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Shelter issues and solutions in Hawassa

Shelter provision in East African Cities: Understanding Transformative Politics for Inclusive Cities: City Briefing

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About the project

This research project is a comparative analysis of systems of shelter provision in three East African cities: Nairobi, Hawassa and Mogadishu. It is funded by UKAid's East Africa Research Fund and is identifying policy-relevant, locally-driven solutions to improve shelter for low-income women, men and vulnerable groups. The programme is led by IIED in partnership with SDDirect, Tana, SDI-Kenya and Econvalue. More information can be found here: <https://www.iied.org/shelter-provision-east-african-cities-understanding-transformative-politics-for-inclusive-cities> or contact: Lucy Earle, lucy.earle@iied.org

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Key findings

- Demand for housing in Hawassa is acute as the industrial park attracts tens of thousands of migrants, but housing supply is heavily constrained by high cost, lack of available land and government capacity to offer land for lease.
- There is very limited finance available for people wishing to construct or purchase housing; poor people struggle to access subsidised housing solutions such as loans for condominiums.
- Cooperatives or organised associations can facilitate new housing development to ease the shortage, allow dense occupancy of limited land and provide a subsidised approach to self-build. However, in practice, both individual finance as well as government capacity have been major constraints to implementing this effectively.
- Without clearly organised voice, hard to reach and extremely poor groups are unlikely to be given priority in a context where unmet demand for housing is so high.

Summary

As Hawassa's population expands rapidly to accommodate thousands of new workers in the Industrial Park - a vast Special Economic Zone run by the Ethiopian Industrial Parks Development Corporation - demand for shelter is acute. With no obvious solution in hand, the city's residents and authorities are - by default - experimenting with different shelter models. These range from cooperative housing associations and Public Private Partnerships at the 'formal' end of the scale, to incentivising construction of additional bedrooms (microfinance-funded incremental housing units) and rapidly expanding informal settlements at the other. Meanwhile, as a new political settlement is forged nationally and locally, there are real opportunities to make shelter a priority issue. In this dynamic context, housing and urban development policy - including equitable compensation for re-locations, construction of affordable housing, and citizen-state dialogue - could constitute a major contribution to a new social policy.

Introduction

Hawassa is a city on the rise. With the construction of a new Industrial Park in 2017 – a flagship Special Economic Zone designed to provide 60,000 jobs and massively boost apparel exports - economic growth and livelihood opportunities have attracted tens of thousands of new arrivals – mainly young women – into the city. Demographic change has also been accompanied by fast-paced political change both nationally and locally, and a generation of new policy makers and officials are now considering how best to address a range of policy areas – including, critically, the demand for housing.

Lessons from Hawassa are of interest nationally and regionally. Although presenting unique characteristics – as the capital city of Southern Nations, Nationalities and Peoples' Region (SNNPR) and the Sidama Zone, a region in the midst of live political debates concerning its very integrity – Hawassa nevertheless presents a particularly interesting 'case study' of relevance to the wider Ethiopian context because it is home to the flagship Hawassa Industrial Park (HIP). As numerous other parks are being developed in Ethiopia and the region more broadly, learning from the experience of how Hawassa manages its housing needs is therefore of wider relevance. The research team recognises the importance of contextual specificity, whilst also hoping to respond to wider national and regional interest in learning lessons from the Hawassa experience.

Critical issues

At this stage in the research, the bulk of primary data collection is complete and four key areas where our findings may be of interest to Hawassa policy makers, officials and civil society have been identified. These findings are based on data collected from April 2018 until the present; profound changes in the political landscape during this period need to be taken into account when considering the current and future trends in demand for shelter and its provision, since new policies, governance structures, financing models and programmes may be under consideration by the new administration.

Imbalance between housing demand and supply

Demand for housing is growing due to the HIP expansion, as well as broader demographic trends. With more than 60,000 workers destined for employment in the HIP, the vast majority of whom are new arrivals in Hawassa, the city clearly needs an explicit strategy to accommodate these workers. Moreover, this surge in demand comes on top of wider demographic trends associated with urbanisation, in-migration and the high fertility rate¹, which in themselves result in increased demand for housing stock.

