

ETHIOPIA'S INTEGRATED HOUSING DEVELOPMENT PROGRAMME

The World Bank's Poverty Assessment for Ethiopia celebrates the achievements the country has made in combating poverty. Published in 2014, the Assessment claims that the Ethiopian government's investment in agriculture and public services has resulted in a decade of high economic growth resulting in a decrease in the national poverty rate from 56% in 2000 to under 30% in 2014; this is the second fastest rate of poverty reduction on the continent. The Assessment encourages Ethiopia to further encourage urbanisation to take advantage of the developmental impetus of agglomeration. Rapid urbanisation often results in inadequate housing conditions for those living in cities; the supply of affordable housing fails to keep up with the increasing demand. Ethiopia's solution to this problem, Integrated Housing Development Programme (IHDP), is strangely not mentioned in the Assessment even though it has been a

remarkable attempt by the government to address housing shortages and meet the needs of its population. The IHDP operates on a scale rarely seen in Africa: since when it was launched, it has resulted in the construction of more houses than in the whole of West Africa put together.

The programme's first phase, which ran from 2006-2010, had beneficiaries purchase the housing with a 20 percent deposit and a mortgage loan, provided and securitised by the government, for the remaining 80 percent. The IHDP used various mechanisms to improve housing affordability: the price set for the larger, more expensive units included an amount dedicated to cross subsidise the cost of the smaller units; government provided land and infrastructure; special attention was given to the use of locally available materials, recycling, and import substitution; and the government used its purchasing power

for the entire programme to realise economies of scale in the bulk purchase of construction materials. Additionally, the effort also promoted job creation through the use of small-scale enterprises and labour-based construction methods. Support was given to SMEs in the form of occupational skills training, microfinance, the provision of equipment, and of workspace.

But the first phase also highlighted a number of challenges, common in large-scale developments across Africa: capacity limitations in project management, planning, and logistics; and shortages in affordable, quality construction materials led to delays and rising costs, undermining the efficiency of the programme. The programme was also limited by affordability constraints, as the rising costs of construction took the price of the houses beyond the means of the target markets. The management of the developments after occupancy was also an issue, as was the need to differentiate among the financial capacities of the demand side.

The way in which the Ethiopian government then responded to these challenges in the second phase of the IHDP offers lessons for other contexts. The second phase has run from 2010 until the end of 2014. Critically, the programme offered a segmented approach to meet the needs of different income target groups. It included an early savings scheme to assess and support effective demand, and improved the typologies of hous-



AFRICAN UNION FOR HOUSING FINANCE

This is the monthly newsletter for the AUHF. The AUHF is an association of thirty-nine mortgage banks, building societies, housing corporations and other entities involved in the mobilization of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has a presence in sixteen countries across Africa.



ing provided. While the construction of the housing was financed with a government bond, purchasers of the units could access one of three products based on their savings capacity: the lowest income earners were required to save ten percent of the purchase price and were given a loan for ninety percent – this, for the lowest cost units, offered for purchase at about US\$2000. Larger units could

then be bought either with a twenty percent deposit and eighty percent loan, or with a forty percent deposit and sixty percent loan, with the principle being that higher income buyers would pay higher deposits.

Of course, there were still problems in the second phase: construction quality, the feasibility of the financing approach, the reality of downward

raiding, and the sustainability and efficiency of the SMEs. But the Ethiopian government has been able to do something rarely done: the large-scale construction of housing, including units explicitly constructed for low- and middle-income earners, in integrated developments, as part of a massive, national exercise to address its housing backlog.

IN THE NEWS

Eastern Africa

The Kenyan Ministry of Land, Housing and Urban Development released the results of its National Housing Survey 2012/2013. The survey shows that Kenya faces an annual housing shortage of 200,000 units, that the average urban Kenyan spends 34% of their monthly budget on rent and that more than half of Kenyan's rely on personal saving to finance their home.

Link: <http://bit.ly/1FgyjqO>



Western Africa

Fuller Centre for Housing and Reall revealed the second phase of a pilot development for incremental construction in Nigeria. The development includes 270 units—studio and one-bedroom units. The units will be sold through 15-year mortgages provided by Federal Mortgage Bank of Nigeria (FMBN); as the mortgages are paid off buyers will be allowed to construct additional rooms. The idea of incremental construction is that it provides affordable housing and allows households to build to meet their needs as their fortunes improve.

Link: <http://bit.ly/1BOpC3c>

Dangote Cement's US\$300 million factory has started operations, in Senegal, and will be able to operate at 80% of its final capacity by the end of 2015. The plant will eventually be able to manufacture 1.5 million tonnes of concrete a year and has been developed to supply both Senegal and Mali.

Link: <http://bit.ly/1I3H5vP>

Northern Africa

As reported in the last issue of this newsletter, Egypt is planning to build in a new capital; the entire city would emerge as part of a greenfield development. The Guardian published an interesting article debating whether it is possible for an entire city to built and be successful. It explores many of Egypt's failed attempts to relieve population pressures on Cairo by constructing new cities.

