

AFFORDABLE HOUSING IN URBAN AREAS IN GHANA:
ISSUES AND RECOMMENDATIONS

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SAMSON ABAPALE AWUVAFOGE

PROFESSOR MICHAEL A. BURAYIDI – ADVISOR

BALL STATE UNIVERSITY

MUNCIE, INDIANA

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ABSTRACT

RESEARCH PAPER: Affordable Housing in Urban Areas in Ghana: Issues and Recommendations

STUDENT: Samson Abapale Awuvafoqe

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Affordable housing in the urban cities of Ghana is beyond the reach of the majority of low and middle-income families. The housing deficit in the country currently stands at about two million and with an annual housing need of about 133,000, the total deficit is expected to exceed 4.2 million by 2030, if concrete measures are not taken to increase the housing stock.

This research identifies the factors that limit the supply of adequate and affordable housing in the country especially in the urban areas. At an estimated average urban growth rate of more than three percent per annum between 2000 and 2030, the urban population in the country is expected to increase by 65% by 2030 and this will further increase the demand for housing in the country. The scarcity of land in urban areas and the high cost of building materials make it difficult for low-income groups to become homeowners. Additionally, the rent system in the country is unfriendly and this leads to homelessness in the urban centers. The high poverty levels and the lack of easy access to

finance in the form of mortgage loans further compound the housing situation in the country.

The research utilizes secondary sources to analyze and identify the major impediments to the provision of affordable housing. Therefore, recommendations are made for ameliorating the housing problem in urban areas in the country. Recommendations and suggestions relate to preventing the population explosion in the country, facilitating and safeguarding access to land, promoting the use of local building materials, changing the rent system in the country, and ensuring access to home finance and other credit facilities.

CHAPTER ONE

Introduction and Problem Statement

Food, shelter and clothing rank high in terms of the most basic needs of human beings. These necessities of life cut across all countries and Ghana is not an exception. However, in the case of Ghana, even though these basic provisions are not accessible in similar proportions, shelter is the most inadequate in the country, especially, in the urban areas (Bank of Ghana, 2007). The housing shortage in the country has not been a recent phenomenon. However, the problem worsened since the 1970s. For instance, while the housing demand in 1970 was 1,678,296, an inadequate number of 941,639 dwelling units could only be supplied and this led to a deficit of 736,657, as shown in Table 1 below.

Table 1: Housing Demand in Ghana: 1970 to 2010

Year	Housing Demand	Housing Supply (Dwelling units)	Housing Deficit
1970	1,678,296	941,639	736,657
1984	2,410,096	1,226,360	1,184,636
2000	3,708,250	2,181,975	1,526,275
2010	7,417,607	5,817,607	1,600,000

Source: Compiled from GSS 2005, UN-Habitat and 2010 Ghana Population and Housing Census Report

Table 1 also shows that even though there has been a corresponding increase in the supply of housing in Ghana from 941,639 in 1970 to 5,817,607 in 2010, the increase in the housing deficit has also been consistent over the period, reaching 1.6 million in 2010. The total housing stock in the country is 3,392,745 while the overall dwelling units are 5,817,607 (GSS, 2012). The Ghana Statistical Service (GSS, 2012) adopted the UN recommended definition of a house which is “a structurally separate and independent place of abode such that a person or group of persons can isolate themselves from the hazards of climate such as storms and the sun” (p. xiv). On the other hand, a dwelling unit or living quarters refers to “a specific area or space occupied by a particular household and therefore need not necessarily be the same as the house of which the dwelling unit may be a part” (GSS, 2012. p. xiv). As indicated by the National Tenants Association of Ghana (NATAG) and the Ghana Business News (GBN), Ghana’s housing

deficit which currently stands at 1.6 million houses, is expected to double in the next ten years. If the current trend of inadequate housing provision is not drastically improved upon, the rocketing housing deficit will hit a 3.6 million mark by 2022 (NATAG 2012; Quandzie, 2011). Given this deficit, there is the need for an increase in the current supply of 25,000 to 160,000 units per annum in order to arrest the alarming situation and also to prevent huge numbers of homelessness in the next few years.

Although an average size of a household in the country is approximately five persons, about 60% of all urban households occupy single rooms. Specifically, 66.5% of households in Accra and 62% of those in Kumasi are single-room shelters (CHF International, 2004, UN-Habitat 2011).

The majority of houses in the country are provided by the private sector, mainly by individuals through personal savings and assistance from family members. This informal way of house financing constitutes about 90% of the houses delivered in the country and construction is done incrementally (Boamah, 2011. p. 2). It is therefore difficult, if not impossible for the current trend of housing supply to equate the level of demand in the country, especially in the urban areas.

Only 8% of the population of Ghana can afford to buy houses by utilizing the limited mortgage facilities available in the country. Even with the existence of partial mortgages, only a limited number of 15% of Ghanaians can access this source of funding to construct their own houses (Ghana National Commission for UNESCO).

After the country became independent from colonial rule in 1957, successive governments identified housing as one of the key goals of development. The first president of Ghana, Kwame Nkrumah established the Tema Development Corporation and the State Housing Corporation under his seven-year Development Plan for the purpose of providing housing for civil and public servants in the country (Nsiah-Gyabaah, 2009). After overthrowing Nkrumah in 1966, the military leader, Gen. Kotoka drew up a housing construction scheme that led to the construction of one thousand houses within the two years of his leadership. Busia who was the president of the Second Republic of Ghana had a one-year development plan that provided 2,000 housing units and Gen. Acheampong who overthrew him in a coup d'état in 1972 also managed to construct 5,000 housing units (Konadu-Agyemang, 2001). Even though the 1970s ushered in periods of economic hardships in the third world due to the international oil crisis, the government of the Third Republic established the Brick Factory to take advantage of available local material in the country. Through this, the then president, Dr. Hilla Liman was able to build 2,218 rental units (Kwofie *et al*, 2011). Under the nineteen year old presidency of Fl. Lt Jerry John Rawlings, several schemes such as the National Housing Strategy, the Structural Adjustment Program and the Economic Recovery Program among others were focused on bringing housing to the doorstep of people in the middle income bracket in the country, and not too long ago, the Kuffour government formally initiated the construction of 4,500 affordable housing units. The above efforts may seem laudable but the ultimate goal of ensuring availability of housing for low-income groups in the country has not been achieved (CHF International, 2004). In most instances, the housing projects mainly benefited the upper class (Benjamin 2007). Also,

most of the housing policies do not go through the entire implementation process in order to realize their full potential. These policies are either abandoned due to financial inadequacies faced by the very government that initiated them or they are deserted by new governments that lack the political will to operationalize them. This is also compounded by rapid growth of the urban areas. Table 2 for example shows the growth of the urban population over the last four decades.

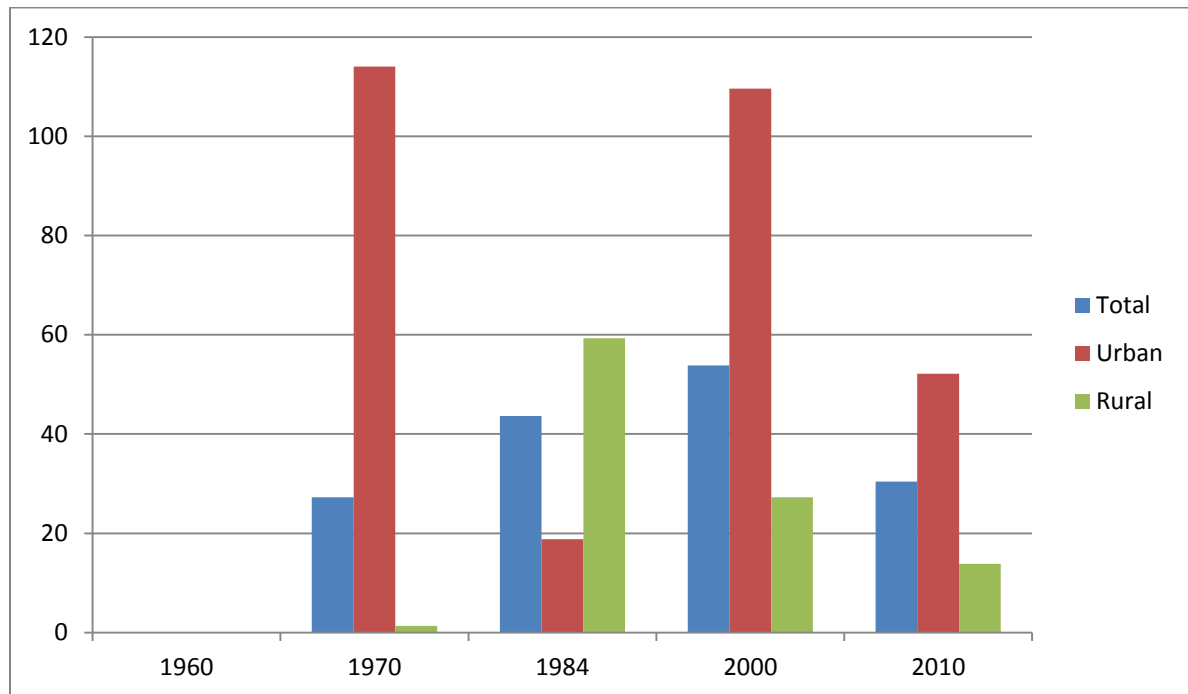
Table 2: Urban and Rural Population in Ghana: 1960-201

Characteristics	1960	1970	1984	2000	2010
Total	6,726,815	8,559,313	12,296,081	18,912,079	24,658,823
Urban	1,547,167	3,311,504	3,934,796	8,247,270	12,545,229
Rural	5,179,648	5,247,809	8,361,285	10,637,809	12,113,594

Source: GSS, 1960, 1970, 1984 and 2000 Population Censuses, GSS

(2008)

Figure 1: Percentage Increase in Urban and Rural Population in Ghana: 1970-2010



Source: Compilation from GSS, 1960, 1970, 1984 and 2000 Population Censuses

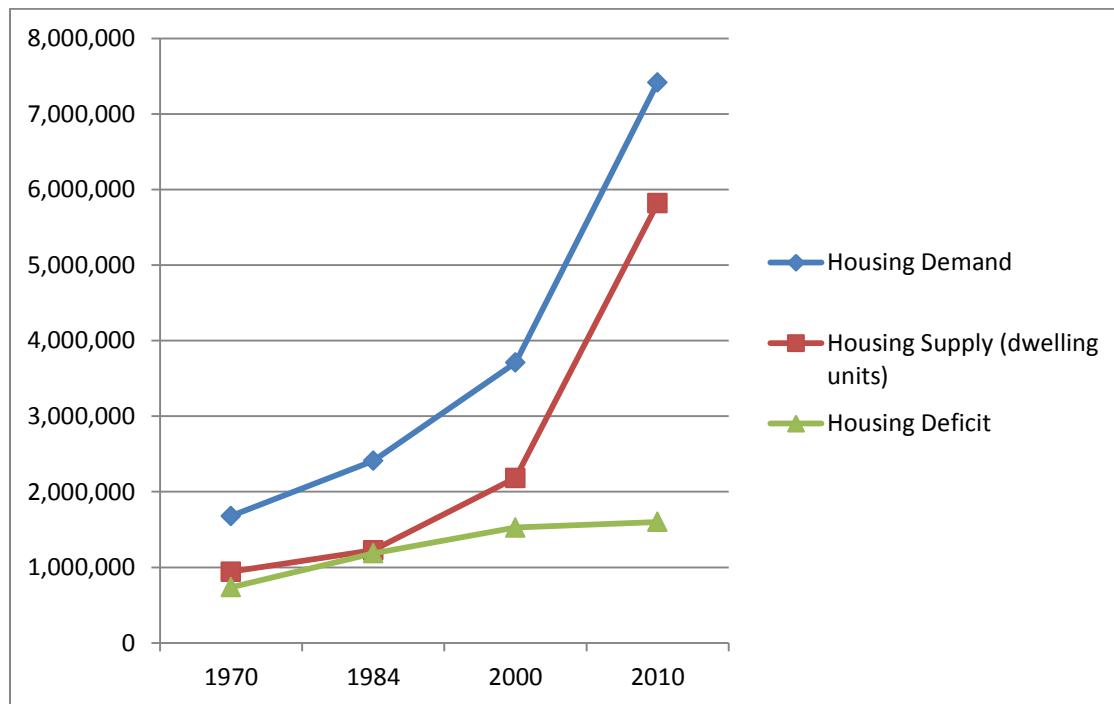
Even though the 1970, 1984, 2000 and 2010 population and housing census indicate that the population of the country has been on a consistent increase, the upsurge of the urban population over rural inhabitants has been higher. With the exception of 1984 where the urban population increased marginally by 18.8% over that of 1970 compared to the 59.3% increase in the rural population in the same year, 2000 and 2010 recorded 109.6% and 52.1% increment respectively, as shown in Figure 1. The population increase in the rural areas was only 27.2% and 13.9% respectively for 2000 and 2010.

Influx of seasonal immigrants is one of the factors that lead to a population explosion in the urban areas especially in the two major cities of Accra and Kumasi

which have a larger share of in-migrants with 38.7 and 25.9 respectively (Twumasi-Ankrah, 1995). Due to the fragile political and economic conditions in neighboring countries such as Togo, Liberia and Sierra Leone, there has been an influx of refugees into the country especially Accra, the capital city.

The population explosion in the past decades has not been accompanied by a corresponding increase in housing supply that will match the needs of urban dwellers. Figure 2 indicates that while housing demand in 1970 was 1,678,296, the total supply of houses for the same year was 941,639. In 1984, only half of the houses were provided in response to a total demand of 1,226,360, thereby creating a deficit of 1,184,636.

Figure 2: Housing Supply in Ghana



Source: Compilation from Ghana Statistical Service (GSS), 1960, 1970, 1984 and 2000 Population Censuses, (NATAG, 2012)

A record-time deficit of 1.6 million was reached in 2010 as a little over 5.8 million housing units were constructed when the demand for housing increased to 7,417,607.

Overcrowding is a major issue especially in the two largest cities, Accra and Kumasi. About 66.5% of people in Accra and 62% of persons in other urban areas, including Kumasi sleep in a single room (CHF International, 2004). Coupled with poor sanitary conditions, this leads to outbreak of diseases such as cholera, tuberculosis, measles, pneumonia, and diarrheal diseases.

Purpose of Research

The affordable housing problem in Ghana is multidimensional. The majority of houses in Ghana are built by individuals. However, these individuals can only build at a slow pace as their finances permit. As the Ghana National Commission for UNESCO found, currently, only a limited percentage (i.e. 8%) of Ghanaians can afford to buy houses without a mortgage. Given the fact that most of the housing supply is from the private sector, this is not adequate enough to meet the current demand (Ghana National Commission for UNESCO, undated).