There are a number of critical constraints to land supply that include land value, lack of available land and government capacity. City and regional governments struggle to provide enough land to keep up with the urbanization rate in Hawassa, largely due to limited financial resources. Compensating farmers for their land, allocating replacement land and settling any other third-party ownership claims is both complex and expensive, in a context of limited revenue. On top of this, Hawassa's topography limits expansion towards the west and south due to the lake, swamp and mountains. The requirements of the Masterplan also prevent the city from allocating large tracts of land to housing. This scarcity of land has led the Hawassa government to develop a multi-storey model that is mandatory for all new government and housing cooperative buildings.

Associated with the scarcity of land, the very high cost of land leases for private purchase and development is a major barrier. Leasehold bid price for housing construction has reached as high as 18,000 ETB (2843 USD) per sq. m, and during interviews city officials described them as "increasing at

¹ A recent study projects a 5.4% urbanisation rate, fuelled both by a high fertility rate as well as increasing rural to urban migration. World Bank Group. 2015. Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia. World Bank, Washington, DC.

a very alarming rate”. As a result, the number of people bidding for private residential land is decreasing steadily.

Financing housing

Access to housing finance for ordinary Ethiopians is highly constrained. Since the mid-90s, the Construction and Business Bank (CBB — formerly the Housing and Savings Bank) has no longer provided long-term mortgage loans. The role of private banks in loan provision for housing construction is highly constrained, covering only short-term loans of up to one year, or for the benefit of the banks’ own employees. Individuals have therefore resorted to financing housing construction through a combination of their own savings, remittances from family and friends (especially those in the diaspora), informal borrowing and microfinance institutions. Microfinance has been focused primarily on housing renovation and, since 2017, for financing dwelling units for the HIP workers. Informal rotation savings such as *Iqub*² financing has also been used for covering renovation costs or small improvements.

Nevertheless, some very limited funds have been ring-fenced by Hawassa municipality to subsidise housing for lower-income groups. In 2006, when the Integrated Housing Development Programme (IHDP) was initiated, Hawassa municipality also started participating in the municipal bond financing system with the Commercial Bank of Ethiopia for winners of the so-called ‘housing lottery’. In Hawassa, between 2013 and 2015, a little over 20 million ETB³ was invested in the IHDP in the form of condominium housing loans. Participants are awarded a maximum of twenty years to pay back the housing loan (with interest) transferred to them from the municipality. To date, in Hawassa town, 3,538 condominium flats have been completed and handed over to the participants of the programme.

However, since 2015 the condominium approach has been largely abandoned by regional city government as a solution to low-income housing demand due to insufficient budget, with the cooperative model being preferred as a lower-cost alternative. From 2016 to 2018, the capital investment plan had a budget of just over 70 million ETB⁴ for building low-cost housing, intended to cover cooperative scheme investment, housing for the extremely poor and infrastructure upgrades to older government housing. However, this is widely recognised as being highly insufficient to meet the rapidly-growing demand.

Responding to land and housing shortages

Cooperatives / housing associations

Cooperatives or organised associations provide one solution that in theory facilitates new housing development to ease the shortage, allows dense occupancy of limited land and provides a subsidised approach to self-build. In effect, this is cost-sharing between government and cooperative members. Since 2015, 109 housing cooperatives have been established in Hawassa. This model of housing development is just one of eight⁵ options outlined within the federal government’s urban development strategy and cascaded to the regions (including low-income housing, and self-building). Recently, the

² *Iqub* is the traditional rotating savings and credit association widespread in Ethiopia.

