GLOBALISATION OF THE LOCAL: THE CASE OF THE HOUSING INDUSTRY IN GHANA

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THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF ARTS DEGREE IN INTERNATIONAL AFFAIRS

LEGON
JULY 2015
DECLARATION

I do hereby declare that this is the result of an original research conducted by me under the supervision of Dr. Philip Attuquayefio during my period of study at the Legon Centre for International Affairs and Diplomacy (LECIAD) for the award of a Master of Arts in International Affairs, and that no part of it has been submitted anywhere else for any other purpose. Additionally, all works that have been quoted from or referred to have been duly acknowledged.

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DEDICATION

This work is dedicated to my mother, Madam Elizabeth Osabutey. You have always been my source of inspiration, encouragement, and the reason why I never give up. God bless you for your care, love and prayers always.
ACKNOWLEDGEMENTS

The success of this dissertation has been as a result of the enormous support from a number of people, to whom I ought to offer my gratitude. My ultimate gratitude goes to the Lord Almighty without whom I would never have come this far. My heartfelt appreciation goes to my mother, my sister, Sophia Aryeetey, Mrs. Gloria Tamakloe and the man of my dreams whom I love very much, Daryl Kwawu, and my family for always being there for me physically, spiritually, and financially. I count myself blessed because of you.

My profound gratitude goes to my research supervisor, Dr. Philip Attuquayefio, for his guidance and patience with my many shortcomings. He has been an exceptional supervisor and lecturer. Thanks to all the lecturers at LECIAD who worked tirelessly to impart knowledge to me. Thanks to all my colleagues and classmates of LECIAD 2015 especially Bernice Boamah and Alice Opoku-Kontoh, who offered diverse forms of help during the challenging times. You are simply a blessing.

I am also most grateful to the many scholars and authors whose works I was privileged to access.
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<th>Full Form</th>
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<tr>
<td>BHC</td>
<td>Bank for Housing and Construction</td>
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<tr>
<td>CDWA</td>
<td>Colonial Development and Welfare Act</td>
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<td>DSWH</td>
<td>Department of Social Welfare and Housing</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FGBS</td>
<td>First Ghana Building Society</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNHC</td>
<td>Ghana National Housing Corporation</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>GRA</td>
<td>Ghana Revenue Authority</td>
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<tr>
<td>HFC</td>
<td>Housing Finance Company</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>LCHC</td>
<td>Low Cost Housing Committee</td>
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<td>LEICIA</td>
<td>Legon Centre for International Affairs and Diplomacy</td>
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<tr>
<td>LTV</td>
<td>Loan-To-Value Ratio</td>
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<td>MCHF</td>
<td>Micro Credit to Housing Finance</td>
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<tr>
<td>MWRWH</td>
<td>Ministry for Water Resources, Works and Housing</td>
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<td>NGOs</td>
<td>Non-Governmental Organisations</td>
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<td>NRC</td>
<td>National Redemption Council</td>
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<td>SAHF</td>
<td>Shelter Advocacy to Housing Finance</td>
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<td>SCHC</td>
<td>State Housing Corporation</td>
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<tr>
<td>SMMs</td>
<td>Secondary Mortgage Markets</td>
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<tr>
<td>SOEs</td>
<td>State-Owned Enterprises</td>
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<tr>
<td>SSNIT</td>
<td>Social Security and National Insurance Trust</td>
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<tr>
<td>TDC</td>
<td>Tema Development Corporation</td>
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<tr>
<td>Acronym</td>
<td>Meaning</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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# CHAPTER THREE:
## GLOBALISATION AND THE HOUSING INDUSTRY IN GHANA

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Globalisation is a worldwide phenomenon engendering free markets, technological advancements and liberal principles in many parts of the world. The focus of this research is to examine the extent to which globalisation is influencing the housing industry of a developing country like Ghana. Using a qualitative methodology, the study explores and analyses the different facets of the housing industry such as the physical architecture, policy making and housing finance, to evaluate the exposure these areas have had with the global phenomenon. This study hypothesises that the housing industry in Ghana has been directly and significantly impacted by globalisation at various levels such as those aforementioned. The findings of the research do not prove otherwise, even though there are challenges facing the housing sector with respect to disparity in accessibility to decent, affordable housing and housing financing systems like mortgages between the high earners in society and the middle to lower earners. This inequality has further broadened the housing deficit gap with those at the lower end of the income ladder facing the crunch. Thus, the research proposes that practical measures such as; accessibility of housing finance services to middle and lower income earners by banks and other financial institutions, as well as undertaking affordable housing projects by the state and real estate developers, need to be taken. These measures will immensely contribute to address the housing need of the country, in the sight of constant population increase, in order to prevent a crisis especially in the urban centres of Ghana.
CHAPTER ONE
RESEARCH DESIGN

1.1 Background to the Research Problem

Globalisation is a phenomenon involving the declining significance of international borders for the flow of goods, capital, people and ideas. “The concept implies a “stretching of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals and communities in distant regions of the globe”\(^1\). Through this, different parts of the world are increasingly becoming closer to one another with innovation and improvement in information technology mainly being the means through which there is great interconnectedness and interaction between people and cultures that are thousands of miles apart. According to the United Nations Development Programme (UNDP), globalisation is the “widening and deepening of international flows of trade, finance, technology, culture and information in a single integrated global market.”\(^2\) This definition iterates that globalisation affects countries in multiple ways; economic, political and social, among others. Economically, there is an expansion of free trade, where countries open up their markets to foreign investors. This eliminates borders in order to ensure flow of goods and services between countries.

Politically, with the demise of the Union of Soviet Socialist Republics (USSR), practices of the West like liberal democracy have become the favourable system of governance adopted by most countries in the world, with Africa not being left out. Even though some countries seemingly pose as practicing democracy by the organisation of elections, there is much more involved in the practice of democracy. However, there should be, hopefully, a better entrenchment and application of the principles of democracy with time, especially, in Africa
by autocratic leaders through influences from internal and external forces and involvement in international organisations. From the social perspective, globalisation encourages exchange between cultures with respect to the food, clothing, and other forms of way of life. Many more people are open to, and able to adopt and adapt ideologies that are of foreign origin. These ideologies promote the shirking of outmoded cultural practises that do not promote the fundamental human rights of people in some developing countries like female genital mutilation, outdated and traumatising widowhood rites, and girl-child education in Africa and other developing countries in the world, among others. Information and education is mainly imparted through media such as the internet, television and radio. The implications of globalisation are several and go a long way to influence the lifestyle of people both in the developed and developing worlds. In Ghana, globalisation is realised in all the dimensions mentioned above, with the country opening up her borders to trade with foreign countries and engaging in socio-cultural exchanges with several other countries.

Ghana’s housing industry has gone through many changes over the years in areas such as land acquisition, building architecture, home ownership, as well as home financing mechanisms like mortgaging being adopted. Global trends in the Western world have categorically influenced Ghana’s housing industry with the passage of time. The need for developing the housing industry in Ghana commenced in the late fifties to early sixties as Ghana attained independence from colonial rule. As part of the 1960 - 1965 National Development Plan, provision of housing was central as two main state bodies were formed to address housing issues: the State Housing Corporation (SHC) and the Tema Development Corporation (TDC). Compared with other advanced countries, Ghana’s housing industry was seen to be at a rudimentary stage, according to a survey done by the Bank of Ghana in 2007. Issues concerning mortgage financing were little known during this period but this has taken on a different dimension in recent years.
Due to this, this research will be conducted to find out the practice that existed in previous years and what changes have been introduced into this industry. There will also be a documentation of the implication these trends may have had on the Ghanaian housing industry, with special attention being paid to mortgage financing. With this, the influence of globalisation is being shifted from the obvious areas like economic benefits from trade, to an area which may not be much associated with globalisation like the housing industry of a developing country such as Ghana.

1.2 Statement of the Research Problem

As Abraham Maslow has established, food, clothing and shelter, are indispensable with respect to an individual’s cycle of needs. Such needs not being met are thus detrimental to the individual’s survival. It is for this reason that this work seeks to delve into one aspect fundamental to human survival, which is shelter or housing. The typical Ghanaian household is often faced with three choices in the acquisition of shelter. These are to rent, build or mortgage a home. In developed countries, the mortgage industry has proved to be the most capable and superior financier of the housing needs of the population. From a survey done on the country’s housing industry, the Bank of Ghana noted that “Ghana’s housing market is underdeveloped and owning a house is many a households’ prime target.” This work, however, does not limit itself to individuals with reference to home ownership but the importance of the housing industry to Ghana as a whole, with respect to changes or improvements brought to this industry through globalisation.

It is worthy to note that the Ghanaian housing industry was formerly a mainly state-managed industry, but with the passage of time it has become both a state and private-owned industry,
with more private stakeholders becoming a part of this lucrative and essential industry. The inclusion of the private sector in the active provision of solutions of home ownership appears to have intensified the susceptibility of the sector to the vagaries of globalisation. It is therefore important to identify and analyse the link between globalisation and the housing industry in Ghana by studying developments in the current building trends in the real estate sector and the mortgage financing system, which have received little academic research, because the implications of this are not commonplace and need to be investigated. This is the research problem.

1.3 Research Questions

In addressing this problem, the study will seek answers to the following research questions:

- What is the trajectory of events in Ghana’s housing industry?
- What roles do the state and private sector play in the housing industry?
- What are the trends in the housing industry of Western/developed countries?
- Through globalisation, what has been the implication of such trends on the local housing industry in terms of architecture, housing finance, etc?

1.4 Objectives of the Study

The objectives of this research are to find out:

- Examine Ghana’s housing policy and what changes have been applied to it.
- Identify the major stakeholder(s) in the housing industry.
- Analyse the influence of globalisation on Ghana’s housing industry.
- Evaluate the impact of mortgage financing on Ghana’s housing industry.
1.5 Scope of the Study

The study will focus on the housing industry in Ghana from colonial to contemporary times. However, where necessary, examples from the housing industries in Europe and North America will be cited. Home financing trends like mortgage financing will also be carefully analysed.

1.6 Rationale of the Study

Globalisation is a pervading phenomenon that continues to expand in its area of influence. Therefore, the analyses of its implications also need to be widened. This is why this study focuses on globalisation in relation to the housing market in Ghana. Globalisation is not only limited to a certain aspect of a nation’s affairs but permeates all areas which could lead to change and development. The housing industry has been proved to be linked to economic development in countries where this essential industry has been established and managed carefully, in line with the changes occurring over time. Good quality housing is necessary because for a people to be productive, their basic needs must be met of which shelter or housing cannot be left out. Once the individual has a decent and comfortable dwelling to return to daily, his/her physical needs are met and is transferred into the person’s readiness to be productive in the workplace. A contrasting situation could produce negative results accordingly. This hypothesis may seem inconsequential, but in considering the general number of people without proper and comfortable accommodation, the bearing it could have on the nation’s productivity cannot be downplayed. This work, will therefore examine the role globalisation as an international phenomenon has played in local trends in Ghana; with particular attention being paid to the country’s housing market and mortgage financing sectors, and in so doing contribute to the existing body of knowledge in this area.
1.7 Hypothesis

The implications of globalisation on Ghana’s housing industry have been significantly positive.

1.8 Theoretical Framework

The study is situated within the framework of neoliberalism, in analysing the infiltration of globalisation into Ghana’s housing industry. Neoliberalism can be simply translated as a new form of liberalism. Since the 1990's, advocates have used the word 'neoliberalism' to mean liberalism in the world market (capitalism) and for policies concerning free trade. Neoliberalism is habitually used interchangeably with the phenomenon of globalisation. Even though they are not the same, they are more or less mutually complementing. Neoliberalism is not only about economics, because it represents a social and moral way of life and in certain areas qualitatively not the same as liberalism. Even though this theory will obviously be read to have a continuous link or be a modification of liberalism, it is arguably not the case. Liberalism has been mainly attributed to issues like freedom and democracy, which have gained grounds in many parts of the world today. As Thorsen and Lie explain, “neoliberalism can hardly be assumed as the retrieval of a lost institution of liberal, political thought because; neoliberalism is rather viewed as a thought which is different from and even frequently opposed to liberalism.”

Neoliberalism is traced to what Adam Smith advocated for in Classical Liberalism and more specifically to Smith’s notion of man and society upon which his economic theories are founded. Neoliberalism is however thought as being based on a completely new standard used in economic theory and in making of policy because this happens to be the main ideology forming the basis for the modern-day stage in capitalist society development. This is seen as a renewal of Adam Smith’s economic theories as well as that of intellectuals who succeeded him
in the nineteenth century. According to David Harvey in his work, ‘A Brief History of Neoliberalism’, “Neoliberalism is in the first instance a theory of political and economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.”9 This definition therefore indicates the minimal involvement expected of the state in especially an ever globalising system in many countries, particularly with the opening of economic avenues to private and multi-national organisations. Also, according to Friedman, neoliberalism includes “the belief that freely adopted market mechanisms is the optimal way of organising all exchanges of goods and services.”10

Critics of the neoliberal theory have raised issues such as neoliberalism being skewed towards income increase and less concerned about equality in income on the whole. This is one of the main criticisms levelled against neoliberalism even by some proponents of the theory such as Robert Rubin.11 He propounds that even though there is increment in income, thanks to neoliberalism, this profit ends up with the elitist minority. Such developments tend to work against, equality, an important element of democracy. This inequality associated with neoliberalism is evident in the housing situation in Ghana, where the rich minority are those with the means to afford very decent and comfortable estate houses in the country. The financially less privileged majority are left with no other option than to settle in less developed residential areas, lacking basic hygienic amenities. This makes inhabitants prone to diseases such as cholera, malaria, etc associated with environmentally unclean areas. Another criticism against neoliberalism concerns free trade. Since the neoliberal theory promotes free trade, it encourages the influx of large quantities of foreign goods into the domestic market, sometimes
costing cheaper than the locally manufactured ones. Some items such as cement, furniture, roofing materials, vanity sets, among others are imported for either private or public projects thereby compete with local ones. With the customary preference for foreign goods, local manufacturer in the housing sector suffer loss, since their goods are virtually overlooked for those from abroad, even though they may both be good in quality.

