

A COMPARATIVE ANALYSIS OF SCANDINAVIAN AND ETHIOPIAN APPROACHES TO HOUSING WITH SPECIAL EMPHASIS ON HOUSING TENURE AND HOUSING FINANCE

Wubshet Berhanu

Department of Architecture and Urban Planning
Addis Ababa University

ABSTRACT

Housing constitutes the major part of all cities. Its development or lack of it affects all urban dwellers. In fact, housing condition is the measure of the success and failure of most urban policies. Two of the most important issues in housing are housing tenure and housing finance. The mode of production, owning and disposal of houses involves the making of policies regarding property rights and the establishment of institutions that facilitate implementation.

This paper deals with a comparative analysis of the policies and their results in Scandinavian countries and in Ethiopia. The study shows that there are significant differences in policy formulation and implementation. In the case of Ethiopia anomalies are observed between objectives of policies and the instruments used to effect them. In some cases innovative approaches are initiated but are not followed through. It is hoped the issues raised in this paper will contribute to the debate on housing. Furthermore, it will show the merits of comparative analysis, which are very much neglected in housing studies.

INTRODUCTION

Urbanisation is a global trend where people increasingly settle close together, give service to each other, and increasingly become interlinked and interdependent. Urbanization is also geographical as well as sociological. It involves relative locations of people and activities and the changes in social relations including ways of life. Cities and towns are viewed as centres of civilization, generating economic development, and social, cultural, spiritual and scientific advancement. The link between economic growth and rate of urbanization is becoming more evident too. According to UNCHS [1] rapid economic

growth was recorded in countries which had rapid urbanization in the last 10-20 years. The largest cities of the world are also located in the world's largest economies.

Dwellings constitute a major part of all cities. Dwellings are places where people spend most of their time, where they have strong attachment and where their identity is most expressive. Unlike most other undertakings, the construction of a dwelling and the effort to make it personal place cannot be fully quantified in financial terms. The production of housing involves, among other things, land, building materials, construction skills, finance, and peoples' will. Housing is the major single personal investment for most families. Measures that regulate the location, quality and type of houses to be built, though necessary, usually exasperate the inability to construct houses. This comparative analysis shows how different government policies influence urban housing situations.

OBJECTIVE AND SCOPE OF THE STUDY

The main objective of this paper is to examine the modes of housing developments in Scandinavian countries and to draw lessons for the urban housing problems in Ethiopian. A critical review of the development of housing theories is presented as a prelude to the comparative analysis. The scope of the study is limited to the analysis of housing tenure and housing finance. The choice of countries was influenced by the exposure of the author to the housing situation of the two regions.

FRAMEWORK FOR THE COMPARATIVE ANALYSIS

The vast differences in socio-economic, cultural background, and geographical conditions between Ethiopia and Scandinavian countries make them

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uncomparable directly. The comparison that is proposed in this study is not between individual cases, housing types, housing quality, or preferences of the people. The comparison is rather on theoretical level; the suitability of housing policies to the social, economic, cultural ideas, and institutional set ups in each country and, in retrospect, the effectiveness of the instruments used to implement the adopted policies. Comparative research on policy level has advantages over other types of cross-national comparisons. In agreement with Lunqvist [2] who holds the view that policies are "...links between theories of context-content connections...and propositions about content-consequence relationships..." policy level analysis lends itself to explore environments under which a society operates. It is also assumed that "government policy is the only means for ordering the housing situation which can claim legitimacy among housing actors [2]", hence proper understanding of government policies could lead to a better understanding of the housing problem and its solutions.

A comparative method for the analysis of housing policies proposed by Andersen and Munk [3] is adopted for this study. Andersen and Munk developed a simple model consisting of *objectives*, *instruments* and *effects* to analyse housing systems. Their model is similar to the model developed by Lundqvist [2] and Ambrose [4] earlier. The basic argument of their model is that *political priorities of housing* (objectives) are the basis for *policies* (instruments) and evaluation of the *consequences of these policies* (effects) with regard to their correspondence to the formulated objectives is what should be compared in comparative housing research. Due to limitations on the availability of data and the limited scope of the paper only two of the most important housing policies, namely housing tenure and housing finance, are examined here.

THEORETICAL BACKGROUND

Historical Development of the Housing Question

Historically urban areas have always attracted people for different reasons. Some come to the city in search of livelihood (material or spiritual) others to spend what they earn somewhere else.

However, those who come in search of a better life constitute the majority. Living in urban areas does not only change the type of material possession of people but it is accompanied by a change in social relations. *Urbanity* is most often linked with *civility*, *city*, and *civilisation*. Modern urbanization began with the advent of the Industrial Revolution in the West and spread slowly to developing countries as a result of the globalization of the world economy. At the start, the migration of people to urban areas was in response to calls for factory workers. But it was not long before the balance was upset by unproportional migration. In developing countries, although there is some element of similarity at the start, migration to the cities was not due to the need for productive hands in industries; it was rather due to the false attraction of the city and the worsening situation in rural areas. Most cities (especially capital cities) in developing countries are showpieces of the ruling class, which give false impression about urban life.

Inhabitants in traditional towns build with technics learned from generations. Individuals and closely-knit groups were responsible for the construction of their dwellings and community facilities. Designing total environments started to be a requirement as the diversity of urban activities widened and the level of incompatibility became high. With the advent of industrialization professionals were required to plan for all needs of society, which they were not prepared to fulfil.

Problems of urban housing are as old as urbanization itself. The key issue is that once people are displaced from their place of origin they are deprived of the opportunity to build their own dwelling in a manner that suits their need and within their capacity. Multiple actors are involved in the production and maintenance of housing in urban areas. The working classes of the newly industrialised cities had to accept what the factory owner or the private speculator had to offer [5]. Historical accounts of appalling housing situations indicated the need for government actions to improve housing conditions in urban areas. Some the early examples include Edwin Chadwick's report to the Poor Law Board in 1842; the 1845 Engels' account of housing and working conditions in England, and the Christiana housing study by Eilert Sundt [6] in Norway. Building byelaws were enacted to improve environmental

conditions in housing areas. The history of building regulations is the history of society and its relation to its housing environment. The tension between housing need in urban areas and reality has never been fully resolved since the problem was created. However, the housing question did not become an international issue before the 1950s, especially in developing countries.

Housing Strategies since the Second World War

The international social crisis due to the Second World War, and the success of anti-colonial rule immediately thereafter, brought about rapid urbanization in countries of the south. The south and the north entered into a different type of relationship; a relationship for mutual benefit, albeit unequal, where the south supplied raw materials and the north processed and exported back value-added goods. Production for export brought about changes in the traditional land use. Additionally, movement of people was facilitated by improvements in the means of travel and communication facilities. Urban areas were faced with a surge of migrants in search of a better future. Shortage of housing was an immediate outcome.

