

**THE EVOLUTION OF IDEAS ABOUT THE RELATIONSHIP BETWEEN  
HOUSING AND ECONOMIC DEVELOPMENT: GHANAIAN POLICY IN AN  
INTERNATIONAL CONTEXT, 1945-2000**

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INTERNATIONAL CONTEXT, 1945-2000**

**BY**

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## ABSTRACT

The significance of housing as a tool of economic development is often underestimated. Whereas many policy-makers, economic development analysts, and international agencies have for a long time recognized the social importance of housing, few have typically recognized the utility of the sector in promoting and achieving economic development goals. And yet, the housing sector is a major force in the process of economic development. Investment in housing activities generates employment and income. Good housing helps raise output of labour and thereby expand productivity. An effective housing finance system also contributes to savings and to mobilization of financial resources in any economy.

The nature of these effects, and allocation of resources to the sector, have been debated by academics, international agencies, and national policy-makers since the mid-1940s. The views expressed on the subject have evolved and changed to reflect shifts in development theory, in values, and in the global economic environment. However, little research has been conducted to systematically trace the relationship between housing policy and economic development within a historical context. Through a study of international agencies – namely, the United Nations and the World Bank – and a case study of Ghana, the current study addresses this neglect.

The study draws on a wide range of sources. The principal sources of data used for international agencies include published and unpublished working papers, annual reports, and development reports. The case study of Ghana is based on key policy documents, newspaper articles, legislative debates, and interviews with selected public

officials and private individuals. Overall, the research demonstrates that the ways in which housing is conceptualized in the development process have changed significantly over the past five decades. Nevertheless, the research also shows a number of discrepancies between rhetoric and practical actions, especially discrepancies pertaining to allocation of investment resources.

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Finally, to my late father, I dedicate this work.

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## **CHAPTER 1: INTRODUCTION**

Housing is an essential sector in any country's economy and plays an important role in economic development. In macroeconomic terms, it provides an appreciable share of the gross domestic product and generates a high proportion of the gross fixed capital formation. Further, the process of housing construction creates jobs directly through on-site employment and indirectly through backward linkages with industries that produce building materials and related products. Additionally, a good housing improves health and increases the productivity of labour. A home is usually the largest investment that most households make. This suggests that the housing sector plays a vital role in mobilizing domestic financial resources and capital formation for the national economy. In every respect, then, housing is a significant economic sector and a tool in the development of national economies.

Yet the significance of housing as an aspect of, and an influence upon, economic development has been largely overlooked. Few national development plans explicitly consider the housing sector in terms of defining targets or considering its relation to other sectors of a national economy. Indeed, most countries have developed housing policies primarily to address social needs. Moreover, when academics, international agencies, and national policy-makers have debated the potential economic impact of housing investment, they have done so in analytical terms that have been narrowly framed by the ideologies of the day. In the case of policy-makers at the national and international levels this dependence on current thinking is perhaps almost inevitable. For academics,



however, it is not inevitable and has had unfortunate consequences. In analytical terms we now know a good deal about the relationship between housing and economic development (Strassman, 1970a; Mayo and Gross, 1987; Buckley and Mayo, 1988; Willis, Malpezzi, Tipple, 1990; Tipple, 1994). But we have little sense of how that understanding has been acquired and how it has evolved. As we step back from the imminent debates in order to take a historical perspective it becomes obvious that views have evolved and changed over time to reflect the slow accumulation of evidence, and shifts in development theory, as well as changes in values, and in the global economic environment. We need to appreciate how international agencies and national governments have altered their judgment on the economic priority they assign to housing and the kinds of program they have followed. Unfortunately, no attempt has been made to trace how these views have changed over the postwar period: Changing views about the role of housing have not been thoroughly documented, analysed, and synthesized. Through a study of international agencies and a case study of Ghana, this study addresses this neglect and suggests areas for further research.

Most policy-makers have used social considerations to justify policy decisions on housing programs and the allocation of funds to the housing sector. In the 19<sup>th</sup> century, health factors were pre-eminent. This was true for places like Britain, where health considerations lay at the heart of the intervention in the housing system in the late 19<sup>th</sup> century. Similarly, colonial authorities justified intervention in housing on health grounds – especially the health of colonial administrators. When, during the 1930s, colonial governments began to pay more sustained attention to the issue of housing, they justified

their action primarily in social terms: conditions were poor and social needs were pressing. From the late 1940s through the 1950s, this social emphasis became even stronger, in part both because of the legacy of wartime shortages and because of a rapid population growth and massive rural-urban migration. This concern remains prominent in housing discourse to this day.

However, a handful of studies have addressed various aspects of the relationship between housing and economic development. From the 1950s, scholars recognized the economic significance of housing investment and maintained that, given the right framework, housing could contribute to economic development (Howenstine, 1957; Abrams, 1964; Turner 1976). Limited studies on the issue have taken the position that the housing sector has a substantial effect on the economy, and that housing policy could make major contributions to economic development through various economic multiplier effects.

Among the agencies of national governments and those of international organizations, thoughts about the relationship between housing and economic development have been mixed, and have changed over the years. On the one hand, agencies like British Colonial Development Corporation (CDC), the US Agency for International Development (AID), and the Inter-American Development Bank (IDB) have for a long time recognized the economic significance of housing in development. Similarly, the United Nations (UN) also gave priority to housing in the 1950s and 60s, because it attached considerable weight to social development and the social aspects of

housing. On the other hand, the World Bank was slow in recognizing the potential significance of housing as a tool of economic development.

At the national level, due to the entrenched social image of housing, only a few countries initially acknowledged housing as a priority tool in economic development. For many years housing was viewed as a ‘consumption good,’ a less productive form of investment, which was accepted on welfare grounds as a social-political necessity. Most countries paid little if any attention to related economic benefits or functions – such as the mobilization of financial resources, employment creation, income redistribution, capital formation, and the linkages with various sectors of the economy at specific stages of development. The exceptions include Puerto Rico and Singapore. In Puerto Rico, throughout much of its early postwar-period, investment in housing was a significant development priority. Similarly, since the late 1950s, Singapore has consistently promoted housing programs as an integral component of national economic development. Also, in the U.S. of the 1930s, the federal government’s justification for intervention in much of housing policy was meant to help ‘jump-start’ the economy—albeit a temporary program. Apart from these countries, most governments have failed to see investment in housing as a priority issue in the national development process.

Although the economic significance of housing has generally been downplayed, over the past half-century, views and attitudes have changed. The purpose of this thesis is to trace changing views about the relationship between housing policy and economic development since 1945 at both the international and the national levels. At the international level, I analyse the recommendations and policies towards the housing



sector promoted by the World Bank and the UN since 1945 in the context of the changing development paradigms that prevailed in these institutions. To examine whether and how the views of these agencies shaped the policies of national governments, I use a case study of Ghana to explore the changing relationship between national development planning and housing policy. In parallel with the primary purpose, I document and explain *practical actions* of the agencies and successive Ghanaian governments. Since actions speak louder than words, the third and final purpose of this study is to compare the *rhetoric* with *practical actions*.

I selected the World Bank and the UN for this study because they have been the foremost international development agencies of the postwar era and have exerted tremendous influence both through direct intervention and through their influence on national policy-makers, especially in developing countries. Nationally, Ghana is a useful case study because it has been a significant object of attention for successive international experts and agencies. As a British colony in the vanguard of the post-war movement for independence, it attracted during the 1950s the attention of prominent experts on international development and housing. These included Dudley Seers, Charles Abrams, Otto Koenisberger, and Arthur Lewis. The UN and the World Bank both sponsored reports on Ghanaian housing policy and economic development. In addition, as a relatively prosperous African nation, Ghana was in a position to be more active in the housing field than many other countries. Also, social aspects of housing in post-war Ghana have been well documented (for example, Tipple, 1985; Tipple and Korboe, 1998; Agyemang-Konadu, 2001a; 2001b, 2001c). It is possible, therefore, to develop an

analysis of the economic aspects of housing that builds on a foundation of evidence gathered by others.

The rest of the thesis is structured as follows. In Chapter 2, I trace changes in the views of academics regarding the appropriate role of housing policy in national development planning. There have been three main viewpoints which, to a considerable extent, have succeeded one another. The earliest group, whom I categorize as “critics,” suggested that housing should follow economic development. The advocates of this view argued that by investing in more productive sectors like manufacturing industries, the growth effect would trickle down to satisfy social needs such as housing. The second group, “moderates,” advocated only limited investment in residential activities, chiefly where it would contribute directly to industrial development. The third group, termed “proponents,” have recognized the significance of the housing industry and argued for investment in the sector, suggesting that housing policy should be designed to achieve major economic goals. I argue that these views have been informed by post-war development theories. From the late 1930s through the 1950s, physical capital formation was the dominant concern of development economists, and prominent theoretical works, including those of Harrod in 1939 and Domar in 1947, emphasized its importance in development strategies. Within this development context, investment in housing was rejected and its role was downplayed. By the early 1970s, a shift in the development approach to human capital formation had led to a different emphasis on housing, one of a *basic need*. The adoption of neo-liberal reforms in the 1980s and 90s, led to another change in approach: Housing became integrated into macro-economic policy, and the

main thrust became the development of the whole housing sector within the broader context of urban and national development. The broad outlines of these changes are quite well known. I argue, however, that their implications for relative prominence of economic considerations in housing policy have been overlooked.

