POLICY BRIEF

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THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

SELF-BUILD HOUSING AND THE GHANAIAN ECONOMY[1]

George Owusu, Isaac K. Arthur & Claire Mercer

INTRODUCTION

Ghana's housing sector is supplied from three sources: private real estate companies which operate for profit; government and public sector agencies; and private self-builders (individuals or groups of individuals) (Tipple & Korboe, 1998; Gough & Yankson, 2010; Afram et al., 2015). However, the sector is overwhelmingly dominated by self-builders. It is estimated that about 45,000 housing units (out of the required units of 100,000) are delivered or supplied per year – about 4,500 units (or 10%) from formal property developers, represented by the Ghana Real Estate Developers Association (GREDA), and approximately 40,500 units (90%) from the informal or self-build sources (GCB Strategy & Research Department, 2022, 16). The contribution of real estate companies or the formal housing sub-sector in general has remained extremely low, primarily targeting high-income households and Ghanaians in the diaspora (UN-Habitat, 2011; GCB Strategy & Research Department, 2022, 16). Despite its dominance, self-build housing as a sub-sector of the Ghanaian housing sector has not received adequate attention in terms of research and policy. This is interesting given the extensive contributions of the sub-sector as the overwhelming provider of housing as well as job creation and other economic activities to the local and national economies. Besides, in large urban areas in Ghana, the housing sector dominated by self-build drives the local economy as virtually all economic activities are directly or indirectly connected to self-build (Owusu & Arthur, 2023). This policy brief argues that policy-makers need to see self-build housing as part of the wider economy.

SELF-BUILD HOUSING ECONOMY

The housing sector has been described as one of the critical sectors of Ghana's economy (Bank of Ghana, 2007; GoG/MWRWH, 2015; Owoo & Lambon-Quayefio, 2020; GCB Strategy & Research Department, 2022). This is because the housing sector has robust linkages with virtually all sectors of the economy, and the performance of the sector largely determines the health of the overall national economy (Bank of Ghana, 2007; Owoo & Lambon-Quayefio, 2020; GIPC, 2022). It has been argued that readily available and accurate data on the contribution of the housing sector to Ghana's economy is hard to come by (CAHF, 2020). Nevertheless, several studies have provided estimates of the enormous contributions of the housing sector to Ghana's economy (Bank of Ghana, 2007; CAHF, 2020; Owoo & Lambon-Quayefio, 2020; GIPC, 2022). CAHF (2020) has, however, cautioned that all data and analysis on the Ghanaian housing sector should be taken as indicators of trends which need to benefit from improved data in the future.

According to the GIPC (2022, 7), Ghana's real estate sector dominated by the residential market has experienced significant growth over recent decades with a compounded annual growth rate (CAGR) of 30% between 2016 and 2021, making the sector one of the fastest growing economic sectors in Ghana. CAHF (2020) estimated the housing sector's contribution to Ghana's GDP at about 7.3%. It is projected that Ghana's residential real estate market will achieve a staggering value of US$390 billion in 2024, and a compound annual growth rate of about 4.8% between 2024 and 2028.[2] This report adds that the residential real estate market in Ghana is experiencing a surge in demand due to the country's high population, growing middle class and increased urbanization.

On employment, based on Ghana Statistical Service data, CAHF (2020) estimated the total number of people employed in the housing sector in 2015 at 180,000 of which 75% were in the informal housing subsector. We argue that the informal sector referred to here broadly implies the self-build sub-sector.