Extensive illegal settlements started to develop in and around existing cities and governments were prompted to respond to the problem. The initial reaction of most governments was mostly laissez faire; provision of standard houses for the few while neglecting the majority. Public housing as a solution was tried by governments who had the means and by those who believed in the merits of traditional planning. The involvement of governments in housing provision proved to be inefficient and unaffordable to the majority. Subsequently squatters were regarded as social problems caught in a culture of poverty [7]. Such views encouraged an abolitionist approach and several squatter settlements were bulldozed in many cities around the world. Except variations in detail, the main approach to the housing problem during the 1950s and the 1960s had this global character [8].

In the late 1960s there was a shift as how settlements built by the poor were viewed. Settlements developed outside the accepted official framework of urban development were referred to

as "popular settlement" [9]. Popular participation in housing and the recognition of the rights of already settled citizens to urban services was advanced by academics who studied the merits of self-help approach to housing [10, 11, 12].

Throughout the 1970s the main stream approach to housing was regularization of land, legalization of squatter settlements, subsidies through soft loans and provision of site-and-services in the place of finished housing project of the 1950s. The debate among academics centered on the role of inhabitants and that of the government. Some urbanists argued that, given the opportunity, individuals have the capacity to house themselves and this ability should be recognised and supported [12, 13; 14; 15; 16]. Others viewed this approach as an alibi for the withdrawal of the government from the housing sector; theoretically the government is relieved from the burden of solving the housing issue in a depoliticized housing environment [17; 18]. In later years the relative success of market oriented economies in the north and in limited countries of the south increasingly redefined the housing question as an economic activity.

In the 1980s the main approach to urban development was focused on integrated development projects which aimed at labour-intensive employment, community participation, cross-subsidy by incorporating middle class groups in low income housing projects and in upgrading areas. Affordability-cost recovery-and replicability was given emphasis. But it was found out that still the poor had little chance of access to resources. In the late 1980s and early 1990s there was a general turn to a neo-liberal approach to development focussed on market as the arbiter. The role of the market as an effective mechanism to allocate resources, and price as a means to give value for goods and services dominated development thinking. The market is not seen to be perfect but it is regarded to be better than most other approaches, presumably, in comparison to centrally planned and/or controlled economies. The neo-liberal direction of progress requires less government intervention in the market (*read housing*), privatization of publicly held assets, and an overall policy of enablement for safe operation in a competitive global environment.

The implication of such a shift in development thinking on the systems of housing development is that housing is increasingly seen as a commodity and its production and distribution is governed by the rules of the market. However, in an environment where there is no free and equal entry those who are less privileged at the start cannot gain from the operations of the free market principle. Thus the enabling approach cannot be successful unless it is supported by policies that empower the majority of the population.

The experiences of countries differ: some countries have success stories while others are facing compounded problems of social and economic crises. But generally countries with democratic administration that have instituted proper entitlement systems show better performance in their economies and in the handling of the housing question. This is an all too clear observation: most countries in the south are preoccupied with unrest, high turn-over of administrative personnel, and, as a result of this, short-lived development policies (including that of housing) are the norm rather than the exception. Scandinavian countries have succeeded to solve their housing problem compared to most nations in the world. What are the underlying principles for this high achievement? Would it be possible to apply these principles in other countries with a less developed economy? These issues shall be explored through housing tenure and housing finance policies.

SOCIO-ECONOMIC AND ENVIRONMENTAL DIFFERENCES BETWEEN SCANDINAVIAN COUNTRIES AND ETHIOPIA

Scandinavian Countries

Scandinavian countries (Norway, Sweden and Denmark) are located in NW Europe. They have a total area of about 816,950 square kilometer. Sweden is the largest and Denmark is the smallest in area. Geographically the Scandinavian Peninsula lies between the $55^{\circ}N$ and $71^{\circ}N$ latitude and between the $4.30^{\circ}E$ and $31^{\circ}E$ longitude. The total population of these countries is about 18 million. The proportion of urban to rural population is very high. It ranges from about 85% for Denmark to about 74% for Norway. The climate of Scandinavian countries is characterised

by four distinct seasons. The winter is usually cold and snowy. It is usually wet throughout the year. The landmass in all three countries is dotted with little lakes. They also have a large proportion of their land covered by forest. The topography of these countries varies from more flat for Denmark to rugged for Norway. All three countries have an extensive coastal line.

These countries share much common history; they were under one government (either Swedish or Danish) for a long period of time before the modern states were formally reconstituted. However it is not unusual to trace identity within the parts. Historically Scandinavians are known for their social democratic ideals. The transition from monarchy system to popular rule was peaceful; but for symbolical reasons the monarchy still exists in the three countries. In Norway absentee-feudalism never developed to a stage similar to that of Sweden and Denmark [19]. Therefore, a landed-aristocracy is non-existent in Norway while Sweden and Denmark had significant landed-gentry that built impressive castles. But in comparison to other countries where feudalism had free reign absentee-landlordism was not a dominant feature of these societies.

At present the central government in these countries is very strong but there is much local freedom in the administration of counties. Popular participation is very high in local affairs and democratic accountability is highly esteemed. Unlike ultra-west countries such as the USA, Germany and the UK, national planning is one of the strong instruments of public administration in Scandinavian countries. Economically these three countries are among the strongest in Europe. Denmark has a high output of agricultural products, Norway is known for its oil and fisheries and Sweden is famous for its industrial and agricultural products. The standard of life in these countries is among the highest in the world. They have also one of the highest life expectancy in the world (above 75 years). The difference in economic capacity between social groups is kept under constant check through high taxation and the provision of basic services by the governments. The construction sector in Scandinavian countries is highly developed. The severe climate demands high standard of construction to withstand the

elements, specifically snow and cold. Due to the availability of timber, traditional houses are mostly in timber. Modern construction techniques were developed out of the traditional timber construction system. The construction industry is an important element of their economy. But unlike countries in the south its role is not more than 10% of the GDP [20].

