Urban Poverty Alleviation in Ethiopia: Reflections on Government Strategies*

Bikila Hurissa Wolde**

Abstract: Rapid urbanization is a universal phenomenon which is often followed by urban poverty particularly in developing countries. The fact that urban areas in Ethiopia are typical homes of poverty is currently attracting the attention of the government and other development partners. Public policies and development plans of the government are incorporating urban poverty alleviation as an important component. Micro and small enterprises and Integrated Housing development are the most important urban poverty alleviation strategies adopted by the Ethiopian government. By creating employment opportunities, generating income for the urban poor and contributing to the urban development, the strategies are believed to reduce urban poverty in Ethiopia. The purpose of this paper is to reflect on the two urban poverty reduction strategies and briefly assess their achievements and

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** Bikila Hurissa Wolde is a full time lecturer in the Department of Public Administration and Management at Addis Ababa University in Ethiopia. He also provides outreach services including training and consultancy services to the community. His research areas include governance and development, urban poverty alleviation, women and development, and health service delivery in poor regions. E-mail: bik2015@yahoo.com.

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challenges. It begins with an introduction and epigrammatic overview of urban poverty in Ethiopia. It then deals with the analysis of the Micro and Small Scale Enterprises (MSE) and Integrated Housing Development Program (IHDP) as poverty alleviation strategies and finally draws relevant conclusions.

**Keywords:** Ethiopia, poverty reduction, urban poverty, housing.

**Introduction**

Poverty can be defined in various ways and can be analyzed from different perspectives. World Bank (2010) defines poverty as a situation in which people do not have adequate food and shelter and lack access to education and health services. People are said to be in poverty when they are exposed to violence and find themselves in a state of unemployment, vulnerability and powerlessness.

Poverty is the defining characteristics of developing countries in general and sub-Saharan African countries in particular. In these countries, both the urban and rural people exist in poverty of varying magnitudes. Collier (2007) argues that poverty in Africa is, among other things, attributed to low level of education, corruption and poor governance. The large scale rural-urban migration as a result of severe natural and manmade disasters in the former has also contributed to the increase in poverty in urban centers of African countries (Haile, 2007).

Ethiopia, a country with a population of more than 80 million in eastern Africa, is one of the poorest countries in the world by any standard. Though empirical studies indicate that rural poverty is more severe in terms of both intensity and scope, rising inequality and an increasing number of poor in urban areas are concerns of the Government as most of the policy efforts. World Bank (2010) underscores that urban poverty alleviation is getting more attention of the government after 2005 when the government recognized that urban poverty is an equally important issue that calls for appropriate policy intervention.
Ethiopian development strategies for a long time focused on rural areas. The most important development strategy of Ethiopia namely, Agricultural Development Led Industrialization (ADLI), concentrated on supporting small holder agriculture and development through rural economy (World Bank, 2010). The rural emphasis in poverty alleviation strategies emanated from the belief that poverty alleviation activities should focus on places where large number of the poor live. This belief seems to undermine the fact that poverty is multidimensional problem that touches all parts of a society in both urban and rural areas.

The implicit assumption that greater economic opportunities available in urban areas would more easily bring about poverty alleviation in cities is also inappropriate. Empirical studies indicate that the urban poor are more vulnerable to economic problems than the rural poor because of their greater reliance on market both for income generation and to procure basic goods and services. The 2008 economic crisis, for instance more seriously affected urban areas that rely on the market than the rural ones (World Bank, 2009).

In many countries in sub-Saharan Africa, including Ethiopia, there is rapid urbanization where attention to urban poverty is increasingly of an urgent need. This is to say, urbanization of society is followed by urbanization of poverty. According to Ravallion (2001), if poverty urbanizes consistently, then the urban share of poverty will reach 40% in 2020, when the urban share of the population is projected to reach 52%. The urban share of the total number of poor will reach 50% by 2035, when the urban population reaches 61% (UN, 1996). While urbanization may bring some opportunities in general, the poor do not always benefit from this growth. Urban poverty alleviation strategies are therefore critical at this point where rapid urbanization is followed by increase in urban poverty.

Poverty alleviation strategies in Ethiopia need to protect the poor from destitution, sharp fluctuations in income and social insecurity. As the urban unemployed are highly vulnerable to poverty, government strategies should focus on employment creation and income generation
initiatives (Bevan, 2000). Since employment creation is tantamount to achieving the objectives of sustained growth and poverty alleviation (MTE, 1997), measures that simultaneously address urban poverty issues and employment promotion are important areas of government policies and strategies.