This research will therefore identify and document the nature of the housing problems in Ghana. Causes of the housing deficit in the country will be unraveled and finally, recommendations will be provided for addressing this deficit.

Methodology

This research relies primarily on secondary sources of data to analyze and provide an understanding of the housing problem in Ghana. There is a plethora of literature on housing, finance, land, population, immigration and government policy on housing in Ghana. Though not cohesive, this material is useful and will be synthesized to provide an insight into the housing situation in the country. There is relative ease of access to the secondary data that will be used. Most of the material is accessible online and this research therefore will be effectively conducted at a low cost. However, one of the shortcomings or difficulties with the use of secondary data and in this research in particular is that, most of the data on housing and housing-related issues are not classified in a way that reflects the current housing situation in the country.

Public and private sector participation is crucial in successful housing delivery in any country. This research will therefore examine the role of these sectors in housing provision in urban areas in Ghana, especially in Accra and Kumasi.

Chapter Outline

The thesis is divided into five chapters. Chapter two discusses the current housing situation in Ghana and the underlying causes of the housing problem in the country. This discussion takes place within a larger scope of housing problems in Africa. Chapter three discusses the housing delivery system in Ghana. Here the role of both the private and public sectors in housing delivery is examined. A detailed examination of housing finance in the country as well as the sources of mortgage finance will also be provided in chapter three. Chapter four examines the institutional impediments to housing

delivery in the country. Chapter five is the concluding chapter. This chapter outlines policies and proposals for improving affordable housing supply in Ghana.

CHAPTER TWO

The Housing Condition in Ghana

Housing Quality

Housing is a basic necessity of life of every nation and the quality of housing used by any household establishes a fundamental basis for assessing the standard of living of that household and to some extent, the nation as a whole. An improved investment in the housing sector is one of the effective means of ensuring that households have access to basic services such as water and effective sanitation (UN-Habitat, 2010).

In Ghana once a building permit is acquired, there are no effective steps to ensure that houses conform to acceptable standards. Developers or households do not see the need for a permit either to extend a building structure or even alter any part of a building. Monitoring to ensure housing quality is therefore lacking in the building sector. As the 2011 UN-Habitat report on Ghana indicates, “Most housing is built in horizontal stages,

progressing vertically through the whole foundations, the walls and the roof, only being occupied by the homeowner when it is finished. In addition, much of the supply comes from adding a room or another building on the plot” (UN-Habitat, 2012. p. 168).

An assessment of the housing sector by Emmanuel *et al* (2001) shows that “a disproportionate share of deficient housing stock is located in the northern, Upper Savannah belt of Ghana (i.e. the Upper East, Upper West and the Northern regions)” (p. 157).

Figure 3 below shows that Accra and Kumasi are the major cities in the country that have quality housing. However, as Emmanuel *et al* (2001) admit, these regional variations in housing quality are largely attributed to features related to rural housing compared to urban housing.

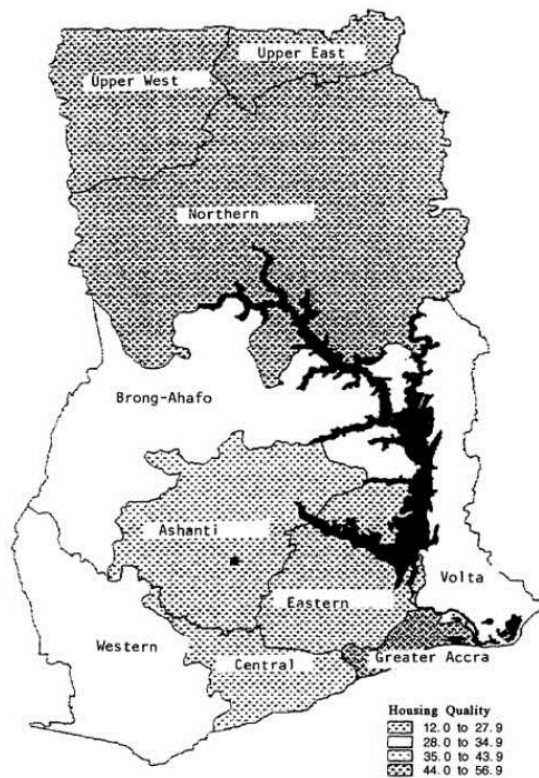


Figure 3: Housing Quality Distribution by Region in Ghana. Source: Emmanuel *et al* (2001).

The UN-Habitat (2004) report on housing in Ghana and poverty reduction confirms that rapid urbanization in the cities of Ghana and Africa as a whole has affected the institutional capacity to deliver not only affordable housing but durable and high quality shelter that meets the health need of urban dwellers.

There is virtually no African country that does not face daunting housing problems (Groves, 2004). One common denominator runs through the challenges that these countries face. This is the lack of well-established housing institutions that provide a satisfactory policy framework to ensure adequate supply of housing not only for the increasing market in urban areas but more especially to clear the backlog of housing demand. Rapid urbanization is one of the contributory reasons for the housing problem.

Causes of Urbanization

There is a range of issues that compound the housing situation in the continent. These include the high rate of population explosion, the scarcity of land, and rural to urban migration.

Population Explosion and Housing Delivery

As Groves (2004) argued, even though urban centers in the African continent are not well developed to global standards to be able to accommodate the increasing population, these countries are experiencing the fastest growth rates in the world today (Groves, 2004). Tipple (2005) also noted that the rate at which urbanization is taking place in the cities of Africa is very rapid. All over the continent cities are drawing more and more people in search of economic opportunities some of which are practically

nonexistent and the majority of these people end up dwelling in informal settlements including slums (Boudreaux, 2008).

Table 3: The proportion of households living in squatter settlements in selected African cities

Country	City	Households living in squatter settlements (%)
Liberia	Monrovia	42
Uganda	Jinja	16
Algeria	Algiers	5.9
Cote d'Ivoire	Abidjan	15
Tunisia	Tunis	30
Tanzania	Dar es Salaam	65
Swaziland	Mbabane	60
Malawi	Blantyre	67
Angola	Luanda	80
Kenya	Nairobi	60

Source: Boadi *et al* (2005)

In the 1990s, the urban population of Sub-Saharan Africa was projected by the UNDP to be approximately 150 million and this increased by 5.3% annually (Tipple, 1994). Between 2005 and 2010, the population of Luanda grew by 1.2 million, Kinshasa by 1.6 million, and Abuja by 1.8 million. Proportionally, Ouagadougou's population grew by 43.7%, and Abuja grew by 51.7% within the same period and that of Accra and Kumasi grew by 38% and 30.4% respectively, from 2000 to 2010 (UN-Habitat, 2011a, GSS 2012). Under these circumstances, it is not only people in the low-income group in urban cities in Africa who are unable to afford housing, even the middle income bracket are increasingly finding it difficult to secure decent housing. For instance, as Songsoore (1993) discovered, 71% of the low-income group and 34% of the middle class in Accra

occupied less than 43 square feet per bedroom. Boadi *et al.* (2005) also found that more than 2 people occupied one bed in about 29% of the households in South Africa. This situation was more prevalent in low income groups in the country.

As Table 3 shows, Luanda, Angola had the highest proportion (80%) of squatter settlements in Africa followed by Blantyre in Malawi. The city with the lowest population (5.9%) of squatters was Algiers.

Land Scarcity

Scarcity of land as a result of the increasing population in urban areas is a major factor that contributes to the low supply of housing. The UN-Habitat 2011 report on affordable land and housing in Africa indicates that “the continued growth and expansion of African cities has increased the gap between the supply and demand of urban land and housing. Urban land for housing development is increasingly scarce, poorly regulated and therefore expensive” (UN-Habitat, 2011a. p. viii). Groves (2004) notes that even though land supply is limited everywhere, the nature of the land problem in Africa is exceptional and therefore compounds the problem of land supply in urban areas. This is because land ownership in Africa is communal and is traced to tribal lines.

For that matter decisions about the use of land in most African countries are made in accordance with the customs and beliefs of the tribe in question. Land is held in trust by chiefs, elders, and traditional leaders on behalf of the family, community and the clan. The ownership structure therefore affects who can become an owner of land and even how transactions on the land can be carried out. Final decisions as to who is building on a particular land for instance cannot be taken by an individual in most cases, since the land

does not belong to one person. Besides, decisions and transactions in respect of most of the lands are hardly recorded in writing and therefore there is no proof of ownership (Groves, 2004).

A direct consequence of scarcity of land is the related high cost. In addition to land, the cost of materials involved makes houses that are developed and sold through the formal market simply unaffordable for the vast majority of Africans.

Rural Urban Migration and the Pressure on Housing in Urban Areas

Agriculture is the main backbone of the economies of African countries. It employs about 65% of Africa's labor force and currently accounts for about 32% of the gross domestic product (The World Bank Group, 2013). However, agriculture in Africa faces a lot of challenges. Research by the African Development Bank Group (2010) shows that

...the soils of the continent's vast land surface are typically old and leached; 16% of the surface land is classified as very low in nutrients as opposed to just 4% in Asia. And African soils are estimated to be losing nutrients worth \$4 billion per annum. Yet farmers use fertilizer at a rate of only about 8kg/ha and far less in smallholder farming, compared to a target of 50kg/ha⁸. This may not be surprising, given the cost that SSA farmers must pay for fertilizer, which is up to three times that paid by their counterparts in Brazil, India or Thailand (p. 3).

In Africa agriculture depends largely on rain which is unpredictable. The effects of droughts are further worsened by the fragile soils and their inability to hold water.

While the number of acres under irrigation in Asia has grown from 25% in the past to 41% in 2010, Africa has experienced only 4% increase within the same period (African Development Bank Group, 2010). Dry season farming in the rural areas in Africa is not possible because there is a lack of infrastructure for water storage and this further undermines growth.

Due to the liberalization of some African economies, farm produce in Africa is determined by the world market. However, for a long time now, fluctuations in world market prices for agricultural exports severely affect the revenues of farmers in Africa. Thurow and Kilman (2009), point out that

...the escalation of the subsidies race between the United States and Europe severely distorted world markets and drove down prices as big multinational commodities firms played the United States and Europe against each other for the cheapest grain. Both of these developments – rising rich-world subsidies and cheaper commodities –hit the farmers of the developing world particularly hard; without similar levels of subsidies from their impoverished governments, they absorbed the full impacts of the low prices (p. 23).

Even where there is infrastructure and available funds to assist farmers, it is uneconomical to produce on a large scale, and livelihoods of farmers are deteriorating. This leads to increasing rural-urban migration as millions of rural dwellers abandon their farms to take up jobs in the cities (Boadi *et al*, 2005). The problem is also that family land is basically subdivided into smaller lots for a growing family lineage compounded by low fertility and competitive world prices, thereby making farming less lucrative.

The Ghana Statistical Service (GSS, 2008) defines migration as “a form of geographic or spatial mobility involving a change of usual residence between clearly defined geographic units” (p. 50). The country has experienced substantial migratory movements since the colonial period. The recent movements have reflected the socio-economic changes that have taken place in the country. The National Population Council of Ghana (NPC, 2011) has identified 4 types of migratory movements within the country. These movements are:

- i. Rural to rural migration
- ii. Rural to urban migration
- iii. Urban to urban migration and
- iv. Urban to rural migration

The second migratory movement has had a substantial impact in the socio-economic and housing development in the country as a whole, and urban areas in particular. The urban population in 1960 was 23 percent of the total population and by 1984, the proportion increased by nearly 10 percentage points to 32 percent ((Twumasi-Ankrah, 1995). The mean density of Accra for instance was 36 persons per hectare. By 1960 this had increased by 25% to 50.8 persons per hectare and in 1984 it was estimated to be 69.3, an increment of about 26% (Taylor *et al*, 2002). According to the GSS (2008), about half of the country’s population was migrants and a majority of this is from the rural areas.

Table 4 below indicates the migration pattern by region in the country. Greater Accra (38.7%) and the Ashanti regions (25.9%) have the larger share of rural-urban

migrants in the country. This is a reflection of the socio-economic, industrial, commercial and technological advancements of these two regions. On the other hand and as Kasanga *et al* (2001) reveal, this increase in Accra has put a lot of pressure on government for the provision of infrastructure, shelter, commercial and industrial needs of the growing population and has stretched the land and housing delivery system in the region to a breaking point. The two impoverished regions in the northern part of Ghana, Upper East and Upper West, and the Western and Volta Regions in the central part of the country are areas that receive the least in-migrants.

Table 4: Migration Status by Regions (percent) in Ghana

Region	Rural-Urban migrants	Return migrants	Non migrants	Total
Western	7.4	46.2	46.2	100
Central	22.7	37.2	40.6	100
Greater Accra	38.7	15.7	45.6	100
Volta	7.9	43.8	48.4	100
Eastern	20.2	41.5	38.3	100
Ashanti (Kumasi)	25.9	28.0	46.2	100
Brong Ahafo	9.7	37.5	52.8	100
Northern	11.3	30.2	58.5	100
Upper East	6.7	23.6	69.6	100
Upper West	6.1	28.7	65.2	100
All	18.8	32.8	48.4	100

Source: GSS, 2008

The Western Region has the highest percentage (46.2%) of people who return to live in their previous places of residence followed by the Volta region with 48.8% while the Greater Accra region has the least percentage (15.7%) of returned migrants. It is expected that with the production of oil in commercial quantities in Takoradi, the twin

capital city of the Western region and the resulting business boom, the migration status in this region will change shortly.

The decision to migrate within the country has always been attributed to a response to a variety of factors, including economic, social and political and environmental factors such as poverty, landlessness and economic dislocations. The other reasons include factors such as trade, agriculture, land degradation, rural poverty and urbanization.

Family considerations rank high among all the reasons for rural-urban migration in the country. However, as table 5 below shows, economic reasons (41.1%) are the main motive for which migrants relocate to the capital city of Accra. According to GSS (2008), the main economic reasons include seeking employment (26.8), job transfer (8.2%) and business (1.6%).

Table 5: Migrants by Current Locality and Reasons for Migration

Reason for recent migration	Locality					
	Accra (GAMA)	Other Urban	Rural Costal	Rural Forest	Rural Savannah	Ghana
Economic reasons	41.1	27.1	18.1	27.0	17.9	24.8
Accompanying parents	19.9	19.3	15.7	17.3	11.8	16.7
Marriage	6.7	8.3	13.1	11.0	19.9	12.1
Other family reasons	20.1	31.2	41.8	36.6	42.1	35.9
Political/Religious	0.6	0.2	0.5	0.8	0.3	0.5
Education	8.6	5.7	2.5	1.4	1.6	3.2
War	0.3	0.9	0.5	0.4	0.6	0.6
Fire	0.0	0.1	0.3	0.0	0.0	0.1
Flood/Famine/Drought	0.6	0.2	0.7	0.4	1.7	0.6
Other	2.3	7.0	6.9	5.2	4.2	5.5
Total	100	100	100	100	100	100

Source: Adopted from GSS, 2008

As Awumbila *et al* (2008) confirm job seekers constitute a high percentage of migrants from the northern sector to the south. Most of these are young females and a majority of them work as “kayayei”, head porters, at lorry stations and market centers. The influx of immigrants into urban cities, especially, Accra and Kumasi is one of the causes of the steady increase in the population of Accra and Kumasi.