Following these main viewpoints, Chapter 3 documents and analyses the thinking and policies of the World Bank and the UN. The principal sources of data for this chapter are the agencies' own literature. These include annual reports and yearbooks, together with published and unpublished working papers. Because much of this material was originally published it is available in libraries. A number of unpublished and fugitive reports were available only at the archives of the United Nations, in New York. Some of these materials once received wide circulations; much of it was used largely by researchers and administrators within the agencies in question; most of it has been substantially forgotten. This, then, is the first attempt to take stock of this material as a whole.

Using these materials, I show that debates in the academic literature also surfaced within the corridors of the development institutions. The analysis identifies three phases of the agencies' thinking, paying particular attention to the parallels and differences between the two agencies with respect to their policies and recommendations. It shows that the ways the international agencies conceptualized housing in the development process have altered significantly over the past five decades, and that this change can be attributed to a myriad of factors, including the changing perspective on development, as well as internal and external criticisms of the agencies' policies. These changes in



perspective have been accompanied by a continuing shift in approach to lending and implementation of projects. But, using expenditures as a measure of their practical commitment towards housing, I argue that there have been discrepancies between rhetoric and practical action; the agencies' overall views have expanded, but funds allocated to housing are still very limited. This discrepancy stems from the status quo of giving priority to economic growth and the tradition of treating housing as a passive element in economic development.

After considering issues at the international level, two chapters bring the discussion to the national level, focusing on Ghana as a case study. In addition to exploring published documents including, policy documents, newspaper articles, and legislative reports, the discussion on Ghana includes data from personal interviews with selected public officials, private individuals, and business people. Overall, information from the interviews complements that in the published documents. Chapter 4 analyses the relationship between development planning and housing policy. The objective is to assess the extent to which housing policy has been developed to meet the goals of national economic planning. Chapter 5 examines specifically what Ghanaian governments have done to promote economic development through housing.

This research on Ghana shows that, from the mid-1940s through the 1960s, successive governments expressed strong concern over the issue of housing, but that they justified this primarily on social grounds. This justification continued into the 1970s, although policy-makers did slowly acquire a limited appreciation for the economic aspects of housing and the role it could play in a planned economic development. This

understanding expanded within a neo-liberal framework in the 1980s and 90s, with housing becoming an important economic sector on policy agenda. Chapter 4 draws parallels between the results of international agencies and those for Ghana—the most significant relating to the persistent disjuncture between rhetoric and practical actions. Despite the relatively little attention paid to the economic aspects of housing, statistical data show that the sector contributes substantially to employment creation and to the gross domestic product (GDP).

The evidence presented in Chapter 5 shows that various governments have exhibited a strong commitment towards developing an efficient building industry in Ghana. In fact, the industry attracted attention among various international experts in the 1950s and 60s, in part because of the nature of post-war and post-colonial-era planning strategy, with its emphasis on large-scale physical infrastructure – notably roads, ports, power grids, and schools. In many ways, an efficient building and construction industry was regarded as a vital support to these facilities. But policies are not always implemented, and some of the strategies adopted were inappropriate. Prior to the 1980s, housing policies focused almost exclusively on the public sector – that is, public housing. In addition to supplying housing units for an urban labour force, public sector programs were meant to establish modern structures, to develop a local building industry, and to stimulate new production methods. The informal sector of the housing industry has been generally ignored and has received little support from the government. Nonetheless, it is the dominant producer of housing and a major contributor to the economic development



of the country. Chapter 5 ends with a case study on Tema Township, where housing projects have been successfully integrated into economic development programs.

The concluding chapter notes the significance of the present study in addressing some of the gaps in the literature. It reiterates some of the salient issues that emerged in the study: one is the failures of past policies to integrate housing policy with broader national development goals; another is the persistent gap between policy rhetoric and practice. I suggest policy changes, arguing that development policy must adopt a pragmatic approach to the housing sector – one that critically considers the broader perceptions of housing and that views housing policy as a package of initiatives designed to achieve national development goals. Finally, the chapter discusses some vital areas of future research.

## **CHAPTER 2: HOUSING AND ECONOMIC DEVELOPMENT: THE DEBATE AND EVIDENCE**

### **INTRODUCTION**

The notion of “comprehensive urban housing policy” was accorded serious attention in most developing countries after the Second World War (WW II). Prior to that period, government efforts to improve urban housing conditions were carried out on an ad-hoc basis, and incorporated programs mostly targeted at special groups of people, for example, public housing for government employees. This approach failed to consider two things: First, it ignored the wider role of housing in national development, and second, it failed to incorporate many aspects of housing need into an overall national housing development program or policy. Regarding the first, part of the reason for the failure lay in the early economic development theories; in the latter case, the neglect was partly due to the relatively slow rates of urbanization. Even though a large portion of the housing stocks in most Third World countries was substandard, the demand for better housing appeared less important in the process of economic development before WW II.

After WW II, a series of events, including rapid population growth and massive rural-urban migration, necessitated the formulation of formal urban housing policies in most Third World countries. Consequently, most housing specialists and urban planners advocated comprehensive national housing policies as well as massive investment of resources in the housing sector to improve the housing situation. They also deemed the formulation of an explicit and detailed national housing policy in most Third World

countries to be a necessary instrument to accelerate social and economic development. However, the issue of housing investment generated both theoretical and policy debates.

Two interrelated issues defined the debate about housing policy in Third World countries after WW II. The first issue concerned the place of housing in national development programs and revolved around the question of what percentage or proportion of the limited resources should be invested in the housing sector without compromising other equally important economic and social needs. Second, there was concern about what constituted ‘appropriate’ housing policy strategies to meet housing objectives effectively. This thesis is concerned with both of these issues.

Recent housing policy reforms in developing countries, including a shift in emphasis from the state provision of housing towards a market approach, warrant further academic discussion and empirical research. The purpose of this chapter is to trace and document the evolution of thinking since 1945 about the role of housing in economic development. One important point should be noted: This chapter does not advocate a special attention or priority for housing in terms of resource allocations, because the central issue is not whether housing should have priority over other sectors. Rather, the emphasis is on economic benefits of housing investment, and the chapter takes the position that housing investments are a sound and essential tool for development.

The chapter is divided into four sections. Section 1 briefly reviews some of the initial perceptions on development and strategies adopted immediately after WW II to address the problem of underdevelopment or stagnation in economic development. Section 2 covers the viewpoints of various academics and researchers who were engaged



in various housing-development debates. Section 3 highlights some of the evidence on the economic potential of housing investments in Third World countries. And the final section provides a brief summary and conclusion, and poses questions for Chapter 3.

## **2.1 DEVELOPMENT: CHANGING PERCEPTIONS AND STRATEGIES**

The subject of “development” has received considerable attention in the literature and policy circles, and academics and policymakers with varied points of view have studied and debated it. Classical, neoclassical, structural and modernization theorists all have contributed in various ways to defining and discussing this issue and its corollary. Recognition of increasing inequality between the ‘rich’ and ‘poor’ nations, and deepening poverty in both urban and rural areas of the Third World, have spurred scholars, particularly economists, to theorize the causes of underdevelopment and to design models and strategies for rapid economic growth. International bodies, such as the United Nations (UN), complemented the early efforts and designated the 1960s as the ‘first decade of development’.

The causes of development and underdevelopment, and the strategies needed to reverse the latter, were given overwhelming attention by academics and policy-makers, particularly in the 1950s and early 60s. There exist varied viewpoints on the issue of development at different points in time, on the meaning and nature of the problem, and on how it can be promoted. In the section which follows, the changing perceptions that have characterized the development process will be reviewed. What follows, however, is

only a brief discussion of the changing perceptions of development. A detailed analysis of the controversy associated with the concept is beyond the scope of the present chapter.

### **2.1.1 The Early Period: 1950s – 1960s**

The early 1950s to 60s was a period when the issues concerning development seemed clear-cut and were understood as economic issues—notably, rapid economic growth and changing economic structure. Development goals were defined narrowly in terms of economic indicators, such as gross national product (GNP), gross domestic product (GDP), and increased productivity. Meier and Baldwin,<sup>1</sup> for instance, defined development as “a process whereby an economy’s real national income increases over a long period of time.” Other scholars who have explained the concept in economic terms include Lewis,<sup>2</sup> Nurkse,<sup>3</sup> and Rostow.<sup>4</sup> These scholars gave great prominence to policies and strategies that promoted quick economic growth, notably capital formation, industrialization, trade, and state involvement.

#### ***The Role of Capital***

During the immediate postwar period, capital accumulation was seen as the crux of development. Most classical theories on economic development—for example, those by

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<sup>1</sup> G. M. Meier and R. E. Baldwin, *Development: Theory, History, and Policy*, 1957 p. 2

<sup>2</sup> W. A. Lewis 1954. 1955

<sup>3</sup> P. A. Nurkse *Problems of Capital Formation in Underdeveloped Countries*

<sup>4</sup> W. W. Rostow 1960 *The Stages of Growth*

the Harrod-Domar model,<sup>5</sup> and by Nurkse,<sup>6</sup> Lewis,<sup>7</sup> and Rostow,<sup>8</sup> not only viewed a lack of capital as the main constraint on development but also stressed capital formation as a vital ingredient for development. Among the earliest voices of capital formation explanation was Ragnar Nurkse. In his book, *Problem of Capital formation in Underdeveloped Countries*, Nurkse<sup>9</sup> attributed the problem of underdevelopment to low productivity, low income, and low savings. He observed that in developing worlds, “There is the small capacity to save, resulting from the low level of real income. The low real income is a reflection of low productivity, which in turn is largely due to the lack of capital ...”<sup>10</sup> Nurkse claimed this situation retarded investment and subsequently slowed the rate of development; thus, resources must be employed for productive capital formation. A. W. Lewis,<sup>11</sup> like Nurkse, underscored the complementary importance of capital in promoting economic growth. His model of the ‘dual economy’ attributed a strategic role to capital formation in the development process. The central fact of economic development, according to Lewis,<sup>12</sup> is capital accumulation. Lewis believed that a rise in the domestic savings and investment ratio from about 4 or 5% to about 15% of national income, combined with surplus labour drawn from the subsistence sector to the capitalist sector of an economy, was a necessary and sufficient condition of

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<sup>5</sup> Domar, 1939, Harrod, 1946

<sup>6</sup> Nurkse, 1952, 1953

<sup>7</sup> Lewis, 1954, 1955

<sup>8</sup> Rostow, 1960

<sup>9</sup> Nurkse, 1953

<sup>10</sup> *ibid*, p 5

<sup>11</sup> Lewis, 1954

<sup>12</sup> *ibid*



development. The model assumed that wages were higher in the capitalist sector, enabling capitalists to save and thus reinvest.