³ Approx 730,000 USD

⁴ Approx 2.4 million USD

⁵ Eight different housing delivery mechanisms of which the first 4 are carried out with Government support or coordination; these are:

1. Low income housing
2. Condominium Housing
3. Housing Savings program
4. Housing Construction for Special Function (Industrial parks, university staff, etc.)
5. Housing Cooperatives
6. Housing Provision by Real Estate (for high-income groups)
7. Housing Provision by individuals
8. Housing Provision through Public Private Partnership

cooperative housing is the model that the Hawassa city government has prioritised (although this may shift with the new government in place). Some promising guidance is already in place whereby local government can effectively broker wholesale prices on construction materials from the private sector and provide free engineering and supervision advice to cooperative members. In theory, government shares the cost of infrastructure – most notably access roads, power, water supply and electricity. Cooperatives are also able to take advantage of the opportunity for land leases based on the base lease price (non-competitive) for their construction.

In practice, government capacity has been a major constraint to implementing this effectively. Coordinating with finance institutions has been weak; technical support was lacking or inadequate; cooperative members were unable to negotiate good prices for building materials (without the economy of scale that government could have achieved); and cooperative members may not have been aware of government responsibility in this area. The lack of land available for allocation has also been a fundamental impediment, effectively bringing the scheme to a halt as of April 2018 after 70 cooperatives were allocated plots. Moreover, mobilising the prerequisite up-front investment for land allocation, at 50% of the construction costs, is a major challenge for cooperative members. Although often cited as a way forward in urban housing acquisition in Hawassa, the cooperative housing scheme remains beyond the financial capacity of low-income urban dwellers.

Incremental housing

Incremental housing describes the process of adding extra units to the core housing stock in order to provide living space for growing families, or additional rental income. These units must follow a standard structure, built on the ground level within the compound of an existing house. The owner may opt to construct the units using his/her own or family labour in order to reduce cost. Although there is no data available measuring how many such additions have been constructed recently, this approach is widespread and likely to have provided shelter for a large number of Hawassa households, especially as it is a viable and cost-efficient approach. Although the construction of such houses does not conform to a given standard and often lacks a construction permit, it is one of the prevailing methods of meeting acute housing demand for the city's growing population.

Informal settlements

The development and expansion of informal settlements (often referred to as 'illegal settlements' in the Ethiopian context) is not so much a solution as the default option that occurs in the absence of viable, planned alternatives. Rental costs in the city have increased dramatically to unaffordable levels – pushing people (especially women, reportedly) to the outskirts of the city where informal settlements are proliferating. Generally, farmers sub-divide their land into smaller plots and sell them individually to private citizens. In response, the city has regularised some 17,000 households – although large but unknown numbers remain non-formalised. In some un-regularised areas, the land tax owed is paid by the farmers who are the assigned lease-holders of the land.

Infrastructure provision is supplied to informal settlements at a reduced rate but may not be easily accessible. Officials acknowledge a tension between supplying services to informal settlements (“a problem for us in the long run”) which may subsequently need to be re-planned – and the regional state directive to the effect that citizens should not be obstructed from accessing water. Households are meant to have access to a water fountain within a 1.5km distance. However, households who can afford to have door-to-door water supply may pay privately for their own water pipes to be installed.

Households that are re-located to make way for road construction, establishing green areas, construction of schools or other community infrastructure may be entitled to compensation, depending on how long they have been living in the neighbourhood. For those who meet the criteria, the process of relocation involves compensation for any fixed asset or perennial crops, and replacement land. Nevertheless, this process usually entails additional costs for households, including the loss of livelihoods, social networks and transport links, due to lack of careful financial and resettlement management. Non-regularised, informal settlements and those built prior to 2011, are not entitled to compensation if the land on which they are built is required for infrastructure projects, making residents even more vulnerable in these circumstances.

Micro Finance Institution-funded scheme

A specific scheme has been trialed to provide dedicated housing at a pre-agreed and capped rental price to accommodate HIP workers. The Sidama Micro Finance Institution (MFI) has financed the construction of 536 housing units, each with a capacity to host 4 workers, by investing 18.2 Million ETB. According to the deal made by the Hawassa Industrial Park management with the Sidama Microfinance Institute, the owners of the housing units are to rent the units solely to the workers of the park.