Housing Characteristics in Ghana

Housing conditions are affected by several factors in the country which include the location of the building, the local culture, the construction materials, the amenities and funding services. The 2000 and 2010 Census of Ghana classifies dwelling units into the following categories:

- i. Separate house
- ii. Semi-detached house
- iii. Flat/Apartment
- iv. Compound house (rooms)
- v. Huts/Buildings (same compound)
- vi. Huts/Buildings (different compounds)
- vii. Tent
- viii. Improvised home (kiosk, container)
- ix. Living quarters attached to office/shop
- x. Uncompleted building
- xi. Other

Table 6: Households by type and Characteristics of Dwelling Units by Region

Housing Characteristics	Ghana	Greater Accra	Ashanti-Kumasi
Number of Dwelling Units	5,817,607	1,090,397	1,169,030
Type of dwelling			
Separate house	28.7	18.1	24.7
Semi-detached house	7.1	8.1	7.9
Flat/Apartment	4.7	6.4	8.0
Compound house (rooms)	51.5	55.6	52.2
Huts/Buildings (same compound)	3.1	1.1	2.0
Huts/Buildings (different compounds)	0.7	0.2	0.4
Tent	0.2	0.2	0.2
Improvised home (kiosk, container)	1.8	6.1	1.6
Living quarters attached to office/shop	0.4	0.8	0.4
Uncompleted building	1.6	3.0	2.5
Other	0.2	0.3	0.2

Source: Compiled from the Ghana 2010 Population and Housing Census Report (GLSS, 2012)

The three most popular types of housing arrangements are compound houses, detached houses and semi-detached houses. Each of these types of housing is discussed below.

Compound Houses

Owusu (2010) defines a compound house as one of Ghana's traditional houses and it "usually comprises of dwellings consisting of many small rooms (housing several households) with an open courtyard and shared facilities such as toilets, bathrooms and kitchens" (p. 9). Although compound houses still dominate the current housing by 51.5% points as indicated by Table 6, there has been a decline in their share of total housing stock since 1990. According to Owusu (2010), in 1990, compound housing comprised 62% of the total housing stock in the country. Therefore, given the current percentage of 51.5, there has been a 16.9% point decline in this type of housing in 2010. As a result of

urban growth and the quest for modern type of housing, the compound houses in the capital city, Accra have slightly declined from 62% in 1990 to 55.6% in 2010 (GSS, 2008, 2012). The situation in Kumasi is not different as compound houses are no longer being built there (UN-Habitat, 2011).

The above situation is however not a positive development as it compounds the housing problem in these cities which have the largest urban population in the country. As Turkey (2011) indicates, the current housing shortage in the country is also attributed to the disregard for traditional low-income housing options like the compound house. “Compound houses built with local materials and techniques by relatively low-income households supplied the most rooms in the city (Kumasi)” (Turkey, 2010. p. 5). Owusu (2011) also points out that, apart from being affordable, multi-habitation is one of the features of compound housing and this allows for the sharing of facilities like kitchens and bathroom with other family groups and individuals. Compound houses also provide a platform for the provision of mutual assistance and social union for low-income residents. In the wake of increasing fire outbreaks and robberies in these cities as a result of overcrowding and the lack of jobs, compound housing provides a form of security because there are residents in the house all the time. Compound houses also accord households the opportunity to provide support to family members. It is a combination of owners, rent-paying occupants, as well as rent-free tenants who are normally accommodated by the owner who is a relative (Turkey, 2011).

However, compound houses are usually associated with overcrowding, especially in the urban areas such as Accra and Kumasi. People therefore do not enjoy good living

conditions like access to sanitation. As the UN-Habitat (2004) publication indicates, compound houses will remain the most common type of dwelling in the country for several years to come because they do not only serve the needs of the extended family system, but they also bring income to landlords or individual owners of rooms who need to supplement their incomes by renting them out. Compound houses are only gradually becoming unpopular, especially, with the younger generation in the country who can afford to build their own houses. The young associate compound houses with lack of peace and privacy (see Figure 4).



Figure 4: Traditional Compound House in Kumasi. Source: UN-HABITAT (2011).



Figure 5: Traditional multi-storey compounds in Kumasi, with a new high-rise being erected beyond:

Source: UN-Habitat (2011)

Detached Housing

Also known as bungalow, this a detached low-rising (single or one-and-a-half story) house with a verandah (see Figure 5). This is the second type of dwelling unit that most (28.7%) households reside in. On a regional basis, these types of houses are the second largest in Kumasi (24.7%) followed by Accra (18.7). This is because they are cost-effective and easy to build. There is also the growing tendency among married couples to move out of the compound houses because they want to be independent of the extended family.



Figure 6: Picture of a Separate House/Bangalow in Accra

Source: Top-properties, Accra

Semi-detached Houses

The semi-detached houses are becoming more popular among both real estate and individual developers and they account for 8.1% of the houses in Accra and 7.9% in Kumasi (see Figure 6). They are the third most common houses in the country and in each of the regions in Ghana. In the rural areas in Ghana, they are built as staff quarters for school teachers, the police, nurses and other public servants (UN-Habitat, 2004). These dwelling units contain all services that are intended for single households.

Improved homes (kiosks, containers) are gradually gaining popularity in Accra (6.1%) as indicated by Table 6. They are easily affordable and fast to construct and they

accommodate a large percent of the homeless population in the city. They are used both for commercial and residential purposes.

Distribution of Housing Stock in Ghana

The 2010 Population and Housing Census projections show that Ashanti Region has the highest proportion (16.9%) of houses in the country. This is followed by the Greater Accra Region with 14%, as indicated by Table 7.

Table 7: Stock of Houses and Households by Region, 2010

Region	Total Population	No. of Houses	No. of Households	Distribution of Houses (%)	Housing Deficit
All Regions	24,658,823	3,392,745	5,467,136	100.0	2,074,391
Western	2,376,021	380,104	553,635	11.2	173,531
Central	2,201,863	346,699	526,764	10.2	180,065
Greater Accra	4,010,054	474,621	1,036,426	14.0	561,805
Volta	2,118,252	399,953	495,603	11.8	95,650
Eastern	2,633,154	431,697	632,048	12.7	200,351
Ashanti	4,780,380	574,066	1,126,216	16.9	552,150
Brong Ahafo	2,310,983	331,967	490,519	9.8	158,552
Northern	2,479,461	257,311	318,119	7.6	60,808
Upper East	1,046,545	114,034	177,631	3.4	63,597
Upper West	702,110	82,293	110,175	2.4	27,882

Source: Compiled from the Ghana 2010 Population and Housing Census

Report (GLSS, 2012)

The three northern regions, Upper West (2.4%), Upper East (3.4%), and Northern (7.6%) have the least proportions, followed by Brong Ahafo (9.8%) and the Central (10.2%).

As Table 7 indicates, all the regions in the country have housing deficit and the total deficit is 2,074,391. Accra has the highest number of housing deficit (561,805) in

the country. The housing deficit in Accra is more than the combination of the deficits for Upper West (27,882), Upper East (63,597), Northern (60,808), Brong Ahafo (158,552) and Volta Region (95,650). The total deficit for the five regions is 406,489 while the deficit for Accra is 561,805. As shown earlier, Accra ranks high in the country in terms of immigrants and this explains why the deficit is high the capital city.

Kumasi has the second highest number of housing deficit of 552,150 followed by the Eastern Region with a total of 200,351. Of all the 10 regions, the Upper West (27,882) and Northern (60,808) regions have the lowest number of housing deficits in the country (63,597).

The above information has many important policy implications for the country and the individual regions. As the UN-Habitat (2011) indicates, the annual housing need in Ghana is 133, 000. Therefore with the current deficit of 2,074,391 a delivery of about 250,000 housing units annually will be required for the next 10 years to offset the deficit (Danquah, undated; UN-Habitat, 2010, 2011). Accra and Kumasi which have the highest deficit in the country need much attention in any efforts to supply housing in the country.

Housing Construction in Ghana

Construction Materials Standards

The Ghana Standards Board introduced standards of building materials and regulations regarding building practices in the country in 1988. These standards are regulated by the Ghana Building Code. Among others, the code authorizes district planning officers to reject the use of materials that are prone to rapid deterioration and are

therefore not suitable for constructing permanent buildings. The code approves the use of the following materials provided their use is in line with the provisions, according to the UN-Habitat (2011):

- Mud or swish used in a plastic state to erect an earthen wall Wattle and daub
- Pisé or earth rammed between wooden or other formwork to make a wall in situ
- Unburnt earth bricks or blocks
- Stabilised earth products, bricks, blocks (or landcrete)
- Burnt clay products
- Sandcrete, concrete or reinforced concrete
- Thatch or leaves in roofing or otherwise
- Timber or bamboo products
- Asbestos-cement products
- Metal products;
- Glass and synthetic products
- Stone products;
- Lime-based products, etc.

The following materials are not approved by the Ghana Standards Boards:

- Atakpamé (wet molded mud balls)
- Adobe
- Wattle and daub
- Swish

- Thatch

The existing regulations pertaining to the use of building materials insist on standards which are not within the reach of low-income groups in the country. Moreover, the above materials that are not approved by the Ghana Standards Boards are the materials that are more affordable in the country and can therefore be used by most Ghanaians. The current regulations which disapprove of their use make it difficult if not impossible for a majority of Ghanaians to contribute their quota towards the adequate supply of housing in the country.

Construction Materials for Dwelling Units

There are different construction materials that are used in Ghana for the outside of the walls, the main floor and the roof of buildings. Some of these materials include mud bricks/earth, wood/bamboo, metal sheet/slate/asbestos, stone, burnt bricks, landcrete, palm leaves/thatch/raffia and other. The main type of material used depends on the part of the building and sometimes its location as well as the level of affordability of the material itself. Table 8 shows the different types of construction materials and their proportions used for building in the two largest cities in the country.

Table 8: Household by Locality and Main Material of Walls, Roof and Floor

Part of Housing and Material used	Ghana	Greater Accra	Ashanti: Kumasi
Number of dwelling units	5,817,607	5,817,607	1,169,030
Outer wall			
Mud bricks/earth	34.2	3.6	21.4
Wood	3.4	10.2	2.3
Metal sheet / slate/asbestos	0.8	1.3	0.9
Stone	0.2	0.2	0.2
Burnt bricks	0.7	0.4	0.6
Cement blocks/concrete	57.5	82.2	71.9
Landcrete	1.8	0.3	1.7
Bamboo	0.1	0.1	0.1
Palm leaves/thatch (grass) /Rafia	0.7	0.2	0.2
Other	0.7	1.5	0.7
Total	100.0	100.0	100.0
Roof			
Mud/mud bricks/earth	1.4	0.3	0.4
Wood	0.8	0.8	0.9
Metal sheet	71.4	49.3	89.5
Slate/asbestos	13.0	41.7	1.1
Cement/concrete	2.4	3.8	3.1
Roofing Tiles	0.5	1.7	0.4
Bamboo	1.2	0.2	1.2
Thatch/palm leaves or raffia	8.6	1.5	2.8
Other	0.6	0.7	0.5
Total	100.0	100.0	100.0
Floor			
Earth/mud	16.0	5.2	14.6
Cement/concrete	77.8	80.2	77.8
Stone	0.6	0.5	0.8
Burnt bricks	0.1	0.2	0.1
Wood	1.0	3.8	0.5
Vinyl tiles	1.0	2.6	1.3
Ceramic/Porcelain granite Marble tiles	1.6	3.8	1.8
Terrazzo/Terrazzo tiles	1.6	3.3	2.9
Other	0.3	0.4	0.2
Total	100.0	100.0	100.0

Source: Compiled from the Ghana 2010 Population and Housing Census Report (GLSS, 2012)

Endnotes

1. Percentages and total figures for Ghana are summations of all the 10 regions of Ghana. Figures for Accra and Kumasi only are indicated

Construction Material for Outside Walls

On a national scale, cement blocks or concrete is the major building materials that are used for the construction of walls of houses in the country. As table 8 shows, 57.5% of buildings are constructed with this material. It is believed that cement/concrete walls are durable and can also resist the weather in the dry season when it becomes very warm and rainy season that is characterized by storms. In terms of the two regions, Accra ranks higher with 82.2%. Kumasi recorded the second highest proportion of households utilizing cement blocks or concrete as the main construction material for the outer of walls.

Wood is one of the exports of Ghana and yet its use in the country, especially in the rural areas is negligible (3.4%). Its use in the urban areas of Ghana, especially in Accra, is however becoming more popular. According to the 2005 Ghana Living Standard Survey (GSS 2008) 0.3% of wood was the main material used for the outer walls of buildings. The springing up of improvised houses (kiosks and containers) demand more wood than cement and this has accounted for its increased used. Besides, wood is more affordable than cement.

According to the UN-Habitat for Humanity (2004) report of Ghana, extensive research and demonstration went into the use of landcrete a building material, for affordable shelter provision and poverty reduction in the country. However, as table 8

shows, only 1.8% of the material is being utilized for the construction of the outer walls in Ghana. Kumasi (1.7%) has the highest proportion of landcreate usage in the country and Accra (0.3%) is the third region that has the less percentage utilization of the material.

Construction Materials for Roof

Metal sheet ranks highest both countrywide (77.8%) and regionally as the main conventional construction material for roof of buildings. The material is the most utilized in Kumasi (89.5%) and also in Accra (41.7%).

Slate or asbestos roofing sheet is the third-most utilized roofing material in the country (13%). The predominant use in urban housing is in Greater Accra with 41.7%. However, there has been a little over 3% decline in the use of slate or asbestos since 2000. In 2000 52.0% of the material was used in the national capital (UN-Habitat, 2004, GSS 2008). Kumasi has a low record (1.1%) of the use of slate/asbestos roofing sheet.

Construction Material for Floor

Cement/Concrete comes in different forms and it is the most used material in all the rural and urban areas in the country, representing 77.8%. Among all the urban areas in Ghana, Accra dominates in terms of its use, representing 80.2% followed by 77.8% (Table 8).

Earth/concrete is the second most predominant flooring material in the two urban areas in Ghana, with Kumasi recording the highest percentage (14.6). It is increasingly becoming the main material used in flooring in Accra with 5.2 percentage points.