This theory is deemed appropriate for this work because in analysing the housing market in Ghana, it is realised that there has been a significant shift from an industry being solely controlled by the state to one being open to the private sector for investment and development. This has occurred through the influence of globalisation with its attached liberalisation of markets especially with the promotion of free trade, which has introduced more private sector investment in the provision of goods and services in different sectors of national development, such as housing.

1.9 Literature Review

In “Globalisation and housing rights” Kenna takes a look at globalisation and its effects on housing rights. He notes that globalisation is attributed with vivid developments in many areas such as work, consumption, technology, and other important areas of contemporary life. The fundamental need for shelter by humans is addressed by housing, as well as expediting the necessary requisite for a home by humans because “housing has become the contemporary universal repository of household wealth and equity.” According to Kenna, this has seen a developing “corpus of jurisprudence” and literature on human rights, with a central component being housing rights. He points out that “the impact of these contemporary developments on housing systems, law, and policy has not been widely examined.” His work therefore looks at aspects of the relationship between globalisation and housing rights. He divides his work
into four main parts: Part one deals with an overview of globalisation and its impacts on worldwide housing system, especially in Europe. Part two is an outline of globalisation of housing corporations, property rights, housing finance markets and lenders, real estate investment in housing, etc. The third part is an examination of housing rights disseminated in international and European legal instruments and precedents, and the final part looks at efforts to trace modern-day interaction between housing rights and globalised or neo-liberal bearings on housing systems.

He states that the influences of globalisation are facilitated by states, institutions, and individuals, thereby bringing about varied outcomes based on different historical political legacies. Delving more into the legal sector on housing rights, Kenna notes that a lot of international and regional mechanisms and monitoring agencies are in the process of expanding how they define housing rights, while urging states to implement appropriate policy, legal and administrative methods. However, courts usually act as the ultimate arbiters of specific violations of housing rights not only at the national level, but also more and more at the regional or supra-national level. They exercise the function of addressing vital critical structural housing matters which are conveyed as individual disputes. He poses the question of how a modern explanation of home offers a way forward for housing rights in such an era of globalisation.

He sees globalisation as a universal term which describes “a range of economic, industrial, social, military and cultural changes that have created high levels of interdependence, interaction, and integration among different parts of the world, between people, and between producers and consumers.” He further states that other important features of globalisation are technological development and communication. These have been variously perceived by Kenna as “action at a distance; time-space compression; accelerating interdependence; a
shrinking world; etc. Other notable concepts used, according to him, are “global integration, the reordering of interregional power relations, consciousness of global conditions, and the intensification of interregional connectedness.”\textsuperscript{16} In this way, as Kenna puts it, “the local becomes embedded within more expansive sets of interregional relations and networks of power – the global village.”\textsuperscript{17}

In “The Gap Between Visions And Policies. Housing The Poor and Urban Planning in Ghana,”\textsuperscript{18} Esther Yeboah Danso-Wiredu and Maarten Loopmans address the issue of the importance of housing for development economically. They point out that the housing sector serves as an important component in any country’s development. Poverty of a country, as noted by them can be signalled by the country not being able to supply adequate housing for all its citizenry. It is estimated that “Ghana has a housing deficit in excess of about 1,500,000 units with supply figures being around 40,000 units per year as against the annual requirement of 120,000 units;”\textsuperscript{19} according to United Nations (UN) – Habitat 2011. The housing sector, even though is essential in the country, it does not enjoy the level of priority it needs to be given in terms of a national planning scheme as other equally major sectors in Ghana. Due to the inability to provide sufficient houses in the country to satisfy demand for several years, there has consequently been pressure on existing housing stock and infrastructure in most urban areas. This has led to the emergence of structures that are sub-standard and the creation of slums, with very poor sanitary environments. The Ministry of Water Resources, Works and Housing published in 2012 the number of people living in slums to be 5.8 million as at 2010. This was realised to be an increase of the 4,993,000 slum dwellers in 2001. The growth rate in the slum population is estimated at 1.83% per annum.\textsuperscript{20}
Despite this, the state is however not unaware of the need for affordable homes to house the poor, because there is detailed information seen in a number of policy documents on housing designed for the country. Efforts have been made before and soon after independence for the provision of housing for the populace. These initiatives, though, did not see the light of day since they were halted by succeeding governments after 1966. The reason for this, however, could be traced to the financial crisis the country faced following the coup d'état against the government in 1966. Even though different governments have identified the problems facing the country with respect to the housing industry and policy documents prepared to that effect, the problem lies in transferring policy into action. This has not been shown commitment or effective implementation strategies by policy makers. From the policy documents, the major factors working against effective delivery of housing in Ghana include: “land cost and its accessibility; difficulty in accessing finance; high cost of mortgage; infrastructure underdevelopment; availability and cost of building materials” as reported by UN-Habitat 2010.²¹

Their paper then discusses the predisposing factors why there has been ineffectiveness in the Ghanaian housing sector. They emphasise the gap between the visions stated in policy documents and actual implementation of these. The authors note that though the policy documents have not been officially accepted as substantive policy on housing, they did not lack the identification of the perceived or necessary structures and strategies which need to be put in place to provide solutions to housing problems in Ghana. Moreover, they realise that those who have the mandate and responsibility to bridge this gap have exhibited little commitment to this course. The authors’ work focuses on tracing a trajectory in the history and development of housing in Ghana, reviewing the state’s commitment in the provision of housing to the
masses, as well as commitment on the state’s part in eradicating slums created. They conclude on the reasons for the inability of the state to transfer identified and stated visions into action.

The authors, however, skew their work towards the country’s commitment in eradicating slums in Ghana’s urban areas, and subsequently the problem of turning visions into realities as seen with the several governments that have been voted into office. Moreover, the work analyses the history of the housing industry in Ghana and various policy documents which have been drawn over the years but have not been put into practise. The authors express their view of a better housing sector in Ghana being achieved, had the policies been adopted and implemented judiciously. The authors though do not make any link between changing international systems in the housing industry to the situation in Ghana. This is because slums are springing up fast in Ghana’s urban centres due to the influx of blue-collar workers in these areas in search of ‘greener pastures’. There are more job opportunities in the urban centres due to the opening up of local markets to both local and foreign investors. Therefore, urbanisation as well as globalisation certainly have roles to play in the cases of over-population found in Ghanaian urban areas, especially in the Greater Accra Region.

Further, in analysing the housing industry in Ghana, it is necessary to visit the past to find out what was practised during that period and the importance of housing to Ghanaians then. In this manner, Godwin Arku, from his article “Housing And Development Strategies In Ghana 1945 – 2000” explains that the government of the Gold Coast, in 1947, was able to detect in its annual progress report concerning the nation’s economy that “The Gold Coast African regards a well-constructed house as sound investment for his savings.” Indeed this observation is still of relevance to many a Ghanaian. Arku notes that the observation made by the report is very usable currently, although the report was published several decades ago. This observation further accentuates the economic importance of housing to the masses in developing countries.
He asserts that, actually, in less-developed countries, the construction of houses is seen as an “economic investment” because houses are normally “production centres”, with activities concerning building of houses employing numerous workers and enabling the generation of financial activities in other sectors through industrial connections. This aside, housing finance institutions are able to organise significant investments for the nation’s economy. Arku points out that undoubtedly, housing occupies a significant sector in stimulating economic development.

In spite of the economic importance, Arku suggests that “housing policy in the developing world has usually been shaped by social and political considerations.”[^24] He mentions that during the days of colonial rule, housing was mainly considered with respect to health, particularly that of colonial rulers. However, during the 1930s, the colonial authorities started paying attention to the health of the colonised and thus found a way of justifying their actions principally in social terms, in that “conditions were poor and social needs pressing.”[^25] In the post-war and post-colonial eras, this importance was observed to have persisted, even though with time, and specifically, since the late 1980’s, policy makers were seen to have gained a sense of reaffirmation. With this, there has been the appreciation of the economic sides of housing and the part housing certainly could play in economic development that is planned.

Arku mentions that although much has been written on how important housing is socially, as well as the political concerns that have been raised in housing requirements; less is acknowledged concerning the role housing plays in economic development at the national stage. In recent years on the international level, it is noted that there have been noteworthy efforts to track the advancement in thought in relation to the role among agencies of colonial authorities, especially with Britain and France and also in line with international development.
agencies, such as the United Nations and the World Bank. Arku, therefore, states emphatically that his article’s focus is to plug the loopholes on the national scale, by focusing on Ghana.

His paper conducts a survey on the change in thinking of the economic role housing plays with respect to policies of national development and also makes an argument that the assessment of the economic significance of housing has been broadened greatly, even though it was not essentially replicated in policy practice. Arku’s article draws upon an extensive bulk of both published and unpublished documents, which comprise “national development plans, technical reports, newspaper articles, reports of committees of enquiry, parliamentary debates and annual budget statements.” To supplement his work, he also used primary sources of data gathering like personal interviews with some chosen public officials in the public service and private construction firms.

He begins his examination by having an overview of economic situations in the past, and attitudes to national development. Subsequently, the paper offers the changes in balance of opinion on the economic importance of housing during 1945 – 2000. This period was further separated into 3 stages. 1945 – 1966 covers the first stage when building or housing was seen rather as “a social good and consumption expenditure” and not as “an economic investment”. This period as described by Arku was considered to be typical of development emphasis during that time. From 1967 – 1982 marked the second period. This time witnessed some redirection in thought yet was guided by a general continuity in policies, which included a highlighting of public housing. The third era, 1983 – 2000, was occupied by market reforms. Therefore at this time, policy makers had come to the constant recognition of the economic importance of
housing. There was however the inconsistency between “rhetoric and practice,” noted Arku. In the end, he offers suggestions useful in directing research in future.

Again, in view of the policy changes that occurred from the post-independence era to the latter part of the 20th century, Godwin Arku, in his work “Housing Policy Changes in Ghana in the 1990s,” analyses that it has been noted that for about two decades, the housing industry as it is in Ghana has primarily changed due to the modification in reform policies from a direct government delivery and sturdily moving towards a dynamic participation by the private sector. This participation is seen in production of housing, financing and also the manufacture of building materials. The government in its position as the overall authority now plays the subsidiary role by providing the requisite regulatory, legal and economic structure in order for the recognised private sector to be in operation, backed by the funding from multinational organisations like the World Bank and other International Aid Agencies. This is easily facilitated because there is an agreement between the government of Ghana and these organisations on the provision of more efficient service in housing and other associated services when there is a withdrawal in state involvement and responsibilities are delegated rather to the private sector. Consequently, the changes in policy have brought about diverse effects on individuals and on the nation’s economy.

Arku’s paper examines the effects of these policy changes, in order to suggest interpretations and also outline some of the challenges that have been persistent with respect to the housing industry. He divides his paper into five sections; with the first giving a historical overview about policies on housing in the past. The second segment is a discussion on the changes in housing policy, especially, during the 1990s. He then goes on to examine the effects of these changes in the third section. Next, there is an appraisal of reform in policies and the prospects
attached to them especially in relation to poor people’s housing needs, after which he summarises and concludes his work.

From developments in the 20\textsuperscript{th} century, another era opens up in the 21\textsuperscript{st} century for an evolution in the housing industry which is characterised by changes in policy and construction patterns as well. Richard Grant addresses this issue by writing on “The Emergence of Gated Communities in a West African Context: Evidence from Greater Accra, Ghana.”\textsuperscript{30} He opines that from the onset of the 1990s, a lot of cities worldwide have witnessed the global expansion of gated communities at a growing rate, and it has become a significant part of the residential layout in these cities. This occurrence of gated communities is realised to have been little researched about, especially, in West Africa. What also remains unknown is the point to which the establishment of these communities share uniting or differing inclinations with other places globally. The analysis made by Grant submits that “the globalisation of real estate markets and diaspora living are important aspects in the residential geography of Accra.”\textsuperscript{31} He uses the concept of “transnational houses” to explain characteristics of the property market locally which are undergoing globalisation and are being distinguished from local trends in housing. He notes that transnational houses bring on board a different layer of multiplicity to the urban geography in Greater Accra as it is in present times. Gated communities which have become increasingly popular recently have been described as “residential areas with restrictive entrances in which, normally, public spaces have been privatised…They include new developments and old reconverted areas, they exist in cities and suburbs, in wealthy and poor neighbourhoods.”\textsuperscript{32} According to Grant, recent studies have shown that gated communities are not a phenomenon prevalent in the United States of America (US) alone, where earlier research projected that about 9 million people living in the US reside in 20,000 exclusive residential communities surrounded by walls and entry gates. This situation has definitely increased with
the passage of time. From recent studies, it has been confirmed that this form of habitation has
transcended the US and moved into places like “Argentina, Brazil, South Africa, Saudi Arabia,
Lebanon, among others.”