In urban areas, poverty manifests itself in various ways. Government strategies should therefore have a multidimensional impact in fighting poverty. The basic needs approach to poverty alleviation (focusing on food, shelter, clothing and other basic needs) can be integrated with income generating and job creation opportunities as a strategy to fight urban poverty from multiple angles.

The purpose of this paper is to assess the urban poverty alleviation approaches of the Ethiopian government and present its achievements and challenges. Micro and Small Scale Enterprises and Integrated Housing Development Program are reviewed in this paper as the Ethiopian government strategies of urban poverty alleviation in terms of their objectives, achievements, and challenges. The situation of urban poverty in Ethiopia is also briefly reflected on. The paper makes use of information from secondary sources such as government reports, academic journals and other published and unpublished materials. Beneficiaries of the integrated housing development program (IHDP) are also interviewed and their views and opinions about the success and challenges of the housing program are incorporated.

**Overview of Urban Poverty in Ethiopia**

Urban poverty is one of the most serious problems in Ethiopia today. Tesfaye (2006) argues that the inadequacy of urban development efforts for over the last three decades has further exasperated urban poverty in Ethiopia. According to Meheret (2002), weak urban governance and management structure, poorly staffed and underfinanced municipal administration, obsolete local tariff revenue structure, critical shortage of trained personnel and declining urban services are
manifestations of poor urban development which contributed to the urban poverty in Ethiopia. Urban poverty in Ethiopia in therefore, reflected in the forms of begging and prostitution, growing number of homeless and street children and increasing trend in youth and adult unemployment (Ibid). This paper is limited to the two important dimensions of urban poverty (Housing problem and unemployment) and tries to reflect on government strategies to fight urban poverty by solving these two critical problems in Ethiopian urban centers.

The level of urban poverty in Ethiopia is 37% currently and is estimated to be growing at 5.5% per year. Out of the estimated total urban population of about 11 million, nearly 4.1 million live in a state of poverty and misery (MoFED, 2002). Addis Ababa, the capital city of Ethiopia for instance, is a typical home of urban poverty. Poverty level in Addis Ababa is estimated at 60% which implies that 1.7 million out of the 2.8 million residents of Addis Ababa are categorized as below poverty line (Asmamaw, 2004). Though there was very little attention given by the government, urban poverty in Ethiopia has been growing at a faster rate than rural poverty.

There is a visible increase in urban poverty in Ethiopia while rural poverty is slightly declining. Between 1996 and 2000 for instance, urban poverty has increased by 11.1% while rural poverty has declined by 4.2% (MoFED, 2002). The implication here is that unless appropriate poverty alleviation policies and strategies are designed by the government and followed by effective implementation, urban poverty will be higher than rural poverty in the near future. This further explains the positive correlation between urbanization and urban poverty in Ethiopia.

Though the depth, incidence and severity of urban poverty are quite high in most secondary cities (MoFED, 2006), Addis Ababa, as the Ethiopia primate city, has become the focus of government attention recently. The government seems to ultimately recognize that the rapid urbanization in major cities including Addis Ababa has resulted in high increase in inequality, unemployment and homelessness in urban areas in Ethiopia. The low level of education and skill development has
contributed to the urban unemployment in Ethiopia. Despite recent efforts, the skill base in urban Ethiopia is still limited by the accumulation of unskilled workers who might not be able to be employed in the higher productivity sectors (World Bank, 2010). This implies that government urban poverty alleviation strategies need to target the real poor in terms of skill development and focus on building capacities of the poor to help them come out of absolute poverty.

Multiple factors contribute to the urban poverty in Ethiopia. Careful identification and analysis of these factors definitely helps in looking for appropriate policy and strategy to deal with the problem. The following are the most common factors that contributed to the problem of urban poverty in Ethiopia.

**Rapid Growth of Urban Population**

In Ethiopia, urban poverty is aggravated by the high rate of urban population growth. While the population growth rate at national level is 2.6%, urban population is growing at the rate of 8% (Zegeye, 2009). Natural population growth and rural-urban migration are the main causes of rising urban population in Ethiopia. CSA (1997) underscores that the rural urban migration is a result to the scarcity of land as compared to the growing rural population and the need for employment and income generating opportunities to support rural livelihood.

