Local Studies, University of Addis Ababa

households to queue up for the service. About two or three private operators have recently entered the business and are asking a much higher service charge than that of the municipality in order to provide this very important service. It is not uncommon for septic tanks or pit latrines to overflow in poor residential areas that have no or limited access roads. The problem is worse in the case of those septic tanks that fill up quite frequently in areas that are exposed to flood or ground water flow.

1.5.8 Drainage

When it comes to storm water management it is quite clear that Addis Ababa has a poorly developed drainage system. Some sources indicate that out of its 395 kilometres of asphalted roads only 193 kilometres have got storm drainage lines. Out of the 960 kilometres or so gravel covered roads only about 143 kilometres have drainage channels. More often than not unlined channels occur in areas where ground profiles are steep thereby exposing the areas to erosion as a result of high velocities of flow. As shown in Table 2, PADCO says that only some 33% of the housing units are connected with some kind of drainage. On the whole the drainage system of Addis Ababa is woefully underdeveloped by any standard. To make matters worse, the existing drainage channels are frequently blocked by refuse. As a result it is not uncommon to see streets that are considerably damaged by overflowing runoff. Some of the floods that accompanied hours of torrential rainfall in the recent past, as for instance in the case of August 1978 and August 1994, have inflicted considerable damage on human life and property. Even during years when major floods that affect thousands of persons do not occur it is not unusual for any one of the several streams that cross the city in a north-south direction to suddenly swell following heavy rains that fall on the Entoto range and its footslopes, and wash away people and animals that attempt to cross.

1.5.9 The conditions of the inner city

Addis Ababa was divided into 6 zones, 28 weredas⁷ and 284 kebeles or neighbourhood associations when the 1994 census was conducted. The administrative structure of the city has since been reorganised to form 10 sub-cities and to reduce the number of kebeles to 203 while totally doing away with zones and weredas. Nonetheless, the results of the census that are relevant for this section are available only for zones and weredas.

⁷ Wereda is a local government unit which consists of a number of kebeles or neighbourhood units in an urban setting and peasant associations in rural areas.

Table 3 Distribution of the population of Addis Ababa by zone, 1994

Zone	Area (hectares)	% of total area	Total population	% of total population	Density (persons per ha.)
1	795	1.50	314,565	15.09	395.68
2	9,040	17.05	427,238	20.50	47.26
3	22,218	41.91	362,544	17.39	16.32
4	5,328	10.05	461,313	22.13	86.58
5	4,250	8.02	434,661	20.85	102.27
6	11,383	21.47	84,267	4.04	7.40
TOTAL	53,014	100.00	2,084,588	100.00	39.32

Source: Computed from data provided by the Central Statistical Authority

At the time of the 1994 census, zones 1, 4 and 5 largely consisted of the inner and older kebeles that are most densely settled. Due to the south and eastward expansion of the city, this area no longer forms the geographic centre of the city. Nonetheless it consists of such areas as the Merkato, the Tekle Haimanot Square and the residential areas around the Cherkos Church. Although all three zones were considerably congested in 1994, it is interesting to note that zone 1 displayed the worst overcrowding problem. As shown in Table 3, although this zone accounts for only 1.5% of the total area of the city it housed over 15% of its population. Its population density was approximately ten times as large as the average for the city as whole. Although 395 persons per hectare appears to be relatively small by international standards it indicated a terrible situation in the Ethiopian case for two main reasons. Firstly, it is important to bear in mind the fact that the residential units in the zone 1 area are almost entirely single storied. Secondly, this zone holds one of the largest concentrations of commercial premises in the city, implying that the real density figures for housing areas are considerably higher than those that appear in Table 3. Zones 2 and 3 had substantial rural components, as they are located for the most part on the western and eastern peripheries of the city respectively. Not surprisingly, therefore, they display a considerably lower population density compared to the inner city. Zone 6 was more or less an outlying area in the sense that it consisted of the formerly external townships of Kaliti and Akaki together with some rural kebeles to the south of the city proper.

Table 4 Distribution of the population of Addis Ababa by Sub-City (Kifle Ketema), 2004

Sub-City	Population	% of total population	Area hectare	% of total area	Density Persons per/ha
Arada	323,777	10.21	994.71	1.84	325.50
Addis Ketema	348,063	10.97	764.35	1.42	455.37
Lideta	321,697	10.14	1,225.54	2.27	262.49
Cherkos	364,294	11.48	1,518.03	2.81	239.98
Yeka*	337,575	10.64	8,546.43	15.83	39.50
Bole*	309,800	9.77	12,314.01	22.80	25.16
Akaki*	188,808	5.95	12,797.36	23.70	14.75
Nifas Silk Lafto	348,673	10.99	6,044.04	11.19	57.69
Kolfe Keranio	283,795	8.95	6,543.38	12.12	43.37
Gulele	346,023	10.91	3,252.14	6.02	106.40
Total	3,172,505	100.00	53,999.99	100.00	58.75

* Sub-cities having rural kebeles.

Source: Computed from data provided by the Municipality of Addis Ababa

An examination of the distribution of the population of Addis Ababa according to the latest administrative divisions provides a more refined picture of the congestion problem in the inner core of the city. As shown in Table 4, the two areas forming the major part of the Central Business District of the City, namely Arada and Addis Ketema exhibit population density figures that are approximately seven to eight times as large as that of the average for the entire city. This finding also confirms that the Merkato area is the most congested of all. On the whole it is interesting to note that the four innermost and congested parts of the city namely, Arada, Addis Ketema, Lideta and Cherkos together account for about 43% of the city's population while covering only 8.3% of the its land area.

When we look at the housing conditions of the inner city, we see that it displays most of the problems mentioned earlier in their worst states. This is mainly because the inner parts of the city carry much more than their fair share of Addis Ababa's oldest and most congested residential neighbourhoods that are largely made up substandard rental dwellings. For instance, as shown in Table 4, zone 1 displays the highest concentration of rental accommodation in the city. In fact 74.3% of all the dwelling units in these areas were rental accommodations in 1994. The comparative figure for the city as a whole was 57.3%. What makes the picture even worse, as shown in Table 5, is the fact that the zone accounted for nearly a quarter of all the kebele-administered units in the city.

Table 5 Distribution of total and rental units by zone, 1994

Zone	All units	Rented units		
		Number	% of total	Average Rent
1	53,341	39,652	74.34	25.13
2	76,884	39,187	50.97	43.10
3	68,228	29,811	43.69	88.54
4	85,262	52,348	61.40	35.40
5	74,457	45,823	61.54	33.15
6	16,570	8,036	48.50	14.26
Total	374,742	214,857	57.33	40.96

Source: computed from data supplied by the Central Statistical Authority

The housing situation was not any better than that of zone 1 in the other centrally located zones such as zones 4 and 5. It is interesting to note that these three zones together accounted for about 72% of all the kebele-administered units of the city. Given the knowledge that kebele administered rental units are for the most part occupied by low income or poor households it is not difficult to see that these zones are inhabited largely by economically deprived people. One important indicator of this is the fact that the average monthly rent of dwellings in these zones ranges from a low of Birr 25.13 in zone 1 to Birr 35.4 in zone 4 as compared to Birr 88 per month in zone 3. The main explanation behind this disparity is the fact that even kebele administered rental accommodation is relatively younger and larger than that found in more central parts of the city.

Table 6 Distribution of rental units by zone and type of management, 1994

Zone	Housing units rented from					
	Public sector				Private sector	
	Kebele		RPHA		Number	%
Number	%	Number	%			
1	33,507	23.58	878	9.46	4,935	8.06
2	23,288	16.39	1,328	14.31	14,151	23.10
3	11,193	7.88	3,210	34.60	15,193	24.80
4	35,608	25.06	2,123	22.88	13,979	22.82
5	32,878	23.14	1,639	17.67	10,830	17.68
6	5,621	3.96	99	1.07	2,168	3.54
TOTAL	142,095	100.00	9,277	100.00	61,256	100.00

Source: computed from data supplied by the Central Statistical Authority

It is also important to note here that, as Table 5 shows, zone 6 has the lowest average monthly rent in the city as a whole. The main explanation behind this is the fact that the zone consists mainly of Akaki, an outlying town that developed independently and is inhabited predominantly by low-paid factory workers.

When it comes to housing related infrastructure, it appears that much of the area that PADCO referred to as unplanned areas in their study falls in zones 1, 4 and 5 while the areas that they designated as planned included major parts of zones 2 and 3. It is important to bear in mind that planned areas occur virtually in all peripheral areas of the city albeit in varying degrees. As the results of the survey of PADCO reveal, the inner slums of Addis Ababa seem to enjoy better access to housing related infrastructure when compared to the more peripheral and planned residential areas. As Table 2 reveals, the only area where the inner city residential areas seem to be lagging behind the outlying residential neighbourhoods is as regards drainage facilities.