The rise of this development in housing has however not been researched in West Africa, and in considering West Africa, Accra to be specific, the presence of this trend in housing confirms the revolution occurring in housing in the cities and land markets. This transformation is recognised to have started in 1983 with the institution of liberalisation policies. From this time, “private market initiatives have been introduced by the government to formalise urban lands.”

And before this time of liberalisation, majority of land under development for residential purposes started from the traditional land system. Larbi (1996) underscored that 87% of residential spaces came from dealings in the indigenous land system, which brought about extensive barriers to private housing development. In addition, regulation by government was unsupportive of private sector developers in the time preceding the 1980s.

Grant highlights that “the liberalisation era has also radically transformed property markets by the globalisation of finance and the restructuring of foreign direct investment (FDI). The lowering of barriers to FDI in land, the development of vastly improved sources on residential projects (e.g. websites, brochures), and international lending and mortgage programs have all transformed the local real estate market.” It is clear that there has been an emergence of an industry for real estate worldwide, and this industry promotes property buying by rich people in several countries. In 1992, Mueller and Ziering find out that real estate characterises between 20% and 60% of global capital, and this proportion of wealth is developing in places in the developing world where modifications are being made on land market. Consequently, numerous property markets have been incorporated more and more into the changes of the
economy globally and also in home-grown processes of development. Authors like Levitt (2001), have acknowledged that through policies promoting liberalisation, there has been an increase in exchanges between states and external settings in all facets of socio-economic life.\(^{37}\)

Definitely as many more countries buy into the liberal ideas, transnationalism is encouraged. More people migrate abroad and develop new tastes at all levels of their lives, even though they do not completely lose touch with their original background. This intersection and exchange of culture affects the housing market too because through remittances sent home by those living abroad, they choose and even dictate their preference in housing style back home. King (2004) writes that “they participate in re-imagining the world at home from afar and create spaces of global cultures inside the local urban arena.”\(^{38}\) Grant’s work studies the link existent between liberal policies and globalisation and examines the reason for the rise in gated communities in Accra. He also evaluates if there are any similarities or differences between these communities in Accra and those in other developing parts of the globe.

### 1.10 Sources of Data and Methodology

Both primary and secondary sources of data were used for the study. Primary data were gathered through unstructured interviews with officials in the housing industry at the Ghana Real Estate Developers Association (GREDA) in particular. This interview was carried out because GREDA is one of the major stakeholders in the housing sector and can provide first-hand information on pertinent issues affecting the industry. Secondary data were acquired from books, journal articles, newspaper publications and internet sources. The methodology adopted for this research is qualitative. Data from both primary and secondary sources were subjected to critical content analysis geared towards answering the research questions. For this reason, a
A qualitative method was employed to collect and analyse key changing trends in Ghana’s housing industry due to exposure to globalisation.

1.11 Limitations of Study

The study was able to acquire first-hand information from officials at the Ghana Real Estate Developers Association (GREDA) only due to inability to secure interviews from other stakeholders in the housing industry like mortgage finance companies and the State Housing Corporation. Even though letters of introduction were sent and follow-up made on these institutions, feedback was not forthcoming. Therefore secondary data from newspaper publications and journal articles had to be relied on to gain and examine the role the state and mortgage institutions play in the evolving housing industry of Ghana as compared to Western trends. The study also mainly focused on the urban areas in Ghana, Greater Accra to be specific. This was due to availability of literature which was concentrated on the national capital than on other urban centres in Ghana.

1.12 Arrangement of Chapters

The entire work is divided into four chapters, handling the following topics:

Chapter 1 is the research design.

Chapter 2 presents an overview of the housing industry in Ghana from colonial to post-independence era.

The Chapter 3 examines the implication of global housing trends on Ghana’s housing industry with a focus on mortgage financing.

Chapter 4 provides a summary of findings, conclusions and recommendations.
ENDNOTES

5 Op.cit (Bank of Ghana)
6 Ibid.
8 Ibid., p.7
14 Ibid., p.397
15 Ibid., p. 398
16 Ibid.
17 Ibid., p.399
23 Ibid., p.333
24 Ibid.
25 Ibid.
26 Ibid., p.334
27 Ibid.
28 Ibid.
31 Ibid., p.661
32 Ibid.
33 Ibid., p.662
34 Ibid.
35 Ibid.
36 Ibid.
37 Ibid.
38 Ibid.
CHAPTER TWO

AN OVERVIEW OF GHANA’S HOUSING INDUSTRY SINCE INDEPENDENCE

2.0 Introduction

Housing has always occupied an important position in all human societies. This is because it is crucial to human welfare in addition to other basic needs. This chapter, therefore, delves into the approaches and policies taken in supplying such an indispensable amenity, whiles analysing the effectiveness or otherwise of government efforts at provision of housing to the citizenry over the years. After this overview, the work of other partakers in the industry, being private sector developers will be examined to see how far they contribute to reduce the ever pervasive housing deficit facing the country and a general conclusion drawn on this trajectory of happenings, as well as analyse the influence Western housing trends have been infiltrated into the housing industry in Ghana, with regard to architecture and other physical facilities.

2.1 Housing during the Colonial Era

The government’s stance in the colonial era was that of non-involvement until the initiation of the Earthquake Victim’s Housing Scheme in 1939 in Accra to build subsidised houses for victims; commemorating the commencement of estate housing. Before this, there was only the provision of accommodation for expatriate public servants and representatives of European countries who were working in the country. But following a deadly earthquake which occurred in Accra in 1939, there was a turn around. The government then started the Earthquake Victim’s Housing Scheme which sought to provide sponsored housing for victims. This was the initiation of estate housing, later to become the hallmark of government-built or assisted housing in Ghana. Quite a substantial budget was allotted for these housing projects which started from the early 1940s. Housing was allocated 2.5% of the Colonial Development and Welfare Act (CDWA) funds, which was directed largely through various regional bodies.
percentage improved to about 5.6% by the early 1950s – about a decade after. For Governor Allan Burns’ Development Plan of 1943, among other things, there was a proposal to construct estate houses for those earning small incomes but who lived in the large towns. One of the most comprehensive plans to be ever developed for the country, the 1951-1958 Development Plan, concentrated on economic and productive services. The plan integrated housing into the overall development framework. Housing then ranked fourth in the plan’s budgetary allocation.  

The huge financial resources allocated to the housing sector, helped make it possible to experiment a diversity of housing schemes, which went from subsidised housing to housing loan schemes. For example, £2.5 million was allocated for estate housing projects in the three major urban areas by then: Accra, Kumasi and Sekondi-Takoradi. This amount included loans of up to £1,600 given to people who desired to build their own homes and £500,000 going into projects to clear slums. Throughout this period, there existed no housing scheme outside the afore-mentioned three urban centres, as well as the bulk of low-income families were excluded from benefitting from these programmes.

It is recorded that prior to Ghana’s independence in 1957, the First Ghana Building Society (FGBS) was created in 1956 to mobilise savings and lend to members for housing purposes. Nonetheless, the government at the time immediately after independence could not sustain this initiative and many others due to the economic decline of the 1970s. An attempt was made to salvage the situation was by the National Redemption Council (NRC) government, by establishing the Bank for Housing and Construction in 1972. This bank was to be exclusively responsible for financing housing and the construction industry. This objective of the Bank for Housing and Construction was discontinued and rather started focusing on commercial banking, after the NRC government was overthrown in 1979. The Social Security and National
Insurance Trust (SSNIT), which was already in existence was given the added responsibility of providing rental accommodation to public sector workers at inexpensive rates in the 1970s.\textsuperscript{8}

Again in the 1970’s, there were various attempts on the part of the state to boost the housing sector. These included projects like the creation of “Building Societies, Roof and Wall Protection Loan Schemes, Rural Cooperative Housing Schemes, etc.”\textsuperscript{9} During this time, the primary stakeholder in the housing sector was the state.

The involvement of private financial institutions in the housing finance industry came about after the economic decay in the 1970s. The Ghana Commercial Bank, the Standard Chartered Bank and Barclays Bank presented restricted mortgage finance to a few borrowers who were affluent, prominent or in high-level government or bank employments. The institutions were said to have suffered from a common problem of ‘borrowing short but lending long’ which drains out all their equity in a period of hyper-inflation.\textsuperscript{10} Consequently, there was almost the total absence of long-term mortgage finance in the country by 1990.\textsuperscript{11} The quest to solve these problems influenced the creation of the Home Finance Company (HFC) Limited in 1990. This institution had the principal objective to provide housing finance, as a secondary finance institution, by drawing on long-term funds from its initial capital.\textsuperscript{12} It is important to state that the mentioned efforts made in the housing sector were to provide housing for the few formal sector salaried workers. Most of the actions by the state agencies for housing programmes were basically geared towards housing workers in the urban areas.\textsuperscript{13}

2.2 Overview of Past Housing-Related Policies in Ghana (1945-1990)

As far back as 1957, Ghana was pronounced as “the wealthiest nation in sub-Saharan Africa” by renowned journal, ‘The Economist.’\textsuperscript{14} This was not the only means through which the country was seen as one with a bright future by international observers. Internationally also, it
has been recorded that various estimates done by the country proved that in the 1960s, Ghana was making much greater strides in terms of economic growth as compared to other countries at similar stages of development.\textsuperscript{15} Sadly, the reality turned out to be different from what had been estimated, meaning the promising future could not be attained. Ghana’s total geographical measurement is about 92,000 square miles – which is comparable to the size of the United Kingdom. This also means Ghana had the perfect example and link to be able to assert herself development-wise due to the colonial ties which strongly existed between the two countries. Even under British colonial rule, the Gold Coast was considered by the British authorities as “its model for Africa.”\textsuperscript{16} Being the first country in sub-Saharan Africa to gain independence from colonial rule in 1957, Ghana had a lot of prospects and was befitting of the title of the ‘beacon of hope’ for Africa. Her Gross Domestic Product (GDP) was $544 million in 1950 and her Gross National Product (GNP) was $526 million, according to an economic survey by the Government of Ghana in 1957.\textsuperscript{17} Ghana’s total reserve as calculated in 1955 was $532 million, with a per capita income of $490 and $500 in 1957 and 1960 respectively. These figures mentioned with respect to Ghana’s economic growth could be compared to some ‘middle-ranking’ countries like South Korea.\textsuperscript{18}

As has been established earlier, the government was directly involved in the provision of housing, which started in the British colonial era. This was financed by the British central government. Such housing schemes led to the creation of the Department of Social Welfare and Housing (DSWH) in 1945, which had the mandate to make policies and put the housing schemes into implementation. During 1946 to 1948, the DSWH was able to supervise the construction and accomplishment of seven subsidised housing estates in the then three main urban centres – Accra, Takoradi, and Kumasi. However, access to these facilities was limited and was only able to cater for war veterans, public and civil servants in the urban areas and
certainly, the colonial administrators. Apart from this housing scheme in existence, there was no other in place; as such the majority of families with low income were excluded from benefitting from this scheme.¹⁹

In the 1950s, there was an increase in the activities of the colonial government in the housing sector. There was substantial amount allocated to financing both general housing schemes and individual building construction, amounting to £2.5 million. These efforts, however, like those carried out previously were unable to meet the housing need of the rapidly increasing urban population. In several cases, the projects that were funded through public coffers were of benefit to a minor group of the total population. Due to this, the majority of households with low income inhabit run-down houses they have built themselves or have rented.²⁰

With the attainment of independence, the succeeding government also placed housing at the centre of its common policies, emphasising that the provision of suitable housing was a right owed the population by the government. Resulting from this, there was a tremendous public initiative for the provision of housing through projects by the government which took place from the latter part of the 1950s to 1960s. From the government’s 1959 – 1964 Development Plan, there was the proposal for the construction of 6700 housing units with the allocation as follows: 200 units to be constructed for homes with middle-income, 1500 units for low-income families, as well as 5000 buildings for labourers; at £2000, £500 and £200 per unit respectively. In another similar way, there was the Seven-Year Plan (from 1964 – 1970), through which there was the proposal for building 60,000 new houses throughout the country for £44.5 million. Out of this, £31.3 million went into commercial housing and 13.3 million allocated to low-income housing.²¹ There was also the creation of numerous State-Owned Enterprises (SOEs) by the government which were to oversee the implementation of the projects. Notable
among these enterprises was the Ghana National Housing Corporation (GNHC), State Housing Corporation (SHC), and Tema Development Corporation (TDC). There were also other agencies like the Bank for Housing and Construction (BHC) and the Low Cost Housing Committee (LCHC), which were pseudo-government bodies, were established. The reality turned out to be quite different from the plan itself. This was because the SOE’s and pseudo-government agencies delivered much less than the expected target; it was observed that even though they were given more than 80% of the budgetary provision by the government for the housing sector, they were able to provide approximately 10 per cent of the national housing requirement. Clearly, this output had a minimal influence on the housing industry. A practical example is that of SHC; which was the nation’s biggest body in terms of housing, being able to construct only 24,000 housing units roughly, between 1957 and 1990. The houses built by government were solely rented to SOE employees at significantly reduced prices as well as to public and civil servants, which meant that the widespread majority of the populace lived in homes that they had rented or built themselves. The government showed little attention, in practice, to the continuous verbal support for projects in relation to self-help. On the other hand, policies of succeeding governments were concentrated on absolutely providing public housing and on the issue of clearing slums as measures to help resolve the housing issues. Then again, there was the deterioration of the housing problem during the 1980s, with evidence from issues such as the “overcrowding, unaffordable housing prices, poor physical housing conditions and poor sanitation services.” From a draft National Housing Policy, it provides the explanation of the housing shortages as “one of national development crisis.” Planners had an estimation of 70,000 units which was necessary every year, plus an accrued supply deficit of 250,000 units which needed to be taken care of in order to “de-crowd” urban units from 12.8 persons per unit to the tenancy rate of 7.0 persons per unit.”
In effect, by late 1980s, it was acknowledged by policy makers of the need to change Ghana’s policy on housing. In order to decrease the role of government in providing housing, they (policy makers) started to concentrate on liberalising the economy and land de-regulation, housing markets as well as the industry on construction materials.