Socio-economic Situations in Ethiopia

Ethiopia is one of the oldest nations in the world. The country has had significant variations of geographic coverage in its long history. It was a strong trading partner of the Greeks and Romans during their high times. The emerging Arabian Empire in the 7th Century insulated the country from the rest of the world; hence its importance to Europeans and the Middle East diminished subsequently. However, the country has maintained a continuous sovereignty for thousands years. Up until 1974 feudal monarchs ruled the country. The 1974 popular revolution did away with the monarchy and a military junta-the *Derg*, took over and ruled the country until 1991. The *Derg* itself was ousted out of office by the Ethiopian Peoples Revolutionary Democratic Front, EPRDF, a loose coalition of ethnic-based groups. Civil strife is the norm rather than the exception for Ethiopia.

corresponding climatic zones: *Dega* (highland), *Woina dega* (Vine-land), and *Kola* (Lowland). There are only two distinct seasons: *Bega* (Dry season) and *Kremt* (Rainy season). Climate is one of the major factors for the different building types in the country.

Urbanisation is a recent phenomenon in Ethiopia. Although the Ethiopian State is claimed to be three thousand years old and had possessed towns of considerable glory during its heydays, no urban culture survived to the wake of the twentieth century. At present the level of urbanisation is about 15% and it grows at an average rate of 4.5%. There is great disparity regarding level of urbanization between regions. Most of the urban population is concentrated in few primate cities. Addis Ababa, the Capital City, alone accounts for about a third of the total urban population in the country. Shortage of housing is one of the critical problems in urban areas while lack of services and poor quality of housing is a concern in rural areas too.

Ethiopia is a museum of cultures: there are more than seventy ethnic groups that have distinct languages, customs and traditions. The existence of several cultural groups living in harmony with nature presents characteristic differences in building types between different regions. Urban house types are basically extensions of traditional

Table 1: Population and urbanisation indicators [1]

Countries	area, km ² (,000)	population (,000) 1975			urban. ization. %	urb. gr. 1975-2000	pop. gr. 1975-2000	Hou. hold growth rate	
		urban	rural	total				1990-2000	2000-2010
Denmark	43.09	4468	739	5207	85.5	0.3%	0.13 %	0.45	0.54
Norway	323.9	3288	1139	4427	74	0.74''	0.43''	0.91	0.99
Sweden	449.96	7482	1490	8972	84	0.4''	0.47''	1.8	1.36
Total	816.95	15238	3368	18606	81.9	(0.48)			
Ethiopia	896.00	9516	54270	63786	14.9	4.54''	2.96''	3.01	3.52

Ethiopia lies between the 3°N and 15°N latitudinal and the 33°E and 48°E longitudinal lines. Due to the high variation in topography the climate is influenced much by altitude than by latitude. Ethiopia is called the *roof top of Africa* because of its highlands. Based on differences in altitude there are three distinct topographical areas and

house types. However, the necessary increase in density due to land and infrastructure economics has brought about considerable transformation in the form of urban houses.

Ethiopia is an agricultural country. Primary production accounts for over 80% of the gross

national product. About 85% of the active population are engaged in agriculture. Coffee, hides and skins and oil seeds are among the top products that earn most of the foreign currency for the country. The building and construction industry plays an important role in the secondary economic activity. Since the fall of the Marxist regime the main economic policy is market oriented. Formal and informal activities have equal share in the economy. The taxable economic base is rather small both in urban and rural areas. The housing situation is a reflection of all these conditions.

HOUSING TENURE AND HOUSING FINANCE IN SCANDINAVIA

Objectives of Housing Policies

The main objective of the housing policy of Scandinavian countries is similar. It aims at the production of high quality living environment for all, promotion of a safer and just society and sensible use of resources to create harmony with nature [20; 3]. The production of housing is linked to the general system of economic activities. These countries have a welfare system that takes care of the less privileged members of their society. The scope of the analysis in this paper is limited to housing tenure and housing finance only. The limit on policy types for the analysis is not meant to imply any ordering of the importance of other policy types that affect the development of housing. The scope is limited so that the issues are analysed in depth.

Housing Tenure Systems

The term *tenure* in relation to housing implies the act and conditions of holding property. The act of holding is related to the ability to pay, and to the system of production and distribution of national wealth. The conditions of holding are related to the manner of administration, the decision-making system regulating the acquisition, maintenance and disposal of property. Security of tenure is a prerequisite for a continued interest to invest in housing. In fact conceptually tenure is related to the culture of a society and the ideology of a government. The main housing tenure systems in Scandinavian countries could be grouped into three: *private ownership*, *co-operative housing*

and *public housing*. The policies related to these tenure types have marked differences.

Private home-ownership

Scandinavian housing policies provide wide tenure choices. These countries pursue a policy of encouragement for the production of houses in a variety of ways. Private homeownership operates in competition with other forms of ownership. Norway is significantly different from Sweden and Denmark on the percentage of private homeowners. At present out of the total housing stock 80% in Norway, 59% in Sweden, and 58% in Denmark is privately owned (Table 2) The figures include private detached houses and joint ownership with an inalienable right of individual owners to their dwelling. According to Rounavaara [21] Norwegians may be categorized as "home-owning" societies and the other two as "cost-renting" societies on the basis of the proportion of owner-occupied housing, the perception of society about, and the role of, the public rental sector.

Home ownership is seen as an integrating element in conservative circles. The main policy instruments used to achieve this goal include accessibility of loan finance, low level of taxation on property, and restriction of state involvement in the housing market. Although dominated by a social democratic party for most of the post-war periods, Norway adhered to this principle while Sweden and Denmark opted for a more public rental housing (thus strongly competing with private home ownership). This also reflects the power structure in these countries. Norway has had a more decentralized structure than the other two countries, which implied high uncertainty to the success of centrally administered housing (20 p.31).

Co-operative housing

Cooperative housing has historical significance in Scandinavian countries. Cooperative housing was started as early as the 1850s as an initiative to the improvement of workers housing. Its significance is still high, especially in Sweden and Norway. According to the Norwegian Directorate of Housing [22] four main types of non-profit making housing agencies could be distinguished in Scandinavian countries:

1. **Philanthropic Associations:** The capital for the construction of houses is supplied by socially conscious people aiming at assisting others. They were the first types of co-operatives in a limited sense of it. They are non-profit making associations, but ownership is not in the hands of the tenants.
2. **Closed Building Societies:** They are either joint-stock companies or co-operative shareholding societies. Would-be occupants contribute to the financing of the houses and when the houses are completed the society ceases to produce more houses. Then it transforms itself to an administrative organization of the developed property. This form of societies was common until the 1930s.
3. **Open Cooperative Society:** This is a shareholding society with a fluctuating membership and capital. It is organized as a *mother society*, which builds houses as long as there are members who need houses; and *Daughter Societies*, which consist of members, selected from the *mother Society* to form a housing scheme. When the houses are finished the daughter society becomes a *closed society* of the type discussed above. The *daughter society* is the real owner of the property; the individual member is neither a tenant nor owner, but has an inalienable right to his dwelling. The member has the right to live, pass on to descendants, or to rent his dwelling unit. Members usually pay monthly rates for the maintenance of the property as a whole. Member are responsible for internal maintenance. The *mother society* takes care of the business management of *daughter societies*, which otherwise are legally independent from the *mother society*.
4. **Semi-public housing societies:** They are not co-operatives, as the occupants would remain tenants. They are alternatives to the direct ownership of the houses by municipalities. They are important partners of municipalities in the development of housing in Sweden and Denmark but not in Norway.