The rapid growth of urban population in Ethiopia has a clear implication to both urban unemployment and housing problems which are the focuses of this paper. In the absence of sufficient employment and income generating opportunities in urban areas, fast and unchecked growth of urban population adds fuel to the already high unemployment in cities and aggravates urban poverty. Urban shelter as one of the basic needs is also affected by rapid growth of urban population. Major cities in Ethiopia are more seriously affected by housing related poverty as the housing development and supply in such cities is not commensurate with an alarmingly growing urban population and resultant demand for
residential houses.

**Urban Unemployment**

Chronic urban poverty in Ethiopia is mainly caused by unemployment and consequential lack of income to cover the costs of basic needs for survival. According to CSA (1994), urban unemployment in Ethiopia has increased from 7.9% in 1984 to 30% in 2004 which is a significant increase of close to four times over the 20 years period. Asmamaw (2004) further highlights that urban residents in the youth age category (15-29 years) are more vulnerable to urban unemployment in Ethiopia. The paradox here is that the most productive age group of the urban society is unemployed and is dependent on families. It can therefore be argued that employment creation and income generation in urban areas has a direct impact on urban poverty reduction.

**Weak Urban Governance**

Literature clearly indicates that appropriate urban development has an explicit poverty reduction objective in developing countries. According to Meheret (1998), urban poverty in Ethiopia is exacerbated by absence of capable urban administration that could provide adequate social services and infrastructure to urban dwellers. Appropriate urban governance has also direct relevance to the issues of urban housing and employment generation which are the focuses of this paper.

Urban local governments are fundamentally responsible for an effective implementation of poverty reduction strategies by bringing on board all the relevant stakeholders such as the civil society, the private sector and the public at large. The World Bank (2010) argues that Ethiopian government was characterized by weak urban governments until 2005 in terms of bringing about urban development which would have direct positive impact on urban poverty reduction. Rural and urban development strategies must be viewed as supportive and
complementary to each other. For Asmamaw (2004), the Agricultural Development Led Industrialization (ADLI) that Ethiopia currently applies as its rural development strategy should also consider urban development strategies as a complementary strategy to accelerate the poverty alleviation programs of the government. The next section of the paper deals with the poverty reduction strategies in general and those adopted by the government of Ethiopia in particular.

**Poverty Reduction Strategies**

The World Bank (2007) indicates that poverty reduction strategies provide the basis for development policies in many low-income countries. The strategies clearly indicate the importance of multiple stakeholders in poverty reduction efforts of governments. In addition, they call for an increased focus on country driven specific strategies and programs that involve broad based participation targeting the poor.

In Ethiopia and elsewhere too, poverty reduction strategy papers (PRSPs) generally cover four broad areas namely: i) an assessment of the nature, extent and dimensions of poverty; ii) identification of poverty reduction objectives; iii) Definition of the strategy for poverty reduction and growth, including the selection and prioritization of public actions; and iv) the design of the system to monitor and evaluate the implementation of the strategy (World Bank, 2007). With customized and contextual approaches that different governments would follow, the success or failure of each country’s poverty reduction strategy is evaluated on the basis of the above broad areas.

Poverty reduction strategies in Ethiopia have constitutional foundation. Article 41 sub-article 6 of the constitution of the Federal Democratic Republic of Ethiopia clearly indicates that the state shall provide policies that aim to expand job opportunities for the unemployed and the poor. The constitution (Article 43) further stipulates that citizens have the right to improved living standard and sustainable development. It commits itself to the basic aim of development activities to enhance the
capacity of citizens for development and to meet their basic needs. These generally amplify the fundamental constitutional commitment of the state to poverty alleviation and sustainable development.

Poverty Reduction Strategy papers (PRSPs) focus on urban poverty alleviation through urban development. Plan for Accelerated and sustainable Development to End Poverty (PASDEP) for instance emphasizes urban development policy as a vehicle to reduce urban unemployment and poverty. Tegegn (2007) underscores the interrelated objectives of urban development package including reducing unemployment and poverty, improving the capacity of the construction industry, alleviating the existing housing problems, promoting urban areas as engines of economic growth and improving urban social and economic infrastructure. Employment creation and income generation and solving the housing problems of urban areas which are directly relevant to urban poverty alleviation have exhibited both achievements and challenges so far in terms of actually reducing urban poverty in Ethiopia.