Table 7 Persons per housing unit and per room by zone, 1994

Zone	Persons per housing unit	Persons per room
1	5.8	2.4
2	5.4	2.1
3	5.2	1.9
4	5.3	2.1
5	5.8	2.2
6	5.5	2.5
Total	5.5	2.1

Source: computed from data supplied by the Central Statistical Authority

PADCO's finding is not seriously in conflict with the results of the 1994 census. Although it is not surprising to see that the inner parts of the city are relatively better served by housing-related infrastructure as compared to the peripheral areas, the fact remains that the inner city slums of Addis Ababa are far more congested than the more peripheral ones. One very important indicator in this regard is the occupancy rate and room density, which, as shown in Table 7, display a pattern typical of poor residential areas. In fact the level of overcrowding was worst in zones 1 and 5 as measured in terms of both persons per housing unit and persons per room. It is notable that, as Table 7 shows, zones 1 and 5 had even higher occupancy rates compared to zone 6. Furthermore, given that these areas, including zone 4, happen to be found in the oldest residential areas that are predominantly inhabited by renters, it is not difficult to perceive how old and dilapidated the dwelling units could be by now. It is possible to say this because, to date, kebeles have been unable to repair the residential units that they have been administering since July 1975.

The above discussions clearly indicate that although there is hardly any part of Addis Ababa that is free from slums or shanty towns, it is the inner core of the city that needs to be given priority if programmes are designed to upgrade the city's run down areas.

1.6 FINANCING OF UPGRADING PROJECTS

The sheer size of the upgrading problems of a city like Addis Ababa is in and of itself a major challenge to the NGOs as well as to the municipal authorities. As stated above both the NGOs and the municipal authorities demand some amount of financial, material and labour contributions from the target communities in their respective urban development programs. Nonetheless, when measured against the immense and overwhelming size of the problem, the abilities of the communities to raise the necessary funds are far from adequate. For instance in the case of the upgrading programs that are being implemented by the Environmental Development Office, initially the target communities were expected to contribute only about 10% of the cash required to implement the preferred development projects. Presently however, the municipality has raised this requirement to 35%. The Municipality also has plans to raise the share of the communities first to 41%, then to 60% and ultimately to about 75%.

The main justification for the planned increase of community contributions appears to be the municipality's interest in covering as much ground as possible in the area of infrastructure improvement in as short time as possible. For the current fiscal year, the city's budget for slum upgrading projects is Birr 142 million. Of this, 41 million is expected to be raised by the wider community while the municipality provides 101 million. On the whole it has set aside a total of Birr 250-300,000 per kebele for matching locally raised infrastructure development funds. It is through the kifle ketemas, or sub-municipalities, that these monies will be made available for the kebele development committees. Given that an estimated two thirds of the households in Addis Ababa are living at or below subsistence levels, it is quite clear that it will be very difficult for most communities to raise the amounts of funds that the municipality expects them to raise. No loans are available to grass roots groups when it comes to availing funds for infrastructure development, let alone for renovating dilapidated residential units. One area where they could have looked to for financial assistance was the micro-finance institutions. Such institutions, however, are as a rule lending monies only for small businesses.

Table 8 Changes in Interest Rates, 1997/1998-2002/2003

Year	Interest Rate (%)	
	Minimum Deposit Rate	Lending Rate
1997/1998	6.0	10.5-12.0
1198/1999	6.0	10.5-13.0
1999/2000	6.0	10.5-13.5
2000/2001	6.0	10.5-15.0
2001/2002	3.0	7.5-13.0
2002/2003	3.0	7.5-13.0

Source: National Bank of Ethiopia

During the reign of the Marxist-Leninist Derg, the Housing and Savings Bank was lending money for housing construction, repair and extension. Just before the downfall of the Derg, this bank was providing long-term mortgage lending to private individuals and housing co-operatives at interest rates of 7 and 4.5% respectively. As the interest rate of 4.5% was found to be too high for a substantial proportion of the city's low-income households, the government had in place a special self-help co-operative housing program in which the members were allowed to contribute 40% of their project cost through their own labour. Added to this is the fact that the government also allowed the establishment of a type of totally self financing low income housing co-operative that was then known as the pure-self help co-operative. Such kinds of co-operatives are no longer in existence because mortgage interest rates have soared to two digits during the post 1991 period. According to information from the Construction and Business Bank, which used to be the Housing and Savings Bank, there was a time when mortgage interest rates reached 16% in the post-1991 period. This, however, was revised more recently. As shown in Table 10, lending rates ranged from a low of 10.5 to a high of 15% during the 1997-2001 period. Between the 2001/2002 and the 2002/2003 fiscal years lending rates were considerably reduced to vary from a low of 7.5 to a high of 13%. The Construction and Business Bank is presently striving to stay in business in a competitive financial market in which private banks are gaining more and more ground. Currently, in keeping with the lending rates that appear in Table 10, this bank is lending money for housing construction at interest rate of 7.5% for loan terms that do not exceed 5 years. For loan terms that exceed 5 years, however its mortgage interest rate is 8.5%. The main problem, however, is that the majority of the low and moderate income households in Addis Ababa cannot improve their housing situation by taking advantage of this considerably reduced mortgage interest rates. In view of this fact, a brief analysis of the financial systems and their regulatory environment is given below:

1.6.1 Financial system and regulatory environment

The rapid growth of private banks and insurance companies in recent years necessitated a review of the regulatory framework for the financial sector. This resulted in the following enactments:

- The Monetary and Banking Proclamation (**Proclamation No. 83/1994**) which increased the autonomy of the National Bank of Ethiopia (NBE) to supervise the banks and insurance companies; and
- **Proclamation No. 84/1994** regarding the licensing and supervision of banks and insurance companies. The proclamation sanctioned the founding of private financial institutions

The two proclamations were aimed at controlling the growth of the banking and insurance industry, monitoring the quantity and quality of their assets and liabilities, controlling network expansion, etc. As far as known to this author, there currently exist six private banks and eight private insurance companies. According to PADCO, 80% of deposits are held in public banks.

Presently only the Construction and Business Bank appears directly involved in providing mortgage financing. However, about 70% of its lending seems to go for non-residential construction. On the whole it appears that the private sector remains reluctant to engage in housing because of less profitability, lack of experience, high taxes imposed on revenue generated from renting houses, and expensive land lease prices.

Table 9 Distribution and share of banking business in Ethiopia, 2000

Bank	Number of Branches	Share
Commercial Bank of Ethiopia (CBE)	170	55.02
Development Bank of Ethiopia (DBE)	32	10.36
Construction and Business Bank of Ethiopia (CBBE)	20	6.47
Awash International Bank (AIB)	22	7.12
Dashen Bank (DB)	20	6.47
Wegagen Bank (WB)	19	6.15
Bank of Abyssinia (BOA)	12	3.88
United Bank (UB)	7	2.27
Nib Bank (NB)	7	2.27

Source: National Bank of Ethiopia

Proclamation No. 40/1996 accounts for the licensing and supervisions of MFIs. Intent to engage in this sector requires a licence from the NBE, formation as a company governed by the commercial code of 1960, and a minimum capital deposit of 200,000 Birr (USD 23,000) in a bank. The interest rate has been waived and is at the discretion of MFIs (usually between 12-24%) and the loan ceiling is 5,000 Birr (now possibly increased to 10,000 Birr) with loan duration of one year. Financial products offered by MFIs appear relatively limited and could potentially be diversified.

The Co-operative Societies Proclamation (No. 147/98) was geared to develop and promote saving and credit services. Such efforts have been promoted through the Savings and Credit Co-operative Development Office (SACCCDO). In 1999 there were 716 saving and credit co-operatives with 156,938 members and 174,577,503 Birr of savings. The savings and credit cooperatives are estimated to handle savings and loans equal to 2% or more of the country's national savings, loans and advances, of which an estimated 35% of loans are believed to have been used for housing improvement purposes or for the construction of new homes⁸. The majority of co-operative members, however, come from middle and upper income groups.

Currently conventional financial institutions are not able to service the needs of the urban poor as regards housing and neighbourhood development. So it appears that presently only MFIs do have a realisable potential to effectively respond to their concerns. A total of 19 MFIs are registered under the National Bank of Ethiopia. It is estimated that MFIs only cover 9% of demand for their services.

It should be noted that according to the World Bank study⁹ that took place at the same time as this research, Ethiopia receives about \$400 million per year in remittances, almost 7% of GDP. How much of this is used to support upgrading organised on an informal basis is not clear.