The open form of cooperative housing has enabled Scandinavian countries to keep continuity of experience in housing construction. The larger

unit makes it economical to administer the businesses of the smaller units. It is also easier to plan, acquire land and deal with municipalities during plan approval and service provision. Municipalities are also represented on the Board of Directors and on shareholders meetings thus making it easier to influence housing development.

Public housing

The objective of public (social) housing in Scandinavian countries is to complement the production of quality housing and to provide choices for those who are not able to build their own houses. Public housing does not have a negative connotation as it does in other Western countries. It is neither limited to any socio-economic group nor isolated in location.

The share of public housing in Scandinavian countries varies considerably. Sweden has the highest percentage and Norway the least (Table 2). Public housing is of two types: directly owned by municipalities or owned by non-profit making agencies. The former accounts for a small percentage of the total public housing. For example, in Denmark out of the 20% total share of public housing, only 3% is directly owned by municipalities (Table 2). Municipalities are committed to providing housing to the less privileged in any of these two housing types. However public housing is accessible to all. Municipalities have non-profit housing companies (Municipal Housing Companies, MHCs) which act as developers and managers of public rental housing. The most interesting aspect is the existence of non-profit making private housing agencies: these private companies charge rents based on actual housing cost and not at market value. The operation of these agencies is controlled by special rules.

Housing Finance

The availability of finance has strong influence on housing development. Concepts which view housing as service, or a social good would argue only residue capital should be invested in housing, as it does not produce additional wealth. This model fails to account for the complex economic activities involved in housing development. The success or failure of most housing policies is

highly influenced by the form of financial arrangements in a country. Countries in the south as a whole have scarcity of capital. But, more than the scarcity of capital, the thinking behind the housing finance that excludes the majority is to blame for the poor performance of housing policies. What are the basic principles in Scandinavian housing finance? How successful is the system? The experience of Scandinavian countries on housing finance substantially differs from each other, therefore a country by country analysis is found to be beneficial.

Swedish housing finance

House building as an economic activity was recognized as early as the 1930s. The Social Housing Commission (commissioned in 1933) set out to stabilize house building through various measures such as giving State guarantee to cover interest costs above a certain limit (3.3%), linking rents to construction costs, and encouragement of non-profit housing companies to take over house construction. In all aspects the aim was to stabilize house building without State subsidy [23, p.78-93]. The rise of interest rates led to State subsidy in the 1950s and the situation needed adjustment. In the Million Programme (1965-74) the *Riksdag* adopted a goal of constructing one million dwellings without State subsidy, at affordable price, and at a cost parity between old and new dwellings (*parity loan*).

The *parity loans* policy was amended in 1974 with open interest subsidies. Households in new dwellings were given State guarantee from interest fluctuation above a pegged level (then 3.9%). Another policy that took income tax relief into consideration required homeowners to pay higher interest rates than tenants. In general the subsidy system of 1974 encouraged home ownership considerably, but the increased output worked against the intention of the policy to protect dwelling construction from inflation; it rather stimulated inflation [23, p.89]. The aims of Swedish housing policy of the time could be categorised into three branches using the classification of public financial activity [24]. These are 1) the stabilization branch for counter-cyclical policy; 2) the distribution branch for household transfer, and 3) the allocation branch for investment to fulfill public wants. Various

measures were used to achieve these aims of housing policies.

Swedish housing policy up until the 1950s tried to stabilize the construction of houses by supporting output and bringing down rents. Municipal Housing Companies were promoted for this purpose. The distributive element of the housing policy is related to the transfer of purchasing power from the wealthy to the poor, and is effected through household related subsidy. A family receives more subsidies as its expenditure on housing increases. The allocational function of Swedish housing policies works through differential subsidies based on dwelling components such as size and construction cost. Neoliberals see the market as a remedy to low housing standard. But contrary to the approach that claim "...ear-marking money for investment in and consumption of housing causes more harm than good", some analysts [23 p.92] maintain that the *stabilization and allocation goals* of housing policies results in better housing standards and lower rents through increased housing production. Swedish housing finance is part of the total economic policy of the country. These policies contributed to the continued production of high quality housing and provided easier access to all income groups. The main characteristics of the Swedish housing finance include:

- 1) availability of State loan for almost all types of tenures (prior to 1993);
- 2) a high loan to value ratio of up to 95%;
- 3) subsidies to cover high interest charges of first mortgages and state loans (being phased-out now);
- 4) income tax deduction for home-owners with mortgages;
- 5) long period of amortization (up to 30 years).

Norwegian housing finance

The Norwegian housing finance system is linked to the historical development of its housing policy. The Norwegian Government showed concern for workers accommodation as early as the middle of the 19th century; consequently it established the Norwegian Farmers Housing Bank in 1903. Other

developments include the establishment of the Trondhjem Cooperative Housing Association-TKBB in 1921 and the Greater Oslo Housing and Savings Society-OOBS in 1927. These developments led to the formulation of the Norwegian housing principle by Kielland [19]. In line with the *national federation of housing and saving banks* (HSB) in Sweden, Kielland suggested the formation of the *open cooperative building societies* described above and outlined the possible links between municipal governments and housing cooperatives. Accordingly, municipalities were to procure building sites and the government was to provide finance for loan. The national *cooperative building association* was to construct houses and hand over to *housing cooperatives*. These cooperatives would then be independent legal entities with their members having inalienable right to the residence they occupy and a business plan administered by the mother *cooperative building association*.

The Norwegian State Housing Bank was established in 1946 to facilitate the reconstruction of war damages. The main characteristics of the bank could be summarized as follows. It is a bank for people with normal income not in any way responsible to cater for the needs of special groups. This bank is the most important instrument for the national government to implement its housing policy. There is no other public agency directly dealing with housing. The bank requires down payments in the order of 20-30% of construction cost from personal savings or loans from commercial banks. The bank controls the quality of houses. The amortization period was between 75 and 100 years at the start but it stands at 30 years at present. The bank has a lower rate of interest than free market. It gives loan to an approved type of plan and a maximum size of floor area. The loan is available to all income groups who abide by the plan and size limitation of the housing bank.

