A GENERAL OVERVIEW OF HOUSING SUPPLY IN ACCRA AND THE ISSUE OF AFFORDABILITY AMONGST CIVIL SERVANTS

BY

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ABSTRACT

Housing provision in most cities and towns in Ghana for civil servants has been the responsibility of the Ghana government. The reason being, Ghana's pursuance of socialist ideologies which had at its core, public-sector housing provision. This became the defining line between the development of urban Accra and pre-colonial rural Accra. But with time, housing provision has experienced many changes due to the implementation of the Structural Adjustment Programme (SAP) in 1983, an International Monitory Fund (IMF) economic reform. The target on housing in the economic reform was to deviate from government's heavily subsidized housing supply in urban Accra for civil servants through privatization towards a capitalist market mechanism. Thus, making housing a commodity rather than welfare good. This gives rise to the issue of affordability. Affordability however has been the most difficult preposition to home ownership amongst civil servant households in urban Accra.

The research seeks to give a general overview of housing supply in rural and urban Accra, the impact of the Ghana government housing reform through the SAP on civil servants and the issue of affordability in a city that has experienced tremendous population growth since independence. The research further seeks to find out what could be the potential drawbacks in the provision of sustainable housing development. Finally, it assesses potentially adoptable strategies to build and operate effective public housing system through the establishment of non-profit housing organizations to promote affordability.

Key Words

Housing supply; Housing demand ;housing production; Housing
Affordability; Public Housing; Private Housing; Housing Subsidy; Non-for-
Profit housing organizations.

Word Count

10 900

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CHAPTER 1

1. INTRODUCTION

1.1 BACKGROUND.

Housing in Ghana traditionally has been compound housing. These traditional housing in Ghana takes the form of compounds occupied by households related by blood or marriage into a single cohesive unit. On a national basis, 48.9% of all Ghanaian households live in accommodation associated with the compound (44.5% in compound rooms), another 25.3% live in separate houses and 15.3% reside in semi-detached houses. (Kasanga, 2000)

Characteristic of the design in rural Accra is the tendency to have one end of the house containing bathroom(s), kitchen and latrine(s). The bathroom is often a small room with a drainage hole. The toilet may be a pan latrine or an inefficient water tank draining to a septic tank. The kitchen is often no more than an open shelter and is utilized generally for storing cooking utensils, while food is prepared and cooked in the courtyard. Any of the above may or may not have a tap, or a tap may be found in the courtyard. (Gyasi, 1994)

The compounds have generally been constructed by informal builders (with help from owners and their family members) on relatively large plots to which owners have traditional land rights.

However, after independence from Britain in 1957, Ghana adopted socialist stance which sought to take care of welfare needs of her citizenry

of which housing was paramount. In addition the impact of urbanization and commercialization of some property rights broke the cohesiveness that characterized compound housing. (Tipple and Korboe, 1998).

But over time, as Accra began to urbanize, and with the setting up of the Ghana Civil Service with housing incentives, an interesting migration patterns emerged. According to the 2000 to the Ghana Living Standard Survey(GLSS 4), about 38% of migrants moved to Accra for employment reasons, but 43% stated they moved to Accra for family reasons. This caused the population of Accra to increase at a fast rate and thereby put pressure on the housing stock. As a remedy to this problem, government aims at an average annual increase of housing stock of 1.5% of the 857000 existing stocks between 2000-2005, elimination of current backlog by year 2010 and the replacement of non-upgradeable housing stock of 1% per annum. (GLSS4, 2000)

Furthermore, a country's development is mostly based on its economic performance. Unfortunately, Ghana suffered from political instability to a great extent which rendered it economy close to a 'write off'. Therefore as part of the economic recovery program, initiated in Ghana to put the dwindling economy back on track, the International Monetary Fund (IMF) required the Ghanaian government as a prerequisite for loans to privatize or sell out existing public housing owned by the State Housing Co-operation, state enterprises and institutions.

The purpose of the housing reform is to ensure that, the former housing providers (State Housing Corporation) would no longer bear the full responsibility of housing provision and seek means to disengage from public housing through the promotion of home ownership. It is mainly a politicized issue of burden shedding, as government seeks to de-link itself

from huge investment demand for new housing and high maintenance cost on the existing house stock, worsened by a poor maintenance culture in the Ghanaian social fabric.

The target of the reform programme is to introduce a market mechanism into a heavily subsidized housing system, and transform housing from welfare good to a commodity. These goals were to be achieved mainly by selling publicly owned dwellings to the sitting tenants, and establishing modern housing market via the private sector.

However, Ghana, one of the Highly Indebted Poor Countries in the world (HIPC) has the public sector or government as the sole employer of civil servants. As a characteristic, income levels amongst these civil servants are generally low .This presupposes that in the event of a sale to a sitting tenant, even at a discounted price, it would be difficult for that tenant to pay off before retirement. Furthermore, since there is no longer public housing stock in the housing provision system it will hardly be possible to satisfy one's housing needs if one is unable to buy or rent in the private housing market. Affordability has therefore become one of the major obstacles to home ownership amongst civil servants be it rental or purchasing.

Affordability amongst civil servants thus remains a dream rather than a reality. This is because given the relatively low salaries, high house prices and the lack of financial tools to bridge the gap it may take many years of structural adjustment for home ownership to become a reality for most households in a market –oriented system (Rosen &Ross, 2000).

1.2 RESEARCH AIM &OBJECTIVES

The aim of this report is to provide possible solutions to the shortfall in housing supply in Accra and assess the issue of affordability in housing amongst civil servants.

The report will further outline the major draw backs in reform policy and analyze potentially feasible and adaptable policies which might help alleviate the problem of housing provision.

1.3 RESEARCH SCOPE

The report will focus on the nature of housing supply in Accra and the issue of its affordability among civil servants.

1.4 RESEARCH METHODOLOGY

The research methodology to be used will be the application of data mostly gathered from literature reviews from earlier authorships on housing in Ghana and Accra in particular .A sizeable amount of the data from this research will be via the phone through informal interviews based on questionnaires as current information concerning this subject matter is hard to come by (and) which is why, the use of secondary sources of data will be employed. Amongst them are writings by renowned authors such as Gyasi, 1994, Kasanga, 2000 and gazettes from United Nations Commission on Human Settlements as UNCHS 1995 & 1996.

The information gathered through this research will be illustrated through tables and logical economic analysis to arrive at the contextual situation in Accra.

Because Accra is a unique but unisolated case, attempts will be made to make a cross disciplinary analysis while keeping to the core content of the research.

Emphasis of the research will be on urban and rural housing in Accra and analysis will be done thereof. As a result of unreliable and limited data on housing in Accra and Ghana the research will as much as possible also focus on analytical research based on existing data with a view to arriving at a concise overview of the housing situation in Accra and how affordable they are to civil servants.

Based on the data collected on the topic and the critical analysis of the demand and supply of housing, a focused examination and investigation of the supply and affordability of housing in Accra and their affordability to civil servants will be done. Strategies to stymie the situation will be delved into. Finally, conclusions and and recommendations based on the findings will be done.

CHAPTER 2

2.1 INTRODUCTION TO HOUSING IN GHANA

In recent years many cities of the world including Accra in Ghana have been facing problems of one scale or another including crime, homelessness, pollution and over population. One of the most intractable problems has been housing production, access and affordability of houses and maintaining existing stock in habitable condition in Ghana. In spite of national and international efforts aimed at developing appropriate shelter policies and strategies, no effective remedy has been found to cure housing ills (UNCHS, 1995, 1996). Nowhere is this contradiction seen more vividly than in the cities of the developing countries where population growth has exceeded their capacity and ability to provide basic shelter. Ghana is one such country where the problems of population growth vis a vis limited housing production are starkly demonstrated. Recent estimates show that given the combined effect of the level of housing deficit from previous years and the rate of population growth, Ghana needs 1.2 million housing units by the year 2005. To achieve this target, some 133,000 new housing units must be delivered annually. However, only 25,000 units are produced annually, leaving an unsatisfied annual demand of 108,000 units. (Adjei-Mensah, 1998).

2.1.1 ACCRA

From a humble beginning as a small fishing town, Accra the capital city of Ghana is undergoing a great deal of metamorphosis (Quarcoopome, 1993; Konadu-Agyemang, 1998). Like many cities in Sub-Saharan Africa, it is experiencing a rapid rate of growth. Indeed its rate of urbanization makes it one of the fastest-growing cities in West Africa (United Nations Centre for Human Settlements, 1999). According to the most recent census figures given by the Ghana Statistical Service (GSS, 2002), the 3000000 population of Accra metropolis grew at 5.3% per annum an increase of 159000 between 1984 and 2000.This is not particularly surprising, given the continuing primacy of Accra, and its consequent attraction to the country's internal migrants. Population projections envision a city of 4 million people by 2020. One visible expression of this growth is the spatial expansion of the city's limits over time.