Unfortunately, the scheme has faced a number of major challenges that call into question whether this scheme can contribute significantly to HIP needs. Challenges include: high rates of attrition as tenants pull out of the rental agreements for various reasons – including conflict among themselves, disagreement with the landlords and landladies; long vacancy of the units forcing the borrowers to default; and the rental price cap reduction from 1,300 ETB per unit to 1,000 ETB which also undermined the repayment capacity of borrowers.

Dormitories funded by Public Private Partnership (PPP)

PPPs have existed for years, on a relatively small scale, and taking different forms within a range of sectors of Ethiopia's economy. The recent emphasis on PPP is aimed at addressing the huge financial demand for infrastructure projects which were previously financed from the Government's own budget. The Ministry of Urban Development and Construction (MUDC) considers PPP to be one of two key approaches towards public housing (the other being cooperative housing production), although public housing construction does not feature among the 17 shortlisted construction projects approved by the PPP board (which are mainly mega hydropower and road construction).

The SNNPR regional government has reported willingness to push ahead with PPP and work with local, or foreign, investors to address public housing demand, but agreements which adequately balance risk between investors and government are yet to be reached on a significant scale. The new proclamation is likely to help build confidence on the part of both government and private investors to manage risk and work fruitfully together. A private contractor, McKinsey, is currently developing a PPP option as part of the housing solution for the HIP workers. This is being designed as a dormitory model that will host 35,000 Park workers, adhering to ILO housing standards.

A quick look at rental prices in Hawassa

A non-systematic, non-randomised survey conducted as part of this research project concerning household rental expenditure found out that almost half of respondents (n=19) residing in the formal residential areas ranked this as their biggest expenditure, compared to only one sixth of informal settlement residents dwelling in rental housing (n=18).

The same survey found the average monthly rental expenditure is 1353 ETB for respondents in the formal residential areas whereas it is only 384 ETB in informal sites. This is about 37% of the income for formal settlement residents whereas it is 51 % of their income for informal settlement residents considering for both cases only wage income.

Housing that targets women, the vulnerable or hard to reach

Policies exist to provide for greater gender equality, and recognise the intersectionality of gender inequality with extreme poverty and destitution. Our research found perceptions amongst both government and civil society that legal reforms have levelled the playing field for women – at least, within the law – in terms of inheritance as well as the affirmative action policy for public housing distribution, giving priority to women. Women are perceived to be active in the public sphere (participating at community level, for example). Such perceptions amount to an overall sense that from a gender justice perspective, *policy* has improved in recent years.

However, implementation and/or relevance of the above-mentioned policies is questionable or has failed to really close the gender gap. There is widespread recognition that female-headed households are more vulnerable in practice, especially for uneducated women who struggle to pay the rent, and women with disabilities. Due to the inadequate supply of government housing for the destitute, homeless women face almost insurmountable challenges to care for their children, with resulting issues of abandonment and neglect. It is also evident that affirmative action policies on distribution of condominiums or cooperatives is largely irrelevant for the very poor (both men and women) as they are completely unable to afford the down-payments.

In terms of responding to the needs of people with disabilities, various policies are in place that are intended to ensure appropriate provision – but again, implementation is heavily constrained. For example, there are guidelines and architectural designs which are suitable for people with disabilities (PwD), as well as a policy that specifies that PwD be prioritised when there is a re-distribution of government housing. However, local government representatives acknowledge that the implementation of guidelines has been inadequate. Whilst there is evidence that adjustments have been made in particular condominiums to meet the demand of wheelchair users, these seem to be the exception rather than the rule.

Housing for the extremely poor has also failed to materialise. Although the city had planned to build 1,000 houses out of corrugated iron in 2018 for the ‘poorest of the poor’, only 33 had been built in the first six months. A similar low performance has been observed across the other cities of the region. Officials report that allocating the budget, preparing designs, clearing the land of claims and other preparations take a great deal of time and require technical and financial capacities that are usually beyond the reach of the city administration.