Past Responses to the Housing Situation in Ghana

The first direct involvement of government in housing was in the 1920s when the colonial government led by Sir Gordon Guggisberg in the Gold Coast (now Ghana) introduced the “Dispossessed Housing Scheme” which was aimed at the provision of housing for residents who were evicted from their houses to make way for the development of government programs (Kwofie *et al*, 2011). The above scheme made it possible for affected residents to access loans to construct their own houses. However, this scheme did not last as the government considered it to be too expensive after dispensing 118 loan package, totaling £2,280 by 1933 (Konadu-Agyemang, 2001).

A destructive earthquake occurred in 1939 in Accra with a magnitude of 5.5 on the Richter scale. Seventeen people died and 133 residents sustained serious injuries, while hundreds of buildings were damaged (Amponsah, 2002). The above disaster called for direct intervention by the colonial government after support for the construction of housing came to an end in 1933. Following the earthquake, One thousand two-bedroom housing units were constructed at Osu, Chokor, Mamprobi, North Keneshie, Korle Gono and Abbosey-Okai, all suburbs of Accra, by the colonial government. A total of 1,250 housing units were completed by 1955 and were sold to affected residents of the earthquake on a lease basis and at subsidized rates (Kwofie *et al*, 2011).

According to Konadu-Agyemang (1998), the Alan Burns government’s four-year development plan that was introduced in the Gold Coast (Ghana) in 1943 had housing as one of its top priorities. An amount of £800,000 budget for implementing housing construction led to the construction of housing units, utilizing local building materials.

The first president of Ghana, Kwame Nkrumah introduced a five-year development plan under which a new housing scheme was drawn, thus making it possible for the establishment of the Tema Development Corporation (TDC) to construct houses for Tema, the industrial city. Under the 1959-56 Development Plan, the government also established the State Housing Corporation (SHC) in 1956 to construct houses for civil and public servants in the country (Ghanadistricts.com, undated). While the TDC was established purposely to provide housing in the industrial city, the SHC was created to construct residential units in all the regions in the country. State-owned financial institutions like the Bank for Housing and Construction and the First Building Society were established with the aim of providing the needed financial support for public housing (Nsiah-Gyabaah, 2009).

The Tema Development Corporation and the State Housing Corporation were utilized by the National Liberation Council, the military regime that ousted Kwame Nkrumah in the 1966 coup, to provide housing units in the country. Even though General Ankrah, leader of the military government had a plan to provide two thousand units annually, only one thousand units were realized before he was overthrown in 1969 (Kwofie *et al*, 2011).

As indicated by Konadu-Agyemang (2001), the Second Republic of Ghana under the leadership of Busia, had a high level of commitment to alleviate the housing problem in the country, the government's one year development plan, which began in 1970 and ended in 1971 only built 2,000 of the planned 8,000 housing units mainly due to lack of funds for implementation of the full plan.

After ceasing power in 1972, the National Redemption Council had a capital of close to \$10 million to build low-cost housing units in urban areas. Each of the ten regions were supposed to benefit from this housing project. By 1975, 5,466 units were constructed and the project grounded to a stop due to high cost (Konadu-Agyemang, 2001).

The 1970s affected the development of the programs in Ghana due to high cost of imported materials, leading to crisis. The economic recession resulted in price controls leading to a major setback in the housing industry (Benjamin C. 2007). The establishment of the Tile and Brick Factory by Liman, the President of the 3rd Republic was in recognition of the effect the recession had on the building industry. The factory was built to encourage the use of local materials in housing. Following its inauguration 1,990 rental units were built by the SHC and 228 by the TDC.

Several housing schemes under the 19-year rule of Rawlings were carried out to solve the housing problem in the country. Some of these schemes included the National Housing Strategy (NSS), the Ghana Vision 2020. The financial crisis reached its highest level in the 1980s and this slowed the efforts of the Rawlings government to provide affordable houses in all parts of the country as expected. Ghana's enrolment in the Structural Adjustment Program (SAP) in 1983 rather affected the supply of housing both from government and the private sector. The country was required to liberalize trade and this opened the market for all sorts of imports including building materials. Rent controls were also relaxed and this led to the charging of commercial rates on the open market.

Many Ghanaians, especially in Accra and Kumasi were thus rendered homeless due to their inability to afford the high cost of rent (Benjamin, 2007). The program also led to the retrenchment of many civil servants and several government functionaries, especially in Accra by 30-35 percent (COHRE, 2004). The situation at the time was therefore about fending for the immediate needs of families which was food rather than shelter. In a move to stabilize the situation in the housing sector, the People's National Defense Council undertook many reforms with more focus on the cities. For example, under the divestiture implementation program, SHC, TDC, and the Architectural Engineering Services Corporation were overhauled into limited liability companies to ensure efficiency in housing delivery. The Land Reform Program was also introduced and among other things, the program required the registration of all lands in the country. This program rather benefited the middle and upper class.

The formation of the Ghana Real Estate Developers Association (GREDA) in 1988 was timely and its core intention of promoting the development of residential estates to increase the stock of housing units as a way of ensuring adequate provision of affordable housing for all classes of the population was laudable. However, as the Ghana National Housing Policy Action Plan of 1989-1990 alluded to, the policies under review could not solve the housing problem at the time. The action plan indicated that the housing problem was one of a national development crisis with an annual deficit of 70,000 housing units and a backlog of 250,000 needed to reduce the occupancy rate from 10 to seven. The average annual housing delivery was 28,000 while the required delivery was 133,000 (Antwi-Barfi, 2001).

The Home Finance Company (HFC) was established in 1991 under the Housing Sector Reform Program with the aim of providing long term funding for housing purposes. HFC was successful in granting mortgage loans and its facilitation of the development of the real estate sector of the industry which led to a large increase in housing stock especially in Accra. The HFC's programs however could not benefit low-income groups. The conventional mortgages that the company provided were not accessible to the low-income group in the country. Mortgages that were made available to real estate developers and individuals were meant for houses that ranged from \$10,000 to \$36,000 (Aquaah-Harrison, 2004).

The Ghana Vision 2020 program was adopted in 1996 and this was to be implemented within the next 25 years (1996-2020). The program which was initially known as the National Development Policy Framework was aimed at moving the country from a poor nation into a middle-income country. Provision of low-income housing was considered one of the important means of achieving the objectives of the program. The program however could not be implemented due to lack of funding and the absence of private sector participation. Above all, there was a lack of political will following the 2000 elections that led to the change of government.

The vision 2020 finally gave way to the Ghana Poverty Reduction Strategy (GPRS I, 2003-2005) and the Growth and Poverty Reduction Strategy (GPRS II, 2006-2009). Ghana joined the IMF-World Bank-supported Heavily Indebted Poor Countries (HIPC) initiative in March 2001 and subsequently progressed to the decision point in February 2002. As a condition for development assistance under the HIPC program,

GPRS I was initiated by the Kuffuor government in 2002. Among the key objectives of GPRS I was housing interventions which were part of the broader spectrum of social objectives, economic, technological and industrial measures. Government was supposed to acquire land, develop land banks and train artisans in construction skills to support the housing sector and also to encourage the use of local building materials. The private sector was expected to play a major role in this program by constructing houses for rental and private ownership (IMF, 2012). However, structural challenges that emerged as a result of large fiscal and imbalance of payment deficits affected the overall implementation of the program and housing as well. Challenges to domestic resource mobilization at all levels affected the private sector in housing delivery.

CHAPTER THREE

The Housing Delivery System in Ghana

The Land Tenure System and its Effects on Housing Supply in Ghana

Land tenure in Ghana is communal and this generally determines its management (Essienyi, 2011). Housing delivery in Ghana is accomplished through a complex of institutions and individuals. These include traditional land allocation procedures, involvement of the public and private sectors as well as financial institutions. This chapter examines these various approaches and the roles they play in the provision of affordable housing in the country. Kuntu-Mensah (1997) defines land tenure in Ghana as a way in which entitlements to land in the country are obtained and distributed among the people. The land tenure system in the country is a legal convulsion in which recognized customary laws and statutory laws coexist in an intricate mix. The land administration is therefore governed by both customary land tenure and the formal rules and regulations

enacted through the legislative process. The 1992 constitution categorizes land into two (2) distinctive land tenure systems. These are public and customary lands.

a) Public Lands

Public lands constitute 18% of the total land mass in Ghana (UN-Habitat, 2011). Chapter 20, Clause 257 (1-5) of the 1992 constitution of Ghana vests all public land in the President of Ghana. These lands are held in trust for the people of Ghana in accordance with the State Lands Act of 1962 (Act 125). The Act confers on the president of Ghana the power to acquire land that is in the public interest. The Act also makes provision for the payment of compensation to owners of land that has been acquired. Compensation is estimated at the open market value. The Lands Commission which was established under the Lands Commission Act, 1994 (Act 483) is in charge of all public lands. Two types of public lands exist in Ghana. These are the State Lands and the Vested Lands.

i) State Lands

These are lands that are acquired through the power of eminent domain. They are normally compulsorily acquired by government through the above instrument for a specific purpose which is in the general interest of the public. Article 20 of the 1992 Constitution, the Administration of Lands Act 1962 (Act 123), the State Lands Act 1962 (Act 125) and the Statutory Act 1963 (Act 186) are all laws that regulate the compulsory acquisition of land by the Government of Ghana (Essienyi, 2011). For instance, the State Lands Act, 1962 (Act 125) states that the President of Ghana, acting on behalf of the state has the power to acquire land for use in the “public interest”. While the act does not

define what the public interest is, it makes provision for payment of compensation to owners of land that has been acquired. Payment is estimated at the current market value. Chapter 20, Clause 257 (1– 5) of the constitution of Ghana also states that “all public land in Ghana is vested in the President on behalf of, and in trust for, the people of Ghana. Public land includes any land which has been vested in the Government of Ghana for the public service of Ghana, and any other land acquired in the public interest” (UN-Habitat, 2011. p. 19).

ii) Vested Lands

Vested land constitutes 2% of the total land mass in Ghana and it is under the control and management of the government of Ghana (UN-Habitat). This situation may be different from what happens in other Sub-Saharan countries and it is brought about through a statutory intervention. In this circumstance the rightful land owner still holds the customary title of ownership but then the responsibility for managing the land rests with the state and this is done in trust for the rightful owner. Management of the land in this case includes prosecutions with respect to the land, rent assessment, collection, disbursement, as well as the physical planning, enforcement and administration of the property (Essienyi, 2011). The Administration of Stool Lands Act, 1962 (Act 123) and the Lands Commission Act, 2008 (Act 767) regulate the administration of vested lands in the country.

b) Customary Lands

Customary lands constitute 80% of the land area in Ghana and are not only a major means of support to a majority of Ghanaians, but they also constitute important

symbols of identity, dignity, solidarity and peace in most traditional communities (Eltayeb ElHadary and Obeng-Odoom, 2012). These comprise stool, skin, clan, family and individual lands. Ownership is vested in the land owning community, family or clan. Usually, chiefs, family and clan heads or fetish priests are the custodians of the land and they hold it in trust and on behalf of the entire community, clan or family members who are entitled to the land and all the benefits from it as of right. Ownership of these types of lands cannot also be acquired through leasing, sale, grant or marriage, depending on the particular community of the country (UN-Habitat, 2011, USAID, 2012, Essienyi, 2011). Customary lands are recognized under the section 36 (8) of the 1992 Constitution of Ghana.

The customary land tenure system has at least, five categories of land interests or rights in Ghana which are officially recognized in the Land Title Registration Law of 1986 (Law 152). These include the following:

i) Allodial Title

This is the highest form of customary land tenure in the country. The title is held by stools, skins, clans, tendamba (first settlers) or families, mostly depending on the prevailing customary law in the particular area. Largely, land is vested in communities in this case and the main representatives, the traditional authorities are the titleholders who for that matter hold the land in trust for the entire community (Kasanga and Kotey, 2001).

ii) Customary Freehold

Land right is held by individuals or subgroups groups on behalf of the rightful owning community such as the stool in the case of Ashanti Region or the skin as it is

practiced in the northern part of the country. Subjects of a stool or skin originally had an integral ownership right to a portion of the allodial land and they could utilize any portion of the land without necessarily being granted the right by the stool or skin. Interest in this is inheritable and can last as long as the owning group or individual acknowledges and yields to the request of the superior or titular head. Apart from what they cultivate on the surface of the land by way of farming or the construction of houses, holders of this title cannot claim ownership of minerals found on or under the land (USAID, 2012, Sarpong, 2006).

iii) Common Law Freehold Title

This title is conferred or obtained from a freehold grant (by gift or outright sale) by an allodial title holder. This type of entitlement to land leads to a transfer from the allodial context to a common law when the parties involved willingly agree to be guided by that law in the event of any dispute or disagreement. The 1992 constitution frowns upon this practice which existed mainly in Accra, Kumasi and other urban areas in the country where land was sold by chiefs who were in charge of land (USAID, 2012, Sarpong, 2006).

iv) Leasehold

This is a right granted to interested parties and individuals for the use of land for a certain period of time. This is normally governed by covenants and formal agreements between holders of the allodial or freehold titles and any person or group of persons who are interested in the land. Freehold titles are transferred for a period of 99 years maximum for Ghanaians and not more than 50 years in the case of foreigners. The lessee

may choose to sublease to another person or group provided the term of the lease is not expired and is subject to the consent of the lessor.

v) Customary Tenancies/Variou s Lessor Interests

There are various types of tenancies that are created by the allodial or customary freeholders for specific purposes. The most popular one this is sharecropping which is normally an informal agreement between an owner of the land and interested parties for the purpose of cultivating on the land in exchange for a produce. Another form of exchange is farm labor provided to the landlord by the new owner. Just like the other types of titles, new “owners” of the land utilize it for a specific period of time and can only claim ownership of what they produce on the land but have nothing to do with any minerals found on it.

Land Tenure and Institutional Management in Accra and Kumasi

Kumasi and Accra in particular are clear examples of the failure of the traditional land system and the state land management system to effectively manage land for satisfactory delivery of housing.

As part of the traditional land tenure system, chiefs, fetish priests, family heads and elders in the two cities successfully manage land on behalf of the communities. However, for Accra in particular, its designation as the capital of Ghana put the traditional system under strain. About 40% of the land in Accra was acquired compulsorily for the public purpose. As of 2004, 13.3% of the land in Kumasi was compulsorily acquired by the Government (Eltayeb ElHadary and Obeng-Odoom, 2012). Some of these lands have been used for providing infrastructure and for commercial and

industrial purposes, all because of the increasing urbanization (Kasaga and Kotey, 2006). The indigenous land management system has had to compete with the state management institutions and has therefore not been able to evolve to cope with the speed, volume, complexity and diversity of land administration issues such as land disputes, the lack of proper titles, and multiple ownerships in Kumasi and Accra in particular.