1.6.2 Outreach of MFIs

There were 753,022 loan clients as at December 2003. The outstanding loan portfolio during the same period was 593,978,863 Birr while the balance of client savings was 324,826,070 Birr¹⁰. The overwhelming majority of active clients are rural and loans are predominantly agriculturally focused, aimed at food production and food security. The average loan size is 1,000 Birr and it appears that nearly half of the clients are women.

⁸ Assefa, op.cit.

⁹ A study on Housing in Ethiopia carried out by the World Bank for Cities Alliance.

¹⁰ Data obtained from the Association of Ethiopian Micro Finance Institutions (AEMFI).

Table 10 Active clients, share of women, rural and urban clients of MFIs in Ethiopia, January 2001.

Microfinance Institutions	Active clients	Portfolio ¹¹	Saving of ¹² loan outstanding	Women (%)	Rural (%)	Urban (%)
Amhara Credit & Savings institutions S.C	192,571	111,721,779	60.6	47	75	25
Dedebit Credit & Saving Institutions S.C	187,550	346,642,270	52.1	41	80	20
Oromia Credit & Saving Institution S.C (OCSI)	37,000	17,612,844	20	12	99	1
Omo Microfinance Institution S.C	39,342	30,600,000	48.6	35	95	5
Specialized Financial & Promotional Institution	3,700	3,000,000	45.2	80	1	99
Gasha Micro-financing S.C	3,217	1,700,000	42.2	85	0	100
Wisdom Micro-financing Institutions	8,535	17,000,000	21	30	85	15
Sidama Micro-financing Institution S.C	4,286	963,000	11.3	60	90	10
Mekket Microfinance Institution S.C	2,300	259,420	24.8	85	100	0
PEACE Microfinance Institution S.C	974			62	100	0
Addis Credit and Savings Institution S.C	7,000			70	-	100
Eshet Microfinance Institution S.C	516			54	70	30
Wasasa Microfinance Institution S.C	562			31	69	31
Asser Micro-financing S.C	3,100	1,000,000	10	-	73	27
Africa Village Financial Service S.C	450	978,000	16.4	60	-	100
Buussa Gonofa Microfinance S.C	2758	181,320		85	87	13
Meklit Microfinance Institution S.C	1,001			73	-	100
Benishangul Microfinance Institution S.C	425			60	100	-

Source: Compiled by Wolday Amha, AEMFI (2001)

After issuance of Proclamation No. 40/1996 the NGO-supported micro-credit programmes were reorganised to fit with the micro-finance law. There is hardly any private capital in the micro-finance industry. MFIs remain reliant on NGOs and government for their capitalisation. The Savings and Construction Bank with the input of the Ministry of Finance and Economic Development (MoFED) is investigating potential linkage and integration of MFIs into the wider financial markets. The study will be concluded shortly.

1.6.3 Micro-enterprise development and MFIs

The government established the Micro and Small Enterprise Development Agency to support this sector. It is trying to address the constraints of access to finance by integrating its activities with the micro-finance industry.

¹¹ Included from AEMFI (2000)

¹² Included from AEMFI (2000)

Table 11 Financial Performance and Portfolio Quality of Selected MFIs

No		SMFI	SFPI	WMFI	OCCSSC	ACSI	OMFI
	Performance Indicators	12/99*	6/00	12/99	12/99	12/99	12/99
A	Profitability (%)						
1	Return on Asset	-9%	-11%	-21%	-1.89%	-3%	-1%
2	Return on Equity	-11%	-15%	-69%	-3.15%	-9.70	-2%
3	Opera. Self. Suff.	44%	45%	25%	101%	87%	119%
4	Capital Adequacy	92%	66%	13%	49%	28%	62%
5	Debit Equity (Ratio)	0.1:1	0.5:1	6.6:1	1:1	2.6:1	0.6:1
6	Liquidity (Ratio)	8.2:1	2.9:1	1:1	4.5:1	1.4:1	2.6:1
7	Finan. Self-Suff.	32%	38%	25%	87%	74%	86%
B	Efficiency						
8	Administrative Efficiency	32%	38%	52%	13%	12%	12%
9	Operational efficiency	36%	45%	54%	17%	16%	13%
10	No of active loan client/Loan	191	232	-	205	372	282
11	Outstanding loan per Loan officer (Birr)	96,106	113,455	-	179,649	127,158	128,537
C	Portfolio quality						
12	Delinquency rate		0.75%	2.46%	12%	2.66%	0.76%
13	Loan loss provision		2%			2%	

Source: Renee Choa-Beroff and et., al., IFAD & World Bank sponsored study, August 2000.

Labour-intensive sectors like the construction industry (e.g. those involved in housing) are having difficulties accessing bank financing, whereas MFIs as they currently operate do not pose a realistic proposition given their limited loan ceiling and short loan duration.

Efforts should therefore be undertaken to enhance financial institutions which have built their success on providing working capital loans to the urban poor and small enterprises to expand and diversify their products to loan financing for home improvement and progressive building. Efforts should also be directed at promoting small-scale landlords to produce cheap rental accommodation through a variety of innovative incentives.

1.7 GOVERNANCE STRUCTURE AND PERFORMANCE OF MFIS

The ownership of MFIs includes regional governments, local NGOs and individuals. MFIs are registered as private share-issuing companies, with the dividends retained for the benefit of the target group as opposed to the

shareholders. AEMFI (2000) recommend revisions to the governance system (e.g. transparency, accountability, etc.) to ensure greater effectiveness.

When evaluated by sustainability and outreach, MFIs are efficient but unprofitable, because lending interest rates of all MFIs do not allow them to cover their operational costs. There is resistance to increasing rates on the grounds that the activities of the poor are not profitable enough to cover higher interest rates. MFIs have mobilised a significant amount of savings from the poor.

There have been limited studies to assess the impact of microfinance on poverty alleviation. The gross savings as a percentage of the loan outstanding, which is about 47%, indicates that the experience of the MFIs is encouraging. Another indicator of good performance is the high repayment rate, which varies from 94-100%. When it comes to taxes, it is important to note that as yet there are no clear government directives on tax exemption for MFIs. However it is not clear that MFIs are necessarily benefiting the poorest households.

2 UPGRADING RESIDENTIAL AREAS IN ADDIS ABABA: PAST AND PRESENT EXPERIENCES

The social and economic problems of Addis Ababa have attracted varied levels of government response during recent decades. The levels of success attained in most of the intervention programs were very much a reflection of the fast changing political and economic environment of the country. Just before the outbreak of the February 1974 revolution, the country was ruled by a monarch who wished to have a neat and beautiful capital city but lacked the resources and the necessary legal and institutional framework to adequately implement urban development plans. As of September 1974 the country was ruled for 17 years by a Marxist-Leninist military junta (mostly known as the 'Derg'). The Derg's rule was characterized by over-centralisation of power, nationalisation of urban and rural land, rental housing, factories and major business establishments, ruthless repression and systematic eradication of the people's initiatives to work and prosper. Nonetheless, its centralised approach to the urban development issue produced mixed results in the areas of housing and infrastructure development.

The Ethiopian People's Revolutionary Democratic Front (EPRDF), which overthrew the Derg in 1991, liberalised the country's economy by reintroducing the free-market system. Despite the liberalisation of the economy, however, both urban and rural land and rental accommodation remain as public property to date. As an outcome of the new constitution that it promulgated in 1995, the country now has a federal system of government, comprising of nine national regional states each with a distinct ethnic majority. Addis Ababa, which is governed by a mayor and an elected council, enjoys a status comparable to that of a national regional state as its local government is directly accountable to the Federal Government.

In this section we shall make a brief survey of the nature of housing related policy interventions and programmes that Addis Ababa has experienced under varying forms of government.

2.1 PRE-REVOLUTIONARY PERIOD

The Ethiopian Government's serious interest in guiding and controlling urban development dates back to the 1950s when it commissioned Sir Patrick Abercrombie to prepare a master plan for Addis Ababa and when it opened the Department of Housing in the Ministry of Public Works. Abercrombie's master plan has considerably influenced the evolution of the pattern of the main streets of the city. However, it has done little or nothing to upgrade the slums of the city partly because it was not statutory. The chances of making the master plan statutory were in fact critically constrained by the contemporary land tenure system, which made it too difficult for the Municipality to carry out meaningful planned interventions. Several other master plans that were prepared for the city during the subsequent decades had similarly minimal impact on the quality of the residential areas of Addis Ababa.