Link: <http://bit.ly/1METczk>

Also in Egypt, the World Bank has agreed to a US\$500 million loan to construct housing affordable residential housing. The loan, which is to be paid back over 5 years, will be managed by the Social Housing Fund and aims to develop 1 million units.

Link: <http://bit.ly/1FgxYo1>

Southern Africa

Namibia has been deemed to have the world's highest property inflation in 2014. The high inflation is the result of tedious bureaucratic systems that is slow to make land available for development. The increasing prices have sparked fears of the prospect

that speculative investments that hope to take advantage of the situation will increase demand furthering inflation.

Link: <http://bit.ly/1C6jQZM>

Zambia Environmental Management Agency approved the launch of a Dangote Cement's cement factory. The US400 million factory, based in the Masaiti district in Copperbelt region, is expected to have an annual output of 1.5 million tonnes.

Link: <http://v.iew.im/MjJbTr>

Member News

Housing Finance Kenya announced a KSH1.4 billion (US\$15 million) for the most recent financial year. The press release by Housing Finance explained that the decrease in net profit is due to an increase in investments to assist subsidiaries. It plans to launch a property management company during the year to assist international and local investors.

Link: <http://bit.ly/1Do6VcO>

Shelter Afrique agreed to finance over 1000 low-cost units in Kenya. The development will cost KSH2.9 billion (US\$32 million) and continues with Shelter Afrique's aim to finance affordable housing on the continent.

Link: <http://bit.ly/1NHlRzp>

The Botswana Housing Corporation (BHC) plans to construct 50 houses, out a planned 200, by September 2016. The majority of houses in the affordable development will sell for P450,000 (US\$46,000) each.

Link: <http://bit.ly/1Ii16Ow>



In Tanzania, the World Bank invested a further US\$60 million in a programme that aims to increase the accessibility of mortgage loans in the country. The funding, from the International Development Association (IDA), is above the US\$40 million

already invested in the programme. The programme will be managed by the Bank of Tanzania and includes capacity development. The **Tanzania Mortgage Refinancing Company (TMRC)** and Housing Microfinance Fund (HMFF) will receive some of the

funds, increasing access to long-term affordable housing finance for Tanzanians.

Link: <http://bit.ly/1DCmsG4>

EVENTS

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| <p>15 – 16 April Annual East Africa Property Investment (EAPI) Summit. Nairobi, Kenya.</p> <p>15 – 17 April 6th Annual Affordable Housing Projects, Singapore. AUHF members get a 10% discount.</p> <p>21 – 22 April Africa GRI, Hyatt Regency, Johannesburg, South Africa.</p> <p>5 – 7 May CORP 2015, 20th International Conference on Urban Planning and Regional Development in Ghent, Belgium.</p> <p>13 – 14 May Housing for Africa Conference and Expo, Sandton, South Africa.</p> <p>19 – 20 May 5th Annual Africa Banking & Finance Conference. AUHF members get a 50% discount! For info contact Ruth: abfc@aidembs.com</p> <p>1 – 13 June International Housing Finance Program, Samuel Zell and Robert Lurie Real Estate Center, University of Pennsylvania.</p> | <p>7 – 18 June Africa City and Urban Development 2015, Sheraton Hotel, Kampala, Uganda.</p> <p>17 – 19 June Marcus Evans 2nd Annual City Development Conference, Cape Town, South Africa.</p> <p>5 – 10 July Micro, SME & Housing Finance Summer Academy, Frankfurt School of Finance and Management. AUHF members receive a 450 EUR discount!</p> <p>29 – 31 July 2nd Annual Affordable Housing Africa, 2 in African Pride 15 on Orange Hotel, Cape Town, South Africa.</p> <p>2 – 4 Sept 29th IUHF World Congress in Rio de Janeiro, Brazil.</p> <p>29 – 30 Sept Real Estate UNITE, Eko Convention Centre, Lagos, Nigeria.</p> <p>Jan – Apr 2016 Post-Graduate Diploma on International Course on Housing and Urban Development (ICHUD), Institute of Housing and Urban Development Studies, The Netherlands.</p> |
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LATEST TWEETS

AUHF retweeted
African Newsbot @AfricanNewsbot · Mar 24
 BHC to Build 50 Houses in Tutume: [Botswana Daily News] Tutume -Botswana Housing Corporation... bit.ly/1Hv0n9N #africa #botswana
 View summary

AUHF @AUHF_Housing · Mar 30
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[iol.co.za/business/news/...](http://iol.co.za/business/news/)
 View summary

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 Penultimate day for the early registration discount for the International Housing Finance Program at UPenn:
housingfinance.wharton.upenn.edu/execed.htm

AUHF retweeted
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 Hopefully lowering the cost of construction in Zambia, Dangote should shortly open their new cement plant
ventures-africa.com/2015/03/dangot...
 View summary