Housing Finance in Ghana

Decent and affordable housing access is a challenge to the majority of Ghanaians especially in the urban areas of Ghana. In Ghana every household is faced with three main options of the acquisition of shelter which are rent, self-built or mortgage. Going with any of the three options has not been easy due to the difficulties and the cost involved. The majority (90%) of houses in Ghana are built (self-built) by individuals through any or a combination of the above means, as indicated by Kwofie *et al* (2011):

- i. Self-accumulated income;
 - ii. Remittances from relatives and friends;
 - iii. Access to home loans from non-banking institution (SHC, FGBSL, SSNIT etc.);
- or
- iv. Access to credit from Banks.

The above means of acquiring finance in conjunction with incremental building has provided housing for majority of Ghanaians over the years. This is however not adequate to ensure the needed supply of housing offsets the housing deficit and it is in this vein that the importance of public sector housing is crucial.

Even though institutions have been setup with the aim of providing loans and saving schemes to assist low-income groups these schemes were not beneficial to the above target groups because they could not go beyond the pilot project stages (UN-Habitat, 2004). It was after the 1970s economic crisis that private financial institutions such as the Bank of Ghana, the Standard Chartered Bank and Barclays Bank got involved in the provision of funds to individuals and estate development agencies. These were however limited mortgages that were offered to the wealthy, bank and government officials and their relatives (UN-Habitat, 2011).

Private Housing Finance in Ghana

Housing provision in Ghana has largely been based on informal financing (Bank of Ghana, 2007). The UN-Habitat 2011 report on Ghana established that one quarter of Ghanaians use credit, however, most of the households in the country are not utilizing the mortgages for housing (UN-Habitat, 2011). Those who borrow money do that for the purpose of carrying out their businesses and subsequently use profits that they make from these businesses to build houses. The majority of households and individuals in Ghana use their savings that they acquire in the long-term, as well as sweat equity and loans, including remittances from family members and other relatives to build houses through the incremental building process. Informal ways of house financing thus constitute about 90% of the houses built in the country (Boamah, 2011). The usual practice especially in the urban areas is to accumulate money through informal means which can only be sufficient to purchase a parcel of land and then construct the foundation (see Figure 7). One of the reasons why it is important to construct a foundation is to serve as a signal to

potential buyers that the parcel in question has been purchased. This step sets the stage for adding to the foundation in series as and when there are funds to purchase construction materials until the whole house is gradually built.



Figure 7: Foundation of a House. Source: Kas Estates, Ghana.com

The above process of incremental building is one of the reasons why some dishonest landowners sell the parcel of land to more than one party. Unfortunately, the incremental process is not only very expensive, but it wastes a lot of resources and at most quite often, house units become aesthetically and functionally outdated after completion (Boamah, 2010. p. 3).

Formal Housing Finance

Currently the financial sector in Ghana includes banks, non-banking financial institutions as well as the capital market. The UN-Habitat (2011) report of Ghana categorizes these financial institutions as follows:

- i. The Bank of Ghana (BoG). This regulates and supervises all commercial banks and non-bank financial institutions in the country
- ii. One universal and offshore bank which is Barclays. This initially offered mortgage financing on a limited scale but the beneficiaries were mostly well-off, high-level government and bank officials.
- iii. Twenty-six (26) universal banks and 135 rural banks. Most of these banks do not offer mortgage financing
- iv. Non-bank financial institutions:
 - Nineteen (19) Financial Houses
 - Eighteen (18) Savings and Loans Companies
 - Seven (7) leasing companies,
 - One (1) Discount House and
 - One (1) Mortgage Finance company
 - Credit unions supervised by the Credit Union

The above institutions are not well developed in Ghana. Some of these offer only short term loans with high interest rates

- v. Association (CUA) through delegated powers from the Bank of Ghana
- vi. A network of about 150 microfinance institutions under the umbrella of the Ghana Microfinance Institutions Network (GHAMFIN) which supervises those with delegated powers from the Bank of Ghana
- vii. The capital market organized by the Ghana Stock Exchange, which currently has about 27 listed equities, and Corporate and Government Bonds; and
- viii. Informal lenders, such as “susu” collectors, informal traders and rotating savings clubs (ROSCA). ROSA consists of a group of participants who contribute a fixed amount on a daily or a weekly or monthly basis and at the end of the period agreed upon by all participants the total amount is then allocated to one member of the group sequentially.

As a result of the inability of the Ghana Commercial Bank, Standard Chartered Bank and the Barclays Bank to provide housing finance on a sustained basis to improve housing delivery in the country, the Government of Ghana set up the Bank for Housing Construction purposely to concentrate on housing but the bank eventually shifted to commercial banking and was finally liquidated in 2000 due to a major fraud that wiped out its entire capital (Akuffo, 2006). Until 2006, the Home Finance Company Bank Limited was the only mortgage company in the country and this led to monopoly of the housing sector (UN-Habitat, 2010).

In spite of the recent proliferation of banks and other financial institutions in Ghana, they have made minimal impact on the housing sector in the country. The 2010

UN-Habitat report on Ghana shows that even though banks and other financial institutions exist in the country, they do not only lack the ability to channel resources to households that are in most need of financial assistance, but the current institutional lending is directed to the credit worthy, the upper and middle class groups.

There is a lot of incomplete land titling especially among the moderate and low-income groups as a result of lack of accessible home financing in the country. Unfortunately, there are only a few programs or special initiatives which are aimed at expanding the accessibility of home improvement financing for these groups. No attention has been paid to ensuring the availability of resources like loans purposely for the purchase of land, for the upgrading of obsolete houses and even for building of vital housing.

There have not been very sufficient efforts to improve upon the current inadequate culture of personal savings which will enable the mobilization of funds from non-conventional sources to allow low-income families to increase access to home-ownership finance and also to encourage existing financial institutions to improve upon their saving capacity. Past and present governments have made strenuous efforts both directly and indirectly to improve housing delivery in the country. However, the private sector which is seen as the main engine of growth in the country has not been extensively involved in these efforts by serving households with average incomes. The ability of the credit market to play its lending role in housing delivery has also been limited due to inflation which has created a lot of imperfections over the years (UN-Habitat, 2010).

Individual Developers

Individuals play an important role in housing delivery in the country. About 90% of houses in the country are supplied by a combination of individuals and the contractors they engage to build their houses. The normal process for building a house by an individual is to gather money through long-term accumulation normally from remittances from family members and friends abroad, or through work (Boamah, 2011). What comes next is to acquire land from traditional owners or other sources based on recommendations from friends or relatives. What is important is to save enough to be able to build the foundation of the house. This will secure the land from encroachers and especially in the case of Accra where there is a scramble for land, this will ensure that the same parcel of land is not sold to another party by the owner. Once the foundation is constructed and the land is secured, it then takes between 5 and 15 years to save enough to build up to the roof level. This trend affects the quantity and quality of dwelling units. Above all, this makes it impossible to meet the demand for housing, especially in Accra and Kumasi where the population is on the increase.

Real Estate Developers

As a result of the failure of past and even recent interventions by governments to reach low-income groups coupled with the economic decline in the 1980s, expectations about the important role of the real estate sector have been high. As a result of the incentives discussed earlier, real estate developers have been involved in formal housing supply to individual owner occupiers, landlords and institutional investors. Between 1989

and 2004, a maximum of 50,000 detached and semi-detached houses and about 900,000 additional dwellings were constructed by the private real estate developers as a result of the government interventions by way of incentives (CHF International, 2004).

The Ghana Real Estate Developers Association (GREDA) was formed in 1988 purposely among others to “promote the development of residential estates and to increase the stock of housing units thereby ensuring adequate provision of affordable housing for all classes of the population” (GREDA, 2007). Activities of members are mostly located in Accra and Kumasi. As a result of the discovery of oil in Sekondi-Takoradi their operations have now been extended to the twin city.

The membership of GREDA has grown and it includes international real estate companies such as Royal PF Construction (UK), Royal Estate Group (USA), Jude Estates (South Korea), Red Sea Housing (Saudi Arabia), ACP Estates (India) among others. As a result of the liberalization of the economy and more especially the involvement of the international estate developers the expectation was that competition would have led to the reduction in housing cost that would benefit the low-income group in Ghana. However, the private real estate developers have on a consistent logical and rational basis, targeted the middle and upper classes of both Ghanaians residing in the country and those living abroad (Karley, 2009). The high cost of land in Accra and parts of Kumasi is one of the reasons why the focus has been on the middle class that can afford the related high prices. As a result of the liberalization of the economy there has been overdependence on imported materials which eventually add to the housing cost. Even though there are now

mortgages at the disposal of developers it is still difficult raising the needed finance for construction as banks only lend to a few developers.

Types of Mortgage Loans in Ghana

Karly (2008) has identified five loan products that are being offered by lending institutions in the country. These include:

Home Purchase Mortgage (HPM)

This type of mortgage is given to individuals and companies that are interested in purchasing houses either for their own uses or for resale or other investment purposes. The maximum loan depends on the customer's credit profile, irrespective of being a resident Ghanaian or non-resident. The repayment period is normally 20 years and the maximum down payment is 20% of the total amount (HFC, 2013).

Home Completion Mortgage

The repayment period for this loan is 15 years and the maximum loan amount is \$120,000. As the name implies, the objective of the loan is to assist needy applicants to complete construction of their houses. Some of the requirements include a proof of ownership of the uncompleted building and cost of completing the rest of the construction must not exceed 50% of the entire cost. The loan is disbursed in three stages and beneficiaries must be ready to allow lending institutions to inspect the progress of construction at every stage to ensure that the loan is accordingly utilized.

Home Improvement Mortgage

This mortgage targets existing homeowners and companies that own properties. It is provided to the above target group for the renovation and extension works on existing properties. The target group for this product includes existing homeowners and companies with properties. Fifteen years is the maximum term for this loan and applicants are required to provide a clear and unquestionable title to the property which must be duly registered.

Home Equity Mortgage

The Home Equity Mortgage loan is intended for applicants who are owners of properties or ongoing investments in residential facilities to either release or take out the equity in those properties to build another property, renovate or improve residential properties. The maximum amount does not exceed 80% of the forced sale value (FSV) of the property and the term of repayment does not exceed 15 years. Registration of the title and clear proof of ownership is a requirement.

Buy, Build and Own a Home

This loan is designed to ensure that low-come applicants are not left out in their quest to acquire land and build homes incrementally. The product is administered in two stages, the “BUY” land stage and the “BUILD and OWN” stage. Applicants contribute 10% of the cost of land and the maximum portion of the “BUY” portion of the loan is \$15,000.

Applicants are then qualified for the “BUILD and OWN” portion of the loan after 50% payment of the initial loan. The maximum amount of loan to be disbursed is

\$35,000 and the maximum term for each of the portions or stages is 10 years, making a total of 20 years. The land in question must be duly registered with an indisputable title.

HFC Public Sector Home Scheme

This is an exclusive mortgage designed by the Home Finance Company Bank (HFC) for public sector employees. HFC Bank was mandated by the Government of Ghana in 2007 to design an affordable home ownership scheme that will provide funds for public sector employees. Applicants are evaluated in line with an eligibility criteria devised by HFC.

These criteria include:

- Current public sector employees who have been in service for a minimum of 5 years
- The applicant must not attain the general age of retirement - 60 or 65 and 70 for High Court, Supreme Court, Appeals Court and Supreme Court judges
- For applicants who have 5 years or less for retirement can access the facility provided the government of Ghana agrees to pay the outstanding loan amount due, out of the borrowers total lump sum entitlements when the borrower is about to go on pension or when the loan matures whichever comes earlier
- Joint applicants in the form of husband and wife or parents and child can benefit

- Beneficiaries who are no longer government employees will have their mortgage loan agreements revised and general / prevailing market conditions applied

The land tenure in Ghana plays a crucial role in housing delivery in the country and the different types of lands, such as public and customary lands, as well as the roles of the indigenous, public and private sectors do not only determine the housing delivery system in the country, but also the rate at which houses are supplied.

The success of the housing sector largely depends on the financial sector institutions in the country. Although, different financial packages in the form of mortgage loans such as the home purchase mortgage, the home completion mortgage, home improvement mortgage, home equity mortgage, buy and own a home mortgage, and the HFC public sector home scheme, are designed to suit the specific needs of players in the housing industry, several obstacles in the financial sector make it difficult for operators in the housing industry to fully benefit from these packages. These obstacles are explored in chapter four.

CHAPTER FOUR

Impediments to Affordable Housing Provision

Ghana faces significant housing shortage which is compounded by the rapid population increase and urbanization (Karly, 2008). This trend is not expected to stop anytime soon. As the IMF Country Report (IMF, 2012) suggests, “At a projected average urban growth rate of around three percent between 2000 and 2030, Ghana’s urban population is expected to increase from about 52 percent of the total population in 2010 to around 65 percent by 2030” (p. 67). The housing deficit of Ghana currently stands at 1.6 million and this is expected to double within the next ten years. By 2022, a deficit of 3.6 million is expected if the current trend of housing supply is not improved ((NATAG, 2012, Quandzie, 2011, Kogma, 2012). The housing shortage in the country has led to pockets of slums and some communities are consistently littered with kiosks and containers where people live (Business World Ghana, 2012). According to the research by Business World Ghana (2012), the slum population in the country as of 2001 was 4.9 million and this shot up by 18.3% to 5.8 million in 2010.

The informal industry which supplies about 90% of housing in the country has not been able to construct houses to meet the ever-increasing demand. The formal sector therefore has the important task of producing the required houses to balance the demand. This role of the formal sector has long been recognized since independence. But the efforts of past and present governments have not been successful in implementing policies that will ensure improved housing delivery by both sectors. One of the main strategies that have been adopted by governments in the country has been to encourage the private sector to participate in the housing delivery, especially through tax incentives and other reliefs. This chapter discusses the impediments of housing supply which include land availability, high cost of building materials, lack of capital, infrastructure, utilities, mortgages, poor maintenance and lack of estate management expertise, insecure land tenure, lack of rent payment and the problem of rent control and general poverty.

The Land Tenure System and Constraints on Housing Supply in Ghana

The purpose of state intervention through its institutions has been the effective regulation of land administration to ensure effectiveness in the system. Research by Sarpong (2006) indicates that “there is lack of complementarity and networking and even conflicts among some of the institutions” (p. 5). Kasanga and Kotey (2001) note that all agencies that are currently managing public lands in the country are under staff and lack adequate funding and logistic support such as vehicles and other equipment in order to effectively carry out their regional and national functions.

Several factors impede the delivery of land for residential, commercial and industrial uses especially in urban areas in the country, notably, Accra and Kumasi. These

constraints include the scarcity of land, lack of proper land titles, high cost of land and cumbersome process of registration and lack of transparency on the part of customary land. These constraints are discussed in detail as follows.