Micro and Small-scale Enterprise (MSE) Development and Urban Housing still continue to be the future central focus of the urban development package of the Ethiopian government. The Growth and Transformation Plan (GTP) of the Ethiopian Government, which will be implemented between the years 2010/11 and 2014/15 also integrates the urban development strategy to poverty reduction and employment generation. The infrastructure development of cities according to the GTP will be carried out in such a way that it can create a wide range of job opportunities and promote micro and small enterprises development. While the integrated housing development program has a goal of alleviating housing related poverty in its own right, it also creates huge employment opportunities and generates income for the urban poor (MoFED, 2010). As urban poverty alleviation strategy, the GTP therefore integrates MSE development with urban low cost housing program on the ground that MSE operators are the major participants in the construction of the condominium houses.
Promotion of domestic savings (by integrating MSEs with microfinance institutions), reduction of slums and improvement of the urban environment as important elements of the Integrated Housing Development Program are all emphasized in the GTP’s commitment to urban poverty alleviation. Recognizing the fact that unemployment of women in urban areas in Ethiopia is more severe (27.2%) than men (13.7%) (Tegegne, 2010), the GTP gives attention to the participation of women in the employment creation and income generation initiatives (MTE, 1997).

It can therefore be argued that the urban poverty reduction strategies in Ethiopia are part of the urban development packages. The constitution of the federal government, all the poverty reduction strategy papers (PRSPs) and the Growth and Transformation Plan (GTP) give due emphasis to urban poverty alleviation through integrated interventions. The plans and strategy papers however, do not explicitly indicate the specific group of society that should get attention of the urban poverty reduction intervention.

**Micro and Small Enterprises**

One of the fundamental strategies of urban poverty alleviation that the government of Ethiopia applies is the promotion and development of micro and small enterprises. Employment creation and income generation for the urban poor are the central goals of this strategy.

**Why MSEs as Urban Poverty Reduction Strategy**

Micro and Small Enterprise development as employment creation and poverty reduction strategy focus on six lines of business activity (Meheret and Tegegne, 2010). These are i) Food and food products; ii) Metal and wood work; iii) Textile and clothing; iv) Construction; v) Urban agriculture and vi) Municipal services. The strategy is believed to have developmental and poverty reduction objectives. Micro and small
enterprise development strategy has several purposes in the Ethiopian context as discussed below.

*Facilitating Economic Growth and Bring about Equitable Development:* it is believed that MSEs are engines of economic growth and equitable development. Since MSEs make use of predominantly local resources and engage in the production of goods and services of mass consumption, they are believed to have developmental role. Moreover, MTE (1997) underscores that MSEs contribute towards a more equitable regional development and distribution of income and wealth on the grounds that they are established and operated at grassroots level. It can be argued therefore that MSEs use locally available resources and contribute to poverty reduction and sustainable development efforts of the government.

*Creating Long-term Jobs:* the informal sector of the Ethiopian urban economy is neither sustainable nor predictable (Bamlaku, 2006). While small and micro enterprise activities have absorbed a large number of unemployed people, they are not always in a position to generate remunerating long-term jobs due to lack of strategic intervention of the government in creating an enabling environment for MSEs. The urban poverty reduction strategy of the government considers skill upgrading programs for MSE operators and strengthening the use of appropriate modern technologies that boost their capacity to create long-term jobs (MTE, 1997). This has a clear implication for alleviating poverty in a sustainable manner in the sense that skill developments as integral part of the MSE strategy build the capacity of the MSE operators and help them generate sustainable and predictable income.

*Strengthening Cooperation between MSEs:* MSEs engage in various sectors that make use of different skills and resources. The Ministry of Trade and Industry underscores that MSEs individually lack the skills and resources to improve their capabilities. According to MTE
(1997) therefore, it would be very important that the small and fragmented enterprises within sectors, regions or other localities be supported to network more effectively in order to jointly address hindering obstacles, take up opportunities and build collective efficiency. Employment creation and poverty alleviation objectives of MSEs are more easily achieved when the MSE businesses are both vertically and horizontally linked with in and across sectors (Tegegne and Meheret, 2010).

Provide the Basis for Medium and Large Scale Enterprises: MSEs provide the seed-bed for growth and stimulate indigenous entrepreneurship. Tegegne and Meheret (2010) underscore that urban poverty alleviation objectives are effectively attained when MSEs provide training for entrepreneurs and managers in such a way that the enterprises can grow into medium and large ones

Promote export: Sustainable urban poverty alleviation is a function of development. The strategy is believed to focus on designing and developing mechanisms that will help MSEs participate in export market especially in leather and leather products, textiles, horticulture, etc., in which the country has comparative advantages (MTE, 1997).