Another prominent advocate of this idea was W. W. Rostow. In his influential book *The Stages of Economic Growth*, Rostow<sup>13</sup> pointed out that increasing the amount of productive investment, particularly foreign capital, was an essential condition for economic growth. Rostow emphasised capital as a necessary condition for “take-off” in an economy to “maturity” stage. From the same economic perspective, the Harrod-Domar growth model<sup>14</sup> also stressed the significance of capital-output ratios, claiming that capital accumulation was a necessary and sufficient condition for development. The widely held view that capital is an important ingredient in growth strategies was prescribed to countries emerging from colonial rule who pursued the view with zeal. This approach is still a favoured strategy in most Third World nations.

### ***Industrialization and Free Trade***

Other influential economic models identified development with industrialization.

Morris was one of those who supported this view. In 1965 he stated that:

Most of the experts agree ... that the impetus of economic development must be towards new industries, new sources of power, a spread of urban living ... by and large the difference between a rich nation and a poor one is the difference between a mechanical and a machine society.<sup>15</sup>

Early arguments for industrialization in less developed countries (LDCs) were based on the historical connection between industrialization and development--the line pursued by

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<sup>13</sup> Rostow, 1960

<sup>14</sup> Harrod-Domar, 1939, 1946

<sup>15</sup> Morris, 1965: 443-4

high-income countries. Authors like Kuznets<sup>16</sup> and Chenery<sup>17</sup> provided ample demonstration of the experience of advanced nations in this area and the importance of the industrial sector in these countries. Implicitly, they assumed that less developed countries should follow the same path of development as had been pursued by advanced societies. Rapid industrialization was argued to be necessary not only to change the economic structures of less developed countries, but also to increase productivity, creating a trickle-down effect on income and employment.<sup>18</sup> There were other compelling arguments for industrialization: It leads to higher productivity in industry (as opposed to activities such as agriculture); it is growth initiating and generates demand for goods in other sectors; it reduces unemployment; and above all, it is a sign of modernization. Among the advocates of industrialization was Lewis, who elucidated priorities in development and suggested that the industrial sector of an economy should receive a higher priority over other sectors because of its higher rates of return.<sup>19</sup> The basic argument was that capital-formation and industrial production would maximize output and ensure rapid economic growth.

But how could industrialization be promoted in developing countries? These countries were thought to be too poor to save and were therefore thought to face a serious shortage of capital for development. Some, including Prebisch, argued that little could be done to mobilize capital internally, hence, developing countries must rely on direct foreign investment and loans from developed countries and international lending

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<sup>16</sup> Kuznets, 1964, 1965

<sup>17</sup> Chenery, 1960

<sup>18</sup> Prebisch, 1968

<sup>19</sup> Lewis, 1954



agencies.<sup>20</sup> In the process, much less emphasis was placed on promoting domestic savings.

Other scholars attributed the problem of underdevelopment to a limited level of international trade and a fragile domestic industrial sector. Proponents of this view, who drew inspiration from classical economic theory, argued that free international trade would reduce and eventually close the gap between rich and poor countries and ensure a more efficient allocation of resources.<sup>21</sup> This view was countered, however, by influential economists like Prebisch and Singer, who objected to free trade because of the possibility of deterioration in trade with Third World countries. Instead, they advocated import-substitution industrialization (ISI), for which they put forth a particularly strong argument. ISI was considered a vital economic strategy in view of the protectionist policies of industrialized countries at the time, as well as a means of achieving industrialization strategy. Experts believed an approach based on ISI would conserve foreign capital, decrease external dependence, and strengthen nationhood. These views dominated development studies and policies in most Third World nations between the 1950s and late 1960s and were the favoured strategies for most developing countries, including Ghana, as we shall see in chapter 4.

Given the dominant postwar economic view of development, an important question concerns the way proponents of economic growth perceived housing in the development strategies. In very broad terms, housing has not enjoyed a favoured position

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<sup>20</sup> Prebisch, 1950

<sup>21</sup> Samuelson, 1948, Viner, 1953

among the proponents of postwar classical theory of economic development. An important reason has been that many development strategists built their grand design on the premise of capital formation, mostly through transfer of capital from advanced countries. These capital transfers had to be paid in hard currency.<sup>22</sup> As a result, there was an emphasis on export promotion and other development strategies that had the potential to generate foreign currency. Certainly, development strategies based on international trade and export promotion would naturally not favour housing as a leading sector in development, because housing itself is not an export good. This in part was the genesis of the neglect of housing in early postwar development strategies. There were other arguments against housing, however, which are discussed later in this chapter.

### **2.1.2 Later Developments: 1960s and Beyond**

This is not to suggest that the mainstream economic views were unanimously accepted during the 1950s and 60s. Indeed, there were some dissident voices at about the same time, but the criticisms became stronger in the 1960s and 70s after the earlier models had proved ineffective. These scholars challenged the conceptualization and diagnosis of development, criticizing the exclusive use of economic indicators as the standard criterion for measuring development. Others remained skeptical about economic prescriptions for underdeveloped countries, especially an over-emphasis on capital formation. For instance, capital, which economists touted as the essential ingredient in

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<sup>22</sup> Christian, 1987

development, was described as a necessary but not sufficient condition for economic development. Schiavo-Campo and Singer wrote that:

...important though the role of capital undoubtedly is, a lack of sufficient savings probably has not constituted a major bottleneck for many developing countries, and that other constraints are, under the economic conditions currently prevalent in many developing countries, relatively more limiting than the savings constraint.<sup>23</sup>

Likewise, Schultz<sup>24</sup> questioned the feasibility of capital formation as a development strategy and, more particularly, the autonomous importance of capital in development. Commenting on the notion of free trade, Myrdal<sup>25</sup> argued that free trade would not only retard development in certain regions but also “...strengthen the forces maintaining stagnation or regression.” A sense of pessimism emerged, not only over the size of the market in developing countries, which some scholars considered too small to trade with industrial economy, but also over the supply of entrepreneurial talent which was considered in short supply and, therefore, a hindrance to policy decision making. Other factors contributed to the growing skepticism of neoclassical theory of development problems: rapid population growth, especially the tremendous pace of urbanization in Third World cities, and the inability of growth to “trickle down” to the poor, a process which scholars such as Rostow assumed to exist. In general, these criticisms and new thinking grew out of the abysmal economic performance of developing countries in the 1950s and 60s. This period saw slow growth rates, a high incidence of poverty, and worsening terms of trade in developing countries. The poor economic performance was not universal and a few countries stood out as exceptions to the general trend. In Ghana,

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<sup>23</sup> Schiavo-Campo and Singer, 1968, p. 294

<sup>24</sup> Schultz, 1962

<sup>25</sup> Myrdal, 1963, p. 54



for example, the 1950s had been a good decade for the country's economy: national and foreign investment grew; trade boomed; and economic growth rate was impressive (chapter 4).

By the late 1960s, disillusionment with the traditional models of development was obvious, and in both academic and policy circles there were persistent calls for a change in development strategies. This disenchantment was expressed in academic literature and international conferences as clearly evident in the Arusha (Tanzania) declaration of 1967, which criticized the orthodox strategies in the following words:

The mistake we are making is to think that development begins with industries. It is a mistake because we do not have the means to establish many modern industries in our country. We do not have either the necessary finances or the technical know-how...It is stupid to rely on money as the major instrument of development when we know only too well that our country is poor. It is equally stupid, indeed, it is even more stupid, for us to imagine that we shall rid ourselves of our poverty through foreign financial assistance...<sup>26</sup>

Following the doubt about the relevance of traditional approaches to the problems of low-income countries, some writers and experts began to introduce other ingredients in development: they suggested a broader conceptualization of development beyond economic factors. An early and important alternative development strategy was proposed by human capital school. Led by T. W. Schultz, these scholars adopted a broader view of development and drew attention to the importance of investing in human capital as a necessary complement to physical capital -- to achieve growth.<sup>27</sup> Central to their argument was the assumption that human capital itself is a "resource" and thus a major source of growth and, more importantly, that an effective use of physical capital is

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<sup>26</sup> Hill et al. 1979, p. 81

<sup>27</sup> cf. Denison, 1962; Harbison, 1962; Schultz, 1962

dependent on human resource. Humans were recognized as a vital source of ideas, decisions, actions on investment, and innovation. In view of this, Schultz<sup>28</sup> suggested that the concept of “capital” should be extended to include investment in humans and, later, to investment in directly productive activities and social services. Myrdal<sup>29</sup> shared this view and proposed an investment in human capital to complement a market-oriented approach (i.e. economic growth strategy). Proponents of this view have traditionally argued for an investment in housing as an intrinsic part of the development planning process.<sup>30</sup> This argument was based on the premise that improved housing would improve health conditions, educational performance, and worker productivity, among others. Myrdal implied this view when he defined development as “the movement of the whole social system upwards. This includes both economic and non-social factors like health, education, **housing** and other social needs”(my *emphasis*).<sup>31</sup>