Government in an attempt to curb this higher than expected demographic growth rates coupled with increasing rural-urban migration which invariably has pressured an already overstretched housing stock situation became in the early 1970s, the main instigator of public sector housing development in the city through the construction of bungalows for senior public and civil servants as well as housing estates by public and quasi-government institutions. Residential development had been proceeding in a concentric pattern, emphasizing the development of new lower-income housing in the western part of the city. Government housing policy, however, has so far been unsuccessful. New housing production— especially by the state, quasi-government and private

sector institutions and individuals—increased at a slower pace than population growth, leading to more and more housing shortfalls. To emphasize this, the UNDP and HABITAT (1992) put the rate of growth in the housing stock in Accra between 1984 and 1990 at a mere 1% per annum.

Further developing this is the response to the more liberal conditions of the Structural Adjustment Programme (SAP), a programme that sought to revive an economy that had suffered a downturn. SAP saw the expatriate community in Accra increase in size as a result of the attraction of foreign investors. This adding to an already expanding middle class intensified pressure on housing demand on one hand whilst on the other hand increasing the financial resources available to pay for new housing supply.

Due to the liberalization of the financial sector, which enables foreign currency transactions, monies originating from Ghanaians working abroad can be used for investment in Accra housing. Indications are that Ghanaians in 1996 alone remitted US$276 million from abroad (Briggs and Yeboah, 2001). The effect of this scenario of remittances from abroad has been seen at the upper end of the housing market, private developers building houses that can cost up to US$390,000 or more for a four-bedroom house for a wealthy local and foreign clientele in exclusive suburbs (e.g. The Trasacco Valley Estate in East Legon). In some instances, new gated-community housing developments with resort amenities (e.g. Royal Palms Estate in East Airport Residential) are being built to cater for non-resident Ghanaians. The housing market, coupled with Ghanaian's dream of home ownership has yielded significant returns for property investors, but this certainly has relegated such groups as low-income civil servants who cannot raise such sums to the background.

In view of this, most civil servants are prepared to build in areas that are unserviced, in anticipation of future service provisions, and to speculate on lower land costs in these areas (Briggs and Yeboah, 2001). This has contributed a great deal to building without permit. Estimates suggest that up to 50% of all buildings erected went up without building permits (Yeboah, 2000).

Obtaining land has always been a complicated process in Ghana because of the traditional land tenure system, whereby much of the land belongs to tribes and is superintended by chiefs or family elders. Anyone not a member of the land-controlling family is considered a "stranger" and consequently has to pay higher fees than the family to obtain land for housing (Gough and Yankson, 2000). Ironically, the relaxing of these notions and the emergence of market forces in real estate both promote more land speculation, making access to land even more difficult and expensive for the civil servant whose income is nothing to write home about.

As a result, the Accra housing market has witnessed a rise in the proportion of residents in rental properties to 64%. Rent control laws (e.g. PNDCL 138 of 1986), which stipulated the amount of rent that can be charged by landlords, acted as a disincentive for the production of rental housing for the low-income group. However, in the current de-regulated economy, rent laws pertaining to rent levels for certain categories of housing have proved generally ineffective. A plethora of building codes, with origins in the colonial period, mandates minimum plot sizes, layouts, and construction materials (sandcrete blocks with corrugated iron sheets or asbestos as roofing materials), further constraining the building of affordable houses.

Moreover, mortgages are not available to most residents because interest rates over the past five years range from between 15 and 30% and a minimum down payment of 20% is expected. The high cost of housing vis a` vis the average worker's wages ensures that homeownership remains beyond the reach of the vast majority of Accra residents. As a result over 60% of Accra's residents live in overcrowded, deteriorating, low-income rental accommodations in places such as Nima, Sabon Zongo and James Town without basic amenities (sanitation, proper roads, drainage, water and waste disposal systems (Pellow, 2002). Up to 40% of all renting households rent two to three rooms (Konadu-Agyemang, 2001) and more households rent single-room accommodations.

In the 2000 Population and Housing Census, 57.4% claimed ownership of their dwellings (40.4% in Accra). Two percent of households lived in public property, set aside as rentals for civil servants, and private employers provided housing for 4.5% of formally employed households. Also, 22% said they were renting their dwellings (37.5% in Accra). Another 19.5% were living rent-free (20.5% in Accra).Households comprising this latter group probably know the head of household and/or landlord and are exercising their kinship rights.

2.2 INTRODUCTION TO HOUSING SUPPLY ISSUES IN ACCRA.

The components of housing supply land, finance, building materials, labor, infrastructure, and the regulatory framework-are dealt with briefly below in order to establish the context within which housing developers work in urban Ghana. It has been argued by many academics and staff at the World Bank (1993) that the effectiveness of housing supply is so closely tied up with these components that by enabling the efficient supply of each the supply side will be able to cope with an existing demand.

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2.2.1 LAND

As documented by Bentsi-Enchill, 1964; Ollennu, 1962 the means of land allocation and leasing in Accra, are done through the owning bodies –the chiefs (Mantsemei)/stools, fetish priests(wulomei),quarter heads (akutseiatsemei) and family heads (HUDA, 1990). While there are some areas where stools gained the rights to allocate land (particularly in Labadi), most quarter heads have remained in control of their land. There are also some land-owning families. This rather complicated set of often overlapping land allocating entities, has led to many clouded titles with the subsequent delays in development, legal costs, and multiple payment for the right of use of the land.

Speculation does not appear to be practiced on a very large scale in Accra, although it was more common in the 1970s. An average speculator tends to hold only two or three plots and concentrates on the choicest locations and government land (East Legon is particularly notorious in this respect). The prevalence of land litigation in Ghana is likely to be a major deterrent. The few real estate developers who are active are substantially expanding their acquisitions, even in the face of an official ban on grants of Accra stool lands since February 1991. Hearsay evidence suggests that a small number of foreign nationals, mainly Arabs, are speculating on a small scale in land.

Further commercialization of community and ancestral land in Ghana is becoming increasingly common; from pure tribute before the 1960s, drink money has become a notional market price in modern times. In areas

where the demand for residential land has outstripped the pace at which the planning authority prepares its sector lay-outs, land-holding chiefs are resorting to preparing their own (parallel) layouts.

While the frustration of such land-holders is understandable, the practice worsens an already confused situation in which land documentation is grossly inadequate and litigation rife.

Ministry of Works and Housing records show land litigation cases in Ghana increased from 13 000 (recorded in 1991), to 16 000 by March 1993. Among the main reasons adduced by Lands Commission officials are:

- the complexity of title transfer and processing procedures;
- joint inheritance practices, and the resulting need to negotiate with several parties rather than with one owner;
- multiple allocations by chiefs: such practices are essentially fraudulent, since chiefs have accurate information on the status of plots within their jurisdiction;
- In some cases, litigation arises because of boundary disputes.

2.2.2 FINANCE

The World Bank recently reported that, among the countries for which it had relevant data, Ghana had the highest house-price to income ratio. (World Bank, 1989).

In this context, it is particularly serious that formal sector housing finance is virtually non-existent; indeed the formal financing sector is relatively poorly developed. It must be emphasized that, while several factors may be responsible for this state of affairs, the poor economy, high construction/purchase cost/income ratios, the absence of a proper

housing "finance mechanism", non-availability of loan capital ,high interest rates, income that has not kept pace with high inflation rates, bottlenecks in the supply of building materials and increasing cost of building materials and building lots have all been blamed (Konadu-Agyemang, 1990; Tipple &Willis, 1991;Diko & Tipple, 1992; Becker et al., 1994; Tipple et al., 1997; Konadu-Agyemang, 1998).

In a survey carried out by Tipple &Willis (1991), it is reported that only 10% of the nation's money supply (estimated at 88 billion cedis in March 1993) was immediately available to the formal banking system (about £9m). This presupposes that, though people may be poor on average, there is a substantial volume of cash in the informal sector which could be utilized for development purposes. But the difficulty has been devising truly encouraging interventions, to attract such latent capital for low-income housing investment. Therefore to date, government intervention in housing finance has been ineffective in serving the vast majority of people.