Government’s Role in MSEs

Micro and small enterprises as employment creation and urban poverty reduction strategy enjoy the attention and support of the government. The MSE strategy of the government clearly indicates that the establishment, development and operation of MSE businesses in urban areas will be done under the enabling environment created by the government at various levels. The government has established bureaucratic institutions at federal, state and local levels that play regulatory and supportive roles. The federal and state governments play more of policy and regulatory roles where as urban local governments
play direct operational and supportive roles.

MTE (1997) stipulates the following as regulatory and supportive roles that the government plays in the MSE businesses as urban development and poverty reduction strategy.

*Creating an Enabling Legal Framework:* the government plays an enabling role by issuing appropriate proclamations for the smooth operation of the MSE business. A law on institutional arrangement, inter-linkage promotion law, cooperatives promotion law and micro and small enterprise proclamation law are so far issued by the government to create an appropriate legal environment for MSE operation.

*Streamlining Regulatory Conditions:* the federal and state governments have investigated and accordingly harmonized the existing regulatory provisions such as registration, licensing and taxation in such a way that these provisions can fit to the specific nature of MSEs.

*Providing Access to Finance:* as urban poor do not have the requisite collateral to secure working capital from commercial banks, the government provides collateral for MSE operators and assists them in accessing finance from formal banks. The government also creates linkages between MSEs and microfinance institutions which also focus on poverty reduction and employment creation.

The supportive role of the government also includes incentives schemes, encouraging partnerships, providing training in entrepreneurship and business management, facilitating access to appropriate technology, providing access to market and providing information and advice services.

Although the MSE strategies of the Ethiopian government are committed to supporting the MSEs and play a key role in the urban poverty reduction efforts, the level of support and facilitation that the
government provided is subject to further investigation and analysis. The next section deals with an overview of the achievements of MSEs in terms of employment creation and income generation.

**Achievements of MSE Strategy**

The success or failure of MSE strategy is evaluated from the point of view of its objectives. Employment creation and income generation are the primary objectives of MSE strategy, which have an ultimate goal of urban poverty reduction. The following table shows the number of MSEs and employment opportunities created in the four major regions and Dire Dawa and Harari.

<table>
<thead>
<tr>
<th>Regions</th>
<th>No of MSEs created</th>
<th>Number of Employment Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tigray</td>
<td>1255</td>
<td>48423</td>
</tr>
<tr>
<td>Amhara</td>
<td>55876</td>
<td>136114</td>
</tr>
<tr>
<td>Oromia</td>
<td>9827</td>
<td>179031</td>
</tr>
<tr>
<td>SNNP</td>
<td>4610</td>
<td>32228</td>
</tr>
<tr>
<td>Harari</td>
<td>-</td>
<td>3840</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>-</td>
<td>11344</td>
</tr>
<tr>
<td>Total</td>
<td>71568</td>
<td>410990</td>
</tr>
</tbody>
</table>

Source: Ministry of Urban Development and Housing

As indicated in the table above, the 71,568 MSE businesses created in the six regions have created 410,990 employment opportunities (MWUD, 2009). Though the impact of this achievement on poverty reduction at national level requires a more detailed study, it clearly implied that the MSE program in these regions has somehow contributed to the urban poverty reduction as it created income generation opportunities for the MSE operators and for those who are employed by the MSEs.

The income generated by the MSEs does not necessarily help members come out of poverty. In a study conducted in four major towns,
Tegegne and Meheret (2010) found out that 27% of the respondents receive income below 300 birr per month, which is almost the poverty line in Ethiopia. While females are more vulnerable to urban poverty and unemployment, they are still disadvantaged in terms of income generated from their engagement in MSEs. For instance, Tegegn and Meheret (2010) found out that 45% of the females receive less than 300 birr per month from MSEs which clearly has negligible contribution to the poverty reduction.

Given the current high urban unemployment rate (30%), the achievements of the MSE strategy in terms of reducing unemployment and creating income generating opportunities can be questioned. While the national urban development policy aims at creating 1.5 million job opportunities through the MSE program (Tegegne, 2010), the 410,990 job opportunities created in the six regions of the country should not create any complacency.