It was actually in the 1960s that the Ethiopian Government for the first time tried to address the issue of slums, albeit on a minute scale. Like most other contemporary developing country regimes, the government was interested in slum clearance. Squatter settlements were not an issue at that time as they were unknown in and around Addis Ababa. As regards slum clearance, however, the government initially chose to implement its programmes through a thoughtful but unsustainable strategy of moving the slum dwellers to new and better-serviced units whilst at the same time demolishing the slums themselves. This for instance was what happened when it launched the Kolfe Low Income Housing Project to provide improved shelters for 91 households who were displaced when their rundown shelters located near the Tekle Haimanot Church were purposely demolished. This kind of slum clearance program was not repeated in pre-Revolutionary days as far as this writer knows. Nonetheless sporadic razing of some parts of the predominantly slum neighbourhoods of the city, albeit on an extremely limited scale, seems to have continued to take place in order to make way for new developments.

2.2 POST-REVOLUTIONARY ADDIS ABABA: THE PRE-1991 PERIOD

The Marxist government of Ethiopia, namely the Provisional Military Administration Council (better known as Derg) that ruled the country for about 17 years as a consequence of the February 1974 revolution was well known for the barrage of proclamations that it issued from time to time in an apparent response to various types of urban problems. Undoubtedly the major landmark as regards the Derg's approach to the urban development issue was Proclamation 47, 1975 that nationalised all urban land and "extra" houses. By extra houses are meant all those dwelling units on which an owner had drawn some amount of rental income prior to the date on which

the proclamation was issued regardless of size or amount of monthly rent. The proclamation placed under kebele administration all those units that were rented for 100 Birr or less per month and gave the custody of all those units that had monthly rent of more than 100 Birr to the Agency for the Administration of Rental Housing (AARH). The proclamation also spelled out significant reductions in rent prices for those units that were rented for Birr 300 or less. The rent cut back amounted to 50 percent in the case of the units that had the lowest monthly rent. Ever since the rent prices of public rental units has remained frozen rendering it impossible to use rental income for repairing any of the poorly constructed and fast deteriorating kebele administered units which also form the bulk of all the rental accommodation in cities like Addis Ababa.

The Derg attempted to alleviate urban housing problems by launching a subsidised housing program which it hoped would make everyone a homeowner. The subsidy was given in the form of free plots of land and technical advice including house plans. The Government also established the Housing and Savings Bank to provide long-term loans for households that were aspiring to become homeowners. In addition to allowing private individuals to build their own shelters, it furthermore encouraged the formation of different types of housing co-operatives so as to speed up urban housing production. For the urban low-income households it designed a special self-help housing co-operative. Members of regular self-help housing co-operatives had in principle to belong to a group of the lowest paid workers whose monthly income did not exceed 200 Birr. There was also another type of self-help housing co-operative, known as the pure self-help housing co-operative, which was designed to facilitate the provision of land and purchase of building materials for self-employed individuals who had no regular income.

As regards slums, the sporadic relocation of inner city households for reasons other than slum clearance, which started in pre-revolutionary days, also continued under the Derg. Such relocations included the transfer of some of those inner city households that were vulnerable to flood hazards to areas where the municipal administration thought they could be safer. In other instances, the municipality has moved a substantial number of inner city households whose shelters were razed to make way for new development projects to newly built residences in the peripheral areas of the city. One of the most recent such experiences was the case of those inner city households who were once occupying the area where the Sheraton Hotel presently stands. There is hardly any doubt that the area was a typical inner city slum prior to the launching of the Sheraton Addis Project. The project paid compensation to homeowners who had authorised structures. Such households also received vacant plots that were proportional to their original holdings. Those tenants who lived in kebele administered rental units were transferred to new and various sized housing units in the peripheral areas of the city in accordance with the floor areas of their former dwelling units. In effect therefore, the relocation program did not address the issue of overcrowding. If anything has improved for the target population it was apparently the change in the structural components of their new dwellings and their access to basic municipal and public services.

In general it appears that neither the concept nor the practice of slum upgrading was known in Addis Ababa until the recent past. The first upgrading project of meaningful size that the city witnessed was, in fact, the Tekle

Haimanot Upgrading Project, which was initiated in the early 1980s. The project, which was financed by the World Bank and the Ethiopian Government, covered a total of nine kebeles in wereda 3 which was a constituent part of the above mentioned highly congested area that was referred to as zone 1 in the preceding paragraphs. At the time of the intervention, the nine kebeles had gross population density of 453 persons per hectare. The fact that an overwhelming majority of the dwelling units were of poor quality can be seen in the fact that about 73% of them were administered by kebeles. About 26% of the households had no sanitary facilities whatsoever and for the overwhelming majority the ratio of standpipes to households was in the order of 1:600.

In view of the above-mentioned facts the Tekle Haimanot Upgrading Project focused mainly on improving the health and environmental conditions of the area through the provision of better services. As such the project aimed at upgrading access roads, improving access to tapped water and increasing household access to sanitary facilities. Accordingly it set out to resurface badly damaged roads and to reduce the above mentioned ratio of public water stand to households to about 1:100 and to improve sanitary conditions by making loans available for the provision of pit latrines in such a way that one dry pit could be shared by a maximum of four households. The programme also made loans available for upgrading at least 205 units and included the possible provision of some community facilities such as primary schools and markets within the project area. As regards this the intention was to make funds available to the then Higher Kebele Associations or to kebeles themselves.

The Tekle Haimanot Upgrading Project was planned in such a way that most of the project costs would be recovered from the target population itself at an affordable loan repayment rate over a period of twenty years. A survey made in the area a few years after the commencement of the project discovered that the main area of its success was in the upgrading of the access roads. Nonetheless, a considerable part of the area remained outside the reach of municipal or emergency service vehicles after four years of upgrading work. It appears that for access to be improved to the desired levels some units had to be demolished. However, this did not happen at the time of the survey apparently because those households dwelling in the units that were to be demolished were unwilling to be relocated. At the time of the survey, attempts to improve the water supply situation had also been met with partial success with the ratio of standpipes to households falling to about 1:254.

The case of sanitation and the physical housing shell were different from those of access roads and piped water. It was impossible to make use of the loan funds earmarked for both purposes because the project plan did not from the very start indicate the implementation mechanism. In fact, the main hurdle in this case appears to have been that while the funds were intended for use by owner-occupiers, nearly three quarters of the households were tenants living in kebele administered units. The construction of the latrines also presupposed homeownership while the target population was not motivated to take loans to improve the quality of dwellings and residential neighbourhoods over which they had no control. Thus, although the project's intention was to build 675 new latrines, none of them was built four years after the commencement of the upgrading program. Even improvements that could have been achieved in the collection of solid waste were not realised due to

misunderstandings between the households and project implementers as regards the spots where municipal refuse collection skips should be located. In general it appears that one important shortcoming of the upgrading project was its lack of adequate public participation both in its planning and implementation stages.

In addition to the Tekle Haimanot project, there were also other smaller scale upgrading projects that were sponsored by international NGOs. According to Ashenafi, one such neighbourhood improvement program was run by the Norwegian Save the Children Fund (Redd Barna) in kebele 41 of the Tekle Haimanot area. Two other NGOs, namely Concern and Oxfam, were involved in upgrading programs in kebeles 37 and 29 respectively of wereda 4, which is adjacent to the Tekle Haimanot area.

2.3 POST-1991 URBAN UPGRADING PROGRAMS AND PROJECTS

One important development that makes the post-1991 period unique as regards housing and infrastructure development related problems in Addis Ababa is the large scale emergence of squatter settlements mainly in the peripheral areas of the city. As stated earlier squatting or the building of the “Chereka Bet”¹³ started in the city shortly after the nationalisation of urban land. Nonetheless, it could not take much hold under the rule of the Derg largely because the government followed mainly a rather intolerant policy of demolishing such units by the thousands. It appears that it was during the final days of the Derg and the early years of the EPRDF that squatter housing flourished like never before in the city apparently by taking advantage of the passive attitudes of the relatively weakened wereda and kebele officials at the time. Not surprisingly, therefore, it was in the post-1991 period that the squatter housing problem assumed serious proportions. As stated earlier, the number of squatter units is currently estimated to be about 60,000. This means that squatter units alone constitute roughly 15% of the housing stock of the city. Such a huge and growing problem of squatter housing has undoubtedly come out as a threat to inner city upgrading as it also competes for the attention of the city administration.

As alluded to in an earlier section, it is also important to bear in mind here that, in Addis Ababa, squatting is not essentially a poverty-driven phenomenon. For the most part the squatters tend to be individuals belonging to both the upper and lower middle groups who, in a well-calculated response to the malfunctioning of the housing market, have chosen to meet their housing needs by violating the regulations that govern occupation of land and production of shelters.