Scarcity of Land

Land is leased and not sold because of customary regulations. There is a lack of adequate supply of land in Accra in particular as a result of urbanization and undue pressure on the available land. However, it is also the case that even with the little supply, it is difficult for certain groups to have access to the available land in the urban areas of Accra and Kumasi. Migrants for instance are unable to access land in these cities for the purpose of building. Under the lease, the constitution allows for the transfer of land to Ghanaians for a maximum of 99 years and for foreigners, the maximum duration is only 50 years. This denies migrants who can afford land the opportunity to contribute towards the supply of housing in the country. Unfortunately, the leasing prices that are normally demanded fall beyond the reach of many Ghanaians who are interested in building houses in these cities. According to Koma (2012) the country ranked almost dead last in the registry efficiency index which measures the duration of registering a deed title. In the case of Ghana, it takes 120 days to successfully register a title deed. In his address to the Conference of Land Governance in Support of the Millennium Development Goals (MDGs) in Washington DC, the Minister of Lands and Natural Resource, Ghana admitted the “difficult accessibility to land for agricultural, industrial, commercial and residential development purposes due to conflicting claims to ownership, and varied and outmoded land disposal procedures” (Dauda, 2009. p. 2).

Lack of Proper Land Titles

The land tenure system has created a high preponderance of informal and overabundance of land right claims in the country. This has resulted in high levels of uncertainties in the land markets in Ghana which poses some challenges to investment in both rural and urban lands. Urban areas in particular lack clear titles to lands and this makes the transfer of the titles difficult. This problem has been in existence for a long time due to lack of well-demarcated boundaries, the persistence of oral tradition, and numerous interests in the same parcel of land and the difficulty in figuring out the right authority to handle disputes relating to land (Bank of Ghana, 2007).

High Cost of Land and Cumbersome Registration Process

Karley (2008) indicates that the cost of acquiring and registering land alone constitutes about 15% of the total cost of the housing unit. This cost includes the tedious process involved in acquiring the land itself and the time spent on its registration. Land prices especially in the main urban areas of Accra and Kumasi are very exorbitant. Research by Karley (2008), the UN-Habita for a Better Urban Future (2011) and Edusei (2012) show that for instance, in the high residential areas of Accra including Labone, Cantonments and the Airport Residential Area, a 0.4-acre plot of land ranges from \$120,000 to \$200,000, and in slightly low cost residential suburbs such as East Legon, Tema, and Sakomono, a 100 x 70 feet plot of land cost between \$12,000 to \$20,000. According to Business World Ghana (2012), even at the tail end of the land market land at the newly developing areas such as Oyerifa (beyond Adenta) and Amasaman, all suburbs of Accra, a 100 x 80 feet of plot is sold for \$8,000 to \$10,000. As a result of the

rush for prime land in the city, buyers seek to outbid each other leading to price hikes. Although since 2012 there has not been a rush for landowners are not willing to reduce prices for their land (Business World Ghana, 2012).

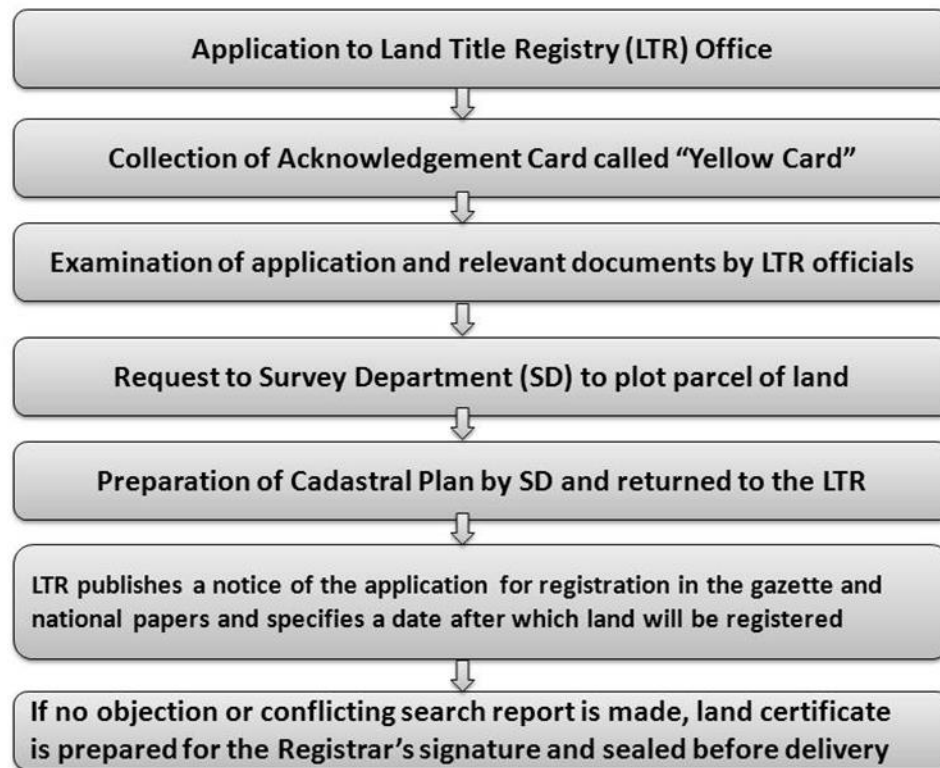
According to research by the Estate Officer of the Kumasi branch of Prudential Bank Ghana Ltd, Mireku (2012), in 2012, prices of land in Kumasi ranged from as low GH¢8,000 (US\$4,136.50) to as high as GH¢1,869,200 (US\$966,494) per acre. In the neighborhood of Asokwa, a light industrial area, a standard 100 x 100 feet plot of land sold for \$31,023.8 in 2003. By 2006 the same parcel of land was priced between \$103,413 and \$155,119. In Apire, a low-density residential area in Kumasi, a standard building plot was sold for \$1,551.19 in 2003 and in 2006, the same parcel of land increased in price by about 12.4% to \$3,619.44. In 2012, the highest cost of land was recorded in Adum, the Central Business District in Kumasi at \$966,494 per acre while land in the Zongo Extension which includes Moshie Zongo, Sawaba, Ayigya Zongo and Aboabo sold for about \$4,136.50 (Mireku, 2012). As noted by the Kumasi Metropolitan Assembly (KMA, 2006), the environment in the above suburbs of Kumasi is

...unsightly and characterized by poor drainage and sanitation. Only about 51% of the residents use internal toilet facilities in their houses while 38% of them still use public toilets for which they pay between ₵200 and ₵500 per visit depending on the type of toilet facility. Others making up the remaining 11% use indiscriminate places as toilets (http://kma.ghanadistricts.gov.gh/?arrow=atd&_=6&sa=5490).

Unfortunately, the current trend in the country is that the cost of land is normally met by a single payment rather than being spread over several years as practiced in other countries (UN-Habitat, 2011).

The new land title registration process, according to Sittie (2006), was introduced in the country in the mid-1980s by the Peoples National Defense Council government by the promulgation of the Land Title Registration Law 1986 (PNDCL. 152) and the Title Regulation, L.I. 1241 to ensure sanity and safekeeping of land title records in the country. It was the objective of the PNDC government to first and foremost guarantee certainty and facilitate proof of title and above all, ensure safe, simple, cheap and fraud-free land transactions. It was also a means of improving the land administration system which was characterized by poor mappings and records which did not facilitate the conversion of deeds to titles (Sittie, 2006). According to Karley (2009), the registration process under the system involves seven main steps as indicated by Figure 8 below.

Figure 8: Land Registration Process in Ghana



Source: Karley (2009. p.21)

The above process according to the Lands Commission (as cited in Karley, 2009. p. 21), takes not less than nine months to go through the entire registration and this leads to a lot of frustration especially to individuals while institutional investors sometimes receive quick approval due to their influence.

Lack of Transparency on the Part of Customary Land Managers

Research by Adarkwah (2002) and Barry, *et al* (2012) shows that in Accra in particular, there is a persistent problem of double sale of land whereby the same piece of land is sold to more than one purchaser by unscrupulous custodians, in connivance with law enforcement officials in some cases. As Kasanga and Kotey (2001) note “many

customary law managers no longer act as if they are holding a fiduciary position and, in fact, behave as if they own community land on a personal basis. Many of the values, processes and institutions that promoted good practice have lost their vitality, prompting the urgent need for new approaches” (p. 28). Alhassan (2006) also raises the concern of commercialization of land which has increased the rate at which chiefs and family heads who are custodians sell out parcels of land without consulting other members who are entitled to such lands.

Problem of Housing Finance

The problem of housing finance is not peculiar to Ghana alone, it cuts across all countries in Africa. As the UN-Habitat Human Nature (2011a) report notes, “conventional housing finance is either not available or simply unobtainable for most Africans due to high down-payment requirements, short loan periods and high interest rates” (p. viii).

Formal housing finance is beyond the reach of the large majority of Ghanaians. Besides, Ghana in general has an ill-defined and highly unequal income groups (UN-Habitat, 2011). As Koma (2012) points out, few financial institutions and other lenders offer housing credit and even those that do, their requirements or benchmarks are not within the reach of a large group of the population as borrowing costs are exorbitant with lending rates of about 30% forcing people to find alternative ways of sheltering themselves. Banks in Ghana rather are rather interested in transacting in treasury bills and government bonds that are associated with lower risks.

The interest rates (25% to 39%) that are associated with development loans a discouragement to potential developers. Unfortunately, only a few real estate developers such as Regimanuel-Gray (Ghanian-U.S Partnership), Royal PF Construction (U.K direct investor), PW Ghana (subsidiary of PW Group, UK), Jude Estates (South Korean: foreign investor), 99 China Construction Company (China, direct investor), and the Ghana Libya Arab Holding (Libya: joint venture with local government) are able to pool funds from different sources mostly overseas (Karley, 2008, UN-Habitat, 2011).

High Cost of Construction Materials

One major reason why urban land is not affordable to a majority of the urban poor, according to the UN-Habitat Human Nature (2011a) the high cost of land, especially the escalating costs of building materials. Unfortunately, building materials constitute about 80% percent of the cost of a house. Several central and local governments in Africa insist on compliance with building codes and regulatory standards that enforce the use of conventional building materials. Many of these codes and regulations are inherited from colonial masters and are not only outmoded but they prevent the utilization of locally available, cost-effective and environmentally-friendly construction materials and technologies that increase productivity (UN-Habitat, 2011a).

Relative to incomes, building materials are not affordable to the majority of Ghanaians. For instance, in 2003, the home price/income ratio in Accra was 14.0, which is higher than the average of most African cities with the exception of Abidjan, Tanta, Monrovia, Maputo and Jinja while Kumasi with a home price/income ratio of 11.0 was higher than most of the cities in Africa apart from Abidjan, Tanta, Monrovia, Maputo,

Jinja and Antananarivo. As a result of the high cost of building materials, landlords in the country are either unable to or are discouraged from maintaining their properties (Obeng-Odoom, 2011).

The Ghana Cement Company (Ghacem) is the main producer of cement in Ghana. The company revises its prices on a regular basis and one of the main products is the Super Rapid Cement which comes in different sizes, the most common being 50kg.

The recommended end-user price per 50kg bag of Super Rapid Cement offered at specific locations of the company's retail outlets was as follows:

Table 9: Cement Prices in Selected Ghacem Retail Outlets – June 2012

Town/City	Minimum		Maximum	
	GHS	US\$	GHS	US\$
Accra	18.0	9.4	18.3	9.5
Tema	18.0	9.4	18.2	9.5
Kasoa	18.5	9.6	18.8	9.8
Winneba	18.6	9.7	19.0	9.9
Cape Coast	18.5	9.6	18.8	9.8
Takoradi	18.0	9.4	18.2	9.5
Kumasi	19.8	10.3	20.0	10.4
Koforidua	18.8	9.8	19.0	9.9
Tamale	20.2	10.5	20.5	10.7
Bolga	21.0	10.9	21.5	11.2
Wa	21.8	11.3	22.0	11.4
Sunyani	20.0	10.4	20.5	10.7

Source: Compiled from Ghacem Product Range/Recommended

End-user Price

The prices of construction materials have been increasing at a fast rate over the years. In February 2012, the minimum price of a 50kg bag of cement was \$8.55 (Koma, 2012). After a year this price increased by about 10% to \$9.4.

Also, research by Agyman-Konady (2001) indicated that prices of cement, roofing sheets, nails and mortise locks increased by more than 2,000% between 1970 and 1998.

Most of the building materials and their prices are influenced by the world market. In the case of cement, the high cost is also due to monopoly of the industry by the main producer of cement in the country, Ghacem. Above all, inflation has created a lot of uncertainties over the years (UN-Habitat, 2010). This has been one of the major reasons for the increase in prices of building materials in the country.

A consequence of the high cost of building materials in the country is the resort to cheap but poor quality materials that many individuals and real estate developers use to build their house. This results in poor quality of buildings and building-related casualties especially during storms and heavy rainfall.

Inadequate Infrastructure and High Cost of Provision

Infrastructure is one of the major driving forces that speed up the development of an area and this is not an exception in the supply of housing in urban areas in Ghana. Ninety-six district assemblies in Ghana including the Accra and Kumasi Metropolitan Assemblies raised the following infrastructure-related problems associated with the

increase in urban population in their jurisdictions as captured in the UN-Habitat (2004) report of housing and urban development in Ghana:

- i. Poor environmental sanitation, and lack of capacity to deal with solid and liquid waste disposal
- ii. Urban slum and squalid conditions
- iii. Lack of access to basic utilities and services
- iv. Traffic congestion
- v. Inadequate and transportation systems, especially in Accra and Kumasi
- vi. Flooding, erosion and siltation of drains
- vii. Unemployment and underemployment
- viii. Lack of access to land
- ix. Lack of efficient urban management
- x. Lack of conflict and haphazard development due to problems associated with the development approval process and general indiscipline in development operations and
- xi. Lack of enforcement of urban related laws and regulations

Source: UN-Habitat (2004, p. 20)

The first six problems are infrastructure-related and they are key to attractions to housing estates in particular and any other developer. The absence of the above facilities, especially in the Accra and Kumasi metropolitan areas implies that, as Karley (2008) points out, it has now become a burden for real estate developers to ensure that these infrastructures and sanitary conditions are improved upon to guarantee the sale of their

houses at the end. Provision of infrastructure can be extremely expensive and all the costs that developers incur are eventually passed on to the end users who are interested in purchasing houses from real estate developers. Government efforts in the provision of infrastructure have only decreased the total cost of housing unit to almost 13% for estate developers in the country (Karley, 2008). However, this is not enough to reduce the amount of cost that is normally passed on to the end user and it is because of this that a majority of Ghanaians still cannot afford the price of housing from developers.

Mortgage Market

The inadequate supply of funds in the country, coupled with high interest on loans and difficult repayment procedures in the country make it difficult if not impossible for players in the housing industry to function effectively. The importance of the financial sector plays a crucial role in housing delivery in the country and it is because of this that the Financial Sector Adjustment Program (FINSAP) was initiated in the early 1980s to streamline major stabilization and structural adjustment policies that salvage distressed banks, increase efficiency in credit allocation and also improve the level of savings in the country. A study done by Quayson (2007) on the financial sector reveals that after the introduction of FINSAP, there has been a substantial growth in the banking sector with 6 banks, including five from Nigeria entering the sector.