The human capital school is significant because it took the discussion beyond economic considerations and viewed development as a multi-dimensional process. Advocates of this view believed development should redistribute resources, wealth, and social services, and improve the living conditions of people. This new philosophy of development, centred on basic needs, was accepted by international agencies concerned with development, including the World Bank and the United Nations (Chapter 3). The new development thinking was also evident in a number of writings on Third World

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<sup>28</sup> Schultz, 1962

<sup>29</sup> Myrdal, 1968

<sup>30</sup> see, for example, Currie, 1966, p. 140

<sup>31</sup> Myrdal, 1970

development,<sup>32</sup> and these ideas were theoretically rooted in neoclassical and Marxists concepts on asset distribution. These proponents advocated a broader conceptualization of development and saw development as encompassing a more equitable distribution of resources both nationally and internationally, and as a movement towards fulfilling basic human needs for all as well as eradicating poverty in all forms.<sup>33</sup>

Given this conceptualization of development, it was not surprising that proponents of this “redistribution” approach recognized and accepted housing in the development strategies. Housing was justified on social/welfare grounds or as a basic need that must be supported *a priori*--with the assumption that it could have wider economic implications. Myrdal,<sup>34</sup> for instance, discussed housing, urbanization and sanitation in development, commenting that, next to insufficient food, poor housing is the most obvious component of the low standards of living. Myrdal viewed housing not only as a basic need of mankind, but also as a contributor to the formation of human capital, and as such, must be a worthy recipient of investment support.

Undoubtedly, these varied perceptions on development had a profound influence on developmental policies of the Third World nations. The early developmental policies of many newly independent countries were formed by the leading ideas on development. Economists were particularly influential, their ideas having the most widespread appeal and impact in policy circles after 1945. Their ideas were easily transmitted because many served as expatriate advisers to governments of newly independent countries. In Ghana,

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<sup>32</sup> see, for example, Black, 1966; Myrdal, 1970; Seers, 1969; Todaro, 1977, 1996

<sup>33</sup> Seers, 1969; Chenery et al. 1974

<sup>34</sup> Myrdal, 1970, p. 84-5



for instance, the list of prominent outside advisers in the 1950s and 60s was very long; it included W. Arthur Lewis, Dudley Seers, and Nicholas Kaldor. Others, such as Albert Hirschman, K. N. Raj, and H. C. Bos, visited the country at some point and participated in policy discussions. These advisers were also influential within international development institutions, such as the World Bank, which were, in turn, instrumental in charting and implementing development programs in developing countries. For example, Hollis Chenery, a strong advocate of ISI, was for many years the Vice-President of Development Policy at the World Bank.<sup>35</sup>

The essential point here is that, as a result of the influence of development economists and their models, early policy making and development strategies in Third World countries focused extensively on economic growth, and in particular, strategies that could expand the productive capacity of economies. The key elements of preferred economic development strategies were several: capital formation through savings, foreign aid and investment, industrialization, inward looking import-substitution programs, free trade, and foreign direct investment. These strategies were consonant with the mainstream development theories of the early 1950s and 60s. As noted earlier, this approach to development based on rapid industrialization seemed to rule out housing as a relevant sector for investment because it is not considered to be a direct productive activity. The section that follows reviews the housing-development debates, a review to be understood within the context of the mainstream economic development thinking outlined above.

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<sup>35</sup> cf. Lofchie, 1997

## **2.2 THE ROLE OF HOUSING IN DEVELOPMENT: ISSUES AND DEBATE**

The preceding section provides information on the varied perceptions on development and the strategies that were adopted. One question in relation to the development and strategies is: How should housing fit into the overall development goals of any given economy? This question has been addressed at different levels of government and considered in several debates at both the national and international levels. Different views have been expressed on optimal housing policy for economic development and economic potential of housing investment. Generally, the answers separate participants into three groups. The first and earliest group, referred to in this thesis as “critics,” rejected housing expenditure and the idea of using housing as a development tool. The critics advocated investment in more “productive” sectors of the economy. The second group, referred to as the “moderates,” approved of some level of investment in housing. Finally, the third group, the “proponents” or “advocates,” favored substantial investments in housing on the basis of its wider implications in the development process.

### **2.2.1 Critics of Housing Expenditure**

The critics of housing expenditure, comprised mostly of economists and other development experts, emerged in the late 1940s and early 50s when development problems of Third World countries (including mass poverty and widening inequality) attracted the attention of international agencies and policymakers. It was also a period of



large-scale movement of population from rural to urban areas, and this movement created a sustained surge in the demand for housing in urban areas. Thus, the increase in the total urban population and the inability of housing supply to match demand led to deteriorated housing conditions in most Third World cities during the immediate postwar period. The recognition of deterioration in urban housing conditions, and more importantly, the conviction that improved housing was vital for improving human conditions and economic development, spurred a few advocates (eg. Catherine Bauer, Charles Abrams, John Turner) to assign a high priority to housing investment in development programs. However, the critics, whom Solow<sup>36</sup> dubbed the “down-to-earth hard fact analysts,” attacked housing investment on several grounds. They rejected housing expenditure and cast a slur on the housing sector. They downplayed housing, describing it as “unproductive,” a “resource-absorber,” “consumer good,” and “social overhead”. As already noted, the views of these critics were important because they were influential within colonial and international agencies and the national governments of developing countries. The critics’ opinion had tremendous impact on the distribution and allocation of resources to various sectors and on the relative priorities assigned to the different sectors at the national level. They justified their position on theoretical and analytical grounds.

Theoretically, the explanation for the critics’ hostile attitude toward housing investment stemmed from the notion that capital formation was a necessary condition for economic progress. Capital formation has traditionally been attributed a dominant role in

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<sup>36</sup> Solow, 1955, p. 52

the process of development. Most of the prevailing postwar economic theories, for example, Rostow's<sup>37</sup> unilinear stages of economic growth, stressed capital formation as a precondition for a "take-off" to "maturity" stage. The theories and its proponents paid no attention whatsoever to housing improvement. In fact, housing never appeared in the grand scheme of economic development programs, mainly because it was considered unproductive, with an extremely high capital-output ratio, especially when considered in relation to other investments. Financing the housing sector without raising productivity was considered tantamount to throwing money into a bottomless pit.<sup>38</sup> It was also argued that housing investment contributed to inflation, used valuable foreign exchange resources, exerted pressure on balance of payments position (had a large import content but did not create new exports), and more importantly, tied up resources for a very long period.<sup>39</sup> Thus, the idea that resources should be invested in housing improvement seemed an unreasonable and illogical development strategy.

At the centre of the critics' thought was the argument that resources were limited and that there was a need to develop strategies that would utilize scarce resources in the most productive and efficient manner, mostly in sectors of the economy that would promise quick returns and enhance the overall productive capacity. Charles P. Kindleberger, for example, a leading economist of the time, questioned the desirability of investing in housing when resources were scarce.<sup>40</sup> In a sense, housing investment

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<sup>37</sup> Rostow, 1960

<sup>38</sup> Strassman, 1970b, p. 505

<sup>39</sup> Weissman, 1955; Harris and Gillies, 1963

<sup>40</sup> cited in Harris and Gillies, 1963

“...was regarded as the classic means of slowing economic growth...”,<sup>41</sup> or as Drakakis-Smith<sup>42</sup> put it, “...loses out to investment in industry or industrial infrastructure.” Charles Abrams sums up the critics’ viewpoint in a comprehensive survey of the world’s housing problems he published in 1964. According to Abrams, the critics’ theory asserted that:

Housing is a durable form of investment requiring a substantial outlay to create it but paying off little per year. It generates no foreign exchange, competes with industry and agriculture for capital, draws off needed labour and materials, and may even be inflationary. A poor country, it is said, cannot spend much on assets for future consumption. It should focus on more food production, and on assets that advance productivity, such as factories, machines better seed and livestock, railroads, highways, and power plants.<sup>43</sup>

In mainstream economic thinking, housing improvement was a by-product of economic growth; hence it could be postponed until the late stages of development. The critics’ belief at the time was that if economic growth and good administration were encouraged, the housing problem would eventually disappear. Nerfin analyzed African housing problems from various perspectives and stated that, “...present difficulties can only be solved by development, and by the industrialization on which development is based.”<sup>44</sup> He argued that housing was just one element of society, and that overcoming the problems required a complete modernization of society. Other scholars expressed similar views. Notable among them was Grebler, who argued that it was rather low productivity that prevented underdeveloped countries from realizing their full potential in production and living standards.<sup>45</sup>

The remedy to the problem was an increased productive capacity that would

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<sup>41</sup> Gilbert and Gugler, 1992, p. 133

<sup>42</sup> Drakakis-Smith, 1997, p. 799

<sup>43</sup> Abrams, 1964, p. 106

<sup>44</sup> Nerfin, 1965, p. 555

<sup>45</sup> Grebler, 1955, p. 30



consequently improve living standards, including housing. In a comprehensive survey of the world's housing problems they prepared for a US Senate Subcommittee, Harris and Gillies sum up this viewpoint very lucidly as follows:

Once a nation raises its level of economic activity, it is said, housing is provided as a natural by-product; income redistribution and relatively minor changes in the structure of domestic capital markets can do much of improve housing conditions; and the problem of inadequate shelter can be solved through reforms in domestic capital markets.<sup>46</sup>