The State provides subsidies to needy families through other mechanisms (such as social benefits, tax relief etc.); thus the operation of the State Housing Bank is uniform to all clients. This ensures the production of high quality housing in all municipalities. The easy access to a mortgage loan from the State Housing Bank is credited for

the high standard and high production of housing in Norway.

Danish housing finance

Danish housing policy aims at securing good and sound dwelling for all. To achieve its goal the government mediates between the free market and the residents' ability to pay. Denmark supports new social, rental, cooperative and owner-occupied housing through various systems of subsidies. New social and youth housing, homes for the elderly and cooperative housing receive direct subsidy through low-interest indexed loans. Owner-occupiers receive subsidies through deduction of mortgage interest from their taxable income. Private rental housing does not get any kind of subsidy [25].

Housing allowance is given to tenants who are pensioners or to those whose income is low. Owner-occupiers and persons who live in cooperative housing could also get housing allowance in a form of part subsidy and part loan. Danish housing finance is strongly controlled by the State. The State provides about 4/5th of the subsidies and individual municipalities contribute the other 1/5. The level of rent for rental housing (both public and private) is also State controlled. Rents are fixed on the basis of costs associated with construction and the running of the property.

HOUSING TENURE AND HOUSING FINANCE IN ETHIOPIA

Objectives of Housing Policies

In Ethiopia there is no clearly stated housing policy. However, there are various policies that affect the production and maintenance of housing: land policy, master plans, economic policy, and regulations for property transfer, are *de facto* the housing policy of the country. The content of these policies has been changing from a feudo-bourgeois (pre-1974) to a socialist (1975-1991) and since 1991 to a liberal market principle. There has been rhetoric to support the poor since 1974 but in practice there is no effective mechanism to address the housing problem in general and that of the low-income population in particular. Although the condition of rural housing is as bad as urban housing, it is a one of the neglected sectors in

development policies and in academic studies. Unfortunately, this study also does not shed any light on the situation due to the limited scope of the paper. So the following analysis focuses on urban housing only.

Tenure Systems in Ethiopia

Housing tenure could be discussed on the basis of ownership and the mode of occupation of a dwelling. On the basis of ownership the main housing tenure types in Ethiopia could be categorised into three: 1) *pure private*, 2) *co-operative*, and 3) *public/government housing*. On the other hand, housing tenure based on the mode of occupation of a dwelling is categorised into: 1) *owner-occupied*, 2) *private rental*, and 3) *public rental*. The public rental housing is divided into two categories based on the level of administration, which in turn is based on the rate of monthly rent. Those houses administered by municipalities are rented at less than Birr100/month, while housing of higher rent are administered by a central government agency, the Agency for Rental Housing Administration (ARHA).

The focus of this paper being modes of new housing developments, the ownership based housing tenure system is analysed in detail. The author considers the shortage of housing in real terms compared to the population is more critical than the problem of distribution in most developing countries. Therefore, in countries like Ethiopia, new housing development plays a major role to solve the housing problem. The tenure system that highlights new housing developments (i.e. ownership based tenure), is chosen for the in-depth analysis in this study.

Private home-ownership in Ethiopia

Prior to the 1975 nationalisation of urban lands and extra houses few landlords dominated the housing market in urban areas. They controlled the market through the control of land. Municipalities were not empowered to control developments; there was lack of expertise in planning too. As a result urban areas grew informally. The quality of private as well as rental housing was very poor. The inaccessibility of land led is claimed to be responsible for the production of poor quality

housing for rent [26]. In Addis Ababa, where the effect of urbanization was already evident by the 1960s, about 65% of all housing was rental. Although the government recognized the need to intervene in housing, it did little to improve the situation [27]. The land question was one of the crucial issues that led to the overthrow of the monarchy in Ethiopia.

The nationalisation of urban lands and extra houses through Proc. No.47/1975 had great impact on the development of housing and ownership types. In the spirit of socialism private ownership has to give way to communal ownership. Families were allowed to own only one dwelling house in an urban area of their choice. All private rented houses were nationalised and their administration was transferred to public agencies. Private homeowners were not allowed to rent out their dwelling even if they were to change their place of residence to another town. This highly curtailed the mobility of people. Private house construction for own use was not prohibited but the restrictions on the development of housing for rent and for sale by individuals severely reduced the development of new housing.

The policy on housing during the 1975-1986 period provided pre-emption right to the government. This right was further strengthened by Proc.No.292/1986, which required private homeowners who intend to sale their house to sale it to co-owners or to the government only. Consequently during the 1975-1991 period private home-ownership in the sense of a commodity, was highly regulated. It was only in the 1990s that private homeowners were allowed to sale and/or sublet their dwelling.

In the early 1990s there was a complete change of economic policy in Ethiopia. The private sector was allowed to participate in economic affairs, not least in real estate development of housing for sale and for rent. However the previous policy which enabled home builders to get land for housing free of charge for perpetuity gave way to a leasehold system where land is to be rented for a sixty to ninety-nine years period (Proc. No.80/1993). Individuals could pay the lease fee on a yearly basis whereas developers have to pay in a specified period. Although leasehold system of land is not new in Ethiopia, the newly added cost in the form

of land rent and the inefficiency of the administration to deliver serviced land has an adverse effect on the development of new housing.

Co-operative Housing in Ethiopia

In Ethiopia cooperative housing has a short history. Very few cases were tried in the 1960s; one of them, the *Kolfe Pilot Housing Project*, was initiated, planned and co-financed by the Swedish government. Although highly promoted as part of the collectivization principle of socialist ideology since the 1974, co-operative housing did not become the dominant mode of house production until the second half of the 1980s. On the basis of financing, three types of housing co-operatives could be identified in Ethiopia [28]: 1) *regular co-operatives* (principally financed by the housing bank); 2) *aided self-help cooperatives* (housing development with minimal aid); and 3) *pure selfhelp cooperatives* (those which develop their houses with their own finance). The process of organising housing co-operatives and the development of housing through co-operatives has several stages.

Would-be homeowners register with a public agency either independently or as a group. The government agency creates housing co-operatives according to income level after screening the eligibility of applicants. The government agency prepares house plans and housing schemes. Members of housing co-operatives spend from two to seven years to get land. They also spend several hours in meetings, and to follow up their case with the public agency. Housing co-operatives have no freedom to choose sites. The public agency acts as a liaison between housing co-operatives to be financed by loan and the Housing and Savings Bank or the present Construction and Business Bank. In the case of externally funded housing projects (like the World Bank), a project implementation office may supervise construction, facilitate acquisition of building materials, co-sign payments for contractors, and finally supervises the allotment of units to members of the co-operative. However, there are several variations to the development of housing through co-operatives. Some co-operatives distribute undeveloped land to their members and individuals act as private developers; others construct basic units in common and distribute the unfinished houses to members.