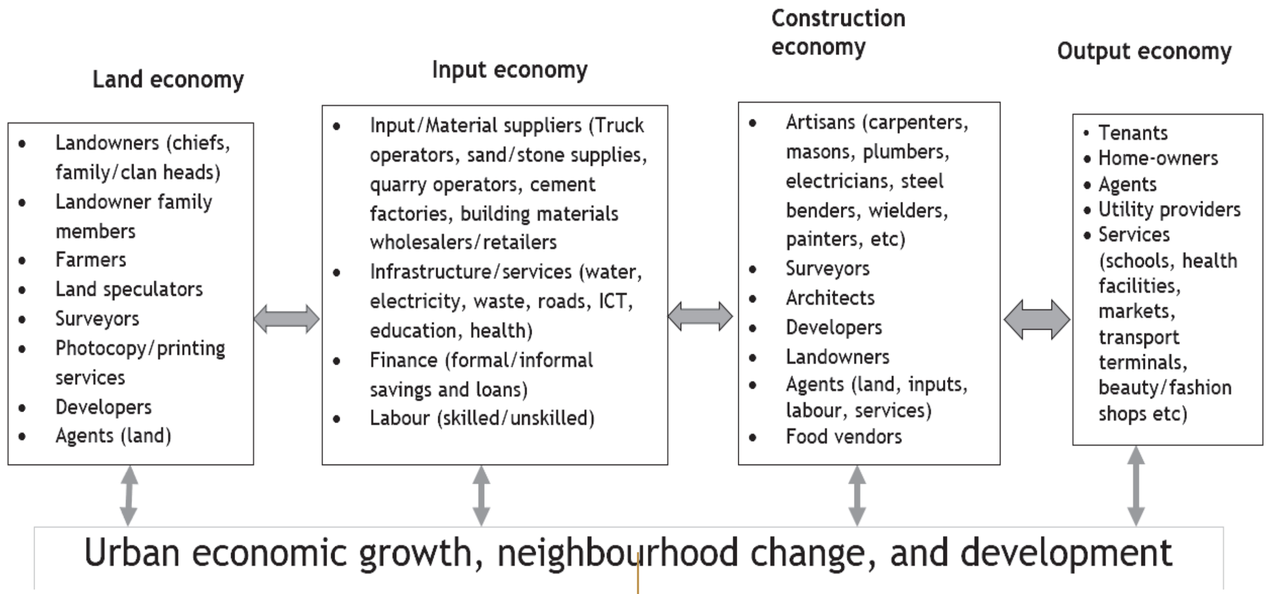
[1] The Policy Brief is extracted from the 'Housing' chapter in the Ghana Social Development Outlook 2024 to be published by ISSER (In Press).

Given that there is no national survey or data on employment in housing construction specifically, this figure is highly likely to underestimate the number of housing professionals, artisans, wholesalers and retailers of building materials and many other workers who directly and indirectly operate in the self-building housing subsector.

Again, data on housing from the 2021 Population and Housing Census provide evidence of more houses built within the decade 2010 and 2021 than any decade in Ghana's history (GSS, 2021; ISSER, 2022). This housing "boom" is particularly observed on the peri-urban or fringes of large and secondary cities – largely self-build residential development, which points to the sheer size of the self-build sector in terms of employment and other economic benefits. The housing and construction boom is reflected in the increased consumption of portland cement (Owoo & Lambon-Quayefio, 2020; Bonney et al., 2022), estimated at between 7 to 8 million tonnes per annum leading to the proliferation of several cement factories in the last two decades (Ghacem, Supacem, Dangote, Diamond, Dzata, CEMAF, KCF, Savannah Cement, Empire Cement, etc) and other imported cement brands. In September 2023, the government issued a directive banning the issuance of permits for the establishment of new cement factories as total capacity estimated at 12 million tonnes per annum far exceeds consumption.[3]

FIGURE 1: SELF-BUILD HOUSING ECONOMY

Figure 1 provides a pictorial representation of the self-build housing economy. From Figure 1, four broad



Source: Owusu & Arthur (2023)

sets of interrelated and interconnected self-build housing economies can be distinguished, namely land, input, construction, and output economies. These four sets of economies within the self-build housing sector generate several economic activities and employment related directly and indirectly to the sub-sector:

LAND ECONOMY

The acquisition and registration of land either formally or informally for self-build housing involves several activities. Each of these activities requires the self-builder or assigned agents or middlemen who are paid either in cash or in-kind. There are chiefs and other traditional leaders as well as land owning family and clan heads who sell or lease land for developers; surveyors and other professionals involved in land survey and plotting; photocopiers/printers of site plans; land agents who connect landowners and potential self-builders and many others whose livelihoods depend on the land economy.

INPUT ECONOMY

On inputs and materials, a whole range of activities and employment come into view. It includes cement factories and the chain of distributors including wholesalers and retailers; truck operators for the carting of building materials (sand, stone etc); and quarry operators providing different grades of stones. In addition, the input economy includes infrastructure and services providers (water, electricity, waste, roads, ICT, education, health); financial services (formal/informal savings and loans) and skilled and semi-skilled labour such as draughtmen, architects, etc. Each of these services and activities generates several direct and indirect job opportunities which drive not only the housing sector but also the rest of the national economy.