The notion that large-scale housing investment should await the materialization of the benefits of rapid economic growth was also expressed in policy circles. In 1953, in an address to the Albert Farwell Bemis Foundation conference on the topic *Economic Development and Housing Abroad*, Sir Percy C. Spencer, the Australian ambassador to the United States, commented that:

There are too many urgent things to attend to, and we believe that it is more important to achieve improved living standards than unduly to emphasize dwellings in which to live. I venture to say that the problem of house building in this part of the world is one about which we don't want to be too urgent. The more important thing is to help people to obtain the facilities to increase production and progressively, they will thereby solve the problem of housing on their own.<sup>47</sup>

And in 1961, spokesmen for the United States Agency for International Development (USAID) and the International Bank for Reconstruction and Development (IBRD) advocated an increase in investment in factories and public utilities so as to support and improve housing.<sup>48</sup>

Other arguments were advanced against investment in housing for national development. Whilst advocates supported investment in housing on the premise that it would absorb unemployed labour, critics insisted that unemployed human resources

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<sup>46</sup> Harris and Gillies, 1963, p. 93

<sup>47</sup> cited in Kelly, 1955, p. 18

<sup>48</sup> Strassman, 1970b, p. 505

could be used more productively in sectors other than housing.<sup>49</sup> They also argued that population growth alone did not warrant or justify investment of scarce resources in housing. Similarly, the critics debunked the notion that housing could be used as a tool to achieve the desired geographic pattern of economic development. They tended to believe that housing programs targeted at specific regions, such as urban centers, could serve as an incentive for migration to those areas, a migration that could eventually lead to an uneven economic development. However, this assertion can be questioned by findings of various studies. For example, in a research study of a major migration route linking the Brazilian border and the Ciudad region of Venezuela, Burns and Grebler<sup>50</sup> found that housing was a weak determinant of migration. Rather, economic factors, notably higher wages and readily available jobs, served as major factors for migrants' decision to move.

Finally, critics responded to those who stressed the links between housing and health. There was a long tradition of seeing a societal connection between housing conditions, such as between overcrowding and tenure, and location and poor health, with implications for labour productivity. However, critics rebutted these claims with the argument that there was little correlation between poor housing and social ills, and that no evidence showed that one was the cause of the other. Freeman, for example, expressed doubt about the role played by crowding as follows:

High density (crowding) does not have generally negative effects on humans. Overall, with other factors equated, living, working, or spending time for any reason under conditions of high density [and crowding] does not harm people. It does not produce any kind of physical, mental or social pathology. People who experience high density are just as happy and productive as those who experience lower density.<sup>51</sup>

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<sup>49</sup> cited in Burns and Grebler, 1977, p. 97

<sup>50</sup> *ibid*, 1977, 208

<sup>51</sup> Freeman, 1975, p. 7

This issue of housing and health will again be addressed later in the chapter. In a nutshell, critics saw housing as a passive element in the development process and, in their view, the relationship between housing and economic development is asymmetrical; that is, economic growth would lead to housing improvement. It was against this background of the understanding of the role of housing in the development process that housing policy emerged in developing countries.

There were three significant weaknesses in the critics' arguments. First, they had narrow ideas about housing. Traditionally, housing was regarded not only as a consumer good but also as a resource-absorbing and unproductive sector, or as Burns and Mittelbach<sup>52</sup> stated, "an end in itself." This reasoning is, however, too simple. It ignores both the hidden and the apparent benefits of housing investment in economic development, such as employment creation, as a workplace, source of rental income, and a means of mobilizing household savings. In fact, housing investment provides far more benefits than what critics suggested; this chapter will show later that the direct and indirect economic benefits of housing investment is enormous, particularly in developing countries.

The second limitation lies in the distinction that critics made between "economic" and "social" development, and also between "production" and "consumption" or "non-production." Most postwar national development plans (NDP) made a categorical distinction between these variables, and they were drawn up on the firm belief that social

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<sup>52</sup> Burns and Mittelbach, 1972



development and benefits would follow automatically from rapid economic growth. However, a rigid dichotomization is problematic in that it overlooks the links between these categories; indeed, these variables are so interrelated that concentration on any one set of them can distort an entire development program. Both experience and research have shown that economic and social forces are intertwined and partnered in the process of development. This is particularly true in the case of housing, as pointed out by a UN report that drew attention to the relationship between housing (often considered social) and economic development:

The need for investment in housing as well as in health and education becomes clear when the social cost of not investing in housing is considered. If people are uneducated, undernourished, diseased and poorly housed, their productivity and contribution to development will be reduced. Furthermore, these conditions tend eventually to exacerbate widespread social discontent.<sup>53</sup>

Third, the critics' view of housing was influenced by a stereotyped image of the building industry. The building industry during the 1930s and 40s had one of the worst images of any industry, both in the developed and developing countries.<sup>54</sup> Critics labeled the industry as "backward" and "inefficient," an industry that lacked technological ability to lead development. In particular, the industry was criticized for its lack of progress in industrialization, technological innovation, and development. Additionally, high cost, poor quality, and chaotic working conditions were believed by many to be synonymous with the building industry.<sup>55</sup> In this context, critics believed it did not make economic sense to spend scarce resources on subsidizing an inefficient industry. They emphasized

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<sup>53</sup> United Nations, 1973, p. 3

<sup>54</sup> For example, Turn et al (1967, p. 3), believed the building industry in Kenya, Ethiopia, and Sri Lanka does not have a sound structural base.

<sup>55</sup> Ball, 1988; Harris and Buzelli, 2001

the need for the building industry to adopt “modern” and technologically efficient methods of production--most often mass production technology, as in other industries. But as Ball<sup>56</sup> later argued, and as has been reiterated recently by Harris and Buzzelli,<sup>57</sup> house-building was not “backward.” Its techniques of production have changed and new building materials have emerged. Also, it fails to conform to a mass production world of industrial efficiency because builders have found that small-scale, flexible production is cost-effective. In this view, it is improper to make a wholesale comparison with other industries because building production has special characteristics that should be understood in their own terms. Housebuilding has its problems, of course, but in this regard it is not unique. Thus, in a large sense, it is completely unacceptable to single out the house-building, and particularly, improper to deny investment in housing because of a perceived “backward” nature of the building industry.

The net effect of stereotypical thinking about housing was far reaching. In national development plans (NDPs), most Third World policymakers either ignored or assigned a low priority to housing, hoping that the housing problem would disappear as the pace of economic development quickened. In Latin America, for instance, Hardoy noted that “Most national development plans prepared in Latin America during the 1950s and early 1960s emphasized industrial development, paying little attention to agricultural development, and *none to human settlement*” (*my emphasis*).<sup>58</sup> Also, a UN study of national development plans in over forty developing countries revealed that only a limited

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<sup>56</sup> Ball, 1988

<sup>57</sup> Harris and Buzzelli, 2001

<sup>58</sup> Hardoy, 1978, p. 162

number of countries paid attention to the relationship between housing and other sectors of the economy.<sup>59</sup> Even in countries where some attention was paid to the issue, policy-makers often justified policy principles on social considerations and political legitimacy, not on its productive contributions.<sup>60</sup> The case of Nigeria illustrates the point vividly. During that country's first NDP in 1962, Koenigsberger<sup>61</sup> observed that the plan "sets firm output targets for agriculture manufacturing industries, roads harbours, railways water, etc. but treats housing as a Social Overhead", and "Social Overhead was interpreted as a necessary evil."<sup>62</sup> According to Koenigsberger, "Nigerian investors were not told how, when and where to invest in housing."<sup>63</sup> In general, the majority of the early NDPs treated the production of housing as "something to be tolerated rather than desired."<sup>64</sup>

This neglect -- or welfare perception -- of housing in the countries mentioned above was just a few of many examples in the developing world, and this neglect persisted throughout the 1970s and even through the 1990s, as expressed by a recent World Bank sector policy paper:

...in the great majority of developing countries, this perception has yet to take hold. Governments too often perceive housing solely as a welfare issue, requiring the transfer of physical or financial resources to households unable to house themselves adequately.<sup>65</sup>

Another effect of the dominant thinking was that sufficient resources were not allocated to the housing sector for residential construction and that serious efforts were

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<sup>59</sup> UN, 1969  
<sup>60</sup> Pugh, 2001, p. 416  
<sup>61</sup> Koenigsberger, 1970, p. 395  
<sup>62</sup> *ibid.*, p. 395  
<sup>63</sup> *ibid.*, p. 395  
<sup>64</sup> Burns and Tjioe, 1967, p. 86  
<sup>65</sup> World Bank, 1993a, p. 11



not made to devise appropriate strategies for house production. Typically, total government expenditures on the housing sector in most developing countries in the early 1980s accounted for only about 2% of GDP.<sup>66</sup> Figures 2.1 and 2.2 show government expenditures on housing in developing selected countries in 1975 and 1995 as a percentage of total expenditure.

These figures were far less than the total expenditures on the supposedly growth-generating sectors, such as industry, power, and transportation, which could be as high as 25% for each sector (Chapter 3). In summary, the main limitations of the critics viewpoint are that they downplayed the role of housing in the following main areas: 1) capital formation and economic development; 2) improvement in labour productivity; 3) creation of employment; and 4) income generation and savings. These issues are the subject of further discussion later in the chapter.