Once the houses are completed or land is distributed to members the link between the public agency and individual cooperatives ceases to exist. Members of a housing cooperative collectively administer the housing site and in principle they are also collectively responsible for the repayment of loans advanced to individual members. The title deed remains in the name of the housing cooperative until all payments are settled.

The drawbacks to co-operative modes of housing development are many: Long waiting time to get land discourages members, thus the attrition rate before acquiring land is high. Most often fringe locations are chosen for co-operatives because they require large land area that cannot be found in developed areas; thus they have to bear the cost of developing infrastructure and every day transportation costs. The construction of houses takes long time, hence houses are more costly due to inflation in cost of materials and labour. All houses have to be completed before distribution to members; thus early occupation of completed houses is not possible.

Public Housing in Ethiopia

The main objective of public housing in Ethiopia is not to make housing available to those who are unable to rent at market rate. The task of agencies dealing with public housing is mainly the administration of existing public rental housing. The existing public housing consists of predominantly the nationalized housing stock of pre-1975 period. Public housing accounts for about 27.5% of the total housing stock in the country (Table 2). *Kebeles* and municipalities administer houses that are rented less than 100 Birr/month (about \$12/month) while the Agency for Rental Housing Administration (ARHA) deals with public houses of higher rents.

Public housing would not have had any significance without the nationalized houses. Due to the shortage of public funds very little was constructed by the government since 1975. On the other hand, it is ironical that most of the housing constructed by the government is unsuitable to the way of life of the majority or they are beyond the capacity of the vast majority to rent. For example, a significant proportion of the high rise apartments

in the Capital City serves business activities mainly due to the high rent.

Housing Finance in Ethiopia

The housing finance system in Ethiopia is poorly suited to the economic capacity of the majority. The Construction and Business Bank CBB- (the former Housing and Savings Bank-HSB) was established in 1975 by merging two parastatal financial institutions (Mortgage Company of Ethiopia-MCE and the Imperial Savings and Homeownership Public Association-ISHOPA). HSB was the only bank that gave loans for house construction from 1975 until 1995. The basic characteristics of the bank and its loan terms exclude the majority of the population.

The Housing and Savings Bank was accessible to those with formal income, whereas over 50% of all economic activities are informal in the country. It is more accessible to cooperative housing than to private house builders. Since its reorganisation into CBB, it is more accessible to business construction than to housing. The capacity of the bank is also very limited, so it cannot lend for many people at a time. Consequently, the amortization rate is limited to a maximum of 15 years or to 55 years of the borrower's age, whichever is shorter. This pre-condition raises the equity capital required from borrowers.

The allowable ratio of loan-to-value of construction is limited to about 70% of construction cost. Furthermore, floor, wall and ceiling finishes are left out of cost calculation as a means of reducing loan capital. This makes the quality of houses very poor. Prospective homebuilders are required to have insurance scheme for the money they borrow from the bank. The administration of loan is highly bureaucratic, approval of loans and releasing of interim payments take long time. In fact interim payment is released only after completion of a certain part of the construction with own capital. The inefficiency in loan administration has repercussions on construction cost.

In Ethiopia, municipalities normally control house plan. The housing bank's task is limited to controlling the compliance of borrowers to the approved plan. At present the Construction and

Business Bank has no preferential interest rate for housing. In fact, the only reason why a homebuilder would go to the CBB is due to the lack of capital at other lending institutions. As a result of the inaccessibility of loan most housing construction is informal with informal source of finance.

LESSONS LEARNT FROM THE COMPARATIVE ANALYSIS

The analysis of housing policies in the two regions has revealed the main characteristics of policies: the relation of policies to the socio-economic situation in each country, the types of measures used to achieve the objectives of policies and the overall consequences on new housing developments. In the following sections the basic tenets of housing tenure and housing finance policies and their consequences on the development of new housing in the two regions will be summarised. Reasons for the success in one context and the failures in the other will be explored. Finally possible ways of improving the housing situation in Ethiopia, both at policy and implementation level, will be suggested based on the lessons from the Scandinavian countries.

Lessons from the Analysis of Housing Tenure Policies

The three tenure systems analysed for the two regions show marked differences. The obvious effect of tenure policies is observed on the composition of housing by form of tenure in the study countries (Table 2). Ethiopia is seen to have the least percentage of private housing (pure private and co-operative housing) while Norway has the highest. The figure for Ethiopia does not show the proportion of pure private and co-operative housing; but it could be noted that a high proportion of the housing built after the nationalisation of urban land is through self-help housing co-operatives. The proportion of rental housing is least for Norway and highest for Ethiopia; rental housing is highest in Ethiopia compared to all Scandinavian countries. The private rental housing in Ethiopia is mainly subletting rather than renting of complete houses. Public rental housing in Ethiopia comprises mainly the nationalized *kebele* administered houses. "Other" implies housing whose ownership

is tied to work place and parastatal institutions; it constitutes a significant proportion of the housing in Ethiopia.

effected without proper compensation to the original owners. Thus there was no initial development cost to the public agency; but still the

Table 2: Comparison of housing by form of tenure [20; 29; 3; 30]

	Norway	Sweden	Denmark	Ethiopia
Private ownership	59%	42%	54%	44%
Co-operative	19%	17%	4%	
Private rental	18%	17%	22%	20.4%
Public rental	4%	23%	20%	27.5%
Other		1%		8.1%
Total	100%	100%	100%	100%

The percentage of owner-occupied housing to that of rental, especially public rental housing, could be a useful indicator of housing problems in a country. The administration of rental housing is an expensive and ineffective operation, especially when handled by public agencies. Furthermore, when there is scarcity the allocation tends to be highly selective. Therefore the accessibility of rental housing to those groups who have less capacity to demand services will be very low. In a globalised economic situation where mobility is highly needed owner-occupied housing has drawbacks. Even then as observed in Scandinavian countries, promoting owner-occupied housing seems to be a useful direction to address the housing problem. Mechanisms for promoting owner-occupied housing will be examined later.

In Scandinavia public housing has equivalent quality to other types of housing, whereas in Ethiopia the quality of public housing (especially the *kebele-administered* housing) is very poor compared to private housing. In both situations public housing does not have negative connotation. In contrast to the situation in Scandinavian countries, non-profit making private housing agencies do not exist in Ethiopia. When public housing is constructed in Ethiopia it is not usually for the low-income group either.