In an apparent response to the worsening inner city conditions as well as to the growing problems posed by the squatters during the post-1991 period, the city has witnessed substantial changes in the government’s approach to the issue of housing and infrastructure development. As a result the city has seen the direct participation of the

¹³ The term “Chereka Bet” literally means a house constructed at night with the help of moonlight.

local government, NGOs and the wider community in slum and squatter upgrading projects, on a scale that has never been seen before.

Although the Addis Ababa City Administration has been running various types of community-based infrastructure and services upgrading programs during the post-1991 period, its achievements have until recently been considerably constrained by many institutional and regulatory shortcomings. Above all, prior to its recent administrative restructuring its neighbourhood upgrading efforts have been significantly affected by such factors as excessive centralism and the absence of a well-organized department that could effectively implement slum and manage squatter upgrading programs. Added to this was the inefficiency of most weredas and kebeles in executing neighbourhood upgrading projects due mainly to their well known organisational and resource related deficiencies.

2.4 CURRENT SLUM UPGRADING PROGRAMS AND THEIR OUTCOMES

Presently, there are two well-known parallel programs of community-based slum upgrading programs in Addis Ababa. The first and most important program is the one that is carried out under the guidance and control of the Environmental Development Office of the Addis Ababa City Administration with the participation of the target communities. The second one is not as such a single program as it is carried out by different NGOs with the co-operation of the City Administration and the target communities. In this section a brief review of the current regulatory frameworks that govern these neighbourhood upgrading programs and the nature of the outcomes of their activities is presented.

2.4.1 The Environmental Development Office

The Environmental Development Office (EDO) was established within the Addis Ababa City Administration in February 1994 as a Safety Net Program Implementation Task Force Office. During the 1994 - 1995 periods it started work on gravel roads and drainage lines with an outlay of Birr 9 million. In March 1995, it was re-established as the Environmental Development Task Force Office. Its component parts included Drainage and Gravel Roads Unit, Environmental Development Coordination Office and Administrative and Financial Office.

From the very beginning the EDO was involved in such projects as the building of access roads, drainage lines and culverts. It seems that, as of February 1997, its task was redefined so that it could execute upgrading work through community participation at the kebele and wereda levels.

The goals of the upgrading project were to:

- reduce urban problems step by step, particularly by improving infrastructure and services

- create job opportunities for the urban poor and the unemployed especially by using labour-intensive methods during project implementation
- ensure public participation in all essential neighbourhood upgrading activities including problem identification, project design and implementation
- enable the communities to own and manage upgraded or newly built infrastructure and services

Although the municipality has earmarked a substantial amount of money to finance the upgrading projects, as a rule it requires the target communities to cover parts of the project cost in cash contributions as well as by providing both materials and labour. The details of this arrangement are given above in the section on microfinance. The EDO also relies very much on the support of the target communities for removing houses and fences that have to be pulled down in order to make way for access roads or other essential services.

The specific activities of the project were and still are:

- upgrading access roads
- improving drainage
- building culverts
- constructing latrines
- increasing the number of public piped water stands
- building retaining walls and other related structures

It is important to note that the programme does not have housing improvement as one of its specific components. It is not clear whether or not the exclusion of housing from the upgrading program is the result of an oversight in policy formulation. Nonetheless, it appears that this shortcoming is due in part to the very same problem that hindered the above-mentioned Tekle Haimanot Upgrading Project from implementing its shelter upgrading projects. In fact, aside from some squatter units, most of the shelters that are in bad shape and are, as such, requiring immediate improvement are those owned by kebeles. Most of the inhabitants of such units are not only low-income households, but also unwilling to take any loans to upgrade rental units that do not belong to them. Although a lot has been said in the recent past about privatising such units, as yet there is no official statement confirming this.

Regardless of the nature and components of its slum and squatter upgrading projects, the EDO is presently expected to implement its projects within the framework of the newly restructured Addis Ababa City Administration. As decentralisation of municipal functions was one of the primary objectives of the restructuring, the city has been divided into 10 kifle ketemas, or sub-municipalities. The primary purpose of this administrative restructuring was to take essential municipal services closer to the people.

As a consequence of the administrative restructuring, wereda level administration has been eliminated altogether whereas the kebeles have been upgraded to handle some of the former wereda level functions. The restructuring has also led to some adjustments in the size of certain kebeles, thereby resulting in the reduction of the total number of such administrative units from 284 to 203. Prior to its dissolution, each wereda had at least one development officer who was responsible for coordinating neighbourhood-upgrading programs. Each wereda also had a local economic development committee.

In order to facilitate the activities of local economic development in general and to enhance the scale of activities as regards slum and squatter upgrading, the municipality has opened branches of the EDO in each kifle ketema. It has also positioned a local development officer in each kebele. In fact, largely owing to their perceived proximity to grass roots groups, the kebeles have always been seen by municipal authorities as instruments for mobilising community groups for participation in local economic development programs. The municipality therefore ensured the continuity of the functions of the local economic development committees which were already in existence in each kebele. Presently not only are these committees in existence, there are also economic development sub committees at “sefer” or sub-kebele levels. It is the presence of these committees and the efforts that they make in order to involve grass roots groups in local infrastructure upgrading programs that is presently the main thrust of community based local economic development programs in the city.

More recently the Municipal Government has announced that it intends to further reduce the number of kebeles to 100 apparently to give them more power and resources so that they could be more effective in executing their routine tasks and also involve themselves more productively in local economic development projects. Although this plan appears to be great in intent and purpose, the extent to which its objectives will be attained are already in question. As the new kebeles will be administering substantially larger areas, they would undoubtedly be facing greater challenges not only as regards planning and project implementation but also with respect to community mobilisation as they will now be relatively more distant from the grassroots groups.

2.4.2 Achievements of and Shortcomings of the Upgrading Programs

Under the guidance of the EDO, the kebele development committees and sub committees are presently participating largely in infrastructure improvement programs throughout the city. The committee members are as a matter of principle drawn from the wider community. Where possible certain professionals such as civil engineers, architects, surveyors, lawyers and accountants are included among the members of the development committees. The overall pattern of community participation in infrastructure upgrading efforts is such that the committees, in consultation with the wider public that they represent, identify local problems, set priority goals and objectives and initiate slum upgrading projects. The planning and implementation as well as the management of the projects are also the responsibility of the development committees.

Until about a year ago, much of the upgrading work that was undertaken under municipal support was limited to the building of access roads, improvement of drainage facilities, construction of communal latrines, installing water taps, improving drainage channels, and building culverts and bridges. As shown in Table 8, it appears that substantial headway has been made into the objectives of the general program in the recent past.

To realise its above mentioned community based neighbourhood upgrading projects the City Administration has spent a total of Birr 117. 7 million and distributed 1.1 million kilograms of wheat and 55,000 kg of edible oil up to 2002. This expenditure has enabled the municipality to create 41,197 job opportunities that went to a total of 24,787 females and 16,410 males.

On the whole the performance of the slum-upgrading project has been more than satisfactory in most of its areas of intervention during 1994-2003 periods. As shown in Table 8, the gap between its planned and implemented activities was the narrowest particularly in such areas as the construction of culverts, retaining walls, manholes, check dams and even gravel surfaced access roads. Its weakest performance has been in the areas of construction of public piped water stands, dry pit latrines and bridges.

Table 12 Community based neighbourhood-upgrading activities sponsored by the Addis Ababa EDO

Ababa City Administration's Environmental Development Office: Plan versus Performance, Feb. 1994 - June 2003.

Project Type	Planned	Implemented	% Implemented
Gravel covered access roads (meters)	719,632.72	574,809.20	79.88
Stone paved access roads (meters)	388,932.10	225,554.88	57.99
Drainage lines (meters)	755,733.48	476,394.41	63.04
Pit Latrines	3,319.00	1,835.00	55.29
Public Water Stands	1,761.00	714.00	40.55
Culverts	6,806.75	4,674.00	88.11
Retaining walls (m ³)	14,652.67	13,891.26	94.80
Bridges	158.00	87.00	55.06
Manholes	2,850.00	2,685.00	94.21
Check dams (meters)	1,731.00	1,819.00	105.08

Source: Addis Ababa City Administration, Environmental Development Office

It appears that most of the successes mentioned above were achieved in the second half of the project period. For instance as data available in the EDO indicates, the upgrading programme's efficiency was less than 45% as regards the plan and utilisation of capital budgets until the end of the 2000/2001 fiscal year. The project's efficiency regarding this matter was well above 60% during the following two consecutive fiscal years. It is also good to note here that the project succeeded in realizing only 18% of the capital budget that was planned to come from community contributions in the 2001/2002 fiscal year, although the corresponding figure for the 2002/2003 fiscal year was 61.5%.