### **2.2.2 Moderate Views**

The moderates, like the critics, recognized the need to make best use of limited resources, but they did not reject outright expenditure on housing investment. Rather, they advocated a limited amount of investment in certain types of residential construction. This investment was to be undertaken only when and where necessary, on condition that it would contribute to industrial development. The moderates also drew attention to the importance of the construction sector in economic development, but they

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<sup>66</sup> IMF, Government Financial Statistics, 1986; Buckley and Mayo, 1988, p. 1

were skeptical about giving undue attention to housing vis-a-vis other competing investments.

Leo Grebler, one of the leading commentators on housing during the 1950s, was an early and important exponent of this view. Grebler, who worked in the 1960s and 70s for the UN as a housing consultant, was influential in international financial and development circles. At a conference organized by Albert Farwell Bemis Foundation, Grebler spoke on *Possibilities of International Financing of Housing*,<sup>67</sup> laying out some principles for international financing of housing in less-developed nations. He criticized those who advocated on the basis of need the financing of housing in developing countries. He believed that developing countries at that time needed practically everything and that housing needs were no different from many others. He then proposed that housing should be accorded a place in international financing only if it had potential to advance productivity. According to him, it was low productivity that had prevented developing countries from realizing their productive potential: “the only road to greater material welfare is through greater economic productivity.”<sup>68</sup> Grebler conceded that better housing contributed to advanced productivity -- for example, by improving health and increasing longevity -- and that it was vital in attracting labour for industries. In that sense, Grebler advocated a place for housing in international financing, but he insisted that housing programs should constitute “... an integral part of new productive enterprises...raise demonstrably the efficiency of existing enterprises...”<sup>69</sup>

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<sup>67</sup> Grebler, 1955

<sup>68</sup> *ibid*, p. 30

<sup>69</sup> *ibid*, p. 33

Another leading proponent of the moderate view was Jay Howenstine, who worked for the ILO and shaped its policy in the 1950s and 60s. In an article titled: *Appraising the Role of Housing in Economic Development*,<sup>70</sup> he made a valiant effort to reconcile diverse views on the place of housing in national economic development. From an economic point of view, Howenstine acknowledged the limited productive capacity of less developed countries and the need to utilize those resources in the most efficient manner. On that basis, he argued that scarce resources should be invested in sectors that promised the greatest returns, notably factories. At the same time, he admitted that strict adherence to the criterion of productivity should not be the only basis for public policy since other factors, for example improved worker conditions, were equally necessary to raise productivity. Implicitly, Howenstine acknowledged the importance of raising productivity and conceded that housing improvement could have a positive effect on economic development.

Accordingly, Howenstine prescribed three conditions under which investment should be made in housing. First, resources should be concentrated primarily on building factories and other essential producers of goods, and should be allocated to housing as a “necessary adjunct” to industrial development. That concept applies to cases “where it is necessary to build more houses in order to attract and maintain an adequately skilled labour force for work of high priority.”<sup>71</sup> Second, more investment should be made in improving housing, but priority should be given to fully employed workers because these

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<sup>70</sup> Howenstine, 1957

<sup>71</sup> *ibid*, p. 25



have the greatest potential to improve national productivity, while their skills are difficult to replace. Third, further investment in housing could be made for its own sake – “assuming that the people want better housing in preference to other goods or services or leisure.”<sup>72</sup> However, Howenstine concluded by saying that the amount of resources allocated to housing improvement in any country should be based on the specific housing situation there.

The opinion of Max Millikan, an economist, on the place of housing in national development also deserves consideration. Millikan<sup>73</sup> explored two issues: resource limitations on housing development, and the criterion or basis for allocating resources for housing improvement. Like many other economists of his time, Millikan emphasized that resources were scarce and that competing needs were many, placing a limit on the amount of resources that could be allocated to housing. On an unusual note, however, he conceded that housing was not only a consumer good but also a producer good, an item necessary to complement other investments. He argued that the question was not “a choice between housing and other kinds of investment; it was rather how much housing you must have in order to make some other kind of investment actually pay off.”<sup>74</sup> Millikan mentioned a new company town as an example: Housing investment was needed there to make a factory productive, the provision of workers’ housing serving as an incentive for workers to settle close to the factory. But he was equally concerned about how much to invest in local housing, just one element of many in the needs of society.

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<sup>72</sup>        *ibid*, p. 25

<sup>73</sup>        Millikan, 1955

<sup>74</sup>        *ibid*, 1955, p. 24

Touching on this issue, he noted that the type and quality of housing available in developing countries should not involve more than a little expense. A large supply of unemployed labour in developing nations could be employed in residential construction at low cost. The type and quality of houses available in less developed areas also suggest that residential construction would not require much in the way of imported goods: local building materials could be utilized at low cost. Implicitly, Millikan argued that housing investment need not be expensive, and that real improvements in housing conditions could be achieved through well-organized programs that made use of inexpensive, locally produced materials and local labour.

Within the moderates group, the views of scholars who studied and elaborated on the place of construction in national development are uniquely important. Among the scholars are Duccio Turin,<sup>75</sup> Hable-Selassie,<sup>76</sup> Julius Gorynski,<sup>77</sup> Stephen Drewer,<sup>78</sup> Stelios Kafandaris,<sup>79</sup> and Jill Wells.<sup>80</sup> Unlike the classical economists who viewed construction as an ancillary activity, these authors showed a full appreciation of the importance of construction in development, as clearly evident in the words of Turin: “the construction industry can play a central role in the development strategy of many less developed countries, provided it is recognized as a valid sector of production...”<sup>81</sup> Specifically, these authors argued that construction must be a lead sector in a national

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<sup>75</sup> Turin, (various years)

<sup>76</sup> Hable-Selassie, 1978

<sup>77</sup> Gorynski, 1978

<sup>78</sup> Drewer, 1980

<sup>79</sup> Kafandaris, 1980

<sup>80</sup> Wells, 1984, 1985

<sup>81</sup> Turin, 1978a, p. 5

economy, and they mentioned the sector as a major component of investment -- an important contributor to GDP, Gross Fixed Capital Formation (GFCF), and employment creation. Surprisingly, some of these authors raised doubts about the economic benefits of housing on the premise that housing, unlike infrastructure or industry, is not a direct productive activity. Among those who held this view was Wells, who stated that:

The benefits of construction investment (in terms of further economic growth) would be greatest if such investment were 'growth initiating' --that is, concentrated in areas of directly, or indirectly, productive activity (such as infrastructure, industrial and agricultural investment, hospitals and schools), *rather than in housing*.<sup>82</sup>

Although these scholars recognized the economic importance of construction they did not believe that special priority should be given to housing. Duccio Turin also, for instance, questioned the argument regarding the special priority of housing in the following question:

Let us at least stop *assuming* things, for instance, that human settlements should be given priority in national planning. Priority above what? Work? Health? National security? Law and Order?<sup>83</sup>

Arguments similar to Duccio Turin's were put forward earlier by Samuelson,<sup>84</sup> and reiterated later by Lisa Peattie.<sup>85</sup> Although cautious in expressing their opinion, both of these authors argued that the housing problem is easily recognizable because of its high visibility, unlike the low-visibility needs of poor nutrition, diseases and so on. In the essay *The Dilemma of Housing*, Samuelson stated that: "It is easy for an observer to see the inadequacies of the London slums. It is much harder to see the vitamins that the pre-war Cocknery occupants were not getting."<sup>86</sup> On the basis of this, Samuelson wondered,

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<sup>82</sup> Wells, 1985, p. 69  
<sup>83</sup> Turin, 1978b, p. 143  
<sup>84</sup> Samuelson, 1955  
<sup>85</sup> Peattie, 1979  
<sup>86</sup> Samuelson, 1955, p. 36



“...if the alleged especial inadequacy of housing is not an optical illusion.”<sup>87</sup> In stating their position, the authors recognized both the importance of housing provision as well as the constraints inadequate housing placed on development. However, the authors argued that the importance of housing does not necessarily mean it should assume a priority higher than that of equally important sectors.

These views departed slightly from those of the critics, but in putting forward their ideas, they made one error of assumption -- that resources should be allocated to housing only if housing had the potential to contribute to industrial development. This idea obviously suggested a residual role for housing in relation to other sectors. In the past, this reasoning did not entertain the possibility that housing might generate economic benefits, and indeed it had retarded the formulation of comprehensive housing policies in most Third World countries. Meanwhile, the results of several studies have revealed that the broader economic gains of housing investment in the national economy can be substantial; residential construction is a productive activity which can accelerate the pace of economic growth and development.<sup>88</sup> The specific economic benefits of housing investments in national economy are documented in the next section.

Another debatable suggestion made by the moderates is the assumption that housing is a “necessary adjunct” to industrial development. By implication, they suggest that qualitatively improved housing is beneficial to fully employed workers, for example, in company towns—meaning it would raise labour efficiency, improve health, reduce the

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<sup>87</sup> *ibid*, p. 36

<sup>88</sup> see, for example, Rodwin, 1987

number of days lost from work, and so on. If one accepts these premises, then, a relevant question to ask is: Why is housing improvement not beneficial in larger urban centres also, where a majority are informal sector workers? Unfortunately, the moderates did not consider the larger segment of the urban population in whom investment might conceivably be made to enhance rapid development. Indeed, the majority of the well-documented economic benefits of housing investments, including those that relate to home-based enterprises (HBEs) and rental housing, were found in informal neighbourhoods.<sup>89</sup> Thus, a second major criticism of the moderates' proposal is the inadequacy for tackling housing problems in a national economy with regards to low priorities accorded the housing sector. One cannot expect housing to contribute substantially to economic development without giving broader attention to its place within an overall urban and national economy. That is, to argue, as the moderates did, that preference should be given to housing investment only if it had potential to advance industrial productivity, is equally deficient. In fact, such argument simply reinforces critics' suggestion that investment be made in "productive" activities while allowing housing to remain a by-product of economic growth.