With all its limitations in effectively reducing urban poverty and meeting its planned targets, the MSE strategy has shown remarkable achievements which have implications for poverty reduction. As employment creation and income generation approach, the experiments so far have shown the potentials for growth and the directions on which the government should focus. MSE strategy has also witnessed its potential for local resource mobilization for urban poverty reduction interventions. As Tegegne and Meheret (2010) argue, MSEs have emerged as important mechanisms for marketing and distributing goods and services and reach grassroots communities. Successful MSEs have also testified the potential of the strategy for the development of medium and large scale industries. This however is not without constraints. In Ethiopia, MSEs as urban poverty reduction and employment creation strategy are challenged by several factors.
Challenges of the MSE Strategy

The potential of MSEs to reduce urban unemployment and thereby contribute to poverty reduction in Ethiopian urban areas suffers from several challenges.

*Shortage of Capital:* in almost all studies conducted in Ethiopia, MSEs report that financial constraint is the most pressing problem at both initial and expansion stages. Though the MSE strategy document (MTE, 1997) clearly shows the government’s intention to facilitate access to finance for MSEs by linking them with microfinance institutions and adopting MSE friendly borrowing mechanisms, shortage of finance continues to be the most serious challenge for the birth and growth of MSEs.

*Lack of Appropriate Work Premise:* since MSEs operate in urban centers where there is acute shortage of urban land (Eshetu and Zeleke, 2008; Tegegne and Meheret, 2010), they do not have conducive place for both production and marketing of their goods. Work premises that some towns have established as MSE zones at the peripheral areas of the towns, are reported to be inconvenient particularly for displaying and selling their products.

*Shortage of Capacity:* MSE operators do not have sufficient capacity in business development and leadership (Eshetu and Zeleke, 2008). Training and capacity building services provided by the MSE development offices are either insufficient or irrelevant in filling the skill gap of the MSE operators.

*Lack of Access to Market:* MSEs in Ethiopia generally suffer from shortage of market opportunities for the goods and services they produce. World Bank (2009) indicates that dependence of MSEs on government as a purchaser of their goods and services hampers their ability to penetrate the wider market and compete with other firms that produce similar goods and services.

*Low creativity:* MSEs in Ethiopia are involved in redundant
business lines and generally suffer from entrepreneurial skill. Almost all the MSEs in Ethiopia are concentrated in the six business lines outlines in section 4.1 above. They do not explore new and innovative business opportunities that would on one hand provide them competitive advantage and on the other hand meet market demands and solve social problems (World Bank, 2009).

It can therefore be argued that the MSE strategy can effectively contribute to the employment creation and urban poverty reduction efforts of the government only when the above problems are carefully addressed. The potential of the strategy in poverty reduction is unquestionable so long as it aims at establishing and developing MSEs in the direction that they can be productive, competitive and profitable. Urban poverty can be alleviated by creating efficient and effective MSEs that can generate sustainable income of the urban unemployed.

**Integrated Housing Development Program**

**Background and Rationale**

Lack of proper residential housing is another aspect of urban poverty. Major cities such as Addis Ababa that constitutes 26% of the national urban population suffer from chronic housing shortages (Haregewoin, 2007, World Bank, 2009). As stated earlier, the rapid urbanization (for instance 8% in Addis Ababa) has added fuel to the already severe housing problem. The problem of urban housing is attributed to continuous population increase, low level of income of the residents to access better houses, inefficient urban service delivery and inadequate urban management.

Recognizing that about 80% of the urban population classified as low-income group cannot afford housing construction costs and hence have limited access to finance (UN-Habitat 2011; Tesfaye, 2006), the government took the initiative and came up with an integrated housing
development program which has multiple objectives of job creation, urban development, housing provision to the poor and urban capacity building.

The urban poverty reduction aspect of the Integrated Housing Development Program is reflected in the objectives of the program. The IHDP generally has the following objectives which directly or indirectly contribute to the urban poverty alleviation efforts (Haregewoin, 2007; UN-Habitat 2011; MoFED, 2006).

- Improving slum and shanty areas of towns
- Redevelopment of the poorly designed and old public houses at the city centers
- Maintaining the livelihood of the poor in the city center
- Encouraging the use of low-cost construction technology which the poor can afford
- Promoting housing accessibility by developing saving culture among the poor
- Creating job opportunities by promoting micro and small enterprises that would participate in the low cost housing construction
- Building the capacity for urban development by diversifying the construction sector

Each objective of the integrated housing development program as outlined above has important roles to play in the urban poverty reduction activities and is part of the efforts to achieve the millennium development goals. At national level the IHDP aims to construct 400,000 houses, create 200,000 jobs and promote 10,000 small enterprises (UN-Habitat, 2011).