Regardless of the varying levels of gap between plan and performance, the upgrading project has considerably impacted on the living conditions of the residents in the major areas of intervention. In addition to the above-mentioned creation of jobs and relatively more sanitary residential environment, the benefits that the target communities received included the following:

- improved access for emergency vehicles and municipal refuse collection as well as liquid waste suction trucks
- improved connection between residential neighbourhoods as a result of the improvement of roads and the construction of bridges and culverts
- improved drainage leading to reduced damages to roads and other property by runoff
- lesser loss of soils due to erosion as a result of the construction of retaining walls in some localities
- providing improved access to sanitary facilities to at least 239,400 households

- improved access to potable water for at least 169,500 households

The neighbourhood-upgrading project had many shortcomings that constrained its success in virtually all of its planned infrastructure development programs. As information obtained from the City Administration shows the program had five main areas of shortcomings. These shortcomings were identified as being: organisational problems, shortcomings in the process of plan preparation, problems surrounding project implementation, management of finished projects and shortcomings in the coordination of infrastructure development programs. Based mainly on the information furnished by the EDO, the component parts of each of these major shortcomings are shown below:

1. Organisational (Institutional) Problems

- The EDO was not well organized
- Shortage of skilled manpower and building materials
- Until recently the upgrading projects were administered by wereda officials who lacked the requisite level of efficiency to implement the programs
- There was not adequate community leadership in the implementation of the projects
- The role of the kebele development committee has not been clearly defined
- Inherent organisational weaknesses of the kebele development committees

2. Shortcomings in Plan Preparation

- Development plans were not discussed well ahead of time by the relevant stakeholders
- Upgrading of access roads and drainage lines were not guided by standard designs
- Shortcomings in the timely mobilisation of the communities especially as regards fundraising
- Duplication of efforts by other governmental and non-governmental development agencies
- Planning development programs without properly assessing implementation capacities and clearly identifying project sites
- Lack of baseline information as regards the intervention areas

3. Shortcomings in Project Implementation

- Poor quality or substandard finishing of projects due to poor workmanship
- Resource wastage due to inadequate supervision
- Absence of mechanisms for project supervision and follow-up
- Inadequate promotion of development program objectives and delays in the handing over of projects to target communities

4. Problems Surrounding Project Management

- Absence of capacity-building especially as regards awareness raising and skills enhancement with respect to project management
- Absence of clear guidelines concerning the administration and management of upgraded infrastructure
- Inability of target communities to properly manage upgraded roads and drainage lines
- Absence of uniform mechanisms for the collection of user fees at public water stands and the susceptibility of the service as a whole to fraud

5. Problems of Coordination

- Absence of co-ordination between the main public agencies such as the Telecommunications, Electric Light and Water and Sewerage agencies that are also involved in the development of infrastructure in the target areas
- Inadequate coordination of infrastructure-related activities of NGOs
- Poor linkage of the program with institutions involved in the training of the professionals that are required for project design and implementation
- Absence of experience sharing with relevant local and external bodies as regards best practices

The EDO appears to be keen on learning from and correcting its past shortcomings and to scale up its activities as far as resources permit. In the recent past, particularly following the restructuring of the municipal administration, its infrastructure upgrading program has included additional tasks such as the construction of health stations, clinics, primary schools, playgrounds and all purpose communal meeting halls. With regard to project design, there are already standard designs that could be used in most slum upgrading programs by kebele development committees. Where there is a need for new designs, the development committees themselves can prepare these with the help of the kifle ketema offices. Whatever the designs they are subject to endorsement by the elected councils of the kebeles prior to submission to the kifle ketemas for approval.

2.4.3 Recent Developments

Currently the Municipality of Addis Ababa is making preparations to undertake a major baseline survey that could help assess the extent to which slums occur in the city and the types of interventions that are needed to improve the situation. It intends to conduct this survey with the help of the kebeles so that community groups can facilitate the study process thereby ensuring the collection of up-to-date and high quality data. The role of community groups in this study is not limited to the collection of primary data. Their participation is highly sought all the way

from questionnaire design to action plan preparation. As questionnaire preparation is already finished, the survey is expected to start any time as this report is being written.

Before concluding this section, it is also important to highlight the fact that currently the activities of the EDO are not as much focused on the most congested inner city areas as it is on the more outlying residential neighbourhoods. The primary reason behind this appears to be the fact that, following the approval of the recently revised master plan of the city, the municipal authorities are already involved in an extensive urban renewal program in the inner parts of the city. As it looks at present slum upgrading is not so much an issue for inner city dwellers as the municipal government seems dedicated to step by step demolition old and run down places and their replacement with modest multi storey residential buildings. The declared aim of the municipality in this respect is one of producing varied sizes of housing for the residence of both low and middle income households ranging from studios of 20-30 square metres to more comfortable three bedroom flats. The plan is to equip these residential areas with adequate private as well as communal facilities. Accordingly, the municipal government has intentions to devote at least 3-5% of the floor spaces of the new residential complexes to commercial purposes.

The municipality in general has a very ambitious plan of rapidly responding to the acute housing shortage of the city by producing hundreds of thousands of flats through various means including the large-scale production of condominium units. GTZ (German Technical Co-operation) assisted construction of a residential complex with 700 or so flats that has just been completed in the Gerji area on the eastern periphery of the city. This is a good indicator of what the municipal authorities are confident of getting done in response to the city's frustrating housing shortage as things stand at present. Nonetheless, the extent to which this intention is based on a sound analysis of the affordability status of the majority of the city's home seekers is not clear. The municipal authorities hope that that the massive construction of the desired types of residential units will help to reduce urban poverty by creating thousands of new jobs. They also hope that the urban renewal program will help to significantly lessen the occurrence of slums in the city by gradually replacing the rundown and poorly serviced kebele units with modern low-cost apartment complexes. Irrespective of such a bright side of the project however, one cannot help wondering about the wisdom of launching a massive urban renewal program in a city where, as mentioned above, nearly two thirds of the households are living at or below subsistence level.

2.5 THE ROLE OF NGOS IN COMMUNITY BASED SLUM UPGRADING PROGRAMS

The second most important community based slum-upgrading projects in Addis Ababa are those which are designed and implemented by NGOs with the co-operation of kebele-level development committees. Presently there are an estimated 1,120 NGOs working in the country. Of these, approximately 419 development-oriented (128 international and 291 local) NGOs have been providing various types of services to an estimated 15% of the total population of the country in the recent past, implementing projects worth Birr 5.96 Billion during the 1996-

2000 period¹⁴. What is striking, however, is that although hundreds of registered international as well as domestic NGOs are working in the broad area of poverty alleviation in the country only a handful of them are presently involved in slum and squatter upgrading projects. A brief review of the regulatory framework that governs the role of NGOs in the country is presented below:

- Relations in previous years between government and NGOs have been marred by the former's hostility and mistrust to the latter on the grounds of political agitation and self-serving interest. As a result the role of NGOs was under close government scrutiny and control. Whilst this has given way to tolerance more recently the guidelines governing NGOs operation remain restrictive.
- There is no specific legislation aimed at regulating the operations of NGOs and Community-Based Organisations (CBOs). The first attempt to address this was taken in 2002 through the drafting of NGO Legislation (cited as NGO Registration and Regulation Proclamation No. 2001) by the Ministry of Justice. Whilst deliberations and exchange of views on the draft legislation have been elaborated in a series of workshops, the legislation is yet to be enacted.
- The draft legislation rightly emphasises the important contribution to the overall socio-economic development of the country. It defines an NGO as:
 - an organisation whose sole purpose is not profit making;
 - an organisation that does not undertake the distribution of its gain and income accrued in the pursuit of its objectives among its members;
 - an organisation that provides its services to beneficiaries without discrimination;
 - an organisation that conducts its activities in more than one region;
 - an association or endowment voluntarily constituted in Ethiopia or in a foreign country and operated with certificate of registration engaging in public benefit activities for the promotion of development, social services, democracy and good governance and the provisioning of humanitarian assistance as the case may be.
- Application for registration will be submitted in a prescribed form to the NGO Registration Office once the proclamation is enacted. By registering the NGO will acquire a legal personality. The office will issue registration certificates, regulate the activities of NGOs, co-ordinate NGO relations with other bodies, and terminate the legal status of NGOs.

¹⁴ Reference: CRDA, 30 Years of Service: CRDA Members' Profile, May 2003.