After the Bank of Ghana raised the minimum stated capital requirements from GH¢200 million to GH¢70 billion while the requirement in Nigeria was GH¢195 billion, there was an influx of banks into the country and within the past 6 years the number of banks rose from 16 to 22 (Ghanaian Currency). As a result of the above improvements, it

was expected the mortgage sector would have seen some improvements thereby injecting enough capital into the housing industry. However, many factors have limited the development of the Ghanaian mortgage market. Some of these factors include the legal framework, social and demand and supply problems resulting from the unstable macro economy in the country.

i) Legal Framework as an Impediment to Housing Supply in Ghana

The legislative framework within which the mortgage market operates does not ensure a level playing field for the completion of property transactions and thus make it difficult for financial institutions to operate effectively. Apart from lack of secure and transparent land titles that increase the risk of mortgage lending, there have been long delays of court procedures and the resulting backlog of land cases which increase the risk of mortgage lending (Bank of Ghana, 2007).

ii) Inflation and Exchange Rate Instability

Research by Biekpe, N. (2011) shows that rising inflation between 1999 to 2000 and 2002 to 2003 increased the cost of doing banking business and this negatively affected the profitability of banking firms in Ghana. The high exchange rate and domestic currency depreciation resulted in an unstable macroeconomic environment that created a high degree of risk and uncertainty in the country (Biekpe, 2011). Uncertainties lead to the charge of high nominal rates by banks in order to compensate for losses in the future. Moreover, banks and other lending institutions are unable to access external long-term funding to ensure the continuous operations of their mortgage lending activities.

iii) Low Income Levels Limit Adequate Housing Supply in Ghana

Research by Obeng-Odoom (2012), shows that even though there were major wage increases in Ghana from 1992 to 2008, compared to other African countries such as Cameroun, Kenya, Zambia and Zimbabwe which were at similar levels of economic development, wages in Ghana have still been inadequate. For instance, according to Obeng-Odoom (2012), (as cited in Trades Union Congress of Ghana, 2004) between 1992 and 1994, “the average monthly earnings in Ghana, adjusted for purchasing power parity, was \$170 compared with \$467 in Cameroun, \$333 in Kenya, \$176 in Zambia, and \$328 in Zimbabwe” (Obeng-Odoom , 2012. page 100).

The mean household income in urban areas in Ghana has also been low. For example in 2005 the mean household income was \$1,415 and this increased to only to \$2,745 in 2010 (UN-Habitat, 2011). As a result of the low wage and income a majority of Ghanaians are priced out of the mortgage market as a result of high mortgage payment-to-income ratios.

iv) Quotation of Prices in Foreign Exchange

The high rates of inflation in Ghana over the years have increased the levels of uncertainties and risks, and this makes forecasting and planning a difficult task to banks and other financial institutions. Even though inflation has been stable for some time now, the experience of huge exchange rate swings and the depreciation of the Ghanaian currency against the US Dollar results in an unstable macroeconomic environment that generates a lot of doubts. As a cushion against the currency depreciation, estate developers quote prices in foreign exchange and this becomes a big disincentive to

demand for mortgage loans. This therefore leads to higher cost of repayments since mortgagors are required by law to make payments in local currencies.

v) Cultural and Social Barriers

A Report by the Bank of Ghana (2007) indicates that there is still uneasiness among Ghanaians about the use of loans or “debt” for the construction of dwelling units. It is therefore no wonder that the 2012 USAID country profile of Ghana shows that most Ghanaians spend more than 40% of their income on housing (p. 12). Some of them prefer to spend all their income on housing and then go without other basic necessities of life especially food.

Lack of Accessible Information and Data on Housing and other Landed Properties

There are high levels of uncertainties in the land markets in Ghana. The main reason for this problem is the preponderance of informal, overabundance of land right claims. This poses some challenges to the level of investment in both rural and urban lands. Urban areas in particular lack clear titles to lands and this makes the transfer of the titles difficult (USAID, 2012). Apart from land, most housing and land-related properties are not properly registered and cannot therefore be turned into capital or used as collateral for securing mortgages in the country (Bank of Ghana, 2007).

Poverty and the Negative Impact on Housing Supply in Ghana

The UN-Habitat (2011) report indicates that Ghana ranks 111 in the Human Development Index for 2010 and that 45% of the population lived on less than US\$1 per day while 79% lived on US\$2 per day. The IMF (2012) Country Report on Ghana indicates that there has been a strong growth in Ghana’s GDP and this has halved the

level of poverty from approximately 52% at the beginning of the 1990s to 28.6% in 2005/6. There is however no strong indication that the level of poverty will decline further, as the report alludes to the fact that this growth was as a result of high performance of the cocoa and forestry subsectors. The report admits that in spite of the gains, income disparities do not only exist across the 10 regions of Ghana but also between socio-economic groups in these regions and these disparities have continued to increase in the midst of this growth.

The GDP over the past two decades has also not been accompanied by formal sector employment as it was expected. At the moment, about 8% of the labor force is engaged in the formal sector with the rest of the 92% working in the informal sector (IMF, 2012). The main problem however is that, wages and income from businesses and both the formal and informal sectors are inadequate. Table 10 below shows that in the last 12 the years, daily minimum wages in Ghana have been woefully low and the majority of Ghanaians are struggling to make ends meet.

Table 10: Minimum Wage in Ghana: 2001-2012

Year	Daily Minimum Wage (GH¢)	Percentage Change	Exchange Rate (US\$)	Equivalent (US\$)
2001	0.55	31.00	0.71	0.39
2002	0.72	30.00	0.79	0.57
2003	0.92	28.70	0.86	0.79
2004	1.12	21.70	0.90	1.01
2005	1.35	20.50	0.90	1.22
2006	1.60	18.50	0.92	1.47
2007	1.90	18.80	0.97	1.84
2008	2.25	18.42	1.06	2.39
2009	2.65	17.78	1.40	3.71
2010	3.11	17.36	1.45	4.51
2011	3.73	19.93	1.49	5.56
2012	4.48	20.00	0.52	2.31

Source: Compilation from Ghana in Figures (GSS, 2008),

AfricaPay.org, GhanaWeb

A study by Obeng-Odoom (2011) indicates that the majority of the urban population in Ghana is engaged in the informal sector. However, the UN-Habitat (2011) report shows that only 40% of urban households have savings accounts as a result of low wages and table 10 above is a confirmation of this phenomenon.

The country's housing deficit is on the increase and yet the increasing population especially in the urban areas is making the situation overwhelming. This is further compounded by a weak legal framework that regulates operations in the housing industry, the level of inflation and exchange rates, as well as lower income levels that limit the amount of housing supply. The quotation of prices in foreign exchange, cultural barriers, lack of access to information, the absence of housing data base and the general poverty levels further compound the problem of housing supply in the country.

An important step in solving the problems of the housing industry in Ghana lies in the ability to identify the main impediments to housing delivery. Now that these problems have been identified it will be important to tackle them holistically. The next chapter is devoted to recommendations as to how the above problems can be solved so as to pave way for the smooth delivery of housing in Ghana.

CHAPTER FIVE

Conclusion and Recommendations

Housing is a fundamental need just like food, water and clothing and its importance in nation building cannot be overemphasized. Adequate housing breeds good citizenship as it ensures that they have quality sleep, think better and therefore bring forth good innovations for themselves as individuals and the nation as a whole. It is also a symbol of security and a source of inheritance especially with regards to the Ghanaian culture (Boakye, 2010). Hasselaar (2006) indicates that the individual spends about 60-85 percent of their lifetime at home and housing is therefore very impactful on their health and wellbeing and for that matter, the productivity of residents in a particular country. Safe, decent and affordable means of housing improves the labor force and therefore the overall productivity. It is in the light of the above importance of housing that the UN General Assembly unanimously adopted a resolution declaring 1987 the International Year of Shelter for the Homeless (Mahama *et al*, 2006).

The above instances call for efforts to increase not only the supply of housing in the country but more especially to offset the housing deficit that has accrued over the years. This chapter therefore provides recommendations that will ensure adequate supply of housing especially in the urban areas in Ghana. These recommendations include:

- 1 Curbing rapid urbanization in Ghana;
- 2 Ensuring access to land;
- 3 Housing finance;
- 4 Social and cultural barriers to the provision of affordable housing
- 5 Promoting the use of local building materials; and
- 6 Changing the rent control acts in Ghana.

1. Curbing Rapid Urbanization in Ghana

As previously discussed the rate at which the population of the country is increasing is not only phenomenal but alarming especially in the urban areas of the country. It is therefore important to curb factors that lead to the increase in population in these areas. The main important factors are discussed below.

i) Addressing the population problem

Effective measures are necessary to reduce the rate at which the population in urban and rural areas is increasing in order to reduce the hyping demand for housing in these areas. As Boadi *et al.* (2005) suggest, involving all stakeholders is crucial in this effort. The main stakeholders in Ghana include the Ministries of Health, Social Welfare, Youth and Employment, the Ghana Population Council, Ghana AIDS Commission, the

Planned Parenthood Association of Ghana, community leaders, and national and international donors. Effective collaboration with the above stakeholders will not only promote policy reforms and enhance the distribution of family planning materials but also ensure participation of the private sector in the dissemination of information on abstinence, birth control and other services including counseling and the provision of more opportunities for girls to go to school and thereby prevent early marriages. (Boadi *et al.*, 2005).

As Ayim-Aboagye (2009) suggests, family planning authorities should be available all the time for people especially women and young girls who need to contact them for counseling and other care services. It should be possible for these health service providers to be located at vantage points most of the time and in many places in the country. Family planning offices should therefore be located in every neighborhood district.

Traditional health providers such as birth attendants and herbalists in the rural areas can be an effective means of population control in these areas where health experts are not available. What is needed here is the provision of more education among these attendants to enhance their level of skills in preventing infant mortality, personal hygiene and the dissemination of information about birth control. Government policy on population control should also ensure gender balance, women's participation in childbearing decisions and economic empowerment for all women in the country. Effective combination of the above measures will reduce the rate of population increase in the country and in the long run the demand for housing will minimize.

ii) Enhancement of rural agriculture

The dwindling agricultural productivity and the low demand for farm produce in the country is one of the reasons for rural to urban migration. There is therefore the need to improve the performance of the agricultural sector and more especially ensure adequate market for farm produce so as to prevent waste and also guarantee that farmers sell their produce at the right time for the right prices. Modern storage facilities and especially subsidies and credit facilities to poor farmers in the rural areas are necessary to keep them in business. As Thurow and Kilman (2009) indicate the increasing subsidies especially in the U.S and Europe severely affect farmers in Africa who cannot benefit from similar subsidies and credit facilities from their governments. It will be important for government through the Ministry of Food and Agriculture to take up the challenge of providing subsidies for famers in the country as it is done in the U.S.

It will be important for government to revive the role of the Agricultural Development Bank whose original objective was to promote agriculture in the country through the provision of loans and procurement of farm implements such as tractors, harvesters, fertilizers and insecticides for farmers at subsidized prices.

The Agricultural Extension Service and its related institutions should provide education to farmers about improved farming methods for sustainable farming. Farmers should also be encouraged to form cooperative unions to help them mobilize savings for investment in agriculture and also enable members benefit from the use of farming implements that they cannot afford to buy individually.

Even though trade liberalization is important as it helps to bring goods and services in other parts of the world to the door steps of Ghanaians, sometimes at affordable prices due to competition, this has negative impacts on agriculture in particular. It is therefore important for government to seriously tackle this problem. As Boadi *et al.* (2005) suggest, government must be committed in eliminating the negative impact of trade liberalization on agriculture. One of the effective ways of addressing this problem is to impose tariffs on imported substitutes not to eliminate their importation but to make them competitive with the local products. To complement this, value adding will be important in order to encourage the consumption of local produce and government policies in this case will be more effective (Boadi *et al.* 2005).

The above measures will no doubt increase farming productivity in the country. However, increased agricultural output without improved agricultural marketing system will rather thwart the efforts of government and farmers. Farmers therefore stand to benefit immensely through commodity exchange. Onumah (2009) defines commodity exchange as

... a market institution that provides a physical or virtual (electronic) venue which brings together buyers and sellers to trade usually through a group of registered brokers. Trading in this marketplace may be in physical commodities or in derivatives, which are financial contracts/instruments, whose values are derived from the value of an underlying asset, which can be commodities, equities (stocks), mortgages, bonds, interest rates and exchange rates or indices such as stock market and consumer price indices (p. 4).

The above channel will complement the regional initiative launched by the New Partnership for Africa's Development (NEPAD). This initiative known as the Comprehensive Africa Agriculture Development Program (CAADP) aims at achieving 6% growth in agriculture. To achieve this pillar II of CAADP emphasizes the improvement in trade-related capacities for market access (Onumah 2009). Formation of commodity exchange will not only be in line with the NEPAD objective of improving the output of agriculture but will most certainly help farmers in the following ways:

- Provide an effective means to address problems of high food distribution margins and seasonal price variability.
- Farmers are assured of fair dealings through competitive trading, guaranteed payment and delivery of farm produce and saving of time and cost of transactions
- It provides a reliable avenue through which farmers and buyers come together to trade on the basis of dependable and consistent information about the quality and location of products and more especially reduces the cost of market accessibility.
- It makes it possible for warehouse operators to guarantee the delivery of produce and this minimizes the risk of non-performance of trade contracts.
- It makes it more realistic for market players to source inventory finance especially during the harvesting period. Producers on the one hand are able to defer the sale of their produce while processors and traders on the other hand are able to stockpile. This will eventually stabilize the supply and prices of agricultural produce thereby encouraging agro-processing and farming as a whole which makes agriculture a lucrative venture. The end result is that many of the youth in

rural Ghana will resort to farming rather than flocking to the urban centers to look for jobs which are scarce.

High productivity in agriculture and vibrant markets for agricultural commodities as discussed above is one of the most effective ways of sustaining agriculture in the country and this will certainly reduce the level of rural-urban migration in Ghana which is increasingly populating the urban cities especially Accra and Kumasi and leading to high demand for housing.

2. Ensuring Access to Land

Land accessibility as noted earlier is based on membership of the landholding community, clan or family. As Kasanga *et al.* (2001) and Barry *et al* (2012) indicate land can become can only be obtained through purchase, lease or tenancy under the customary system which sometimes can be difficult as a result of issues with the title and boundary disputes.