But the mid-1980s, witnessed improvements in economic performance as a result of the government's adaptation of IMF tough SAP measures as a prerequisite for further donor lending. But all these measures have been dampened somewhat by the double burden of debt servicing and deteriorating terms of trade. Currently, the major thrust of government housing finance is the Home Finance Company (HFC). Lending portfolios of other public housing finance institutions (Bank for Housing and Construction and the First Ghana Building Society) are altogether negligible.

Incorporated in mid-1990, HFC administers three main schemes at present:

1. The 5-year pilot scheme for which applicants are required to purchase their housing new from registered real estate developers. Budgetary provision has been made for some 3000 dwellings under this scheme at a concessionary real interest rate.

2. The non-resident scheme under which expatriate Ghanaians, particularly those in Western Europe, are being encouraged to own homes in Ghana. The real interest rate for this category is 4.5%.

3. The uncompleted house scheme which allows applicants to take loans for completing outstanding works. Again, the real interest rate was 4.5%.

By 26 July 1993, applications under the pilot scheme (1) totaled 884 (worth 6 million cedis each), of which 800 had been approved (worth 4-5 million each) and disbursements had been made to 339 (worth 2 -6 million cedis each). The gap between approvals and disbursements is deemed to be due wholly to developer delivery shortfalls. The borrowers were all public servants, owing to the certifiable income requirement in the collateral clause, and about 90% had institutional assistance from organizations such as the Ghana National Petroleum Corporation, the Ghana National Procurement Agency, the previously American-owned Volta Aluminium Company, and the Posts and Telecommunications Corporation (Tipple et al., 1997).The inflation rate used for interest determination is that declared by the Statistical Service in its combined CPIs. From project take-official in October 1991 up to July 1993, the rate applied averaged about 18% per annum, thus loans were charged for at 21±23% per annum.

Konadu-Agyemang (1998) argues that, HFC is seen by its officials primarily as a viable financial enterprise; they have no delusions of its being a major

lender for low-income housing activity. Policy-makers, on the other hand, have often advertised HFC as the long-awaited solution to the problems of low-income housing finance. In July 1993, the bank rates for borrowing ranged between 29 and 38%, with the lowest values reserved for agricultural investments and the highest values applicable to the construction sector. (Government of Ghana, 1997)

Therefore, registered private developers (the only suppliers whose products are acceptable to the HFC) in search of economic viability find it necessary to build for upper sectors of the market. Thus, their houses are only affordable to public corporations and individuals with very high incomes.

2.2.3 BUILDING MATERIALS

During the 1970s and early 1980s, there were grave problems in obtaining building materials. In 1980, for example, cement could be obtained at a government-controlled (subsidized) price through official channels which were very slow (but open to corrupt payments), or through the black market at about 20 times the controlled price. In either case, shortage was endemic. Now, however, although it is reported by the World Bank (1990) that there is a routine shortfall in cement supply, building materials can be obtained reasonably easily and there are many retail outlets in the major towns.

Closely linked to the above is the use of cement on site.From personal experience on site, the majority of sandcrete blocks are produced by small-scale entrepreneurs using labour-intensive production methods and moving from site to site. Often, the sand used is contaminated making

mixes weak by textbook standards. The standard mix required by regulation is 1 part cement to 6 parts sand, but some use 1 to 9 so that one 50-kilo bag of cement is used to produce 25, 125 mm blocks (i.e. 125 mm thick 300 mm high 450 mm long). More commonly, the cement is stretched even further to get about 35, 125 mm blocks from a bag of cement at 1 part cement to 12 parts sand. Though most blocks are compacted satisfactorily in purpose-built manual presses imported from overseas, a few manufacturers simply pat the damp mix into shape in wooden moulds. In such instances, compaction pressures can be very low indeed. Notwithstanding the inadequacy of curing practices and the routine presence of contaminants in sandcrete mixes, the blocks produced have, so far, proved quite adequate for low-strength applications such as simple, single-storey house construction.

Corrugated aluminum has replaced corrugated galvanized iron as the roof cladding material of choice. The micro-concrete tile has been popular since its introduction in the late 1980s, but its use is restricted to high-cost housing because its weight implies a need for more elaborate wood framing. As timber is increasingly valuable as an export, sawn timber for extensive rafters and purlings has become rather expensive in recent times. Ultimately, this has led to a situation whereby, for low-income households at least, the micro-concrete tile roof is not a realistic alternative to the traditional metal roof.

2.2.4 LABOUR

Generally construction labour is relatively easy for a house-owner to obtain. Skilled labour is typically engaged by recommendation. In the case of unskilled labourers, the prospective builder will either advertise his

need verbally (through friends and/or relatives) or he will rely on the skilled hands he has engaged to provide the required number of labourers.

Porterage on building sites is dominated by (though not exclusively reserved for) women, who are cheaper to employ and less demanding, possibly from a local perception that women are less efficient on manual jobs. Unskilled labour is daily-rated at 1200±1500cedis, with the lower rate paid for work with materials such as soil and building blocks and the higher rate paid for (heavier) concrete mixes. On sites with all-male labourers, 2000 Cedis more common. Masons earn about 2500±3000 cedis for a day's work 3000±3500 cedis for master builders; 4000cedis for relatively highly skilled technical school graduates able to read and interpret drawings). Equivalent rates apply for carpentry and joinery works. Workers are typically paid daily (at the close of work). The work-day on building sites usually runs from 7 a.m. to 5 p.m. with a short break (about 30 min). On sites where all workers are paid daily rates (still the most common approach adopted in house construction), the owner will either undertake the supervision personally or ask a trusted relative to do it on his behalf.

Alternatively but less common in house building, the owner may invoke a phased- task contract (PTC) system in which workers are contracted to complete a specified piece of work for an agreed sum, irrespective of the actual time input. The contract is normally taken on by a master-builder who will recruit and pay his own wage-workers. Typically, a sum will be advanced by the owner to help the master-builder to discharge his financial responsibilities.

A common practice in the PTC system is to break the entire job into three phases: firstly, to the completion of the substructure; then up to the lintel; and finally, to the conclusion of the entire works. Three distinct quotations

will be provided by the contractor to cover the three separate phases of construction. Each of these three phases will generally be paid for in two equal installments (at the commencement and on completion of the contracted task). Skilled artisans and supervising foremen are commonly paid in installments for PTC work.

For simple construction works, the master-builders are reasonably competent in terms of their building skills. However, the way in which their fees are determined is arbitrary, often owing more to the perceived income of the client rather than the cost of the job; a rich client will be asked to pay more than a poor one.

2.2.5 HOUSING SUPPLIERS: OWNERS AND RECENT BUILDERS

From past experience of working in Ghana, it is known that households will give very different answers to questions about income and expenditure. Indications are that income questions will produce figures which only average say 40% of those on expenditure. Therefore in using renters as a comparator group, one would expect house-owners to have higher household income than renters and, between owners; recent builders to be better off than non-recent extenders when they first built.

This latter assumption arises because owning is becoming more expensive in urban areas in developing countries. In terms of household income, recent extenders might be expected to be better of than non-recent extenders. The need to extend suggests housing stress, possibly from a larger household, but also the ability to fund the building of an extension. Various schools of thought argue that owners generally have higher household income than renters, while renters have higher per capita incomes than owners largely as a result of their smaller household sizes. Owners in Accra are generally better off than in the other cities and towns of the country.

However, the argument about the higher income of recent builders rests largely on the commercialization of land; it is interesting to compare these household incomes with land costs. Peripheral plots cost about one mean household income in Kumasi and between 1.3 and 3.3 in Accra. But the reason for recent extenders not having higher income than owners who have not extended may be that owners who are less able to build a large house all at once build part of the house, move in, and then continue to build later. This is analogous to the kind of incremental building which is described by writers such as Turner (1972 and 1976) as the method by which enterprising low income households maximize their housing investment by building incrementally as and when funds are available.

2.3 DEMAND AND PRICE ISSUES AFFECTING HOUSING SUPPLY IN ACCRA

2.3.1 SUBSIDIES

Rent Controls, a subsidy carried by landlords are probably the main subsidy affecting poor residents. PNDC Law 138 of 1986 forbids landlords from raising rents without prior approval of the Ministry of Works and Housing. LI 1318 of 6 March 1986, which raised official rental levels 10-fold but still fixed them at very low levels (300cedis for a sandcrete room in a shared house), had a tenure of one year and has therefore, expired, in theory.(Government of Ghana,1997)

However, the rent courts continue to determine cases on the basis of rent levels stipulated in that legislative instrument. In tenancy adjudication at the Accra Rent Office in 1993, for example, it was ruled that the landlord had no right to charge more than 410 cedis for chamber-and-hall

accommodation (a suite of two rooms) (Daily Graphic, 30 August 1993: 1). The land-lord had demanded C5000 from the tenant.