Without clearly organised voice, hard to reach and extremely poor groups are unlikely to be given priority in a context where unmet demand for housing is so high. Competing priorities – such as housing HIP workers – are likely to have greater political imperative, as they come with the advocacy of the business community. And yet policy reforms over the last ten years (for example, prioritising women in allocation of condominium housing) suggest that, at least at one level, there is commitment to social justice and leaving no-one behind. Relevant authorities may want to consider ring-fencing finances that are only available to support a gender equality and social inclusion agenda, as a way of ensuring that political will is not somehow diluted and lost at implementation level.

Feedback from stakeholder workshop

Government, donor, private sector and civil society stakeholders gathered in Hawassa on 24th January, 2019 to discuss and share feedback on the issues presented in this brief.

There was consensus that access to land, lack of finances and extremely high demand stemming from migration and arrival of HIP workers are the critical issues shaping shelter in the city today. Many expressed a sense of urgency around solving Hawassa’s housing challenges, and warned that the problem will only worsen as the HIP continues to recruit and expand, and inward migration trends

continue. Recognising this, Federal government representatives confirmed that Hawassa is a priority for government housing provision. Several participants cautioned that shelter cannot be solved by any one actor, and urged greater collaboration between different types of institutions.

Senior officials are hoping to learn more about potential solutions from the final research outputs, including from elsewhere in Ethiopia, Africa or beyond. For example, diverse ways of making PPP work; incentivising private or foreign investment in government-led housing schemes as a means of filling financing gaps; or exploring new partnerships between different types of actors (government, private sector, NGOs, donors). Recent political changes in Ethiopia have led to an openness among officials to consider new ways of working that depart from the “developmental state” paradigm, whilst staying true to the Constitution and core legal protections and principles.

Finally, issues of gender and inclusion attracted significant discussion. Surprise was expressed at the severity of security issues and experiences reported by women living in the poorest settlements in the city, and donors and private investors expressed their ongoing concerns around safeguarding for female HIP workers. Many agreed that a holistic approach to poverty, gender inequality and inclusion is needed, emphasising the transformational potential of economic empowerment for improving shelter options for the poor, women and vulnerable groups.

Next steps

Opportunities and risks of a changing political landscape

Hawassa has historically been known as a city of peace, the melting pot of Ethiopia, where diverse nations and nationalities have co-existed peacefully, and governance has been a shared project. As such, for many years the city has attracted thousands of migrants looking to develop their livelihoods in a relatively secure, economically vibrant and ethnically diverse setting. However, recent outbursts of conflict have challenged this long tradition and history.

As a new political settlement is forged both nationally and at a much more local level in Hawassa, there are major risks but also real opportunities to make shelter a priority issue. An un-resolved and growing housing deficit has the potential to be a major source of grievance for this new administration – or a potential source of legitimacy. As the country embarks on a new reform agenda in both the political and economic spheres, the developmental state approach is losing its importance as the leading political ideology. Current political developments in SNNPR - such as the anticipated referendum of the Sidama Zone and potential further decentralisation and demarcation of new regional states, Zones and Woredas – could have far reaching implications for the emergence of cities and growth of urban centres.

In this context, housing and urban development policy – including equitable compensation for relocations, construction of affordable housing, and citizen-state dialogue – could constitute a major contribution to a new social policy. An open-minded approach to piloting and measuring the success of different housing models, especially those that are accessible to low income and marginalised groups, is key. Co-production, where citizens are afforded greater agency in designing solutions to housing needs, as well as PPP models, could prove to be fertile terrain. This issue will be explored in the final stage of the research project.

This report presents some initial findings from the first phase of research on the overall system of shelter and land access in Hawassa. The research is based on a desk review of available secondary data as well as interviews with key policy makers, private sector operators, real estate agents, civil society organisations and community leaders in Hawassa. Data collection is on-going.



Project Materials

Urban

Keywords:

Ethiopia, urbanisation, informal settlements, inclusive housing, industrial park



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