In contrast to the situation in Scandinavian countries that built public houses to meet certain demands, most public housing in Ethiopia was not constructed by municipalities or any other government agency. Most of the current public housing in Ethiopia is composed of the nationalisation was

system could not keep the stock in good condition due to the artificially fixed low level of rent and very low collection rate. Public housing in Ethiopia is basically the administration of existing stock. It is not part of new housing development system in the country. Public housing in Ethiopia is accessible to all income groups; this situation unduly provides subsidy to those who do not deserve it. Access to public housing will be possible only when previous occupants leave a house for various reasons. The low rent and the limited quantity of public housing has also encouraged the development of partisanship in the allocation of housing.

In contrast, in Scandinavian countries the difference between the monthly rent of public housing and that of private rental housing is marginal. Subsidy is provided for needy families not through the reduction of rent but through other mechanisms. New public housing is developed to fulfil social obligations for descent housing for all income groups. The development of rental housing is intertwined with other sectors of the economy; so there is cross-subsidy across the system. Non-profit making private organisation contribute to the development of rental housing. This eases the administration and maintenance of public housing in Scandinavian countries.

Therefore, the decision is between having decent, efficiently administered, sustainable rental housing with reasonably rated monthly rent and that of having low rent, and an eventual loss of the housing stock due to lack of maintenance. In both cases there are limitations on the accessibility of

housing to the low-income group. The first option excludes low-income households from the very start while the second becomes accessible to few due to limitation of quantity and loss of stock due to deterioration. The Ethiopian Government has recognised the problem, an agency for the sale of government houses was set up to deal with the crisis. But the agency seems to be in a dilemma; it has not done anything since its foundation in 1995.

Housing cooperatives in Ethiopia are of the *closed building society* type; each co-operative builds for its members and ceases to be productive. Unlike Scandinavian housing cooperatives, there is no clear mechanism to share experience between co-operatives in Ethiopia. The existence of the public agency involved in the organization of co-operatives is justified simply for the purpose of monitoring the allocation of land. In fact with the introduction of the leasehold system for land and the abrogation of the preferential interest rate for homebuilders, there is no clear reason for the public agency to register and organize co-operatives. There is no effort to improve the way co-operatives are organized. For example the main difference between the recent co-operative law (Proc. No.147/1998) and that of the one it intends to replace (Proc. No.138/1978) is the enlargement of types of co-operatives. In fact, it is paradoxical for a socialist government skilled at creating hierarchical organizations not to have done so for housing co-operatives in Ethiopia.

In Scandinavian countries co-operative housing policies aim for social integration whereas the manner of organising housing co-operative in Ethiopia promotes socio-economic group segregation. In fact, the co-operative mode of housing development could be the best option to make planning more responsive to future user needs. Lack of knowledge of future users has been recognised as one of the causes for the failure of development planning. But this knowledge has not been utilised effectively.

Lessons from the Analysis of Housing Finance Policies

The system of housing finance in Scandinavian countries and in Ethiopia shows marked differences. To start with Ethiopia had a very short

experience in banking. It has also a very acute shortage of capital. The informal economy is equally competitive with the formal one, but due to the formality required by municipalities, its role is not well recognised. However once land is allocated the share of the informal economy in housing development is highly significant. In an effort to learn what makes Scandinavian policies on housing finance effective and that of Ethiopia less effective, the differences in the policy environment between the two regions are summarised below.

1. The loan to value of construction ratio in Ethiopia is much lower than that in Scandinavian countries. This is one of the reasons for the poor quality of new housing units in Ethiopia.
2. Access to loan is very limited in Ethiopia compared to the situation in Scandinavian countries. People with irregular income in the informal sector do not qualify for loan; but the informal economy accounts for a substantial part of the economy.
3. State guarantee for fluctuation in interest rate was removed in the early 1990s in Ethiopia whereas it is not yet phased out in Scandinavian countries. Currently there is no difference in interest rate between the CBB and other commercial banks in Ethiopia; there is no special bank to cater for the needs of homebuilders.
4. The amortization period in Ethiopia is half of the period in Scandinavian countries. This reduces the number of eligible borrowers dramatically.
5. Access to loan without security bond is limited to co-operative housing in Ethiopia while it is open for all tenure types in Scandinavian countries.
6. Loan administration is highly bureaucratic in Ethiopia than it is in Scandinavia.
7. It is almost impossible to secure loan for maintenance in Ethiopia while it is even possible to get subsidy for maintenance in Scandinavian countries.

8. In Ethiopia subsidy to new housing construction is channelled through the provision of free land to all income groups (or through leasehold but without down payment of lease fee) whereas subsidy in Scandinavian countries is selective and direct. In Ethiopia the subsidy to the poor through land is usually usurped by the middle and high-income group before house construction or immediately afterwards.

CONCLUSION

The preceding sections have shown the main characteristics of the housing policies of Scandinavian countries and that of Ethiopia. The level of development of Scandinavian countries and that of Ethiopia is markedly different. It is argued here that it is possible to deduct lessons from the analysis of policy environments in widely differing contexts. Developments in the built environment seem to be more as a result of the collective action of society (i.e. of government policies) rather than individual initiatives. This view is in keeping with the urbanisation process that is seen to impart similar consequences worldwide. In urban areas the development of land is controlled in various ways by governments. Public policies influence not only formal developments but also the types of informal developments indirectly. Thus lessons could be learnt from the analysis of systems of policies in different socio-economic situations.

There is great difference of experience to deal with urban problems in the two contexts. In comparison, Ethiopia experienced an upsurge of urbanisation in a faster rate than Scandinavian countries. The present state of housing in Scandinavian cities is the result of improvements over centuries. The wealth in built-form is one of the largest assets of these countries, whereas in Ethiopia every thing has to be constructed anew. But the existence of cities worldwide that had passed through similar conditions presents a wealth of information thereby sparing countries in the south not to pass through similar phases of development. Studies similar to this one are meant to serve such a purpose.

The main reason for the success of policies in most countries is related to the freedom that citizens

have on the formulation and implementation of policies. This holds true for all development activities, not only for housing. A stable government is one that is democratic and accountable, one, which adjusts measures to suit the needs of citizens. It should also plan for the direction of development in the future. Scandinavian countries are one of the stable democracies in the world. By contrast Ethiopia is one of the volatile places in Africa with strifes of different kinds since time immemorial. In such situations governments are preoccupied to ensure their own existence more than any other social concern. This influences the measures to be taken on all issues, including housing developments.