New rent controls have certainly influenced the supply of rental accommodation, but probably not as much as previously thought (e.g. in Malpezzi et al., 1990; Tipple and Willis, 1991), because of the non-pecuniary nature of most rental housing supply in Ghana. In emphasizing supply motivation, many of the landlords compared to those in Mexico City, of whom Gilbert (1993) states: "landlords *are not greatly concerned about the low rents they receive because their main reason for building is to own property*."

2.3.2 RENTS AND ADVANCED RENTS

According to the World Bank, Ghana is considered a low rent regime, in which mortgage financing is lacking for all but the wealthiest urban dwellers. Advance rent has, since the mid 1980s, became an important way for owners to raise money to invest in extending their houses. An accumulated number of months' rent are now demanded both from new tenants and currently in residence as a substitute for subsequent monthly payments (Tipple et al., 1997).Hearsay evidence throws more light on the fact that some landlords are increasingly asking prospective tenants to build the required rooms (or else advance the full construction capital), the cost of which is then billed against monthly rent values. This they do by negotiating satisfactorily the rent payable between them. (Landlords and tenants).

It is worth mentioning that, rent officers hold the view that it is not unreasonable to evict tenants who insist on paying rents at the unrealistic levels prescribed in PNDCL 138/LI 1318 (both of 1986), because the legislation has actually expired even though it is still being applied by some authorities.

Korboe, (1992) predicts that housing could become more marketable if it made economic sense .This is supported by the rate at which residential rooms are being converted to commercial use (service workshops, retail and whole sale outlets, etc.) in areas that have recently become accessible (as a result of the road improvement programme). In areas where demand is high, there are many reports of eviction to allow such conversions to be effected; in family houses along principal streets, some rooms have been swapped so that street-side rooms are now held by the more prosperous who are able to invest in commercial ventures. Often, these members would convert their rooms to commercial uses and rent rooms elsewhere. General house improvements are sometimes provided by would-be converters as a means of encouraging the co-operation of resident members and unwilling family heads.

2.3.3 HOUSE RENTERS IN ACCRA

According to Malpezzi et al.,(1990) and Tipple and Willis,(1991),a characteristic feature of renters in Accra is a small household.

This demonstrates that, renters tend to be in an earlier stage of their lives than average. In this context, one would expect that, in comparison with owners, renters would have smaller house holds with lower household income, (using expenditure as proxy for income) but higher per capita income. Further developing this, Malpezzi et al., (1990) revealed a ratio of 1.5 children per renter household and only 0.6 children per adult. This is evident in the mode of occupancy as renters mostly occupy only one room per household typically, in a multi-habited house (usually in compound form) in which they share services with all households.

One would therefore expect that renters would pay relatively little in rent. Despite the apparent collapse of the rent control regime operated until

the late 1980s, monthly rents are very low at only 1900cedis (£1.9) in Accra, Rents per room are also very small (less than 1500cedis ±£1.50 per month).This presupposes that, rents represent a very small percentage of household incomes in each urban area (with means ranging from 2.04%in Accra).

Further developing this, the UNCHS (1993), indicates that rents in Sub-Saharan Africa average 10% of income. In Ghana however, rents have been controlled by central government fiat since 1943. Even though controls are now effectively in abeyance, rents are still very low in international terms (Tipple, 1988; Malpezzi, 1990; Malpezzi et al., 1990; Willis et al., 1990).

While alternative better accommodation is undoubtedly difficult to find, Korboe (1993) holds that renters are not expressing a desire for more space, but rather an acknowledgement that their rooms are under-priced. It is obvious that many households should be able to afford considerably more housing than they currently consume, or that households could afford to pay considerably more for their current accommodation. Most households are probably well aware that they are crowded but care little to do anything about it.

One way in which more rent is now being paid is illegal rent advances, introduced from 1986 onwards (Malpezzi et al., 1990) and now demanded from renters by most landlords. Even though the amounts are not large in international terms, they are hard for low income households such as civil servants to gather together. In addition, they are paid not only by movers, but also by sitting tenants in place of monthly rents. In view of this, many employees are now making their contribution towards housing as periodic payments to cope with advances rather than through monthly amounts.

Advance rent payments can be seen in some respect as a means of increasing the net present value of the very low rents in a period of high inflation at a time when public opinion is unready to accept substantial increases in rent to bring them closer to a market value. It must be emphasized that the receipt of advance rent for several rooms by an owner can raise sufficient capital for adding to or improving on servicing (e.g. a water supply) or the addition of a room. Korboe (1993) found that some renters volunteered rent advances in order to assist the landlords with repairs or improvements. None of these behavior patterns suggests rapacious landlords exploiting powerless tenants, but there are undoubtedly some occurrences of this. Advances, which are a sign of market pressure being applied (albeit imperfectly) to controlled rents are however, considerably lower in Accra. Mean values for total advances, advances per room, and advances as multiples of monthly rent in Accra are all between 50% and 70% of those in Kumasi (the second largest city). (Willis et al., 1990).

These low levels of rent and advances in Accra are counter-intuitive. Hearsay, personal experience and frequent press reports in Ghana indicate how housing is particularly difficult to obtain in Accra. Landlords are especially grasping, and advances are set at impossibly high levels. Although there is lack of enough data to prove this, Korboe (1992, 1993), argues that the provision of rental accommodation is often not related to profit-making and thus, economic modeling is unlikely to prove reliable in predicting rental behavior.

But in any case, as a characteristic feature, Korboe appreciates that renters have significantly lower incomes than recent builders of new

houses. In addition, renters have lower levels of ownership of consumer durables than recent builders. It is therefore likely, that household income is a significant determinant in the current householders' decisions to build or remain renters. On the other hand, the small household sizes influence per capita incomes so that renters are better of in this regard than any of the owners. Renters tend to be better able to resist exogenous pressures for increased household size as relatives seek to join the urban economy or become clients of their urban relatives.

2.4. CONCLUSION

In conclusion, Accra has witnessed a lopsided demand housing situation in relation to supply. This has invariably been due to population growth rates and very low income levels which hinder their purchasing power to ownership. The unfortunate implication is that even given the availability of the factors of supply as discussed; most low-income brackets of which low income service servants form the would face the issue of affordability.

CHAPTER 3

THE ISSUE OF AFFORDABILITY IN HOUSING IN ACCRA AMONG CIVIL SERVENTS.

3.0 INTRODUCTION

In tackling the issue of affordability as established in the previous chapter, the Ghanaian government through the SAP sought to pursue housing reform which will promote house ownership especially in Accra. With this view government sought to introduce a market mechanism through an own occupier housing market, or a private rental housing market to curtail the shortfall in supply. By implication government's route to housing supply in Accra and other parts of the country in the long run is through a real estate housing market.

3.1 ECONOMIC BACKGROUND ON HOUSEHOLD INCOME, SAVINGS AND CREDIT AMONGST CIVIL SERVANTS.

To be able to carefully look at affordability amongst civil servants it is imperative to look at their income levels, savings rate and their access to credit.

According to the 2000 Ghana Living Standards Survey, the average annual household income was US $947 with an average annual per capita income US $220.But amongst civil servants in Accra the average annual household income was US $1,402, with an average annual per capita income of US $389. However, as a characteristic of developing countries, income information is likely to be incomplete since the data

shows household and per capita expenditure levels substantially higher than the income levels.

Moreover, relative to March 2002 prices, civil servants households spend an average (both cash and imputed) US $2,394 and per-capita expenditure of US $412. In national terms, cash expenditure on food represents a significant 45.4% of total household expenditure; 7.5% is spent on education, 5.6% on transport and communication, 6.4% on housing and utilities, and 6% on household goods, operations, and services (GLSS 4, 2002).

The effect of this is a low savings rate and lack of collateral for credit or loans. Sources of loans therefore are from relatives and personal acquaintances (58%), 22% from traders, only 5% from "money lenders" and 6% from formal financial institutions.Interestingly; housing was not listed as a reason for borrowing. (Ghana Statistical Service, 2002)

With this background it is clear that most civil servants have very average disposal income, and therefore find it difficult to save or have access to credit. This has made home a very difficult preposition to pursue. More than half (54%) of renting households have their accommodation provided by a relative partly because of their inability to pay market prices in the housing market be it an own-occupier or private rental housing market. About a third (33.1%), rent from private individuals. The price paid in advanced rent in these instances often represents a full year's salary if not more. (Government of Ghana (GOG), 2003)

Further exacerbating this problem has been the implementation of the structural adjustment programme, with a housing reform which sought to change housing from welfare good to priced commodity. In this way, government would withdraw all subsidies on public housing paving the way for a private owner occupier market.