In an article written by Harris and Arku (2006), they note that one motivating factor, for governments of contemporary times, in boosting house building is because they realised that such investments promote economic growth.27 In an earlier article of the above-mentioned authors, they were able to trace the manner in which expert opinion, since 1945, had changed on this issue of house building. They found that the dominant notion until the 1960s was that the industry of housing was seen as a strain rather than a backer to economic growth. This meant that housing was calculated to be a solely social cost which should be accorded little importance. With time, nonconformists changed this perspective with the argument that expenses made on housing were at times a necessary attachment which would bring about development; an instance being in the building of company towns.28

It was in the 1960s that there was evidence of a more conclusive shift in the stability of opinion. Gradually, international agencies such as the World Bank as well as researchers on housing identified the varied ways through which investments in housing could pay back; because housing is, first, in itself a key industry which comes with enormous employment and multiplier bearings, and second because of the diverse economic implications and social impacts of better housing. Thus, there has clearly been a sustained modification in the manner in which development economists, especially, have considered the role of the housing industry to economic development. However, it is not so clear the reasons which brought about this shift.29
2.3 Housing Policies in Ghana During the 1990s

From the early 1990s the government of Ghana, under the Jerry John Rawlings regime, was to have started a thorough reform of the housing sector, which was based on neo-liberal ideas carried out to change other areas of the economy. Through this, “housing production, in particular, has since been left to the private sector, with government acting as a ‘facilitator’. ”

From statistics of the 2010 population census, it showed that 47.2% of Ghana’s housing stock was owner-occupied; while rental units represent 31.1%. Rent-free and perching were 20.8% and 1.0% respectively of the country’s housing stock. The rent-free houses were normally the compound houses and they housed extended families long after the original owners had died. Even though compound houses, representing 51.5% still lead the housing in both urban and rural parts of Ghana, their number has taken a declining turn. Using Accra as an example, the percentage of compound houses in the housing stock in the region reduced from 62% in 1990 to 42.5% by 2000. There are the springing up of newer practices of housing like bungalows, flats and other informal types like wooden shacks, kiosks, etc. which are coming up at a very fast rate. It is realised that these improvised houses form 2% of Ghana’s national housing stock and 6.2% of Greater Accra Region’s housing stock. A lowly 3% of the country’s housing stock is owned by employers, both private and public. Another trend on the rise is the number of people living in single rooms in the country, being 44.5%. This figure is seen to be higher at the regional level in urban areas in Ghana; Ashanti Region records 64.5%, Central Region 64% and 61% for Greater Accra Region.

Through government’s attempts to formalise and strategise on the nation’s housing development post-independence, a number of policy documents were prepared to this effect. They include: the First National Housing Policy Document in 1986; followed by the 1991-
1992 National Shelter Strategy Development (prepared in collaboration with UN-Habitat). This was succeeded by the National Shelter Strategy Volumes One and Two, developed in 1993. In June 1996, the country became signatory to the Istanbul Declaration and the Habitat Agenda; there was the revision of the National Shelter Strategy Volumes One and Two in December 1999 and June 2000 respectively. It is therefore surprising to note that not one of these mentioned documents has been accepted formally and adopted officially for usage in Ghana as a substantive policy. Till present, “Ghana does not have a tentative housing or urban policy.”

It is as such important to find out why Ghana, after drawing up and even being a part of both local and international agreements is not able to implement policies to reshape the housing sector as seen in the globalised world.

2.4 Overview of the Number and Quality of Housing in Ghana

As noted by Karley (2008), “residential property makes up a significant component of the stock of property in Ghana.” Nonetheless, rapid growth in population and rise in urbanisation has made the housing deficit in Ghana grow worse. And although in recent years there have been improvement in development activities concerning urban housing, there still exists “increasing overcrowding, declining quality and access to services” affecting Ghana’s housing stock.

From a World Bank report, incremental building characterises the most common means of residential building. With this method of building, the owners develop the building themselves by depending on their small trades and occupations in order to construct their houses. Since construction in this manner is dependent on the capital available to the owner, it takes a slower or more gradual process to finish it. The impact is recognised in the number and quality of
houses produced by this informal building sector. It is again neither able to meet the demand for housing nor able to deliver houses in large quantities, particularly in urban areas.\textsuperscript{38}

The entire housing stock of Ghana comprises both formal and informal housing. “The housing backlog is simply the difference between the housing need (effectively, the number of households) and the total housing at a time.”\textsuperscript{39} It was realised that the country’s housing deficit increased rapidly within the intercensal period of 1970 to 1984. Nationwide, the average number of persons to houses reduced from 10.57 to 9.05 between 1960 and 1970; however, it went up to 10.11 as at 1984 and decreased again to 5.1 by the year 2000,\textsuperscript{40} signifying a development in the housing problem. The total housing stock of the country was given as 2.2 million by the 2000 Population and Housing Census. This data is suggestive that the backlog in housing surpassed 500,000 units and though statistics in supply ranged between 25,000 and 40,000 units annually, the yearly requirement was estimated at 70,000.\textsuperscript{41} Due to the failure of the housing industry to deliver according to the demand through the years, there has been a resultant pressure on the current housing units and infrastructure, mostly in urban centres.

Moreover, the housing sector is characterised by “haphazard development, inadequate housing infrastructure, poor drainage, erosion and high population concentrations. With Accra being the most urbanised place in Ghana, housing conditions are relatively better but in general, conditions in most places are of poor quality considering the use of building materials such as “mud, untreated timber and zinc roofing sheets for walling.”\textsuperscript{42} Furthermore, materials such as Asbestos roofing sheets, which are recognised as harmful to health and are declared illegal in some countries like the United Kingdom are used to roof buildings in Accra, estimated at about 46%. Additionally, cities are considered to be exceptionally high density if the ratio of households per house is in excess of 2.2, as it is for Greater Accra Region. On the other hand,
the contribution of the active recognised real estate development sector cannot be overlooked, since it is doing reasonably well in facilitating the quality of housing stock in urban areas like Accra. With the constant problem of constraints in housing, it is heightened by “both backlog in the provision of formal housing and the resultant spread of informal settlements.” Since the informal building side cannot meet demands for housing, it is imperative for the formal sector to take up this role in providing safe, affordable housing in large quantities; be it by the government and/or more especially by the private sector. With government realising that it could not sustainably maintain its housing financing policy as it started in the past, it sought to encouraging the participation of the private sector in facilitating construction in the country.

2.5 Private Sector Participation in Housing

In studying the housing industry in Ghana, it is very important to analyse the role of private stakeholders such as real estate developers in the industry. The unique organisation in existence for this group of players is the Ghana Real Estate Developers Association (GREDA). This association was founded in October 1988 with some of its objectives being:

- To provide a central organisation in Accra and in other areas in Ghana for Real Estate Developers.
- To promote the organisation of residential estates, to increase the stock of housing units thereby ensuring adequate provision of affordable housing for all classes of the population
- To liaise with the financial institution in developing an effective mortgage/house ownership scheme for prospective owners and also impress on the institutions the need for long-term financing in real estate development.
• To provide a united front in making recommendations to the Government on ways of promotions to the real estate developments and in seeking solutions to practical problems in the property market.

• To establish links with Real Estate Institutions and allied bodies both at home and abroad with the aim of promoting the development of the industry.

This association was registered under the Law of Ghana (Act 179) Companies Code of 1963 as a private company limited by guarantee.

In an interview with one of the officials of GREDA, Samuel B. Adjiri, the Acting Financial Officer and Coordinator of the Real Estate Journal indicated that, indeed GREDA was established to seek the common interest of real estate developers in the country. This was because until the establishment of the association, real estate developers did not have any organised association to belong to. In seeking the common interest of members, there are exhibitions held from time to time to market the products and services offered by members both on the local and international front.45

GREDA also serves as a credible association through which citizens living abroad and those in the diaspora are able to locate and verify accredited real estate developers to buy from, in order to reduce the risk rate in being swindled. This is because there exist operators in the industry who have not been registered and recognised, due to the fact that there is no policy in place to compel all real estate developers to join the association. This challenge was iterated by another key official of the GREDA, Samuel Amegayibor, in the the Real Estate Journal (a bi-annual newsletter by GREDA). He noted that some of the major challenges facing the real estate sector in the country is that of “multiple sale and purchase of land, the lack of long-term
construction finance, high interest rate on the scanty funding available to real estate developers, the consistent rising cost of building materials, and the impact it has on demand, as well as the influx of individuals and institutions with noticeably less knowledge in building into the business.”

As an active and key player in the housing industry, GREDA is given the place by government to serve on boards and committees in discussing matters concerning the housing industry. A recent example was during the arrival of ‘Shelter Afrique’ in Ghana, when GREDA participated in discussions with the company and helped the board come up with decisions in planning for affordable housing units with the assistance of government, in order to gradually achieve a major stride of working to solve the housing shortage problem. It is therefore surprising that till present, there is no established independent body in charge of housing, created by government. For this reason, Alexander Tweneboa (former president of GREDA and Chief Executive Officer of TRACOAF), wrote an article in the Real Estate Journal to suggest some practical ways in which government could create a body solely responsible for housing with stated implementation functions and policies relating respectively. He makes this suggestion by analysing similar institutions established and functioning effectively in other African and Western countries. Tweneboa reiterates, “the importance of a specialised national housing institution (such as the National Housing Finance Corporation in South Africa and the Federal Housing Authority of the United States of America (USA) to the development of a country’s national housing dream.” He specifically goes on to discuss what the function of such an institution should entail, which could be effective when adopted and practised. One of the reasons that could be given for the absence of such a governing body is due to the non-implementation of policies or decisions made by committees set up in the past.
GREDA, as the major association for real estate developers is currently made up of hundreds of members, comprising not only real estate developers but also has input suppliers and other service providers. Some the real estate companies in GREDA include: Regimanuel Gray Ltd, PS Global Ltd, Noble Realty Ltd, NTHC Properties Ltd, Lakeside Estates, Devtraco Limited, and Buena Vista Homes. The input suppliers also include Batimat Gh. Ltd, Reroy Cables Ltd, Wire Weaving Industries, Duraplast Ltd, Poly Tanks, J. A Plant Pool Gh. Ltd, Mantrac, and Beko. Some service providers who take care of the mortgage financing aspect in the industry comprise: Ghana Home Loans; UT Properties; HFC Bank; with others like Stanbic Bank; and Standard Chartered Bank in the process of joining GREDA. It is noteworthy that more financial institutions are adding to their business that of mortgage financing due to changing trends, especially, in home financing and ownership that has been on the rise in especially urban areas in the country.

The financial institutions work with the real estate developers and home buyers to find a suitable payment plan which could be up to 15 years. The location of the property also affects the pricing greatly. Such changing trends are realised in the preference of more people not only building homes on their own but in purchasing or renting homes built in gated communities.

In the interview with Mr. Adjiri of GREDA, he stated that the emergence of gated community estates started in Ghana during the last decade, where individual entrepreneurs (real estate developers) started implementing this from western trends. This system of housing comes with some added benefits such as guaranteed security and protection of residents and property. This definitely emphasises that the Ghanaian housing industry is gradually going through positive and significant changes due to happenings elsewhere.
Concerning the housing deficit prevalent in the country over the years, Mr. Adjiri stated that this deficit being referred to mainly applies to middle and lower income earners. This is because the higher income earners are able to afford the cost of building on their own or acquiring houses built by real estate developers, which are considered extremely expensive and above the means of the ordinary or low income earning Ghanaian citizen. Currently, the housing deficit is still on the rise and was estimated to be over two (2) million units by experts in the industry as at 2014. From the estimates of the Ministry of Water Resources, Works and Housing in 2010, the deficit was at 1.7 million units, which implied that there was the need to supply a yearly amount of about 200,000 housing units in order to bridge the deficit gap significantly within ten years. Since practical steps have not been taken to plug this deficit, the situation keeps deteriorating.