### **2.2.3 Advocates/Proponents of Housing Investment**

A vigorous response, however, has been generated from housing investment advocates, especially since the mid 1960s. Their response grew out of a dissatisfaction with the level of attention being paid to housing, and they offered many rebuttals to the

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<sup>89</sup> See, for example, Tipple, 1993; Kumar, 1996; Sinai, 1998; Chen et al. 1999

critics' viewpoints, raising many questions. For instance, in a direct rebuttal to the suggestion that housing should be postponed until late stages of development, Catherine Bauer, one of the earliest advocates, posed the following question:

Must any widespread improvement in the home environment wait until the basic economy can provide higher incomes, an efficient building industry, and capital, labour and materials not needed for immediately productive types of enterprise?<sup>90</sup>

Aware of the stereotypical image of housing, the earliest proponents were very defensive, putting up strong counter arguments at conferences and expressing their views in journals and policy circles. The proponents, who came from diverse academic backgrounds, argued that housing was productive, stimulative, and contributive to development. In particular, they argued that investment in residential construction could have broader implications for national economies. Participants at a conference at the Massachusetts Institute of Technology in 1953 explored this issue. Their views were not unanimous, but the majority paid homage to the need to include housing in national development plans. Among the earliest studies focusing on the role of housing in economic development were those of Abrams,<sup>91</sup> Currie,<sup>92</sup> Burns and Tjioe,<sup>93</sup> Grimes,<sup>94</sup> Wegelin,<sup>95</sup> and Strassman.<sup>96</sup> These studies have been aptly supported in recent times by those of Tipple,<sup>97</sup> Spence et al.,<sup>98</sup> and the UNCHS/ILO.<sup>99</sup> The primary focus of these

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<sup>90</sup> Bauer, 1955, p. 39  
<sup>91</sup> Abrams, 1964  
<sup>92</sup> Currie, 1966  
<sup>93</sup> Burns and Tjioe, 1967  
<sup>94</sup> Grimes, 1976  
<sup>95</sup> Wegelin, 1978  
<sup>96</sup> Strassman, 1982; 1985  
<sup>97</sup> Tipple, 1987  
<sup>98</sup> Spence et al. 1993  
<sup>99</sup> UNCH/ILO, 1995



studies includes: employment and income effects; household savings; labour productivity; health influence; and growth effects of housing investment.

The work of leading housing intellectuals, like Charles Abrams<sup>100</sup> and John F. C. Turner,<sup>101</sup> who both had worked in advisory capacities for the UN and lived in a number of developing countries, helped pioneer the view that housing must be understood within a broad context. In particular, Turner, a well-known advocate of “self-help housing” was mostly interested in the appropriateness of housing policies and projects, particularly those that met the exact needs of low income households. Turner believed that housing in low-income areas was a complex issue and should be understood from the perspective of what it did for people. It was this conviction that led Turner<sup>102</sup> to propose the idea that housing must be understood, not for what it physically is but what it does for society. Essentially, Turner argued for a change in housing policies, but taken as a whole, he understood the economic benefits of housing and knew that investment in housing could play a pivotal role in development. Turner noted that:

The owner or possessor-occupier can use his house...as a shop, workshop, or rental property. Often families will deliberately build their houses as duplex apartments—one apartment for themselves, the other for rent or for occupation by the second generation...”<sup>103</sup>

Charles Abrams had earlier expressed a similar view, and he went further by pointing out specific economic benefits of housing: “...the building of homes is “economic” in that houses in the less developed areas are often the small production

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<sup>100</sup> Abrams, 1964  
<sup>101</sup> Turner, 1972, 1976, 1978  
<sup>102</sup> *ibid*, 1972  
<sup>103</sup> *ibid*, p. 105

centers...Housing also plays a major role in stimulating employment, directly and indirectly...”<sup>104</sup> Abrams further stated that “once housing is accorded as an integral part of any development programs, a nation is then better poised to plan its most effective and most economically practical production.”<sup>105</sup> Also among the earliest to recognize the importance of housing was Lauchlin Currie, whose influential work *Accelerating development*<sup>106</sup> placed housing in the center of development strategy. Currie recognized the importance of housing in an industrialization program and pointed out that housing must be taken into account when formulating development strategies: “To encourage industrialization, we must start with housing and urban public services.”<sup>107</sup> Currie belonged to a small group of economists that expressed skepticism over undue emphasis on capital formation, and in his “Columbia Plan” he suggested that “We should give priority to consumer goods (including housing) rather than to heavy and capital goods industries”<sup>108</sup>

By the early 1970s there were more pronouncements, and advocates articulated their views succinctly in the academic literature. These scholars played a prominent role in highlighting the economic role of housing in development. In general, they attempted to achieve two things. First, they counteracted what they believed to be the misconceived notion about housing. Second, they provided evidence to support their claim on the importance of housing in a national economy. For instance, regarding the supposedly

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<sup>104</sup> Abrams, 1964, p. 109

<sup>105</sup> *ibid*, p. 113

<sup>106</sup> Currie, 1966

<sup>107</sup> *ibid*, p. 140

<sup>108</sup> *ibid*, p. 140

“non-productive” character of housing, a few empirical studies addressed the issue. The earliest study was that by Burns and Tjioe,<sup>109</sup> conducted at two sites -- Pine Ridge (South Dakota/US), and Hambaek (South Korea). Their research formed part of the initial International Housing Productivity Study (IHPS) that attempted to test the hypothesis that improved housing conditions raise worker productivity, lower absenteeism from work, lower the need for health services, increase the educational productivity, and reduce social ills. Their study was significant because it compared case studies of households before and after they were rehoused -- initial site occupied by workers in labour intensive occupation living in substandard dwellings (for example, crowded and poor sanitary conditions). On the other hand, the relocated site consisted of modern dwellings. The initial results, which were quantified, showed positive effects on a number of variables tested, including improved work efficiency and better health, the latter resulting in fewer days lost from work. On the basis of these results, the authors concluded that “...housing is truly an economic investment in its own right,” and that “it is profitable as well.”<sup>110</sup> Burns, Grebler and Klaasen followed up the initial study with five additional sites: Monterrey (Mexico); Ciudad Guayana (Venezuela); Zacapu (Mexico); South Dos Palos (California/US); and Puerto Rico (US). Unlike the earliest results, however, their later findings were rather mixed and inconclusive, partly due to methodological and interpretative problems. In particular, the interaction between housing and labour efficiency, between health and exposure to education and social deviance were

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<sup>109</sup> Burns and Tjioe, 1967

<sup>110</sup> *ibid*, p. 87



conceptually complex, and they were empirically difficult to specify because of the influence of several non-housing factors.<sup>111</sup> A case can, however, be made for the significance of housing on these variables. As Klaasen et al.<sup>112</sup> rightly noted, the absence of proof does not suggest that favourable results do not exist. A relation exists, but is difficult to quantify, particularly in growth and labour productivity terms, the authors concluded.

Much historical evidence has suggested a connection between housing and labour efficiency. During the first four decades of the 20<sup>th</sup> century, productivity concerns strongly influenced employers' decisions for providing decent housing for their workers, because it was generally believed that an improved living environment would produce better and more efficient workers. In countries such as Britain and the USA, companies sponsored several 'company towns.' Between 1900 and 1940 alone, at least 70 company towns were established in the US, and by the 1930s, more than two million people were estimated by the Bureau of Labour Statistics to have lived in company towns in the US.<sup>113</sup> Notable towns include the famous Pullman company town which had 12,6000 inhabitants as early as 1893, and others such as Letchworth, Port-Sunlight, and Bournville, while Cadbury was among the sponsors of company towns that flourished in Britain during the 19<sup>th</sup> and 20<sup>th</sup> centuries.<sup>114</sup> The rationales behind these company towns were many and varied, but most were part of company strategies to improve worker efficiency and raise productivity. Companies sought to provide decent and adequate

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<sup>111</sup>     ibid

<sup>112</sup>     Klaasen, 1987

<sup>113</sup>     Crawford, 1995, p. 2

<sup>114</sup>     ibid

housing facilities for their workers on the assumption that increased productivity could be attained through the contributions of a healthy and a well-motivated workforce. The need to attract labour and retain adequate supplies of stable and efficient labour, especially skilled workers, provided another key impetus for establishing company towns.<sup>115</sup> The provision of company towns, according to employers, was meant “to control the labour supply...to insure a stable workforce... and to decrease the floating element.”<sup>116</sup> Additional reasons for company towns often included the need for employers to capture workers’ loyalty and generate control over them in order to ensure smooth business operations.