3.2 HOUSING REFORM IN GHANA

In 1983, the Ghana government embarked on privatization as part of the economic recovery programme. State owned enterprises were sold out and a housing reform implemented. The core of the reform was to

- either raise rents in public housing to market price or sell out to sitting tenants

- promote a private sector led owner-occupier market by establishing the Home Finance company(HFC) to operate as a secondary mortgage institution providing sustained housing finance in a two-tier housing system

- develop affordable housing project

3.2.1 THE OWNER-OCCUPIER HOUSING MARKET

Government projections has it that given the combined effect of the level of housing deficit from previous years and the rate of population growth, Ghana needs 1.2 million housing units by the year 2005. To achieve this target, some 133,000 new housing units must be delivered annually. However, only 25,000 units are produced annually and competed for by well to do Ghanaians and foreigners, leaving an unsatisfied annual

demand of 108,000 units. (GLSS4, 2002.).In solving this short fall in supply the reform advocated for an affordable owner –occupier housing market through the mortgage system. This way the demand by new owners can be met by the existing owners and developers who form the suppliers in this market.

However, the idea of a mortgage system has been a struggle. Tasked in 1990 by the International Development Association (IDA) as the agency to provide secondary mortgage finance, the HFC and the Social Security and National Insurance Trust(SSNIT);a pension scheme are in joint ventureship to provide credit to qualified Ghanaians. The HFC's source of finance has been a World Bank loan of US $2.0 million, supplemented by $16.4 million from SSNIT. However, the financing agreements covering these amounts specified that, mortgage loans be indexed to inflation (as measured by the Consumer Price Index) as a hedge against loss of value. (HFC, 2003):

At the end of 1998, the stock of HFC mortgages was valued at $26.7 million for 2,839 mortgagors.

Table 3.0 showing the trend in mortgages in relation to mortgagors in Accra..

Year	Mortgagors	Mortgages ($millions)
1992	163	1.9
1993	435	5.7
1994	1,259	9.9
1995	1,676	12.4
1996	2,087	16.7
1997	2,488	19.7
1998	2,839	26.7

(Source: Home Finance Company, A report on housing finance in Ghana. Available at: http//www.auhf.co.Za/members/ghanareport.htm)

Although the mortgaging system is gaining root the trend as shown in table 3.0 shows a rather slow pace in relation to housing deficit and especially the population growth rate of 5.3% for Accra. Paramount amongst the reasons for this slow pace is the price of housing in this private owner occupier market. Assuming that, the 3-bed room (semi – detached, expandable) house types with floor area 120m² in table 3.1 suits the average civil servant household size of 5.1, with an annual disposable income of $1,402 then as shown in table 3.2, the ratio of a whole dwelling to average annual income will be 22.82. This ratio suggests a wide gap between

Table 3.1 showing house type, approximate floor area and average price in Accra.

Type	Approx. Floor Area (m²)	Average Prices (US $)
1-bedroom (semi-detached, expandable)	76	17,500
2-bedroom (semi-detached, non-expandable)	82	22,000
2- bedroom (semi-detached, expandable)	96	25,500
3- bedroom (semi-detached, expandable)	120	32,000
3-bedroom (semi-detached, expandable)	140	36,000

(Source: Home Finance Company, A report on housing finance in Ghana. Available at: http//www.auhf.co.Za/members/ghanareport.htm)

house prices and household incomes which invariably makes it impossible for civil servants to afford housing in this housing market.

Table 3.2 Average Disposable Income for civil servants and Price of Housing in Accra.

(1)Average Annual Disposal Income Per Household	(2) Price of one Unit 120m²	(3) Price of one unit 140m²
	$ 32 000	$ 34 000
$1,402	Ratio (2)/(1)	Ratio (3)/(1)
	22.82	24.25

Although there are sources of credit through the HFC, these income bracket do not have the necessary prerequisite for loan acquisition paramount of which is the lack of collateral. For example, HFC'S projections indicates an expectation of over 415 mortgage loans in 2005, with a concessionary real interest rates of 3.5% - 4.5% indexed to inflation as determined by the consumer price index, but this credit route is seen as a policy for high-income earners as it does not in anyway address the plight of low-income earners of which civil servants are a part.

3.2.2 THE PRIVATE RENTAL HOUSING MARKET

Rent in public housing, has been a very negligible part of household income before the early 1980s.Although there are no official data on average rents payable by civil servants in these dwellings, interviews conducted reveal that there has not been any substantial increases in rents. Speculatively, this is to serve as an incentive for Ghanaians to join the civil service.

Table 3.3 Average Disposable Income for Civil Servants and the Price of Rental housing in Accra.

(1)Disposable Annual Income Per Household	(2) Estimated Rent of Public Housing (120/m² .year)	(3) Estimated Rent of Private Housing (120/m² .year)	Rate (3)/(1)
$1402	$ 1.16	$ 6000	427.96 %

Interestingly however, rents in the private rental housing market is a nagging concern. This is because; the rent system in Ghana leaves too much room for the operation of market forces. Landlords and house-owners are having a field day charging tenants huge sums of monies as rent advances and since the demand for accommodation outstrips supply, tenants have no choice than to accept these rent charges or lose their rental units to other tenants who can afford them. It is speculated that rents hugely depend upon the room sizes, the location and condition of the house.

As illustrated in table 3.3 if renting in the private housing market, civil servant household have to spend a whooping 428% per annum of household annual income on a 120m² house in addition to a recurrent expenditure on consumption such as food, transport, and health care then it is obviously impossible to solve the affordability problem of civil servants through the private rental housing market. The effect of this high cost is that people will turn to putting up unauthorized structures which invariably result in slums.

3.3 ATTEMPS AT AFFORDABILITY

With governments recognition of the problem of high house prices associated with these two markets, SSNIT was tasked to find an appropriate solution to the housing crisis amongst civil servants. SSNIT was chosen because, over the past 15 years, it has probably been the largest single entity involved in formal developer-driven housing and also the owner of the largest stock of rental housing in Ghana.

In addition to this, it is thought that SSNIT will be in a better position to provide a checkable employment history and most importantly guarantee reliable savings through the collection of pension contributions at 17.5% of gross salary. This gives SSNIT the platform to map out strategies for payment through the working life of the contributor and also in the event of having to pay off a mortgage in retirement. With this, SSNIT seeks to allow the borrower to pay lower initial monthly loan installments but requires annual increment in installment payments until the loan is fully paid.

With this framework SSNIT intends to enter into a joint ventureship with Malaysian developer Metro Ikram for a new affordable housing scheme which is intended to serve all income groups. Although the details of the partnership are still in its infant stage, it is speculated that on one hand SSNIT will provide the collateral on behalf of its contributors, provide low cost finance in the development of sites, and on the other Metro Ikram will provide the requisite technical services schemes and financial strength to ensure the prompt and successful execution of the project. The schemes envisaged prices for the finished homes of 120m² and 140m² would range from 10,000 to 15,000 U.S. dollars.

In short the government is setting up a market mechanism where the market price of houses in Accra will be less or equal to the additional cost of providing more houses.

Thus **P=MC** or **P< MC**

Where P = Affordable market price of a dwelling in Accra

MC = marginal cost of producing a house in Accra

Table 3.4   Average Disposable Income and Proposed Price of Affordable Housing in Accra

(1) Average Annual Disposal Income Per Household	(2)Price of one Unit 120m2	(3) Price of one unit 140m2
	$ 10 000	$ 12 000
$1,402	Ratio 2/1	Ratio 3/1
	7.1	8.5

In analyzing how affordable these prices are to civil servants, table 3.4 shows a substantial reduction in ratios from table 3.2 22.82 to 7.1 for a 120m² unit and from 24.25 to 8.5 for a 140m² unit. This implies a substantial decrease in the percentage of average annual disposal income per household required to purchase an affordable house. This may improve chances of low income households to own a house.

Considering the macro-economic environment, in Ghana, this affordable housing plan may need serious rethinking because many new questions arise. Firstly, there is the likelihood of this affordable housing project relying heavily on SSNIT thus putting financial pressure on an already burdened pension's scheme as it is also the sole provider of student's loans which currently suffer repayments.