To realistically deal with this problem, Mr. Adjiri suggested that government could help greatly by securing land banks for development and also in providing infrastructure such as water, electricity, accessible roads, etc. so that developers could also perform their part of constructing affordable and decent houses for the ‘lower class’ of citizens. He said this was done some time back with help from the Social Security and National Insurance Trust (SSNIT) and the Bank for Housing, whereby loans procured for such projects were paid to SSNIT with time as average workers paid for their accommodation which was given out to them at affordable prices. This was what brought about the GREDA Estates in Teshie-Nungua, Accra. Another benefit of such a scheme is that as the loans are given and paid back, more loans can be sought over again to take on other building projects, creating a cycle beneficial to all involved; the state, real estate developers and citizens. In such an instance, it can be said that practical steps are being taken to close the housing stock deficit which has been persistent for so long. Even though the steps to a solution seem to be glaring to all, it seems the leadership of the country is not able to make
the decision which will be in the interest of majority of the governed. One wonders if there is pressure from elsewhere diverting the attention of government from such a pertinent issue.

With respect to the challenges facing the industry from the perspective of real estate developers, it came up during the interview with Mr. Adjiri that fluctuation in the economy, especially in recent times, are having a negative effect on the industry; ranging from the acquisition of land by developers, the prices of building materials and consequently the influence of these on pricing of the finished product i.e. houses. Adding to this challenge is the imposition of a 5% flat rate Value Added Tax (VAT) on houses to be sold by developers. This is a complete modification from what previously existed, which was the Value Added Tax, 1998 (Act 546) which stated that real estate developers were exempted from charging VAT on their buildings according to the provisions of Schedule 1 of Act 546 on ‘Exempt Supplies’. However, VAT Act, 2013 (Act 870) states that “all things being equal, real estate developers are seen as agents of the Ghana Revenue Authority (GRA) to impose 5% VAT on the sale value at which the property is being sold.”\(^5\) This also signifies that buyers are to bear the brunt of this new VAT charge. Before the final decision to have a flat rate of 5% VAT, it was initially announced by government to impose 17.5% of VAT rather on houses built in the real estate sector through the passage of the VAT law 2013 (Act 870) in January 2014, which was later changed to 5%.

The announcement by government of the 17.5% VAT led to a series of meetings between Executive of GREDA, the Vice President of the country; His Excellency Paa Kwesi Amissah-Arthur, Deputy Minister of Finance; Hon. Ato Forson, and Hon. Collins Dauda (Minister for Ministry of Water Resources, Works and Housing) as well as officials from the Ghana Revenue Authority (GRA). GREDA in particular expressed its displeasure about the addition of any amount of VAT on their finished houses, so the association sought to engage in dialogue with
the policy makers to have the tax completely withdrawn as pertained in the past or in the least have it reduced significantly. In November 2014, it was proposed in the Budget for 2015 that the 17.5% be replaced with a 5% flat rate. Although the law has been passed by Parliament, as at April 2015, it was awaiting an assent from Cabinet before implementation.\textsuperscript{51}

What is arguable about charging VAT on real estate houses is that since materials used and processes involved in the activities of the real estate sector are taxed, why is it necessary to charge ‘extra’ VAT on the finished product? GREDA, in this sense, has reasonable grounds for opposing the charging of VAT since this move could have repercussions on the industry. One of such repercussions is that it could reduce the rate of selling and purchasing houses, since some of the buyers of real estate houses are also investors; who buy homes in order to rent them out, as such they may not be able to buy as many as they used to when the VAT was not in place. This will certainly slow down business for the real estate developer in both the short and long terms. Also even though the law has been passed by Parliament, the Ghana Revenue Authority is still working on modalities to be included in the 5% VAT. Could this be a case of government being under pressure to raise revenue through all means possible in order to fund its projects, and therefore the imposition of this new tax? This is clearly a question with no immediate or clear-cut answers.

2.6 \textbf{An Analysis of Current Developments in Ghana’s Housing Industry}

It is an established fact that a performing housing market helps ensure good quality living standards of individuals and as such boosts productivity at the personal and national levels. For that reason, measures must be put in place to promote development in this industry and not otherwise. Despite the importance of this industry in the economic growth and national development of countries, in Ghana the housing and as such real estate sector is continually
faced with issues concerning land acquisition, due to the problem of multiple sale of the same lands by the ‘land owners’. As mentioned earlier, it would be of much help if government could secure land banks or plots of land nationwide for real estate development purposes. There could also be set up a construction finance scheme, with lower interest rates for GREDA members to help in funding their projects, instead of these developers going for funds at high interest rates. This would be preferable because the high interest rates at which the developers need to pay back their loans translates into the pricing of their products and services, which subsequently limit the number of people who can afford these products.

Considering the importance of the housing industry to other key sectors such as energy, water, trade and industry, health, etc, there should be the setting up of an institution to be principally in charge of this all important sector. Also in the awarding of contracts for construction projects nationwide, the local producers should be given priority over foreign firms. The use of local content would bring about confidence in local entrepreneurs and help the economy in general since the investment and any profits thereof will be injected into the national economy.

It is no doubt now that Ghana’s housing industry is way behind where it needs to be, in terms of the quantity and quality of majority of the houses in the urban centres, especially in Accra. Due to urbanisation, most people can be considered to have become virtually homeless, sleeping in front of shops, at bus terminals, in kiosks, and other unhealthy environments. Aside this, those who move to the urban areas in search of jobs, mainly, and are fortunate enough to find a place of abode with either and a friend, relative, or even stranger sometimes have to deal with living in houses that are already overcrowded, in neighbourhoods which as can be envisaged are prone to environmental conditions that are below standard with regards to sanitation and health in particular. In certain places at the heart of Accra, like Chorkor, Bukom,
Old Fadama (Sodom and Gomorrah), etc. both native dwellers and travellers live in overcrowded, poorly constructed ‘homes’ and poorly ventilated rooms in very unhealthy environments with no proper construction of toilets, bathrooms, etc. These conditions are not only limited to some suburbs in Accra, but in other urban centres across the country. It is disheartening to recognise that in a particular urban centre, many are dwelling in sub-standard and dilapidated homes while others, and usually few people, have the privilege of living in modern, comfortable homes and environments. As described by Acquah (1958).

“At one extreme, there is an imposing home of an African professional man, built on the pattern of an English country mansion having spacious and well-kept gardens and all the modern comforts and conveniences available. At the other extreme is metal sheeting or swish huts devoid of floor covering, many of which are in an advanced state of dilapidation. These lack amenities like water and sanitation. Between these two extremes are a variety of swish, modern, concrete and brick buildings of varying sizes and quality. Rooms differ considerably in the space they provide and the circulation of air they allow. In Adabraka and other suburbs, windows are usually large and ceilings are relatively high. In Ussher Town and older parts of municipality, windows are usually small and ceilings low.”

This description was given as far back as in the 1950’s and disappointingly it pertains till today, showing the disparity between the quality of housing available and accessible to urban dwellers depending on their economic status.

Surprisingly, conditions in the rural areas are seen to be much better, even though most houses built there are not modern in their architecture, they are convenient for human habitation. As observed by Karley (2002), “one surprising observation is that rural areas have relatively ‘decent’ buildings and better environmental conditions but urban areas are generally
overcrowded with uncontrolled urban sprawl.” Regardless of this, there are equally high quality standard houses as good as those found in other parts of the West, even though they make up the minority in the cities. On the whole, many workers in the country dwell in houses considered to be sub-standard. And investment made into the housing sector is one which surely yields dividends because it safeguards the peace and self-esteem of the person, which goes a long way to boosting the output of the person, especially in daily work schedules. Many individuals in Ghana earning income desire to own their personal homes and even try to save in order to accomplish this, but limitations in resources available to them and their expenditure prevents them from fulfilling this dream. The more affluent Ghanaian or foreigner does not face this challenge and is open to much variety at his/her disposal in the choice of home to build or buy.

With the increase of new developments in the housing industry in Ghana which is promoting diversity, it is not surprising to see the construction and demand for high rise apartments or condominiums built either at the heart of the cities or just at the outskirts. Some of these housing complexes also include townhouses with varying number of rooms and specifics. Strategic locations are sought for the construction of these edifices because most well-to-do business persons would want to maintain a good balance between the time in returning to the privacy and serenity of home and being close enough or having easy access to the city and business commitments. A good example in Accra is that of Villagio Vista, located near the Tetteh Quarshie Interchange in Accra. A plush and uniquely designed group of apartment buildings stands at a position that offers all the comforts of a home and access to the city. Also, some of these buildings comprise complexes of residential, business and recreational facilities. In this case, office spaces, residential apartments and recreational areas are all located in one place. This offers more opportunity for contemporary executive people to save time and energy from
hours of driving from their places of abode to work daily, as well as eliminating time wasted in traffic to and from work. Such housing projects, as explained, are on the increase in Ghana and seek to meet the demands of a target group. Therefore affordability of such buildings is highly bias towards the affluent in society. The daunting question is, is there indeed any hope for the majority of common Ghanaian individuals earning a modest income of enjoying the benefit of affordable housing projects in future?

2.7 Conclusion

This chapter has examined the beginnings of the ever developing housing sector in Ghana, from the time of colonial rule till date. The state, which used to be the main stakeholder in this industry, implemented projects and made policies to facilitate the provision and availability of affordable housing to a significant number of the citizenry, at the high and middle income earning levels. However, majority of people at the lower earning level are left with the responsibility of taking care of their housing needs. The absence of housing for the poorer populace, has led to creation of unplanned communities and slums which lack the right materials for building houses and essential amenities such as places of convenience, drainage systems, etc. On the other hand, the involvement of the private sector in the housing industry has seen a boost in the number of real estate houses in well planned communities, with proper sanitary conditions in place as well as recreational facilities. Despite this boost, such houses are at the disposal of the minority who can afford a certain high level lifestyle. It is important to emphasise that the architecture and facilities associated with these houses are modern, chic, and comparable to Western standards bringing to bear the influence globalisation is having on Ghana’s housing industry to a reasonable extent.
ENDNOTES

3 Danso-Wiredu & Loopmans, op. cit., p.3
4 Ibid.
5 Ibid.
7 Danso-Wiredu & Loopmans, op. cit., p.3
8 Ibid.
10 Ibid.
11 Ibid.
12 Danso-Wiredu & Loopmans, op. cit., p.3
15 Ibid., p.336
16 Ibid., p.334
17 Ibid., p.335
18 Ibid.
22 Ibid., p.262
23 Ibid., p.263
24 Arku, op. cit., p. 263)
25 Ibid.
26 Ibid.
28 Ibid.
29 Ibid.
30 Danso-Wiredu & Loopmans, op. cit., p.4)
32 Ibid.
33 Ibid.
34 Ibid.
36 Ibid., p.22
37 Ibid.
38 Ibid.
39 Ibid.
40 Ibid.
41 Ibid.
42 Ibid.
43 Ibid.


Ibid., p.8

Ibid.


CHAPTER THREE
GLOBALISATION AND THE HOUSING INDUSTRY IN GHANA

3.0 Introduction

Currently, most Ghanaians do not depend on governmental initiative for their housing needs, because they are aware of government’s incapacity in this area due to drained and limited resources, corruption, misappropriation of funds, and mismanagement, among others. So, prospective individual home builders turn to the banks, savings and loans companies, and other financial institutions in the country to aid in financing their personal projects. These would-be homeowners are thus disappointed and infuriated when the financial institutions make it ‘impossible’ for them to achieve this lifelong dream of homeownership, through stringent criteria for granting loans and/or mortgaging. It is recognisable that, one of the significant trends in addressing housing need in many parts of the world, particularly, Europe and North America is the practice of mortgage financing. Over time, this practice has marginally filtered into Ghana’s housing industry. Identifying housing as one of the global trends affecting the local industry, this chapter examines the implication of mortgage financing as a fallout from globalisation on the housing industry in Ghana.

3.1 Housing Finance Systems in Ghana

In assessing the housing finance system in Ghana, it has been established that there exists a clear separation between the Ghanaian housing industry and the formal finance market.\(^1\) In addition to this, there is a growing gap between poor people who belong to the informal finance sector and the well-to-do who access the formal finance sector. As established by Leod,\(^2\) because the formal finance sectors are not easily accessible to poor people, most Ghanaian households resort to other means of financing the building of their homes such as “personal savings, transfer of funds from family members overseas, exchange (barter) arrangements,
among many others. The result of this is that construction takes a much longer time to complete, ranging from 5 to 15 years”, as noted by Derban et al. Thus, comparing the housing finance system in Ghana to another like banking for instance, the former is clearly seen to be less developed and in a rudimentary stage. Smet (1996) explains that using this system of financing personal building projects comes with negatives because it is costly and unproductive. The extended duration taken to complete a particular building project by individuals goes to, in effect, increase the cost of building greatly as well as seize funds which could have been spent in a project that could have brought in some income. Such funds are rather spent on the progress and completion of a building, therefore no earnings can be made on the money during this entire period.

Moreover, for economies the world over, loans given out for a long-term accrue a substantial amount of credit, interest rate and liquidity risks for those lending. In Ghana’s situation, in particular, the risk is noted to be increased further due to high inflation rates. Hence banks operating in the country are faced with the inability to make investments in both the medium and long-terms; which affect investment in the housing sector in a negative way, because loans on housing financing require long-term lending. Some financial institutions, such as Social Security Bank (currently SG-SSB) as well as the First Ghana Building Society (FGBS), once made efforts to improve ‘formal debt finance systems’ to aid the development of housing in the country but could not see their efforts come to fruition, in part due to the lack of sources of funds for the long-term and the issue of economic instability, which are necessary requirements to boost any functional mortgage market.

Even though in certain instances, lenders have shown preparedness to provide finance for housing, on a long-term basis, this action is not rewarding because “in order to survive, the
banks must make a profit, to thrive, the return must warrant the investment of capital and to grow the bank must accumulate retained earnings to support asset growth.”