**Achievements of the IHDP**

Although the initial targets of the IHDP are not fully attained, the
program has shown encouraging achievements to date.

Supplying Low Cost Houses: during the PASDEP period (2006-2010), the IHDP planned to construct 400,000 low cost houses as stated above. So far 171,000 houses (43%) of the target are constructed and distributed to low income residents (UN-Habitat, 2011). In addition to making urban houses accessible to the direct owners, the program has also increased the supply of rental houses in urban centers. The houses are supplied at low cost (1000 birr per square meters). The private market would provide the same quality of houses at 2500 birr per square meters. It can therefore be argued that the IHDP has made houses accessible to low income urban residents that would otherwise never have owned home within their life time. The program has therefore created low income landlords and laid foundation for wealth creation of the poor (World Bank, 2009; Haregewoin, 2007; UN-Habitat, 2011).

Increased Income for the Poor: the urban poor who received the low cost houses rent the units to other households and move to cheaper houses in order to generate additional income to cover the requisite installment of the houses and spend for basic needs (UN-Habitat, 2011). Government officials suggest that about 70% of the urban poor who secured the low cost houses rent them out to households who have better income.

Employment Creation: it is reported that the IHDP has so far created 176,000 new jobs for the urban unemployed at the national level (MWUD, 2009). This is 88% of the initial target and hence is a remarkable achievement. In Addis Ababa for instance, 3000 micro and small enterprises are created in relation to the IHDP (UN-Habitat, 2011; Haregewoin, 2007; MWUD, 2009)). By increasing the technical capacity of the participants, IHDP has also positively contributed to the growth of the construction sector and has laid foundation for sustainable employment opportunity of the
urban youth.

Better Urban Governance and Environment: IHDP considers basic urban plan and development approach. This has contributed to two important results. First, it has improved the provision of urban services such as water and sewerage, electricity and roads. Second, it has remarkably contributed to slum improvement and environmental sustainability. In Addis Ababa alone, 120 shanty and hazardous areas are redeveloped contributing to the improvement in the environmental health of the city (Haregewoin, 2007).

Challenges of the IHDP

The integrated housing program faces several challenges which have effects on its ability to attain its objective outlines in section 7.1 above. From poverty alleviation point of view, IHDP falls short of identifying and targeting the urban people who are in absolute poverty.

The Houses are Unaffordable for the Poorest People: The income level of the absolute urban poor does not allow them to access even the smallest house units. UN-Habitat, 2011) highlights the program’s inability to reach the absolute poor as follows:

While the IHDP has the laudable aim of targeting the low-income sector of the population, unfortunately experience has shown that the ‘poorest of the poor’ are not benefiting from the IHDP due to inability to afford the initial down-payment and monthly service payments.

The poorest urban residents who are below the poverty line with no regular income can not afford to settle the down payments and monthly installments. Table 2 below shows types of house units and beneficiary income levels.
Table 2. Unit types and Beneficiary Income Levels

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Monthly income in ETB (USD)</th>
<th>Average Price per M² in ETB(USD)</th>
<th>Selling price in ETB(USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>300 (23)</td>
<td>800 (62)</td>
<td>16,000 (1,230)</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>600 (46)</td>
<td>900 (69)</td>
<td>18-27,000 (1,380-2,070)</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>1,200 (92)</td>
<td>1,100 (85)</td>
<td>33-50,000 (2,530-16,660)</td>
</tr>
<tr>
<td>3 Bedrooms</td>
<td>1,800 (138)</td>
<td>1,200 (92)</td>
<td>&gt;50,000 (16,660)</td>
</tr>
</tbody>
</table>


The various types of condominium houses as indicated on table-2 above are not generally expensive. However, even the smallest type of house unit (studio that targets people earning 300 ETB per month) is unaffordable to urban people who are in absolute poverty with no income. (Haregewoin, 2007) therefore strongly argues that the ‘poorest of the poor’ are primarily excluded from securing a unit because they do not have the financial capacity to pay the required down-payment. Even if they manage to pool resources between family and friends to meet the down-payment, if they choose to live in their unit, servicing the monthly mortgage is difficult if not impossible because the majority have no stable formal employment or income source (UN-Habitat, 2011)

The IHDP arrangement supplies urban utilities such as water and electricity to individual households. Those who managed to secure house units by raising funds from different sources do not afford monthly service charges for utilities in addition to the mortgage repayments. Compared to the low rent and service charges paid in previous Kebele housing, which in many cases provides communal utility services, condominium houses are unaffordable for the urban absolute poor to make initial down payment, settle monthly mortgage repayments and cover the cost of urban services. According to UN-Habitat (2011), this
justifies the fact that many households move out from their units and rent them out to middle income people who can afford the monthly expenses.