Also because of the highly unstable nature of construction output especially new build (Ive, 2005) Metro Ikram would only invest when there is profit to be made. This implies that to even achieve affordability through a 10000 to 15000 dollar house price, profits may have to be regulated by government as subsides are no longer an option. This makes affordable housing a type of commodity housing with its price controlled by the state. The implication is that, the price of affordable housing would have to be determined in such a way that it can cover its cost and include some profit or break even. Its cost include cost of land acquisition and compensation, prospecting and designing, construction costs, neighborhood facility construction costs, management fees, interest on loans and taxes.

Assuming profits in the commercial housing market is in the neighborhood of say 15% to 20% when house prices on the average for a 120m^2 is $32000, the developer may have to accept a limited profit of approximately 7% to be able to sell at $10000. This clearly defeats the idea of an open market economy which is operational in Ghana and in the long run could serve as a potential disincentive for future developers to invest. Further, although the developers are likely to face much less risk on the affordable housing because of huge and stable demand they will employ all kinds of means to pursue a higher profit in the nature of things . It is therefore thought that the only probable way to provide decent accommodation for this low income group may be through social/ public housing.

3.4 PROBLEM ON HOUSING MAINTENANCE

Some of the problems associated with housing privatization are more immediate ones. The clearest example of this relates to arrangement for repair and maintenance.

In the past years, welfare provision was mainly achieved by government. Before the housing reform, it was government's responsibility to distribute and allocate the housing stock to employees, and also give overall support to the facilities management unit in the management of the house which includes refurbishment, maintenance and operation.

But the sale of public housing to sitting tenants has transferred housing management from the control of government to private professional facilities management companies. This was an important means to

project the reform, transforming through market mechanism. The current trend is that government has no commitment to providing free service of housing management after the employee has purchased the house.

Interestingly, most of the professional facilities management companies are unwilling to set foot in business concerning these sold out public houses in that they require a fortune to repair and manage them.

Secondly, even in the event of being able to afford the maintenance cost, it is estimated that could be a substantial part of household income. There is therefore the likelihood of these households finding it impossible to pay in the future. Many households have to face this dilemma after their purchasing of public housing: they have become the owners of the apartments, but realized they can hardly afford to maintain their properties.

3.5 CONCLUSION

The Ghana government's priority trend towards the supply of housing through the owner-occupier market lives much to be desired for low income earners. This is because of the rather low disposable income levels, low savings rate, difficulty in accessing credit amongst other has caused price of supplying decent accommodation well beyond this income bracket .Affordability has therefore become urgent.

The private rental housing market also failed to provide an alternative as rents are higher and above their means. This calls for serious rethinking. It therefore concluded that a social /public housing scheme could be the method to the provision of decent accommodation. Furthermore, after the formal public housing tenants purchased the apartments, they had to face the problem of not being able maintain their properties.

STRATEGIES ON AFFORDABILITY PROMOTION

4.0 INTRODUCTION

This chapter highlights some strategies that might be helpful both in the short and long-run in the provision of affordable housing to low-income civil servants households. In the short-run, it will be most prudent to employ non-conventional strategies that will help maintain and further build on the existing house types (predominately compound types) rather than an outright switch to unit ownership. In the long run, the idea of non-profit organisation as employed in developed countries such as the United Kingdom could be borrowed to serve as an intervention to help build, maintain and offer strategies for sustainable housing development.

4.1 APPLICATION OF NON-CONVENTIONAL STRATEGIES FOR DIFFERENT MARKET SEGMENT

In the short run, the housing market could be analysed according to at least four different market segments. A different group of developers, households and communities drive housing supply within these four market segments. Therefore, the application of non-conventional strategies within each market segment will enable more people to benefit from housing investment, whether as tenants or as owner. For conceptual purposes, the market segments are presented as shown. They in figure 4.0 cut in reality there are cross-linkages and cross points these lines to make conceptual distinctions between housing approaches they want to pursue depending on the individual and circumstances.
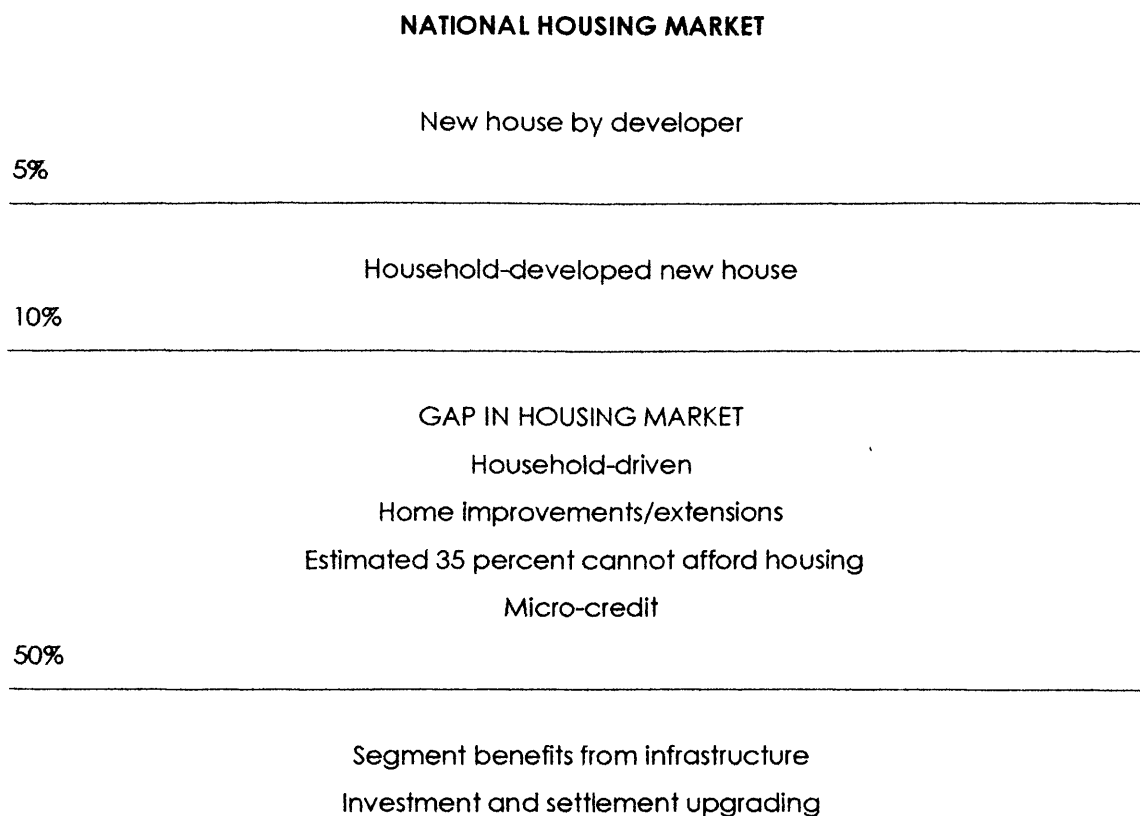
CHAPTER 4

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4.0 INTRODUCTION

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Figure 4.0 showing conceptually different housing market segments

NATIONAL HOUSING MARKET

New house by developer

5%
_____

Household-developed new house

10%
_____

GAP IN HOUSING MARKET

Household-driven

Home Improvements/extensions

Estimated 35 percent cannot afford housing

Micro-credit

50%
_____

Segment benefits from infrastructure

Investment and settlement upgrading

Sourced from the Ghana Real Estate Developers Association (GREDA) housing show on
December 1, 1998

4.1.1 DEVELOPER-DRIVEN HOUSING

In the conceptual framework, this assumes a market segment where through conventional strategy the real estate development industry and especially HFC through mortgage financing supply separate and semi-detached housing amounting to about 5% of the housing market. This invariably suggests that civil servants are not in this affordability bracket.

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Therefore to bring them into focus, an application of three non-conventional strategies aimed at this market segment are introduced.

Firstly, the reduction of plot sizes for separate houses as a general rule to bring down the cost and servicing of these dwellings. Further, regulations should allow greater plot coverage so as to enable more compound style housing to be constructed that could be used for rental housing. In general, efforts should be made, including the use of tax incentives, to create a greater supply of affordable rental housing especially in Greater Accra for civil servants.

Secondly, the range, size and costs associated with housing that is produced by developers are very limited (World bank, 1993). To curtail this, series of pilot projects that maximizes the use of local building materials, especially the use of timber and sandcrete to demonstrate cost-savings and aesthetics associated with these materials must be encouraged. Experience from other countries suggests that, more widespread use of local building materials occurs throughout the housing supply chain when they are first acceptable to high and middle income groups.