- Professional competence has to be approved by the relevant governmental organisations prior to registration. Given that NGOs undertake diverse sectoral programmes this inevitably results in a protracted process. Furthermore the organisations issuing a certificate of professional competence have the right to conduct supervisions and inform the Registration Office accordingly. Given that the Registration Office also has the mandate of conducting inspections the various layers of policing and bureaucracy could well overwhelm the operations of NGOs.
- The draft legislation states that a certificate of registration has to be renewed every two years. Currently it has been set annually, much to the irritation of NGOs.
- The Bureau of Civil and Social Affairs of the Addis Ababa Municipality has an NGO desk that is in charge of co-ordinating the activities of those NGOs that are involved in neighbourhood upgrading or related projects. The NGOs normally present their project proposal to this desk for approval. The Bureau then sends the project proposals to the appropriate bureaus and offices of the Municipality for evaluation. The NGOs are also expected to produce reports for the Christian Relief and Development Association (CRDA), which is an association of faith-based agencies and NGOs that is operating primarily in the area of poverty alleviation in various parts of the country. Although it is involved in the provision of funds for development interventions, it appears that its principal role is coordination of the activities of its member organisations.

2.6 ACHIEVEMENTS OF NGO SPONSORED PROGRAMS

The activities of the NGOs in the area of slum upgrading are not as much city-wide as that of the EDO. They usually select particular slum areas of the city and concentrate their efforts on limited infrastructure improvement projects in those areas. In principle, the issue of project duplication is not a major problem in upgrading programs sponsored by NGOs as the kebele development committees see to it that duplication of efforts are avoided. However, as alluded to earlier, given that the municipality has some shortcomings in coordinating the efforts of different development partners, it appears the areas of intervention of some NGOs could sometimes overlap, at least partially.

As mentioned above, the number of NGOs that are presently involved in such projects as slum upgrading or environmental sanitation is not that large. The NGOs that are well known in this regard include CARE, CONCERN, Plan International, Medical Missionaries of Mary, Ethiopian Aid, SIM, OXFAM and Rotary Club. These NGOs have been operating in different parts of the city largely with the support of the kebeles as well as in collaboration with the grass roots associations such as iddirs.

The iddirs are funeral associations that usually have a membership size of about two hundred households that live in the same neighbourhood. In a city like Addis Ababa their number could be thousands while it is not uncommon to have several of them in a single kebele. As voluntary grass roots associations their membership normally cuts across ethnic, religious and gender divides although it is possible to come across some men-only or women-only iddirs. They were originally created to help families bury their dead and cover some aspects of the costs that such families incur as a direct consequence of the death. Although their principal role still remains unchanged, in the recent past they have increasingly shown that they can also make a difference as agents of local economic development. One particular area where they have proven to be most effective in this regard is in the area of mobilising the communities for their common good especially by helping to build consensus and to raise funds for neighbourhood upgrading projects. They have faced significant problems with the rise of HIV/AIDS infection. Infection was estimated as high as 10.6% of the total adult population by the end of 1999¹⁵.

There are other informal associations that serve both financial and social roles within communities. The Mahber is an association for mutual aid, which is based on attachment to a particular patron saint; Kusukus are organized for one time self-help or to generate aid contributions; and Ikubs are rotating credit groups. No attempt appears to have been made as yet to survey systematically their total number, membership or contribution, even for one community¹⁶.

Most of the NGOs that operate in Addis Ababa have been focusing on the upgrading of infrastructure and the improvement of environmental sanitation. Like the EDO, NGOs also encourage community participation in neighbourhood upgrading programs. In principle, therefore, the target communities participate in all stages of NGO sponsored urban development programs including the raising of something like 10% of the project cost in most cases.

It appears that only two or three NGOs have been running meaningful, albeit limited, housing improvement programs. The NGO that is probably most popular for undertaking rather a large and visible infrastructure upgrading projects is CARE. This NGO, in partnership with the kebeles, the communities, the municipality, USAID, WFP, DFID and various embassies in the city, has been working for several years through what it calls Community Infrastructure Improvement (CII) and Urban Food for Work Project (UFFW).

During the 1993-2002 period, through its CII/UFFW projects, CARE implemented community-managed infrastructure projects in 54 kebeles found in 18 weredas. Its main activities included building access roads, storm drainage channels and flood control, pedestrian pathways, communal latrines, and spring protection. To achieve its goals it has disbursed a total of 5,162 and 254 metric tons of wheat and oil respectively. CARE and its donors

¹⁵ Source: Ethiopia Interim Poverty Reduction Strategy Paper 2000/01 – 2002/03

¹⁶ Noted in Assefa, op. cit.

have invested USD 8,486,099 towards infrastructure development. The target communities and the municipality invested Birr 1,719,917 and 441,883 respectively towards the same project.

As the summary of CARE's performance in Table 9 shows, it appears that the NGO has made very good use of the funds mentioned above during the 1993-2002 period. In some areas it has accomplished tasks that are, given their scale, as impressive as those accomplished by the EDO while in areas such as building retaining walls its has even achieved more. In some cases, such as pedestrian stairways and spring protection, it has tackled problems that do not seem to have been taken seriously by the municipality itself. However, during interviews conducted for this research paper respondents indicated that funding for this kind of work had largely dried up. USAID stopped funding CARE's infrastructure work, having assessed the programme as "not doing well in terms of poverty alleviation". It appears that poverty in this case was measured on an income basis thus excluding the importance of significant benefits that were evident among participating households with respect to health, safety, social cohesion and temporary employment. The CARE urban staff team has been almost entirely disbanded and their role in urban development seemed to be largely restricted "to attending workshops on governance".

Table 13 Selected indicators of CARE's key accomplishments (1993-2002)

Program Coverage/Participation	Output
Residents benefiting from roads and related infrastructure	310, 565
Residents benefiting from improved access to latrines	13,080
Residents benefiting from improved access to waters	2,320
Total beneficiaries from increased access to income through FFW	88,896
Person days of employment generated for kebele residents	1,413,707
Stone paved roads constructed (kms)	102
Select material roads constructed (kms)	20
Vehicle access bridges constructed (units)	30
Foot crossings constructed (units)	2,061
Pedestrian stairways constructed (units)	2,181
Open drainage channels constructed (kms)	86
Subterranean drainage piping installed (kms)	11
Culverts/water crossings constructed (units)	606
Retaining Walls constructed (m ³)	17,768
Check Dams constructed (m ³)	147
Communal latrines constructed (unit)	676
Spring development/water sources protected (units)	3

Source: CARE Ethiopia

The accomplishment of other NGOs operating in the city is not as visible as that of CARE. Nonetheless, the fact remains that most of them have been instrumental in changing the urban environment in those limited area where they have intervened. For instance, it appears that CONCERN has been particularly active in working with iddirs in its community based urban development programmes. CONCERN also has a housing improvement programme, which for instance led to the improvement of 137 houses, 43 kitchens and 25 latrines during the

2001-2002 period. It is good to bear in mind here that two other NGOs, namely Plan International and Ethiopia AID, have also been active in the area of housing renovation in inner parts of the city albeit on a small scale. Also, one important aspect of CONCERN'S activity that needs to be highlighted here is that, in addition to the direct implementation of development projects, it has a capacity building programme to help communities alleviate their environmental problems by themselves.

2.7 SHORTCOMINGS IN THE ACTIVITIES OF NGOS

In addition to the above-mentioned shortcomings in the regulatory frameworks, it appears the NGOs working in the urban development programs are also affected by some of the problems that have been constraining the activities of the EDO. In general it appears that some of the most significant problems that NGOs are facing in their endeavour to change the living conditions of the urban poor include:

- absence of clear policies and procedures related to various aspects of urban development
- absence of effective co-ordination among the stakeholders that are involved in urban development
- failure to ensure sufficient participation of local authorities and kebele level development committees in project design and implementation
- failure to maintain good rapport with kebele authorities
- organisational weaknesses of kebeles
- organisational weaknesses of civil society groups
- competing policies and or programmes that harm the poor or create confusion as in the case of the construction of the ring road, which resulted in substantial displacement of the urban poor, or that of the urban renewal programmes that are in conflict with inner city upgrading programs of the NGOs
- weak resource bases of community groups to support upgrading programs with cash and material contributions
- the poor quality of some of the completed public works
- inconsistencies in project in prioritisations and identification of beneficiaries on the part of NGOs

3 CONCLUSIONS

In general it appears that one important shortcoming of the Tekle Haimanot upgrading project was its lack of adequate public participation both in its planning and implementation stages.

Most of the inhabitants of such units are not only low-income households, but also unwilling to take any loans to upgrade rental units that do not belong to them. Although a lot has been said in the recent past about privatising such units, as yet there is no official statement confirming this.

There are also economic development sub committees at “sefer” or sub-kebele levels. It is the presence of these committees and the efforts that they make in order to involve grass roots groups in local infrastructure upgrading programs that is presently working as the main thrust of community-based local economic development programs in the city.