To secure themselves, therefore, lenders exercise rigid criteria like a “higher equity requirement of borrowers, security of title to land, sustained and reliable monthly income, the consent of borrowers’ employers, and the location of properties in prime areas.” These measures are all in place obviously to reduce the level of risk involved and lessen any loss in lending. Due to these criteria, it is easy to envisage that a significant number of prospective mortgagors are considered not eligible for mortgages in Ghana. Also entrenching these security requirements is the standard system being used in lending by the banks, which is centred on “asset securities and assumes that collateral should be limited to legally restricted property and certifiable earning.”

What then happens to the large majority of those whose livelihood is made from the informal sector of the economy? They will not be able to gain access to this system of lending due to the requirements. Boamah iterates that “the requirements for evidence of clear land title have excluded many potential mortgagors in Ghana despite the fact that they may have effective security of tenure through customary rights.”

Conversely, from the government’s perspective over the years, the participation of government in housing finance has been to openly construct and/or make available subsidised loans to people. For example, the government was able to spend “£G 9, 100, 000 in affordable housing as well as granting £G 2,150,000 in the form of concessionary housing loans to households between 1957 and 1966. Also, between 2004 and 2005, there was investment of £77,728.24 and £125,513.4 (in millions)” by the government in the housing industry. Despite these efforts, majority of Ghanaians’ need of accessing a sustainable means of funding for building is not met, because these efforts are inadequate for the demand. The country is still faced with

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1EG refers to Ghanaian pounds which was the currency in use then.
a housing deficit which is continually unaddressed. The deficit in housing was 1,000,000 units in 2000. And in 2002, it was at 1,232,835 units as projected by the HFC (now HFC Bank). This meant that government needed to provide at least 108,000 units annually, which was not achieved, and has contributed to the situation becoming considerably deteriorated with time. Thus, on the part of government, its influence in finding a solution to the housing finance problem in Ghana has been very minimal.

3.2 Mortgage Financing in House Ownership

From research on home financing in Ghana, it is observed that many people have confidence in the capability of financial institutions funding programmes geared towards the provision of adequate housing for Ghanaian workers mainly in the public and civil services, among others. “In spite of this, the general impression is that banks and other formal sector lenders are unsympathetic to the ordinary people and are as such reluctant to provide financial assistance for building or purchasing decent homes, by this category of people.”

Even though this situation is the impression created by the home financing sector, it is to be considered that these financial institutions work under systems which they must conform to in order to promote their business interests and growth.

Additionally, it is a well-known fact that lending at all levels comes with its own risks. As Karley puts it, “the main objective of banks in Ghana who lend through mortgages is to run a low-cost and low-risk business, where mortgage lending fits well in relation to other investment activities.” A key situation that hinders the activities in the housing sector is the system of operation, in terms of the method of funding practised by the banks which is on a short-term basis. In this way they are not able to give loans to borrowers for the medium-term or long-term. This is not helpful to the housing sector because with respect to securing loans for an
individual building project, or mortgage to purchase a home, it would require lending on a medium to long-term basis. Therefore, banks willing to offer funds on a long-term related to housing are few. Since a bank’s survival depends on profit-making, and its growth reliant on increase in retained incomes in assisting growth in asset, banks, and for that matter, financial institutions have requisite measures in place which must be met by the borrower before money is lent. These measures are indeed to help reduce the risk involved, specifically to the bank, in such a transaction. Karley sections these requirements into what he calls the five Cs, guiding a decision to lend by banks. These will be considered in this work, as they are relevant in understanding the grounds for mortgage financing. These Cs are: Character, Capacity, Collateral, Capital, and Condition. It is noteworthy that these may not represent all the requirements in every lending situation. They concern the circumstances of the prospective borrower, the building, and the lending situation.

3.3 Mortgage Requirements and its Challenges

3.3.1 Character Assessment

One of the first requirements usually considered in lending by banks is that of Character. Character deals directly with the personality of the borrower, because no institution would want to transact business with an individual or entity with a suspicious character, or a person without a credible character. In this instance, some of the requirements a bank looks for are a person who will “respect the contract and observe the terms.” Any signal of the borrower being a potential defaulter of the loan will lead to termination of the contract; hence careful steps are taken to establish that the borrower is of good repute. One way of verifying this is through references provided by those who have contact with and know the borrower, thus can assess the latter’s character. Other things taken into consideration about the borrower also include “how consistent payments of bills are made, a previous credit record, source and stability of income and any other needed personal attributes.” With banks in the Western or developed
countries, gaining information on the character of the borrower is facilitated by a verifiable system and easily accessible data on every individual. This is completely different in Ghana, thereby placing a limitation on whether the references provided are actually credible. Also, assessing the character of a lender is carried through meetings had, starting with the very first encounter.

Another issue with character assessment is that there is no established database monitoring the credit or bill payment records of the individuals. Most people also do not buy on credit or do not possess bank accounts through which assessment could be made. Due to this, lenders in Ghana have come up with a variety of ways in assessing the character of borrowers. These comprise “references from employers, members in the community, pastors, etc. or by the use of contacts, actual income sources, and personal habits”\(^\text{19}\) as processes of collecting information. With these methods of assessing character, the information gathered is mainly qualitative in nature, therefore cannot be quantified. This implies that there still pertains a risk of endorsing a borrower of questionable character.\(^\text{20}\)

### 3.3.2 Capacity of the Borrower

Capacity has to do with finding out the borrower’s financial status and ‘buying power’ which is a very important part of assessing the borrower. This is calculated by “using the ratio that expresses the percentage of an applicant’s income needed to cover monthly debt obligations, including the mortgage payment, the house-debt-to-income ratio.”\(^\text{21}\) Another focus of the capacity of the borrower is to determine the relation between mortgage payments to be made monthly, with taxes and insurance inclusive, and the total monthly income. Other debts not related to the housing debt like payments on a car purchase, consumer instalment debt, etc. are all taken into consideration when assessing the ratio between debt incurred and total income.
This is necessary in helping advice what appropriate percentage should be deducted monthly from the borrower, without depleting his/her resources. There is also a challenge with this kind of assessment because it is difficult to determine whether the borrower has any other means of generating income aside the stated or official one. Also, people who take their salaries in cash are not able to prove their income, and in cases where the source is confirmed, the salary proves to be meagre. Because considering the average price of a home decent enough for a family with low-income to purchase, it is above ten times the average earning per year of an ordinary worker. So in relation to the income to debt ratio, a large number of Ghanaian families will not be able to have enough money for a ‘decent’ form of housing. For that matter, the few comparatively affluent families with the ability to pay back the loan monthly without it taking more than 35% of their earning stand a better chance of being granted housing funds. This explains why mostly workers in the private sector as well as Ghanaians residing overseas make up the principal number of mortgagors.

3.3.3 Provision of Collateral

The collateral is equally well thought-out in mortgage lending because it is an important item the lender considers in order to offer the loan being sought. This is the worth of the building or property and must match the amount being borrowed because in the instance of a default by the borrower, the lender can sell the collateral in order to clear the debt. Before the lending is carried out, there is property valuation and the seeking of opinion from experts such as lawyers and appraisers or evaluators. Other aspects considered to determine how suitable the property is for mortgage is assessed on “the basis of the legal status of the property, location, structure, and the market value.” From this, the appraiser makes an approximation of the property by using “cost, income, and market approaches.” This is followed by attorneys, establishing whether the property truly exists and confirming ownership to make sure there is no other
entitlement to ownership on it, at the deed office. These lawyers act in the best interests of the lenders.

A point to be noted with collaterals is that “Freehold properties” are considered ideal because in this case the one buying becomes the owner of the land, and for this reason, it is easier to sell the land to another buyer. The problem with collateral is concerning foreclosure proceedings. This is because the law is not clear on it. For instance, when a borrower defaults in repayment of a loan, eviction of the defaulter is difficult particularly, when they have children. Again, due to the ownership of land, which is collective, there is a challenge for the lender to register mortgages on non-freehold properties. From this, land cannot be used as collateral for a bank loan due to the communal ownership of land in Ghana. Lenders also face the problem of substandard materials being used for building houses. Aside the usage of unsuitable materials, absence of infrastructure and basic amenities reduces the property’s value. The worth of the property is also determined by the price at which comparable properties are sold in the vicinity, but due to the uncontrolled manner in which settlements are constructed, in a lot of areas, it is a challenge to Ghanaian lenders.

3.3.4 Capital Requirements

Capital is a core component of giving any kind of loan, and housing finance involves loans given out in the long term. This kind of investment is considered risky due to the duration of the loan and the improbability characterising the returns. To assure the lender of the borrower’s commitment and financial capability, borrowers are normally required to make a deposit with reference to the loan. With this commitment made, it is realised that the borrower’s capital invested in buying the property encourages him/her to frequently make payments for the mortgage and also maintain the property in a suitable condition. “Normally an 80% loan-to-
value ratio (LTV) is set as a regulatory benchmark.” Specifically in Ghana though, the requirement on the deposit or down payment to be made is dependent on the type of borrower, and the percentage ranges between 20% and 50% of the property value. This requirement also has its own issues because some people do not have savings, this does not mean they do not have accounts for savings in the bank, but that money kept in this account is shortly withdrawn to take care of everyday needs or emergencies. Aside this, Ghanaians engage in several saving schemes both formal and informal (like what is locally referred to as susu).

In a research carried out, there was proof that more than 90% of key employees whose salaries were paid into an unnamed bank located in Accra, withdrew above 90% of their salary paid by the following payment date. This category of people will obviously find it difficult to accumulate the least possible amount of money necessary for them to secure a bank loan using their savings. Nonetheless, to overcome this deposit hurdle, there have been schemes developed between banks and some employers in the private sector who help their employees by serving as guarantors. This guarantee offered however is validated as the borrower continues to work for the firm. Public servants, who form the vast majority of workers nationwide rather do not benefit from any such scheme from their employer, the government. However, “the predominant effect of capital requirements is that the mortgage market is unable to grow because the majority of people are restricted from entering the market due to the high initial deposit requirements, which their incomes cannot support.”

3.3.5 Other Conditions

The conditions established to facilitate lending in Ghana has its own impact in the evaluation process for mortgages. The mortgage system like many other financial schemes depends on the performance of the national economy to either thrive or decline. Other conditions like the legal
structure and policies made by government on the sector come to play. This is because government, being the highest policy maker in the country, occupies a very significant position in determining the kind of atmosphere created to boost competitiveness in the mortgage area and for this reason influences the elements involving the process of credit evaluation. The economic situation could either bring high risk to the mortgage market or otherwise. This has been manifested recently, especially, with the economy being unstable for several months, and realised principally by the depreciation of the value of the cedi and its consequent inflation. Karley says “a high level of inflation implies a low expected return and, therefore, a high risk to the lender funding long-term loans.” For the borrower, this situation means that income is reduced because of inflation as well as increase in rates of mortgage, making it more burdensome to pay mortgage on a regular basis. There is therefore a strain on the resources of the mortgagor, affecting general living conditions.

A strategy adopted by a financial institution like the Home Finance Company and others is to take the monthly payments in a more stable currency like the US Dollar. This is to mitigate the risk brought to the lender through inflation, but tends to be a problem for some mortgagors who live in Ghana and earn their income in the local currency. This is because more often than not the cedi is observed to depreciate against the US Dollar. It is suggested that these institutions could handle the inflation situation “by linking payments to the rate of inflating or developing dual-indexed mortgage mechanisms.” This was first practised in the 1980s in Mexico. Despite the fact that this served a good purpose to the Mexicans then, it is not yet certain if it would function in Ghana, regarding the complexities attached and the little level of knowledge most of the people who borrow have in this area.
It is realised that the lending situation in Ghana, though it is guided by criteria, shows that lenders are willing to give loans if only they are assured of the borrower’s capability of fulfilling his/her part of the agreement – paying back both capital and interest in the terms of agreement. They (lenders) also rely much on conditions available in the economy to reduce, by a great margin any risk of loss to them. Although these institutions are helping the housing industry through home financing, a large section of workers are cut off from benefitting due to the requirements in place and their economic situations. Is there an alternative system in place for them to resort to?

To better understand the cost involved in purchasing a home in the urban centres in Ghana, using Accra as an example, table 1 below explains the high cost involved in home purchasing, rendering such facilities inaccessible to majority of Ghanaians. It also explains how the current inflation in prices makes the situation worse, considering the economic challenges facing the country generally and inhabitants specifically.