Thirdly, more intensive construction in city centers is expected as the economy continues to improve. Government must therefore be prepared for this eventuality and impose cross-subsidization on high-end developers to release a percentage of land (or a land swap) and/or housing units that meet the housing needs in these urban areas. This approach can be achieved through "inclusionary" zoning practices by (for example) the Accra Metropolitan Authority to protect vulnerable citizens like civil servant households in the city.

4.1.2 HOUSEHOLD-DRIVEN INCREMENTAL HOUSING (IH)

The Incremental Housing (IH) approach incorporates two market segments:

- household-developed new house (about 10% of the market),
- And household-driven incremental housing extensions and improvements primarily on customary land (about 50% of the market).

The household developed new house (HDNH) may rest on either formally recognized land with clear title or on customary land. The HDNH is generally an informal process happening one house at a time and it is with these houses that land disputes abound in Accra. However, it is recommended that learning from the approach of "sites and services" on formally recognized land is key to the facilitation of more HDNH.

The "sites and services" approach requires a commitment to labor-intensive development, low-cost solutions to roads and drainage and technical support for vertical incremental housing development (taking occupancy of a core house, then extending) rather than horizontal IH (taking occupancy only after the envisaged larger house is completed). This approach is recommended especially for the significant number of civil servant households who find access to create difficult.

4.1.3 COMMUNITY –LED SETTLEMENT UPGRADING

In the framework, supposing 35% of the total national housing market is unable to afford micro-finance to incrementally build their houses and suppose civil servants are a part of this figure, then overtime they risk living in overcrowded informal settlements. It is recommended that, the withdrawn subsidies as a result of the SAP reform be targeted at community settlement upgrading. This will mean government facilitating the upgrading of informal settlements by offering different groups that reside in such communities, technical support from specialists in this field. Settlement upgrading, however, depends on the resettlement of some families who may be occupying land that is either completely unhealthy or is required for laying infrastructure or developing community facilities.

Therefore, the "sites and services" approach may assist some few households with considerable income who reside in these informal housing areas to choose to build their own houses elsewhere. However, in these cases it is extremely important to allow households to transport their second-hand building materials to their new sites, even if it means using these materials as extensions on to a new core house.

Although most of these households will not be able to afford either IH credit or the option to purchase a site and service plot they are likely to benefit from technical support services to assist in making their existing shacks more livable and healthier.

4.1.4 LESSONS LEARNT FROM IH FINANCE

Interestingly, it has become common place that regardless of what people may originally say in their loan applications to acquire mortgages, some of the end-users use all or a portion of their loans for non-housing purposes. These normally include but not limited to educational purposes, such as school fees and training levies, working capital for small businesses and family emergencies. (GTZ, 2000)

It is therefore believed that housing might not be the highest priority of all civil servant households who are getting access to credit for the first time. Because there is no monitoring system put in place to check this, some Micro Finance Institutions (MFI) (retail lenders) have adopted a strategy to promote third party payments to building materials suppliers and merchants on behalf of the borrowers. But generally from a banking perspective what the loans are used for might not matter as long as they repay their loans.

Also, other wholesale lenders in Africa have learnt from their MFI clients that women are generally more reliable at loan repayments than men and are more likely to use the loans for developmental purposes.
Similarly, their experience has shown that the higher income end-users are often over-extended, less reliable payers and are more likely to use the funds for non-productive purposes.

4.1.5 CONSUMER HOUSING EDUCATION SUPPORT.

Finally the adaptation of a two-fold strategy by the government, the commercial banks, and other partners is to support special consumer education on

- Managing credit, and
- Building information to create the much needed awareness in civil servants who can't afford credit.

This will help educate them on how to obtain the best quality housing improvements, extensions and access to basic services through their self-help efforts and the use of community builders. Equally important is the materials to be used. These materials must include methodologies that Ghanaian households may choose to follow in terms of family budgeting for managing credit.

As part of the liberalization of the financial sector, commercial banks may make wholesale loans available to micro financial institutions (MFI) for on ward borrowing by customers. This implies that, the loan agreement with the retail lenders is the basic tool that should include criteria for consumer education and support.

The government, the commercial bank making wholesale finance available and the recipient MFI or Non-Bank Financial Institution (NBFI) should also endeavor to promote acceptable construction quality in all housing finances.

Also the parties jointly funding Housing Construction Quality Surveys of households could endeavor to find problems associated with incremental housing so as to find out the common building problems. For example, it is speculated around Africa, that those end-users experiencing common building problems were pre-dominantly working women who were not on site to manage their builders. Various support strategies could be developed, for instance: preparation of technical assistance booklets, including prototype plans that describe the best way to realize the most typical construction works that could be implemented (i.e. building a house, adding a room, connecting to a water network). These booklets could then be adjusted for local conditions, languages in different parts of Ghana and taken into account special problems facing these women.

Also at the time of granting a loan, the MFI/NBFI must hand out to the client copies of the relevant plans and information leaflets.
Together with the commercial wholesale bank, the MFI/NBFI could also develop joint marketing and awareness campaigns especially by radio. Households must also know their responsibilities for re-paying their loans and how to budget their repayments within their household expenditure. These consumer education materials also offer a marketing and branding opportunity for government, the wholesale commercial bank and the retail lender.

Consumer education however, requires dedicated resources sustained over many years and should commence as soon as possible before any "debt bubble" appears in the microfinance market.

4.2 NON-PROFIT ORGANISATIONS IN THE HOUSING SECTOR.

In the long run, government may adopt strategies to maintain the success of the short-run strategies. One of such is Harloe's residual model of social rented housing. He argues that when developments in housing policy and the markets lead to a predominant position of the owner-occupied sector in the housing market then social landlords would be compelled to concentrate specifically on low income households. In this frame work, the social rented sector is reserved for the weakest parties in the market: low income groups, elderly and disabled. (Boelhouwer&Heijden ,1992)

Another scenario, which is based on Kemeny's unitary market model combines social responsibilities with a market approach to housing provision .In such a scenario ,the social rented sector would have to set its sights on serving a wider target group by maintaining a differentiated housing stock and promoting a differentiated tenant profile, not exclusively catering for low income housing. The plus about this policy is that, it takes advantage of instruments such as rent differentiation, rent pooling and the selective sale of dwellings as a form of asset management (Heijden, 2002).

There is no right or wrong in the use of which model, the choice depends on how they will operate when they are caught between the need to serve social goals and the need to adopt market principles.
The two models put together could help facilitate a sustainable social rented housing sector in Ghana as an option to the rather difficult to achieve owner occupier status.

By implication, the housing reform authorities should pay attention to policy and finance issues and take a strategic view of housing of the whole city of Accra and the consequences of changes in ownership. This puts into focus the role of independent housing management companies or non-for-profit housing associations in the developed world. (Wang& Murie, 1999).

It seems that the mere introduction of the market mechanism will not automatically remedy defects in the past socialist allocation process without associated structural change in the related social agencies (Wu, 1996).

This means that should Ghana move too fast towards marketization of housing, it could greatly exacerbate housing problems and risk igniting social unrest because of issues of affordability. (Roesn&Ross, 2000). In view of this there are several good reasons for putting in place a non-profit housing corporation policy. These non-profit housing corporations first of all, will enable government to support social housing without having to offer new property subsidies. Instead government can channel these subsidies as a form of investment to strengthen the financial position of individual Housing Corporation and of the sector as a whole. This could be a very successful formula for 'value capturing'. (Priemus & Dieleman, 2002).

Secondly, the fundamental task for non-profit housing corporations with a public remit is to serve the needs of vulnerable households like civil servants in the housing market. This is because any 'normal' landlord will always try to give priority to households who do not pose a risk. It thus appears appropriate for government in the long run to introduce a sharply-targeted housing allowance program that supplements the

income of disadvantaged households. This can become a social safety-net for civil servant households who are not capable of securing dwellings else-where in the housing market.

Housing may be available to poor income households if they can count on some system of housing allowance to enhance their ability to pay. However, this system cannot operate in a data vacuum of household income as it plays an important role in developing housing policy .But the quality of this kind of data is discouraging in Ghana. There is an urgent need to set up income information collection sector, to help shape future strategy. It may be easier for social housing institutions to gather the income information to build a well and true system but this is not without cost, which is a great disincentive for data compilation.

Also as it is with civil servants in the universities, housing is linked to employment. This was because welfare provisions of these civil servants were mainly the responsibility of government an incentive to attract people into the civil service. However, with widespread privatization, government has gradually lost the power to support the old housing provision systems. The retreating from housing provision highlight the need for a social safety –net which now must be provided by the government.

In the long run, it could be anticipated that the establishment of independent non-profit housing organizations will facilitate comprehensive urban housing development by loosening the links between housing and employment .The government housing could be divested from the universities and serve as initial investment for independent housing association, provided employees would benefit from a wage form allowing them to pay higher rents.