Currently the Municipality of Addis Ababa is making preparations to undertake a major baseline survey that could help assess the extent to which slums occur in the city and the types of interventions that are needed to improve the situation. It intends to conduct this survey with the help of the kebeles so that community groups can facilitate the study process thereby ensuring the collection of up-to-date and high quality data. The role of community groups in this study is not limited to the collection of primary data. Their participation is highly sought all the way from questionnaire design to action plan preparation.

Iddirs have proved to be effective in the area of mobilising communities for their common good especially by helping to build consensus and to raise funds for neighbourhood upgrading projects. They could potentially be supported as a nascent savings group network in the city.

Although Addis Ababa has remained the capital city of Ethiopia ever since its foundation in 1886, it has experienced very little planned development to date. Not surprisingly, therefore, it is packed by vast areas of poorly constructed, mostly single storied and overcrowded dwelling units that have limited access to basic urban services such as access roads, potable water, flood control and refuse collection. The worst conditions are found in the older and highly congested innermost parts of the city. These and the other predominantly congested residential areas of Addis Ababa are not only the result of the absence of planned development. They are also the direct outcome of decades of informal market responses to the shelter needs of a predominantly poor urban population.

Organised responses to the enormous problems that Addis Ababa has been facing as regards housing and infrastructure did not come until very recently. Although certain sporadic attempts were made in the early 1980s to tackle especially the problem of the city's inner slums it was only during the post 1991 period that meaningful programs were launched by both the municipal authorities, the NGOs and the affected communities.

In general there are sufficient indications that a lot has been done by the relevant actors in the area of infrastructure development and environmental sanitation especially since 1993. Millions of dollars have been poured by the municipality, the NGOs, the target communities and various donor agencies to produce hundreds of kilometres of gravel roads, stoned paved access roads and drainage channels. A similar effort has gone into the construction of thousands of culverts, public stand pipes and latrines and other housing related infrastructure.

However, the volume of the public works accomplished is like a drop in the ocean when seen against the enormous and mind-boggling upgrading work that the various residential areas of the city are calling for.

Irrespective of the huge gap that still needs to be filled in the area of slum and squatter upgrading in Addis Ababa, the lessons learned to date from what has been achieved are highly encouraging. On the whole the following major conclusions could be made based on the findings of this study:

- Addis Ababa tends to portray a mixed residential structure, which considerably masks the severe congestion that prevails in some pockets. Although there is almost no part of the city where the need for neighbourhood upgrading is negligible, priority should be given to the inner core of the city in initial upgrading efforts.
- Much of what has been practiced as neighbourhood upgrading program in the city is limited only to infrastructure development. Although a few NGOs have made some attempts to renovate particularly inner city residential units, their coverage has been too small to make a visible difference.
- Even though the municipal authorities appear to be enthusiastically involved in various types of neighbourhood upgrading projects, they do not seem to have a well articulated slum upgrading program as far as improving the conditions of the fast deteriorating public housing is concerned. Talks about privatising this units has been around for some years, but nothing concrete has come out as yet in the form of policy.
- Currently, the main proposed policy response to the inner city housing problem of Addis Ababa is a massive urban renewal program. The declared intention of the municipal authorities is simply to replace the old dilapidated units with new multi storied residential complexes. The wisdom of this massive urban renewal program is questionable not only from the point of view of the enormous low income housing deficit that city is already facing but also when seen in the light of the general understanding that no less than 60% of the households in the city are living in poverty.
- On the whole the upgrading projects accomplished to date indicate that investment in basic infrastructure can substantially improve the life of the urban poor if adequate public participation is attained from the inception of the projects to their conclusion.
- The target communities have a wide range of human, financial and organisational resources that could be systematically tapped into in order to make a difference in public works. However, the fact remains that potentially useful grass roots associations such as the iddir appear to be weakened as agents of

development not only due to lack of assistance but also because the apparent rise in death rates due to HIV/AIDS appears to be draining their meagre resources.

- The levels of success achieved in neighbourhood upgrading programs depends as much on selecting communal interventions of high priority as it does on mustering co-operation of the target communities, local authorities and the kebele development committees.
- Apparently owing to their location and the composition of the members of development committees some kebeles appear to be considerably more efficient than others. The success of neighbourhood upgrading programs very much depends on building the project planning, implementation, supervision and management capacity of kebeles.
- NGO sponsored projects sometimes tend to be more efficient than those that are directly sponsored by the municipality itself apparently because the efforts of the former are concentrated in few localised projects while that of the latter is thinly spread over the entire built up area of the city.
- Nearly all sponsors of upgrading programs claim that they have managed to ensure a satisfactory level of public participation in all stages of upgrading work. The poor quality of a substantial proportion of the completed public works and delays in handing over completed public works to the communities, however, suggest that this has not always been the case.
- Presently it appears that the urban poor have simply no access to any kind of housing finance. Although there is a considerable amount of microfinance activity going on in the city the regulatory frameworks do not allow the use of such funds for housing or infrastructure improvement.
- Absence of coordination between the various producers and providers of utilities such as the Telecommunications, Electric Lighting and Water and Sewerage Agencies is considerably constraining the outcome of major infrastructure development programmes.
- There is no evidence of experience-sharing and linking of programmes between the various stakeholders that are involved in slum and squatter upgrading projects in the city.
- There is a clear absence of mechanisms for project supervision and follow up. There is equally a serious need to provide clear guidelines as regards the administration and management of completed public works.

- There is a serious lack of baseline information that can be used for effective project planning. As a result it appears that some projects are conceived as well as implemented for the most part based on subjective needs assessments.

4 RECOMMENDATIONS

There is an encouraging level of political commitment to slum upgrading and to addressing the issue of inadequate shelter in Ethiopia. The state is strong but currently lacks the mechanisms and resources for the implementation of a solution that casts it in the role of developer and deliverer of housing – the cost is simply too great given the problems of affordability that low income households face. It would appear obvious that the state must take on more of a facilitative role, focusing on the regulatory framework in which development is to take place and addressing the issue of land in a manner that ensures long-term tenure security, particularly for poorer households.

Discussions have already been held with a number of senior government officials regarding options for arranging an exposure visit of officials to India to see how new developments in land legislation in Maharashtra have enabled organisations of the urban poor to take a lead role in slum upgrading and resettlement. If this visit proves successful it is envisaged that a more structured process will be developed with support for officials and communities in Ethiopia being provided through the SDI network.

Whilst there is a history of successful small-scale projects in Ethiopia there has been no attempt to create a networked system of interlinked communities and/or savings groups. The following recommendations are therefore made with respect to supporting a community-driven slum upgrading and development process.

- The capacity of kebeles to take a pro-active role in slum upgrading should be developed through the provision of assistance in basic community mobilisation – i.e. grant funds to support the formation of savings and loan groups, community-led settlement mapping and enumeration, house/toilet modelling and local and regional exchanges. This could be facilitated by regular exchanges with the SDI network for community leaders as they emerge, as well as for municipal and government officials.
- A local support NGO should be identified to support this community building and exchange process or, if no suitable organisation exists, a special unit should be created to serve this purpose and resourced to do so.
- The need to create a basic database of those living in slum settlements has been established. Exposure to the SDI enumeration and mapping process, together with support from an experienced team from SDI, would provide the means to train local communities in surveying techniques. This would have the

advantage of providing more accurate data than might otherwise be available through conventional survey techniques. In addition, when communities “own” the data that is collected it becomes a useful tool for them to use in determining the development priorities of a particular settlement. A further advantage of the survey and mapping process proposed is that it can provide both quantitative and qualitative data to feed into the SDPRP.

- Exposure visits for mayors and senior government officials to India and potentially Kenya, to explore with peers how community-local authority-government partnerships have been formed leading to new forms of tenure security and new collaborative approaches to upgrading and infrastructure provision.

- Creation of a small capital fund to, initially, provide grants and soft loans to communities wishing to experiment with upgrading approaches. These funds will be needed to cover the costs of the first permanent pilots and to cover exchange and exposure visits. The management of the fund will need to be carefully agreed to ensure that communities have adequate representation. It would be worth considering three models – that of the Urban Poor Development Fund in Cambodia, that of the Community Organisation Development Institute in Thailand, and that of SSNS (Nirman)/CLIFF in India. Over time, and as community capacity develops, the same institutional base could be used to deliver larger scale capital such as that provided by CLIFF in India¹⁷.

¹⁷ For further information on these models see the overview paper prepared for this project and the draft slum upgrading strategy recently prepared by Ilias Dirie as part of UMP activities in Ethiopia.

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