Some poor residents who do not afford to individually occupy the house units pool resources to commonly secure a unit and live in the unit together. This results in another dimension of urban poverty causing overcrowding that places additional strain on households, communal areas, and infrastructure and services. In addition to the low quality of life, such living style has serious impact on the health condition of the urban poor who are already vulnerable to several health problems.

Although the four unit typologies of houses (Table 2) were applied in an effort to address affordability, this approach wrongly assumed that unit size would relate to economic capability; that is, the smaller and therefore cheaper units would be occupied by the poorest households. However, experience has shown that the poorest people, who often have large families, do not opt for the small studio unit but the one and two bedroom units (Dercon, 1999; Tesfaye, 2006). The paradox here is that the urban poor with large families who usually prefer large size houses do not afford even the smallest units.

In terms of gender, the IHDP also suffers from affordability problem. According to UN-Habitat (2011), while special provision to female-headed households is being addressed through the 30 percent lottery allocation policy, the reality is that there is a higher poverty level among female-headed households. Many of the poorest households who cannot afford condominium housing are female headed: single mothers, with little formal education or employment. Therefore, because of the affordability problems already mentioned, these women and their children are excluded from development plans.

*Impact on Petty Trading of the Poor:* Recently, low cost condominium houses are constructed on the peripheral areas particularly in Addis Ababa City. Beneficiaries of the IHDP report that the urban poor who used their previous residential houses as petty trading place at the city centers will not have the opportunity
to continue with these activities for two reasons. First, the new peripheral areas are not developed market centers and the urban poor who are moved to these areas do not have sufficient number of buyers of their goods and services. Second, as the condominium houses are four-story buildings where the ground floor is sold to private business operators, the houses on the stairs are not at all convenient for petty trading and the owners are not allowed to use residential houses for business activities. The implication of this on poverty reduction is that the urban poor who used to generate additional income from petty trading in their previous houses are now disadvantaged as a result of moving to the new sites.

*Fairness in Allocation of the Houses:* the commonly used mechanism to allocate the houses to the beneficiaries is lottery method based on applicants’ register prepared in 2004. There are continuous complaints that chances are casted without updating the already old applicants’ register. Since 2004, there are a number of urban people whose social and economic structure is substantially changed. It is often claimed that urban residents who are not currently eligible (high income level and house owners) have unfairly secured the low cost houses. It is also a common observation that people who are currently outside Ethiopia permanently residing abroad are getting access to the low cost houses. This implies that the poverty alleviation objective of the Integrated House Development Program falls short of effectively addressing the eligible urban poor.

**Conclusion**

Urban poverty in Ethiopia is deep-rooted problem which is aggravated by rapid population growth, rampant unemployment and poor urban governance which failed to tackle the problems.

Urban poverty reduction strategies are well considered in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP)
and the Growth and Transformation Plan which is to be implemented in the coming five years (2010/11-2014/15). In both the documents, poverty reduction is the central focus of the urban development program in Ethiopia.

Micro and small enterprises have shown promising achievements as urban poverty reduction strategies in Ethiopia. However, beyond creation of employment opportunities, their clear impact on alleviating urban poverty is not yet visible. It is also learned that the potential of MSEs to alleviate urban poverty is seriously constrained by the problems that the MSEs are currently facing. Effectively solving the problems calls for the participation of multiple stakeholders (government playing a leading role) and this will definitely help MSEs come out of Dependency syndrome and make them productive, competitive and profitable.

In terms of supplying low cost houses, generating employment and improving urban environments, the Integrated Housing Development Program has registered noticeable results. Important lessons are also learned that, if effectively implemented, the IHDP can simultaneously meet multiple objectives. The magnitude of its urban poverty reduction impacts however calls for further research.

The urban poor with no employment and regular income do not afford the low cost houses and this clearly compromises the poverty alleviation objective of the IHDP. Allocation of the house units some how falls short of fairness and there is no mechanism of identifying and benefiting the “poorest of the poor”.

References


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