In this wise, supposing independent housing association over time decide to raise public housing rent to 10% of the average household income and assuming government keeps a policy incentive of charging rent lower than the market price, then as shown in table 4.1 a substantial additional income would be generated to help in maintaining these houses and to undertake new construction development.

Table 4.1   The proposed Rent of Public Housing by Independent housing association.

(1) Average Annual Household Income	(2) Target Rent 2= 1*10%	(3) Average Public Dwelling Size.	(4) Rent Per m² (2)/(3)	Rent per m2 per month (4)/(12)
$1,402	$140.20	120m	$1.16	$0.11

In the long run, apart from charging rents lower than market price to enable these civil servants households to access adequate housing, the associations can use the methods such as rent differentiation, selective sale of dwellings in financing housing stock expansion by drawing on long term bank mortgage loans, using their rental income as collateral for long-term mortgage. In such a market, the position of associations could be boosted by enlarging their scale of operation that would offer the advantages of a wider range of supply and a more efficient management (Heijden, 2002).

4.3 CONCLUSION

The chapter proposes the options and suggestion involved in the sustainable development of social/public rental housing sector based on the analysis of the previous chapter. The approaches mainly include in the short run, alleviating the problem of affordability through non-conventional strategies in the short run. In the long run a non-profit housing organization with government supervision and independently operated is proposed. This will help maintain the success of the short run strategies and also protect the interest of low- income groups.

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CHAPTER 5

CONCLUSION

5.0 RESEARCH OVERVIEW

The report has given a general overview of housing supply in Accra, with emphasis on the transition from the compound house system to urban bungalow units'. Further, it identified and assessed the affordability problem existing among civil servants in Accra.

After the examination and illustration of issues that undermine the sustainable development of housing provision system, it then presented options and strategies that might tackle housing affordability and reform in the context of comprehensive approach.

The analysis of the affordability problem on housing demand were mainly the low levels of disposable household income, purchase housing price, rental housing price and their relativity. The data applied in the research were mostly from secondary sources and also via the phone through informal interviews as current information concerning this subject matter was hard to come by.

5.1 SUMMARY OF MAJOR FINDINGS

The Ghana urban housing reform from the late 1980's has improved the housing provision and conditions in general by,introducing market mechanism to a heavily subsidized housing system. However some of the major findings are that:

* although this market mechanism is slowly gaining root, it has become the preserve of high-income households, leaving the middle and low-income groups to face the problem of affordability.

- the ratio between affordable housing prices and average annual household income in Accra is very wide partly because the current policy is over reliant on private developers for the construction of affordable housing

- the households who were formal public housing tenants had to face the problem of maintaining their properties after purchasing the apartment because of the disengagement of government from housing maintenance and management

- civil servant household who could not purchase their dwellings as sitting tenants could not find access to adequate rental dwelling they can afford

The mortgaging system by HFC is not without problems. Findings show that the government is gradually de-linking itself from the operations of the HFC and to ensure its own survival and growth, HFC has had to operate as the only mortgage finance institution in Ghana and has adopted several integrated measures. These include:

- taking on the additional role of mortgage origination and servicing;

- converting to a public listed company on the Ghana Stock market offering 25% of its shareholding to the public.

- the introduction of the HFC Unit Trust to provide a facility for prospective mortgagors to save the required 20% down payment.

Also it has been found that the financial agreements which covered mortgage loan were no longer indexed to inflation as a hedge against loss of value. This is because the market prefers conventional mortgages. This has forced the HFC to provide mortgages on conventional terms based on its cost of funds.

5.2 STRATEGIES FOR DEVELOPMENT

It will be important to ensure the establishment and developing of independent non-profit housing organization that would manage and promote housing affordability. The reason being that:

- they allow the government to support the housing sector without having to continue offering new property subsidies. Furthermore, they will take the responsibility of providing housing for vulnerable households with a clear mandate by holding adequate rentable housing stock, and also buttress a public rental housing market.

- in the long run, they can combine social responsibilities together with the market mechanism to target a wider range of socioeconomic groups by enlarging their scale of operation and offering a wider range of service.

Government must be seen to have oversight site responsibility and create the enabling environment to support these independent non-profit organizations in the provision of homes for the needy.

5.3 RECOMMENDATION FOR FUTURE RESEARCH

The report suggests the provision of affordable housing projects through public housing, managed by independent non-profit organizations. The non-profit housing organizations may be an efficient way to increase housing affordability for middle and low-income households by reducing the area and whole price of the dwelling. However, the sustainability of this non-for-profit organization needs further study.

It is essential to establish that for the non-profit housing organizations to manage and develop public housing there is the need for sufficient financial resources. They must attract the capital for investment from the market and bear the risks of operation of their stocks. So the organizations need to adopt a market approach to management while they serve the social goals. Another question is how to find the balance between the market principles and the provision of social welfare.

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APPENDIX

APPENDIX A

The summary of interview No. 1

Date: 10th August, 2005

Interviewee: Mr. Micheal Cobblah, sales manager of Accubb Property

Ltd.

Tel: 0044 223 244464828

Email: Spacoo @ yahoo.com

I interviewed the sales manager of Accucob Property Ltd by telephone and also got some materials by email after my interview. I chose this company because it is one of the medium to large scale firms who provide private 'affordable' housing in Accra. The firm is currently developing a large scale 'affordable' housing project: Klagon housing project.

Telephone interview

Q1: Can you introduce the general information of the 'affordable' housing project your company is developing now?

ANS: The Klagon housing project can be said to be a pivot for affordable housing project in Accra. Its whole plan area of about

66,3009m² . There will be 400 households in this area and all the construction will be finished by the end of this year.

Q2: Is there any requirement for the purchasers' qualification?

ANS: These are going to be affordable units and the target is the low income earners. You firstly must be a permanent resident or citizen of Ghana; secondly, your family's annual household's income must be in the low income bracket.

Q3: How can you check that income information is true?

ANS: That will be done through the accountant generals department for civil servants but for other employees their employers must provide proof of income on their behalf.

Q5: Can you introduce the dwellings types you are providing. ?

ANS: The apartments are all in three or four story buildings. We provide four kinds of different apartment with different floor areas which are around 76m², 82m², 96m² and 120m²

Q6: What is the price for the housing?

ANS: You can buy 76m2 at the price of US$14000 depending on the floor and location of the flat.

Q7: And you call this affordable for your target group?

ANS: Well as a developer if our marginal cost is equal to price, then its affordable.

Q8: Is there any flat with the floor area below 76m^2?

ANS: Sorry, no.

Appendix B

The summary of interview No.2

Date: 15th August, 2005

Interviewee: Esi Adjorlolo, Employee of the Ministry of education.

Tel: 0044 233 244 639061

I interviewed Ms. Esi Adjorlolo to investigate the problems on housing maintenance after the privatization drive. She used to be a tenant of the public housing provided by government. In year 2000, she spent US $ 12000 on purchasing her flat with floor area of 65msquared.

Telephone interview

Q1: Can you give some information about your housing?

ANS: There are 32 households living in this 4-story building which was built in 1987. We are all employees of the same Ministry and bought our flats from the government through the housing reform.

Q2: How were your flats managed before the housing reform?

ANS: Before we bought the apartment, the government was responsible for safeguarding, garbage collection, and elevation operation, repair and so on.

Q3: What happened after you purchased the flat?

ANS: After the purchase government retreated from the housing maintenance and we were asked to find some professional housing management companies. But their charge fees seemed too high for us because they thought our building was old and it will be costly to carry out repairs before management.

Q4: Why do you think their charges are too high?

ANS: We spent most of our saving on buying our flat. Now, I am the only person who has income in my family and my husband is out of work due to retrenchment of staff in his company. My salary is nothing to writ ehome about and I have to support the whole family. Considering that a substantial part of my income has to be spent on food, transport, health cost and the education fee of my child then housing maintenance will be unaffordable for me.

Q5: How about the opinion of other residents?

ANS: With 32 households it will be difficult to come to an agreement or compromise in that some can afford to hire the professional company.

Q6: What option did you apply on your flat maintenance now?

ANS: The residents of this building discussed and we decided to hire some peasant workers by ourselves to do routine maintenance work.

Q7: Do you think it is a good option?

ANS: I don't think so. The money we have collected every month is only enough for the routine maintenance. For example, our elevator was out of order last month, but we can't collect money to repair because most of the households don't want to pay anything extra. I have no idea what will happen on our block in the future.