**TABLE 1: AN INVENTORY OF GATED COMMUNITIES IN GREATER ACCRA, 2004**

<table>
<thead>
<tr>
<th>NAME</th>
<th>LOCATION</th>
<th>NUMBER OF HOMES</th>
<th>PRICE RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACP Estates</td>
<td>Pokuase</td>
<td>600</td>
<td>$58,000–128,000</td>
</tr>
<tr>
<td>Alema Courta</td>
<td>Airport RE</td>
<td>24</td>
<td>$175,000–210,000</td>
</tr>
<tr>
<td>Bougainville Estate</td>
<td>Baatsonaa</td>
<td>49</td>
<td>$30,000–39,000</td>
</tr>
<tr>
<td>Cantonment Gardens</td>
<td>Cantoment</td>
<td>20</td>
<td>$350,000</td>
</tr>
<tr>
<td>Casa Bella</td>
<td>Agbleshia</td>
<td>25</td>
<td>$42,000–55,000</td>
</tr>
<tr>
<td>Cedar Court⁴</td>
<td>Airport RE</td>
<td>18</td>
<td>$350,000</td>
</tr>
<tr>
<td>Devtraco Villas</td>
<td>Baatsonaa</td>
<td>200</td>
<td>$30,000–65,000</td>
</tr>
<tr>
<td>East Airport</td>
<td>Airport RE</td>
<td>600</td>
<td>$96,000–273,000</td>
</tr>
<tr>
<td>Ivy Court⁴</td>
<td>Spintex</td>
<td>15</td>
<td>$63,000–90,000</td>
</tr>
<tr>
<td>Location</td>
<td>Suburb</td>
<td>Houses</td>
<td>Price Range</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------</td>
<td>--------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Kwabenya</td>
<td>North Legon</td>
<td>350</td>
<td>$26,000–62,000</td>
</tr>
<tr>
<td>Lagoon View Estates</td>
<td>Sakumono</td>
<td>44</td>
<td>$44,000–180,000</td>
</tr>
<tr>
<td>Manet Cottage Annex</td>
<td>Baatsonaa</td>
<td>83</td>
<td>$58,000–110,000</td>
</tr>
<tr>
<td>Manet Court</td>
<td>East Airport</td>
<td>250</td>
<td>$63,000–110,000</td>
</tr>
<tr>
<td>Mariville Homes</td>
<td>Spintex</td>
<td>240</td>
<td>$55,000–90,000</td>
</tr>
<tr>
<td>Masonia Green</td>
<td>Okpoi Gonno</td>
<td>60</td>
<td>$45,000–228,000</td>
</tr>
<tr>
<td>Palm Court(^a)</td>
<td>Airport RE</td>
<td>15</td>
<td>$250,000</td>
</tr>
<tr>
<td>Royal Palms</td>
<td>East Airport</td>
<td>88</td>
<td>$141,000–191,000</td>
</tr>
<tr>
<td>Spintex Road (Tracof)</td>
<td>Spintex</td>
<td>40</td>
<td>$40,000–45,000</td>
</tr>
<tr>
<td>Tema Community 18</td>
<td>Tema</td>
<td>300</td>
<td>$40,000–60,000</td>
</tr>
<tr>
<td>Tema Community 19</td>
<td>Tema</td>
<td>248</td>
<td>$48,000–60,000</td>
</tr>
<tr>
<td>Tracof</td>
<td>Bawalishie</td>
<td>120</td>
<td>$23,400–26,000</td>
</tr>
<tr>
<td>Trasacco Valley</td>
<td>East Legon Ext.</td>
<td>300</td>
<td>$240,000–460,000</td>
</tr>
<tr>
<td>Vista Valley</td>
<td>Spintex</td>
<td>54</td>
<td>$85,000–135,000</td>
</tr>
</tbody>
</table>

\(^a\)Apartments, 2 and 3 bedroom.


This table is a clear demonstration of capital one needs to have to purchase a real estate home. Regrettably, even though the figures quoted in the table were for prices more than a decade ago, they are still too expensive for many people to afford in present times. It is definitely unimaginable what the current prices will be quoted as. These are prices quoted for 2 or more bedroom homes, with the provision of more facilities increasing the price of the property. Currently, the prices of such real estate and gated community houses range from at least $90,000 to as much as $3,000,000\(^{34}\) for the same number of bedrooms mentioned earlier. The
reality is that, a normal middle-income family will not envision owning such a home because of impossibility created by income-expenditure disparity. This further iterates the fact that accessibility to better housing and mortgage financing are limited to the privileged few in the country.

3.4 The Role of Secondary Mortgage Markets (SMM) in Ghana’s Housing Industry

An important tendency in the worldwide systems of financing housing is that they are set up with the goal of providing capitals to both manufacturers and buyers in the housing industry. Therefore, systems established in housing finance are set up mainly to facilitate the accessibility of funds to mortgagors. Through this, there has been a generously wide range of organised arrangements which vary from “contractual savings scheme to depository institutions with specialisation in mortgage financing, to the issuance, sale, trading and transfer of mortgage securities to third parties.” These arrangements were made with the same purpose being envisioned, which is, directing funds from those saving to those borrowing.

With the development of economies, there is a movement from the dependence on special tracks widely in the delivery of financing housing to a system of incorporating housing finance into the larger business markets. The system of the formal housing finance organisations as they operate traditionally is to gather savings from their investors and in turn give out loans to borrowers. With such a system, the lender is said to “originate, service, and fund the loan; while also handling the portfolio risk.” There exist also secondary mortgage market systems, whereby mortgages are generated by a manager/representative which are later moved to financiers in the capital market who are the last holders. This, in effect, helps to organise long-term housing funds from capital market investors, thereby alleviating interest rate, liquidity, and default risk. Consequently, this eliminates the possibilities of holding mortgages from the
mortgage initiators and allocates same to capital market investors. This is enhanced by the rapidly growing Ghanaian capital market which is giving an opportunity for financing housing in a maintainable way. 39 The main point of concern is the readiness of the country to tap the great potential of Ghana’s capital market to transcend the little and reduced level of housing consumption in Ghana.

Boamah (2009) notes that there is high under-development and shortfall in the Ghanaian structure of housing finance. With this, low and middle-income earning families, especially, receive very minute mortgages from the formal finance institutions. An example is given using the total mortgages created by the Home Finance Company (HFC) (currently HFC Bank), which was US$ 4.9 million and constituted nearly 95% of entire mortgages generated in Ghana for the year 2001.40 Also from the 2008 Budget Statement of Ghana, the year 2007 witnessed the apportioning of “15.9% of formal finance institutions of their overall credit to miscellaneous areas including mortgages.”41 This is a clear evidence of the little prominence committed to mortgage finance by these financial organisations as an investment prospect.

The absence of a developed official finance market for housing is blamed as the reason for the inability to promote housing stock and improvement in Ghana, because this could help offer sustainable housing funds to most Ghanaian homes. Again, it is estimated that the creation and development of a formal finance market would help in financing property by liberalising money which could be locked up in housing projects under development and which in the long run ends up as “dead capital.”42 In this way, owners of property will be enabled to receive equity from their assets, further creating room for them to invest in other gainful projects. The resulting effect will be improvement in the lives of property owners and the economy generally,
therefore, helping in the reduction of poverty by a significant margin as envisaged by the government.\textsuperscript{43}

\section*{3.5 Alternative Housing Financing – Microfinance?}

The pressure on housing in urban centres is further accentuated by urbanisation, and being able to build one’s own house does not only bring a sense of accomplishment to the owner, but also accords the person a high level of admiration and social prestige as well. This is attributed to the economic challenge facing most prospective home builders and the failure of many others in achieving such a feat. In spite of the elevated significance accorded ownership of houses and other property, GRED\textsuperscript{A} (1998) provides statistics showing that a lowly “5\% of people intending to possess their personal houses are capable of doing so from their individual resources, whereas 60\% will be able to build their own houses provided they receive some financial help, and the remainder of 35\% represent those who will never be able to build nor own a home in their lifetime.”\textsuperscript{44} The report further highlights that the Social Security and National Insurance Trust (SSN\textsuperscript{IT}) was able to deliver more than 30,000 blocks of flats within 1990 to 1998, which is however far from enough to satisfy the bulging gap in the country’s housing deficit and way below the 100,000 units needed annually. During this same period, there was the sale of about 15,000 units of houses ranging from “a single bedroom to four bedroom or executive five bedroom house with an out-house.”\textsuperscript{45} These were either purchased using mortgage financing or by outright purchase.

With historical happenings contributing adverse effects on the economy like the economic degeneration and political instability during the 1970s through to the 1980s, the banks and financial institutions also suffered repercussions accordingly. This is highlighted by Hanson and Ninsin (1989), as causing “general lack of confidence in the banking system by the public,
the banks’ inability to engage in venture capital, high default rates, widespread fraudulent practices and lack of expertise to properly appraise projects were some of the problems facing the banking system. Derban et al (2002), then suggest the adoption of microfinance in helping low and moderate-income families to build their own homes. In this way, small loans are given at ‘market rates’ and disbursed a little at a time, or in a step by step manner as the building of the house progresses. An example of such a scheme is given from a research done by USAID and Harvard University in 2000, with two programmes for housing microfinance. These are the Micro Credit to Housing Finance (MCHF) and Shelter Advocacy to Housing Finance (SAHF) programmes. The MCHF were noted to have begun as micro credit given to enterprises. But with the substantial link between the home not only serving the purpose of a place of accommodation, but likewise being a place for income generation, there was the extension from giving out loans for businesses to housing loans, becoming a component of the microfinance service. The SAHF programme came about from an agenda for advocacy with the initial mandate to protect the rights of the poor people to gain impartial access to resources like land and shelter in particular, plus other amenities relating to adequate infrastructure and social services. These initiatives were targeted at empowering marginalised members of the community, focusing on squatters or unlawful residents and homeless people. Though these programmes or similar ones have not yet been established in Ghana, some general challenges that the housing industry faces like loans given in small amounts, interest rates on the market, the issue of collateral and technical assistance; need to be addressed to avoid it affecting such an initiative if it is started in the country.

Regarding this, to aid low income families, the microfinance scheme can progressively supply funding for incremental building, which is what this category of people engages in. This will greatly help to gradually finish the building in a shorter period of time and ensure that a better
quality building is constructed. It will also alleviate the burden of falling principally on “individual groups, small loans from money lenders, sweat equity, barter arrangements, communal self-help, and remittances from abroad” as it used to be the case. Also, with this microfinance system, the borrower can go back for more loans and bigger amounts when the previous one has been settled. This step by step borrowing helps in financing different phases of the building process and as such it is more convenient to low and moderate-income people. This situation is completely different from what would have been offered by the banks and other mortgage lenders.

However, it is noted that the rates at which microfinance programmes lend are higher than the normal ‘market rates’, the reason being that the delivery cost of the service is higher. Thus, borrowers from microfinance companies are most probable to pay more interest rates than generally charged by banks. This also introduces a new dimension to the transaction because low-income and moderate-income households were found to be going in for these loans despite the high interest rates and are able to pay back as well. This means that once the funds are made accessible to the common people without stringent requirements disqualifying them, they will find means to utilise the funds well and repay. Since these loans are given at a short term rate, they are better because those given at longer terms of more than ten (10) years are prone to more risk – poor people are better off with shorter term loans because their means of income generation may change occasionally since some of these people engage in different trades and as a result would not earn a definite income all the time. As such, a long term loan may prove burdensome to pay back. They are saved this trouble, to a large extent, with a loan that needs to be paid back shortly. While the interest rates on microfinance loans are higher, they are smaller in terms of amount lent than what the banks offer. Interest rates in most developing countries are realised to be high as a result of inflation, as noted by Harper (1998).
In effect, to aid the category of moderate income families who have a more steady income to pay back their loans easily, there could be arrangements established with their employers on ways to be agreed on in deducting the loan repayments and/or arrangements made to fund housing finance. Aside the repayment of these loans at high interest rates, there could be special provisions to reduce interest rates on housing, especially, than that on business enterprise. An example is that of the Grameen bank loans on housing in Bangladesh. “A fundamental principle of the Grameen Bank is getting accessibility of the bank’s services closer to the poor people, since it is difficult for the poor to come to the bank.”

To ensure this, they made sure that all dealings with the bank are done at the centre meetings at the village level, attended by those interested in borrowing and bank personnel. In transacting its business with the people, “The branch borrows from the head office whenever it needs funds, at the rate of 4 per cent for housing loans (on-lending at the rate of 8 per cent) and the rate of 12 per cent for income-generating loans (on-lending at the rate of 20 per cent). Housing loans are usually paid back in ten years, weekly instalments. More than 533,000 such houses had been constructed by December 2000, for which loans worth Tk 7,510.56 million (US$ 186.86) has been disbursed. The average size of housing loan was only Tk. 13,423 (US$330 approx.).”

Feedback showed that the involvement of the Grameen Bank with the poor was positive, and by being granted the chance, the poor could actually afford and pay for decent accommodation for themselves, out of their personal incomes.

Consequently, a way of addressing the collateral problem with mortgage lending was seen to be effective in the practise of ‘joint group lending or joint liability’. In this way, the borrowers form groups, with those in groups being divided from those not in groups and the former are thus charged interest rates that are lower. This form of security is founded on peer group pressure, replacing the traditional means of collateral guarantee, which the majority of low-
income earners are unable to provide.\textsuperscript{54} It has been realised that this system has proved to be effective and successful in ways such as growing the average rates at which repayments are made and also helping to eliminate ‘credit rationing’ since interest rates will be lowered. Ferguson (1999) on the other hand says that this system of joint liability lending is hardly used for microfinance with respect to housing since normally, housing loans involve huge amounts and are repaid within a longer duration, therefore containing more risk. So, collateral used by lenders in the microfinance sector include “property titles, pension funds, legal right to wages, and personal assets”\textsuperscript{55} for collateral. Other examples are mentioned of the SEWA bank in India where it is required that the property for collateral is written in the name of the woman because women are noted to be more diligent at loan repayment.\textsuperscript{56}

Further, technical assistance has been noted to be necessary in making sure that good quality houses are constructed in appropriate fashion, to avoid the creation of slums by low-income builders. Ferguson (1999) rightly identifies that “technical assistance for housing for low and middle income households includes review and evaluation of home improvement plans and costs, title verification, construction monitoring, and the use of progressive payments based on construction inspections.”\textsuperscript{57} This is realised to come at a cost which needs to be paid for, and it is suggested that Non-Governmental Organisations (NGOs) offering such services could be contacted or otherwise local contractors whose charges may be lower. This however should not be an impediment stopping good quality building.