The comparative analysis of the housing policy environments of Scandinavian countries and Ethiopia has shown that in Scandinavia housing policies are people-centered. The different policies are followed through up to implementation. Evaluation of effectiveness is also an integral part of the policy system. Adjustments are introduced wherever and whenever needed. Whereas in Ethiopia housing policies are not explicit in the first place, and implementation is very poor due to administrative and financial shortcomings. The effects of policies are not timely evaluated thereby making adjustments too expensive.

RECOMMENDATIONS

The following recommendations could be deduced from the analysis of housing tenure and housing finance systems in the two regions. In the following recommendations only housing policies dealt in the analysis are included due to the limited scope of the paper, but the recommendations should be seen in the context of other policies such as land policy, planning and building standards, and general development policies.

1. Accessibility of loan

The main success of Scandinavian housing policy, especially that of Norway is due to the arrangement to provide access to housing loan to all tenure types. This may require a large amount of capital; but it could be built up slowly. Different approaches could be used to improve the

accessibility of loan for housing. If it could be ascertained that money borrowed from a bank is solely used to build a house, the building itself could be a security, thereby reducing the need for a high proportion of equity capital. Systems that consider those who already have property as the only safe clients perpetuate present economic class differences. Given the chance the poor seem to be equally enterpreneurial as observed in the different mechanisms that they employ to solve their housing problems.

The accessibility of loan could also be improved by promoting saving and credit associations. The traditional mutual aid associations (such as the *iqub*, *idir*, and *debo*) could be assisted to perform housing developments. Currently these associations are mostly informal in the sense they are not registered public associations. But if they are given legal status they could act as building societies. The government could also channel public pension fund to the housing sector. This would enable homebuilders to get softer loans. Increasing the amortisation period of mortgage loans would increase the accessibility of loan to low income households. Gradual improvement in the loan to value ratio would also enable the development of better quality and greater number of houses.

2. Making subsidy selective and direct

Subsidy will be more effective if it could be selective and direct, like in Scandinavian countries. It should not be in a form that could be transferred to another person easily. The subsidised public rental housing is providing subsidy to those who do not need one. Public agencies should withdraw from general housing operation (both ownership and administration) except for catering to special social groups. If subsidy is to be given then it should be equitably distributed among those who are in similar economic position. The current system rewards those who have a foothold only.

Municipal subsidies could be in a form of serviced land, technical services, and the sale of building materials at cost value. The leasehold system of land could also have variations for different income groups. High-income groups could get land at market value, middle income groups at cost and low-income groups at a subsidised rate. But,

unless the general land allocation system is efficient, higher in-come households will displace low-income households. Regulations could be used to curb the transfer of subsidies in housing. These regulations may provide the minimum time for the original holder to transfer his property, and the annulment of any form of power of attorney in subsidised housing. It is also possible to provide tax relief for first time homebuilders. These recommendations will require changes in the way the formal and the informal system are organised.

CONCLUSION

3. Integration of informal activities within the system

Housing is part of the economic activity that families engage in. Informal activities are the manifestation of failures in public policies to be responsive to real situations. Informality may be a direct response for the need to survive but others may use it to gain illegal advantages. To the extent possible all activities should be formal. Making the registration of licenses easier, raising the basic taxable income and reducing taxation rates could smoothen the transition from informal to formal operations. If the proportion of formal operations were higher than that of the informal it would enable the government to get more revenue, which in turn enables to provide better services. It would also be easier to plan subsidies effectively.

The recognition of informal operations in housing development would be useful to alleviate the housing problem. Experience elsewhere suggests that informal settlers could be advised to meet official planning requirements. But in situations where land is publicly owned, like in Ethiopia, such advice amounts to encouraging illegality. Therefore, the government itself should facilitate the allocation of serviced land more readily to the different economic groups through various mechanisms. Real estate developers could be provided with raw land to service and deliver to potential homebuilders. The government could control the transaction.

4. Formation of National Association of Cooperatives

The existence of national association of cooperatives has great advantages. It reduces construction cost by availing experience and by

operating as a contractor at cost value. It can manage the business of individual housing co-operatives with reduced overhead cost. National association of co-operatives could enable municipalities to influence urban development effectively by reducing discussions to one body instead of separate housing cooperatives. Cumulatively this could contribute to the quality of housing on a national level. The establishment of national association of co-operatives could share the burden of municipalities by organising prospective homebuilders, by providing important planning data for housing development, and by facilitating compliance to planning and building regulations.

5. Formation of National Society of Tenants

Similar to the housing co-operatives tenants could benefit by having a national society. The formation of a national society of tenants is not meant for a direct political aim but to improve housing upkeep and also to negotiate the amount and terms of rents. The formation of a national society promotes formal operation in rental housing. It could also promote better ways of urban governance by enforcing good-neighbour principles among tenants.

**6. Stabilisation-Distribution-Allocation
function of Government: Market correction**

The government should intervene in the development of housing to stabilise the cyclical effects of the market, to redistribute wealth more fairly, and to allocate funds in needed sectors of the economy. The government should have a policy of promoting housing development by providing incentives to developers and by acting as developer in critical cases. This could be possible by establishing non-profit making public housing organisations or by promoting national non-governmental organisations. Mechanisms for the redistribution of wealth include cross-subsidy in housing development, tax relief for first time homebuilders, and capital gain tax on property. Public fund could also be allocated to sectors that the government wants to promote thereby inducing activities in that sector. The development of key services such as roads, water supply, and public facilities could promote the development of housing in an area. The free market approach does not guarantee fairness in housing, especially in

economically backward countries. Therefore the government is expected to intervene to ensure the smooth operation of the market without unwanted polarisation in society.

7. Utilisation of research findings

It is advisable that housing studies be initiated and the findings from the studies be used to revise policies. Policies should also be revised at shorter time intervals than it is the case at present. Urban governments and departments dealing with the development and maintenance of housing should share experience from other cities in the country as well as from cities in other countries.

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END NOTES

1. The term *South* and *North* is category of countries according to the level of development of countries. It is a replacement for the earlier category of *first, second and third worlds* which signified division between *West* (capitalist) and *East* (communist) blocks and those which do not belong to none of the two. It is also a substitute to *developed (industrialized)* and *developing country (least developed)* subgrouping which was/and is common since the 1970s. UNCHS' 1996 Global Report consistently used the *north-south* term to categorize countries.
2. Scandinavia is a common term used for the NW region of Europe occupied by Sweden, Norway and Denmark. In some cases it also includes Finland, Iceland and Faeroe Islands. For the purpose of this paper Scandinavia denote the first category of countries only.

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