CONSTRUCTION ECONOMY

After the land has been secured and, inputs or materials acquired, the actual construction of a house

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[2] Real Estate – Ghana. https://www.statista.com/outlook/fmo/real-estate/ghana. Accessed on March 1, 2024.
[3] No more permits for new factories manufacturing, bagging Portland cement in Ghana. https://citinewsroom.com/2023/09/no-more-permits-for-new-factories-manufacturing-bagging-portland-cement-in-ghana/. Accessed on March 1, 2024.

involves several activities, which create many job opportunities. Given the different tasks and activities involved, a self-builder is unlikely to be able to undertake all the tasks. As such, self-builders employ the services of various artisans (carpenters, masons, plumbers, electricians, steel benders, welders, painters, etc) to assist in the construction which as earlier noted may take many months and years to complete. In many cases, to reduce costs, self-builders are likely to fall on family members, friends, and other relations who may possess the skills or the experience to be able to undertake the required tasks. Such artisans may offer their services for free, or at a reduced price or even accept remuneration in-kind.

In peri-urban areas of Ghana, where land is available and several houses are under construction, a local economy centred on retailers of building materials (wood, cement, iron rods, etc) and concentration of artisans (masons, carpenters, plumbers, electricians, steel benders, etc) and related economic activities begins to emerge. This is likely to be supported by food vending, alcoholic, and non-alcoholic stores (popularly referred to as “drinking bars”) and agents or middlemen dealing in lands and building materials. These activities will constitute the beginning of economic activities, which in a few years later will turn the once bushy and rural and agriculture land into a built-up and vibrant community.

OUTPUT ECONOMY

The output economy refers to the stage where houses have been completed and the presence of a settled community with the full presence of homeowners, tenants, land and property agents, utility providers (water, electricity, waste management etc) and service providers (educational facilities, health facilities, markets, transport terminals, beauty/fashion shops etc). The self-build housing-induced economic activities and job opportunities are likely to intensify at this stage. However, land and rental accommodation may be in short supply as effective demand outstrips supply, triggering higher land and rent prices, especially if more people and businesses find the community attractive. Nevertheless, the local economy triggered by self-builders may generate more economic activities directly and indirectly related to housing as well as the multiplier effects of housing on the general economy thereby generating expansive livelihood opportunities.

CONCLUSIONS AND POLICY RECOMMENDATIONS

It is acknowledged both in research and policy circles that Ghana like many countries in the Global South is unable to meet the housing needs of its citizens, especially in urban areas (ISSER, 2022; World Bank, 2015; GIPC, 2020). All indications point to the fact that the demand for housing in Ghana will continue to grow given the country’s relatively high population growth rate, and the high proportion of youth and the middle class in urban areas.

Again, given the state’s policy options as contained in the National Housing Policy and Action Plan, 2015, and other relevant policy documents to promote private sector participation in housing, the current trend of the dominance of self-build housing as the most feasible and viable option for Ghanaians will persist in the short to the medium term In this context, the government needs to give serious attention to the self-build housing subsector.

Government policy response to promote self-building can take two approaches: direct and indirect approaches or a combination of the two:

- direct approach involves intervening in the supply side of housing with the explicit goal of making land, inputs, labour, finance, etc accessible and affordable for developers including self-builders. However, the government needs to be aware of the policy dilemma of supporting self-build through serviced plots or sites as these interventions may require immediate pay back of the costs of the development. According to Ward (1981), such interventions can trigger inflated land and services provision costs with adverse consequences for low-income householders or self-builders.

- indirect approach requires improving the macro-economic environment to improve employment, wages and incomes, and reduce inflation and interest rates. This will improve the overall income situation of self-builders as well as renters or tenants to positively impact on self-build housing. Such interventions that improve the socioeconomic situation of households can significantly reduce some of the economic reasons accounting for the delays in completing self-build houses (see Afram et al., 2015).

Welding workshop in Techiman
(Credit: Claire Mercer March 2023).

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Professor George Owusu, Institute of Statistical, Social and Economic Research, University of Ghana Legon, gowusu@ug.edu.gh

Dr Isaac K. Arthur, Department of Geography and Resource Development, University of Ghana Legon, ikarthur@ug.edu.gh

Professor Claire Mercer, Department of Geography and Environment, London School of Economics, c.c.mercer@lse.ac.uk

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