3.6 The Implication of Globalisation on Mortgage Financing in Ghana

On the whole, it would be inappropriate to state that there is not a functional mortgage system in Ghana, as the study has proved. The issue with the system concerns the terms and conditions under which the structure of lending operates, which is not favourable to many Ghanaians. The
Bank of Ghana precisely notes that the major challenge facing the mortgage industry is high cost of borrowing, therefore cutting off many more prospective clients from benefiting from their services. Adding to this, three other equally key challenges concern: “potential mortgagors considering high commission fees of 1.5 per cent per annum as punishing although the recipient is to bear only 10 per cent of risk upon default, problems of risk and affordability making the introduction of indexed mortgages unacceptable by both existing and potential mortgages, and thirdly, the high prices of houses offered by real estate developers.”58 As a result, there has been limited impact on the home financing aspect of housing in Ghana by certain financial institutions such as Social Security and National Insurance Trust (SSNIT), State Insurance Corporation (SIC), the non-operational Bank for Housing and Construction (BHC), Social Security Bank (now SGSSB Bank), and mortgage institutions notably, Home Finance Company and First Ghana Building Society (FGBS) which were set up at different times to offer mortgage services to the working class of Ghanaians. The efforts of these institutions could not yield the expected results principally due to the challenges mentioned above.59

Despite this occurrence in the past, the Home Finance Company (now HFC Bank) is the only remaining institution out of those originally created by the state which is still offering mortgage services to clients who can afford. It has been able to keep offering mortgage services since its creation in 1990 under the ‘Mortgage Home Finance Law (PNDCL 329),’ even though the mandate of the company was broadened to offer general banking services aside mortgage.60 The Housing Finance Company, which was financed by the Government of Ghana, as well as Merchant Bank (now Universal Merchant Bank) and SSNIT, functioned in the secondary market acting as the “liquidating institution for the participating financial institutions.”61 Interestingly, from the portfolio of services offered by more recent banks mortgage financing
has been included. Some of these banks are: Ecobank, Fidelity Bank, and Cal Bank. There is also the Ghana Home Loans Ltd which is another financial institution mainly aiding in the mortgage financing sector of home ownership in recent years.

Notably, even though the housing industry is adapting to global trends, especially in real estate developments, the pattern of home financing has been basically the same; with more people opting for incremental building. Nevertheless, the inclusion of mortgage financing in the services of some notable banks, aforementioned, in recent times indicates the prospect of development taking place in the mortgage financing sector with time, although development in this sector till date has not been radical. The issue of accessibility to more people remains since till present those able to afford mortgages are the high earners in the society. The mortgage financing sector has not been able to be as productive as would have been envisaged though influence from global trends has had substantial implications on this sector of the housing industry in Ghana.

3.7 Conclusion

Financing housing projects is a major challenge to a large number of individuals undertaking their personal buildings. The next practical option for financial assistance is with the banks, which is not always fruitful to individuals. Currently, aside banks providing loans to individual home builders, there are the mortgage finance institutions which offer services geared at facilitating home ownership to individuals upon meeting all requirements involved. For that reason, the dream of prospective home owners is shattered when they fail to satisfy the strict requirements accompanying mortgage financing. However, all hope is not lost if only banks and mortgage financing institutions could introduce moderate requirements which will favour most lower income earners to qualify for either loans to build their own houses or mortgage
schemes which will provide them opportunities for qualification to own decent houses. It is important to note that mortgage financing until recent years was a service less known to individuals interested in home ownership. But with increased activity in the housing industry, engendering more construction of estate houses and exposure to global trends, attention is also being focused on other services accompanying housing such as mortgaging. This service is nonetheless widespread in the West as one of the most common means of financing home ownership. Thus, with an increased awareness and patronage of mortgaging, it is notable that Ghana’s housing industry is undergoing an evolution process due to interaction with Western trends through the globalisation phenomenon.
ENDNOTES

2 Ibid., p.18
5 Boamah, op.cit., p.18
6 Ibid.
7 Ibid., p.19
8 Ibid.
9 Ibid.
10 Ibid.
11 Ibid.
12 Ibid.
13 Ibid.
15 Ibid., p.26
16 Ibid.
17 Ibid., p.27
18 Ibid.
19 Ibid.
20 Ibid.
21 Ibid.
22 Ibid.
23 Ibid.
24 Ibid.
25 Ibid.
26 Ibid.
27 Ibid.
28 Ibid.
29 Ibid., p.28
31 Ibid.
32 Ibid.
36 Ibid., p.17
37 Ibid., p.18
38 Ibid.
39 Ibid.
40 Ibid.
41 Ibid.
42 Ibid.
43 Ibid.
44 Derban, et al, op.cit.,p.3)
45 Ibid.
46 Ibid., p.4
47 Ibid.
48 Ibid.

Derban, et al, op.cit.,p.8)

50 Ibid., p.9
51 Ibid., p.19
52 Ibid., p.10
53 Ibid.
54 Ibid., p.10
55 Ibid.
56 Ibid.
57 Ibid., p.11


59 Ibid., p.25
60 Ibid., p.26
61 Ibid.
CHAPTER FOUR
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

4.0 Introduction

This study has been carried out to establish and compare the link between an important phenomenon in the world such as globalisation and housing, which has become all encompassing. Globalisation seeks to create limitlessness between different cultures at both the state and individual levels. It is therefore justified to examine and understand the extent to which local trends in the Ghanaian housing industry have been influenced by globalisation. This study was not only limited to what can be seen with respect to the contemporary and dynamic architecture of buildings, but also considered other less obvious segments like policy and housing finance methods.

4.1 Summary of Findings

The study traced the development in the housing industry since colonial times. It revealed that one of the pronounced effects of globalisation on the housing industry has been witnessed in the change and improvement in building styles and architecture of recent constructions, such as more gated communities, contemporary and dynamic building designs like the Villagio Vista and Octagon in Accra. Also, there is now on the increase the merger of residential, office and recreational spaces all in one space to guarantee comfort and convenience to these home occupants. Furthermore, the practice of mortgage financing which was started by the then Social Security Bank (SSB) and First Ghana Building Society (FGBS) since the 1990’s, have seen growth even though the influence on mortgaging has not been very extensive as compared to the physical designs in recent real estate development.
This work recognised and documented veritable challenges to the industry that combined to make home ownership hardly accessible for everyone especially with respect to difficulty in getting financial assistance from banks for personal home building and high cost of real estate homes, making them affordable only to the rich. This notwithstanding, home financing trends like mortgaging, it was noted, has the potential to increase the prospects for home ownership among a greater number of Ghanaians, if local solutions are applied to the challenges such as offering loans for personal building and mortgaging in the form of microfinance. In this way, the requirements to qualify prospective home builders and buyers will be tailored to suit more of the middle and lower income earners. This will effectively bring advancement in finding a long-term resolution to the pervading housing deficit in Ghana.

4.2 Conclusions

Globalisation is a pervading phenomenon which has been acclaimed the world over. This phenomenon influences issues in various aspects of states and individuals and it has brought with it changes and advancements that cannot be altered. Since housing serves a very basic need to all humans and in all societies, careful attention needs to be paid to this industry because if this is not done, it could have serious repercussions on the nation as a whole. This could negatively lead to the development of more slums, escalation in the level of homelessness among urban migrants; bringing about consequences that the nation will not be prepared to handle.

It has also been established that the Government of Ghana in the colonial and early post-colonial era moved from a system of non-involvement in housing provision for the masses to be directly involved in housing in the country. This was done focusing on the major capital cities like Accra, Kumasi, and Takoradi. Though socio-political events in the country in the
form of political instability and economic decline had a toll on all aspects of life, with the housing industry being inclusive, it is commendable that the government resorted to a more liberal approach by allowing the private sector to help in supplementing government’s efforts in providing and financing housing. This was because the government realised it could not finance all projects on housing only through its resources. The incapacity of government at this time could be attributed to the fact that by then there was minimal interaction with other global patterns, since by then globalisation was not yet widespread as it is currently.

Subsequently, in recent times, the housing industry in Ghana is experiencing a new phase both in architectural developments and methods of financing, which could be related to the permeation of foreign events and lifestyle into the country, due to more openness and interconnectedness to the outside world through the medium of globalisation. Since the housing industry in Ghana is a dynamic one, it needs to be well managed and developed to maintain these positive developments. The liberalisation of the housing market; in having other stakeholders getting involved and government playing a subsidiary role, has been realised to have augmented developments in this sector. There is, as a result, now increased investment by real estate developers in the housing industry. Thanks to the involvement of the private sector in the housing market, there is the vibrant upspring of modern, stylish, and world-class estates and gated communities in the major urban centres of Ghana. These developments are particularly evident in the Greater Accra, Ashanti, and Western regions. These admirable and high-end buildings are undoubtedly emulated from other housing markets in the developed countries. Even though the target group able to afford the houses built by private real estate developers is limited to high income earners, such development is commendable and requires the support of the state to undertake or partner with private stakeholders such as GREDA to help deliver such decent accommodation made affordable to lower and middle income earners.
as well. Such partnership by the state and private estate developers is necessary to practically tackle the pervading issue of housing deficit in the country, especially in the developed or urban areas.

In terms of policy made recently in the housing industry, by the introduction of the 17.5% VAT charge on real estate houses is not auguring well for developers and home buyers alike. This considerably high percentage of tax on houses affects the final pricing of houses, which is already too expensive to many individuals. The state, as such, has a responsibility to heed the agitations of stakeholders in the housing industry such as GREDA, and find a common ground in deciding a fair, yet moderate percentage to charge on real estate houses. Consequently, this move if carried out will be one step in the direction of alleviating the high cost of houses and thereby helping bridge the gap in the country’s housing deficit.

In addition, the adoption and implementation of the microfinance system of housing finance, if possible, could help in solving the issue of inaccessibility to mortgage financing, specifically by considering the achievements of such an initiative by the Grameen bank in Bangladesh. If this method has been able to serve a useful purpose in an economy with challenges similar to Ghana’s, it would be in the right direction to learn from the benefits and possibly incorporate this system in reducing housing finance challenges for the Ghanaian citizenry. This will greatly help in addressing the issue of many common people lacking decent housing in Ghana, and the absence of infrastructure in many neighbourhoods in the urban centres. Despite these realisations, it cannot be totally ignored that the mortgage financing industry in Ghana is experiencing more popularity and patronage by the richer portion of the citizenry and also some middle income earners. Mortgage financing is however a very common service in the Western world in relation to home financing and ownership options. Even though the industry of
mortgage financing in home ownership has taken a longer time to be known, considered, and adopted by more individuals in Ghana, it is increasingly becoming a preferable option by prospective home owners. Many more banks and financial institutions, aside the Housing Finance Company (HFC) now HFC Bank, in the country are also introducing this service into their businesses since it is a sector remaining mostly untapped and very promising to both businesses and individuals.

On the whole, after careful analysis of the research conducted it is justifiable to say that the hypothesis made has been confirmed that, the implications of globalisation on the housing industry in Ghana have been significantly positive.

4.3 Recommendations

After studying the housing industry in Ghana, it is recommended that there should be the formation of a private-public partnership spearheaded by GREDA, the State Housing Corporation (SHC), banks offering mortgage services and other mortgage institutions, providing at least a specialist each in order to establish a full-bodied authority able to draw up policies for the housing industry. This is because the state seems to be overburdened with its other functions, and as such is not able to pay needed attention to the housing requirements of the country. This will serve as the major step that needs to be taken to help this very fertile and promising industry of housing. With constant population increase, it signifies that the deficit in housing will also inevitably continue to increase if bold, innovative and practical measures are not employed, that are free from political bias. This authority, it is proposed, should be made up of representatives from stakeholders in the industry including government officials, as mentioned above. Nonetheless, leadership appointment into the authority should not be principally through political affiliation. The authority should comprise competent, experienced
and knowledgeable Ghanaians who are well-versed in housing industry technologies and developments. The establishment of an independent housing authority will also provide a body which will, in conjunction with the state, be primarily tasked to address the needs of the various stakeholders in the industry such as real estate developers, input service providers, mortgage and other housing finance institutions.

In addition, housing financing which is a major problem for most Ghanaians must be paid more attention to by both government and the financial institutions. Even though mortgage financing is a means of helping individuals fund the purchase or building of their own homes, the stringent requirements disqualifies numerous applicants from benefitting from it, leaving accessibility to only the rich minority. It is therefore recommended that, a more flexible means of financing homes should be developed and implemented by the banks and mortgage financing organisations such as Ghana Home Loans, HFC Bank, etc. This could be in the form of a micro-finance, as studied, to provide tailor-made funds for prospective home builders at the lower and middle-income levels with flexible terms of payment. These funds can be administered at reasonably lower interest rates, and within shorter durations of repayment. The micro-finance could be run on a pilot basis under the supervision of the specialised housing authority. The success or failure of it will then inform the managers and policy makers on how to better implement and improve upon this necessary service in future.
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