As a means of ensuring access to land it is important to promote certainty and security, transparency and accountability of the traditional management institutions to stimulate an effective land delivery system. This calls for state interventions which are important in Ghana since the private market forces, if left alone may only ensure access to land by middle and upper classes at the expense of the lower class. The following steps are important to deal with the problem of scarcity of land to improve the supply of housing in the country.

i) Guaranteeing Security and a Level of Certainty

The non-registration of oral customary law transactions in Ghana compounded with the inability of land title registry to investigate and reject invalid or doubtful titles has made the deeds registration system ineffective and to a large extent a failure. The existing system has also been flawed by lack of, and poor mapping in some cases, bad site plans, lack of professionals and the existence of corrupt officials (Kasanga *et al.* 2001, Sittie, 2006). The new system which is the Title Registration faces the same problems, if not more, as registration is done haphazardly and uncoordinated at times. For the improvement of the above system it is important to introduce the following:

- Arbitration through land courts or arbitration committees with the powers of a high court to determine, settle and register the most pressing allodial interests in every jurisdiction. In the case of rural areas, management committees of community lands can be formed as suggested by Kasanga *et al.* (2001). These committees may not necessarily have the powers of a high court but can settle land disputes among different interests and help to speed up the process of registration. Management Committees should be frequently updated in terms of their membership. The above will ensure access to land without the usual problems of disputes.
- Land title registration applications should be displayed for a specified period of time in the public gazette so that all interested parties will have the opportunity to verify all transactions with regards to their land in question. This will curb the

tendency of double titling and selling one parcel of land to many people at the same time.

- It is also important to recruit qualified staff to handle issues pertaining to land and its registration. Refresher courses are very important in improving the skills and professionalism of staff to be able to provide quality and expedite services regarding land transactions. This will clear the backlog of land registration applications and the numerous dockets in the courts to facilitate quick sale of lands to prospective developers.

ii) Implementation of the National Land Policy

The National Land Policy of Ghana was approved in 1999 with the aim of making judicious use of land and natural resources in the country for socio-economic development, sustainability and restoration of the eco-system of the country (UN-Habitat, 2011). According to the UN-Habitat (2011) for a Better Future, the main objectives of the Ghana National Land Policy include the following:

- Ensuring that every socio-economic activity is consistent with sound land use through sustainable land use planning in the long-term national interest.
- Enabling equitable access to and security of tenure of land based on registered titles.
- Protecting the rights of landowners and their descendants from becoming landless or tenants on their own lands.
- Ensuring the payment, within reasonable time, of fair and adequate compensation for land acquired by government.

- Instilling order and discipline into the land market to curb the incidences of land encroachment, unapproved development schemes, multiple or illegal land sales, land speculation and other forms of land racketeering.
- Minimizing and eliminating where possible, the sources of boundary disputes, conflicts and litigation, in order to reduce costs and sociopolitical tension.
- Creating and maintaining effective institutional capacity and capability at the national, regional, district and, where appropriate, community levels for land service delivery.
- Promoting research into all aspects of land ownership, tenure and the operations of the land market and the land development process (UN-Habitat, 2011, p. 84)

The policy was adopted by the Rawlings government in 1999 and given the above important objectives, it will be significant for the current government to ensure its implementation. Fortunately, through funding from the International Development Agency (IDA), the World Bank and the Netherlands Development Fund (NDF), the Land Administration Project (LAP) was inaugurated in 2004 to safeguard a sustainable and a vibrant, decentralized, fair, efficient, cost effective and land administration mechanism that promotes land tenure security to guarantee access by everybody. Already the structures are in place and what is needed is commitment by government to implement the policy to guarantee trouble-free access to land especially for the construction of housing in the urban areas of Ghana. As Kasanga *et al.* (2001) emphasize, “The crucial phase will be the development of Action Plans and Implementation Strategies with targets, activities, time frames, outputs, funding, and implementation” (p. 31).

iii) Recognition of the importance of the customary land management institutions

Even though the customary tenure system and landholding institutions may have their weaknesses, they play a crucial role in sustaining land for members of the community. Invariably, they have been accountable to those that they hold land in trust and on behalf of and as Kasanga *et al.* (2001) reveal they are more effective than the state land administration machinery. It is therefore important that these indigenous institutions are recognized and accorded an enabling environment that will aid their efforts in land management without any interference.

Policy formulation, legislative and even constitutional amendments in this case can be a vital step in the right direction. Income, especially from customary lands should be taxed in accordance with the tax law. It should not be exorbitant so as to encourage transparency in land transactions. Community participation in land management should be encouraged through the setting up of community land secretariats that are staffed by people from the main community in question since they are in a better position to champion the course of such communities. This will make land available to many people since there is no hindrance or fear in carrying out land transactions. This opens a window of opportunity for the supply of housing in many parts of urban areas for the benefit of low-income groups.

iv) Repeal outdated land regulations

Some of the state land regulations are obsolete and suppress the public and private sector efforts to address the housing problem in the country. It is therefore necessary to

either update some of these regulations to create an enabling environment or eradicate them entirely as they have nothing good to offer in most cases. Some of these regulations and their implications include:

- The State Lands Act, 1962 (Act125). This confers the powers of land acquisition in the President of Ghana for purposes that are deemed to be in the “public interest”. Even though the state compensates owners of lands acquired through this process, as Larbi (2008) notes, this leads to “tension between the state and customary land owners, massive deliberate encroachment of state lands, and challenging the state’s legitimacy to claim control over compulsorily acquired lands” (p. 1). What makes the situation worse is when lands are acquired compulsorily and transferred to a public entity for a different purpose. An example here is the transfer of land for the development of the Accra Mall. The Achimota land in Accra was acquired purposely for building Achimota school but a portion of it was turned into the Achimota Forest and the owners were not enthused about this development by government.

It will therefore be important to develop standards for the acquisition of land for different and specific purposes such as education, health, agriculture, sports, housing etc. This will prevent the situation where lands are perceived to have been acquired in excess of the real needs thereby leading to resentments at times. Lands that are excessively acquired should be reverted to their owners so as to reduce the burden and delays in

compensation by government. Unutilized lands should either be returned to their owners in lieu of compensation or be leased out in cases where compensation has already been paid for the purposing of constructing affordable housing for low-income groups in the cities of Accra and Kumasi in particular.

- The Administration of Lands Act, 1962 (Act 123). This act vests all state lands in the President of the Republic of Ghana who holds them in trust and on behalf of the landholding community. Even though this category of lands is managed by the state, their ownership and interests resides in the original owners (Home, 2011).

The problem here is that revenues accruing from these lands are shared by the state and the original land owners who sometimes think they are denied the right to receive proceeds from their lands. They are therefore not willing to compromise with government, individuals and real estate developers who have the funds and are ready to purchase land for the purpose of constructing housing.

There is the need for government to device a clear and transparent formula for sharing proceeds from vested lands. This will encourage landowners to cooperate with government and developers who are interested in the land thereby making it more accessible to enhance housing supply.

3. Housing Finance in Ghana

Some of the impediments to institutional funding that were previously identified include the current legal framework within which the mortgage market operates, inflation and exchange rate instability, the low income levels which do not support adequate housing supply by low-income groups in the country, quotation of prices in foreign exchange, cultural and social barriers as well as general poverty levels in the country. Recommendations will be made with regards to these impediments.

i) Changing the current legal framework within which the mortgage market operates

As the Bank of Ghana (2007) recommends, there is the need for an effective legal system and regulatory framework which introduces reliable and all-inclusive set of laws for the building industry. These regulations should streamline the framework within which property rights, collateral and foreclosure dealings in the housing sector are carried out.

The above proposal necessitates the repealing or updating of the Mortgage Decree 1972 to restore the mortgagee's right of sale and foreclosure without reference to any courts for redress as well as empowering financial institutions to be able to retrieve mortgage loans without following rigid procedures. In the same vein, the Home Mortgage Act, 1993 which imposes restrictions on the retrieval of loans or repossession of property from borrowers in cases of default discourages many financial institutions from either initiating mortgages or introducing low qualification standards which are within the limits of low-income groups. Amendment of the above decrees will thus make it possible

for many financial institutions to enroll in the mortgage market and thereby inject more capital into the housing industry to increase supply.

ii) Inflation and exchange rate instability

Research by Biekpe (2011) shows that “prudent measures taken by the monetary authorities in Ghana to control inflation in the early half of the 2000s have benefited the banking sector. This has resulted in reduced rates of inflation recorded over the first half of this decade. The resultant low rates of inflation have reduced uncertainties and risks, and made forecasting and planning easy” (p. 82).

As Appiah and Boahen (undated) thus suggest the Bank of Ghana which is the main body that regulates fiscal policy in the country should be made independent if the above achievements are to be sustained. The independence of the Bank will curb discretionary monetary practices including the servicing of central government debts through the printing of currency that injects excess money in the system leading to inflation which creates uncertainties. This therefore prevents a situation where banks and other financial institutions are discouraged to initiate loans and mortgages which will otherwise help offer funds for individuals and estate developers to construct more housing in urban centers.

iii) Enhancing the ability of low income groups and individuals to function effectively

Wages in Ghana are still not adequate to support low-income groups and individuals to purchase or build their own houses. Yet, “with very high interest rates and

relatively short loan repayments periods, the ratio of repayment to incomes is many times the affordability level of the average households” (Groves, 2004. p, 4).

Mutual associations or cooperate unions among low-income groups is one way to ensure adequate housing supply in the country. This will help members to qualify in terms of the basic lending requirements by financial institutions in the country. As Karley (2002) points out for instance “well-established mutual associations could be helped by the government investing on a matching basis by the purchase of preferred shares in an amount up to the equivalent of the investment raised locally” (p. 4). This will serve as a motivation to members of the local associations and they will not only be willing and ready to save more but their examples will be replicated in most of the cities, eventually increasing the supply of housing in the country.

In May 2012, the Government of Ghana (Ghana Government Portal, 2013) admitted that the housing deficit in the country was a serious problem and that the issue deserved the attention of all stakeholders. The Minister of Water Resources, Works and Housing who made the statement on behalf of government, expressed the commitment of government not only to complete projects initiated by the previous administration, but collaborate with all stakeholders to initiate new ones and ensure their speedy completion to offset the housing deficit in the country. This is therefore the right time for government to collaborate with mutual associations, credit cooperatives and employee saving schemes as it has been done in Kenya and recently in Zimbabwe (Groves, 2004).

As the UN-Habitat (2004) report on housing and urban development in the country suggests, it will be important for low-income groups and the poor to be

empowered so as to be able to address their own problems concerning housing. Any effort on the part of government in this case will increase the supply of housing in the country.

4 Cultural and social barriers to the provision of affordable housing

Awareness creation among low-income groups about the importance of utilizing loans or mortgages for the purpose of constructing housing will disabuse the wrong notion among Ghanaians about borrowing. Through cooperative unions and other well established associations, community groups, education can be provided to a wide range of audience about the importance of mortgages and other forms of credit in housing construction.

The Ministry of Housing in collaboration with the Ghana Information Services Department as well as the Ministry of Education can take up this challenge to create more awareness. It will also be important for banks, credit unions and other financial groups to provide a one-on-one education to potential clients about the steps to securing mortgages from these institutions to build their own houses in the country.

5 Promoting the use of local building materials

Much attention has not been given to local building materials in Ghana. On a national scale, the use of local building materials from local raw materials has not moved beyond the pilot project phases in the country (NU-Habitat, 2004). Low-income groups therefore have no choice but to utilize imported materials which are beyond their levels of affordability.

Housing can be made more affordable by promoting the use of local raw materials that can be turned into finished products for walls, roofs, and the interior of houses. As suggested by Owusu (2010) and UN-Habitat (2010, 2011), there is the need for government commitment and a partnership with all stakeholders in the housing industry on a national policy directed towards low-income housing delivery. This policy may include:

- Equipping local material suppliers financially, skills improvement, reusable energy resources, and marketing so that they can produce on a sustained basis to be able to replace imported materials. Incentives such as tax rebates, interest-free or low interest repayment loans and refresher training could be given to local producers to improve their efficiency and also reduce the cost of production.
- It is very expensive to import machinery that can produce local materials utilizing local raw materials. It will therefore be beneficial to acquire a plant that can manufacture machinery and equipment that can utilize local raw materials to produce local building materials in the country.
- The Council for Scientific and Industrial Research (CSIR), the Building and Roads Research Institute (BRRI) and the Kwame Nkrumah University of Science and Technology (KNUST) have released various publications on building materials improvements. It will therefore be helpful if

government could support these institutions to continue to research for more improved methods of local materials use and building technologies.

- Awareness creation and education of the public about research findings and improved materials for construction will not only lead to the use of local materials in the country, it will also boost their production by creating markets for these materials. Information should be disseminated through the TV, the national radio and local radios in the regions of Ghana.
- It will also be important for the introduction of tariffs not necessarily to ban the importation of foreign materials but to enable them favorably compete with local materials.

In addition to the above, incorporation of relevant training and vocational programs in the school curricular, sponsorship programs that will increase the supply of trained artisans through apprenticeship or on-the-job training will safeguard high standards that have international reputation. This will eventually lead to high and sustained production of housing at low cost to cater for the needs of low-income groups in the country and more importantly to offset the housing deficit in the country.

6 Abolishing the advance rent system and changing the rent control acts in Ghana

The rent system in Ghana is different from the normal month-to-month rent payment in other parts of the world. The rent system in Ghana is commonly known as “advance rent” and it is a situation where private homeowners require renters or potential

tenants to pay between two to five years lump sums of rent upfront before moving into the house or room (Luginaah *et al.*, 2010). In most cases, at the end of first payment period tenants are required to pay another set of lump sum upfront for the renewal of rent. Even though the rent control law stipulates that homeowners are to collect between one to six months advance and no more, the norm now is between three and four years.

The Rent Control Office in Ghana is devoted to the settlement of rent disputes and implantation of rent regulation in the country. It will therefore be important for this unit to be more efficient in its task of ensuring that advance payments do not exceed six months so as to make it possible for the poor and low-income groups in the cities of Ghana to be able to afford the needed accommodation and housing. This will reduce the number of homeless people in the streets of Accra and Kumasi and the other cities in the country.

Again, the Rent Act 1963 (Act 220) has been hostile to landlords, thereby discouraging them from providing more rooms and housing for rent, adding to the housing shortage in the country. The Act taxes rental income (8%) more than earned income and homeowners hardly renovate their homes, leaving them at bad states for tenants (UN-Habitat, 2010, 2011). It is therefore important for the revision of the Act to make it friendlier so that homeowners will be encouraged to provide more housing and regularly carry out the needed maintenance to ensure quality and adequate housing provision in the country.

The housing problem which has persisted in the country, especially in cities for a long time, needs a holistic approach to be solved. The Government of Ghana needs to

play an advocacy role in this effort to curb the rapid population increase in the country, ensure access to land and create an enabling environment that will encourage financial institutions in the country to invest in the sector. The promotion of the use of local materials and updating of the Rent Act which will empower the Rent Control Office to play its regulatory role will promote adequate supply of housing in the country and this will cater for the needs of the low-income majority in the country.

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