Convinced that company towns were vital for attracting and stabilizing the labour force, these companies extended the tradition to some colonies, for example, those in Northern Rhodesia and Southern Rhodesia where companies recognized the economic importance of having a permanent, indigenous workforce in urban areas. Consequently, the initial urban policy was geared towards developing a stabilized urban society, and housing was an important element in the urban policy. Parpart<sup>117</sup> showed that in Northern Rhodesia, providing housing for workers constituted a vital part of mining companies’ policy of stabilizing the urban labour force during the first half of the 20<sup>th</sup> century. In fact, it was seen “as a means of storing one of the raw materials needed for the copper industry—unskilled labour.”<sup>118</sup> The policy was amply supported by the British and

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<sup>115</sup>     ibid  
<sup>116</sup>     ibid, p. 55  
<sup>117</sup>     Parpart, 1983  
<sup>118</sup>     Tipple, 1981, p. 67

French colonial powers, who, according to Harris,<sup>119</sup> “viewed cities, and the stabilization of an urban labour force, as critical to colonial development.” This thinking influenced urban policies in general, and housing policy in particular. In the light of the need to stabilize urban labour, housing policy gained prominence in the scheme of colonial development programs, and it could be asserted that concern for an efficient labour force was a major factor in achieving better housing in these colonies. This is especially true for Northern Rhodesia where copperbelt mining companies made deep financial commitments, and where, by the early 1950s, one-fifth of all capital investment in the money economy was in housing.<sup>120</sup> The rationale was to ensure that the miners lived in more humane conditions and, consequently, raised productivity.<sup>121</sup>

Company towns have significant economic and social benefits. Unlike some academics who advance theoretical arguments, these companies devoted enormous amounts of resources to creating these towns, giving credence to the significance of housing in the process of raising productivity and development. While this does not necessarily prove that housing affected productivity, it does provide strong circumstantial evidence for the claim.

### **2.3 ECONOMIC BENEFITS OF HOUSING INVESTMENT**

In contrast to the critics’ view, a host of evidence supports the argument that housing investment brings a lot of economic benefits and deserves serious consideration

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<sup>119</sup> Harris, 1999, p. 1

<sup>120</sup> Heisler, 1971, p. 129

<sup>121</sup> *ibid.*, p. 129



in national economies. It is important, at this stage, to highlight some of the major findings that have challenged old stereotypes about the housing and its role in the development process.

### **2.3.1 Housing and Health Effects**

As already noted, scholars have long recognized a link between housing and health. The link was a crucial factor in public health reforms in many developed countries during the 19<sup>th</sup> century. This is true for countries such as Britain where, in the public health Acts of the late 19<sup>th</sup> century,<sup>122</sup> health concerns lay at the heart of the earliest interventions in the housing system. These concerns were exported to many British colonies by colonial authorities, so it is not surprising to find that early housing policies in these colonial countries were shaped by various health considerations, even though much concern was placed on preventing the spread of disease to elite areas. In Ghana, for instance, the earliest interventions in the housing systems came in the form of public health legislation, and the subsequent housing policies and programs in the late 1940s and early 1950s recognized housing as one of the key environmental factors that affect health.<sup>123</sup> That recognition followed the outbreak of bubonic plague in Accra in the early 1950s, which claimed several lives. Similarly, in Nigeria, the colonial government recognized the connection between improving the housing/urban environment and controlling disease. The annual report of the Federal Medical Services for 1957 noted that “the eradication or diminution of pneumonia and dysentery as causes of death are long-

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<sup>122</sup> Easterlow, et al. 2000

<sup>123</sup> Konadu-Agyemang, 2001a, p. 137

term projects involving such social advances as slum clearance, **better housing**, waterborne sewage and, not least important, the education of the public in the use of these amenities....”<sup>124</sup>

Many international figures in the colonies of the 1940s and early 1950s understood and emphasized the significant benefits housing could bring to health and workplace productivity, as they frequently mentioned in their recommendations. The opinion of Jacob Crane deserves consideration. Crane headed the international office of the US Housing and Home Finance Agency from 1947 to 1953, and the first International UN Mission on housing in 1951. Crane believed that “Housing conditions, living conditions, and personal and national economic progress go hand in hand, each rising as the others rise.”<sup>125</sup> Crane saw that “bad housing brings discomfort; but it also results in a high incidence of disease which reduces human working potential and thereby decreases food production and lowers the level of nutrition. A disastrous cycle is thus created.”<sup>126</sup> At the center of Crane’s thought was the idea that good housing can both improve human health and bring benefits to the economy. And many other influential figures shared a similar understanding of the links between housing and health, including N R. E. Fendall, Director of the Medical Service in Kenya in the 1950s and 60s. Fendall was worried about rural-urban migration, which, he believed, created problems in social adjustment, raising concerns about “social-health” in the “small neighbourhood units where communal health can be enjoyed and appreciated.”<sup>127</sup> Housing tenure, according to

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<sup>124</sup> Aina, 1990, p. 58

<sup>125</sup> Crane, and Paxton, 1951; cited in Harris, 1999, p. 5

<sup>126</sup> *ibid*, p. 5

<sup>127</sup> *ibid*, p. 5

Fendall, is especially vital. The views of these people matter greatly because, compared with others who put forth academic arguments, they were closer to the ground and arguably had a practical understanding of the importance of an improved housing system on health and, hence, on human capital development.

Many of the studies on housing and health have singled out features of the housing environment that pose serious direct or indirect threats to the physical and mental health of people. The most important of these are overcrowding, location, tenure, housing conditions, among others. Regarding overcrowding, investigators have pointed out, first, that high level of household crowding can produce stress leading to illness, and second, that congestion ensures easy transmission of communicable diseases.<sup>128</sup> A study carried out in the town of Olaleye-Iponri, Nigeria, by Aina<sup>129</sup> found a strong association between overcrowding and prevalence of disease, and these findings were similar to those of Cuenya et al.<sup>130</sup> for Buenos Aires. On the question of housing tenure, studies have associated it with health in a number of ways. For example, those who rent their houses have been identified as having poorer health than those who own their houses.<sup>131</sup> Concerning poorer groups, Caincross et al. have stated that: “the fact that many urban dwellers live in illegal settlements and are subject to a constant threat of eviction also has serious health impacts...”<sup>132</sup> Indeed, for most of the developing world, recent cuts in government expenditures on infrastructure and social services coupled with the dwindling

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<sup>128</sup> see Fuller et al. 1993; Caincross et al. 1994

<sup>129</sup> Aina, 1990

<sup>130</sup> Cuenya, et al. 1990

<sup>131</sup> Macintyre, et al. 2001

<sup>132</sup> Caincross, et al. 1990



purchasing power of poorer groups have further exacerbated poor housing conditions (e.g. poor sanitations, poor repairs), poor location (mostly “illegal” settlements), and decreasing housing tenure. All of these have been identified as powerful indicators of poor health.<sup>133</sup>

The essential point here is straightforward: increased productivity is essential for economic growth, but population health has a crucial influence on productivity. Health, in turn, depends on living conditions, especially housing. These facts suggest that housing and related services are not merely social or welfare issues but economic issues as well.

### **2.3.2 Housing and Employment/Multiplier Effects**

Theoretical reasoning and empirical studies, show that housing construction has a positive influence on employment levels, and thus, income earnings, particularly important factors for absorbing unskilled labour. This fact is especially true as long as unemployment remains a crucial issue in developing nations. Indeed, in most developing countries, the construction/house building industry has constituted a ‘port of entry’ to urban labour markets, for example, in the Philippines where Stretton,<sup>134</sup> showed that the building industry provides an important source of jobs for both skilled and unskilled migrants from the countryside. In his work for the World Bank, Grimes<sup>135</sup> argued that an

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<sup>133</sup> see, for example, McCarthy et al. 1985; Hyndman, 1998

<sup>134</sup> Stretton, 1981

<sup>135</sup> Grimes, 1976

investment in housing programs, especially low-income housing, is critical since it has the potential to draw large amounts of unused or underused labour into production.

Grimes further observed that housing construction in developing countries could be used as a policy strategy to absorb slack in investment and employment. Studies have estimated that the construction sector, of which residential construction usually constitutes about a third, accounts for a large proportion of employment in developing nations, usually around 7% of the total labour force.<sup>136</sup> However, total employment generated in construction, including subsidiary activities, may be in the order of 10% of the economically active population.<sup>137</sup> To give an illustration, Table 2.1 compares the levels of employment engaged in various economic activities in 14 countries.

It can be seen that construction activities generated about the same employment, or more, as did sectors traditionally regarded as “productive” and the mainstay of developing economies. Grimes<sup>138</sup> indicated that, in Columbia, “rate of employment creation in housing construction was higher than that for manufacturing and close to that for the economy as a whole.”

The central issue is not just the amount of employment created by investment in housing vis-a-vis by other sectors but, more critically, the effectiveness of residential construction in creating additional jobs through forward and backward linkages in related sectors such as industry. The building industry has a high potential for employment generation, not only through on-site activities but also through off-site activities (eg. land

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<sup>136</sup> Grebler, 1973; Moavenzadeh, 1987; Spence et al. 1993

<sup>137</sup> Sethuraman, 1985

<sup>138</sup> Grimes, 1976, p. 32

surveying, draughtsmen), building materials production and marketing, and distribution of construction materials and equipment. Research by Grimes<sup>139</sup> estimated that low-income residential construction could have a multiplier effect of about 2%, similar to Moavenzadeh's<sup>140</sup> estimation of a multiplier effect of about 2 for developing countries--that is, for every job created in construction, two are created elsewhere. This is a relatively high figure as compared to other sectors like machinery and transportation, which were estimated at 1.5%.<sup>141</sup> Gorynski also claimed that "the building industry purchases almost three times as much as material from the non-industrial sector of the economy as does manufacturing."<sup>142</sup> Clarification is required however. Even though residential construction may be a potential contributor to employment and a significant purchaser of goods and services from other sectors of the economy, the extent to which it can generate employment and enhance growth largely depends on a number of factors, notably the choice of technology (eg. type of labour and materials used). Spence and Cook<sup>143</sup> identify three types of technology: "low," "intermediate," and "high," and argue that intermediate technology constitutes the appropriate technique for developing countries. These terms were first used by Schumacher,<sup>144</sup> and the basis of his distinction was the amount of capital investment required to support a given project, which was argued to be a critical factor in the planning of all developing countries. Like

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<sup>139</sup> ibid

<sup>140</sup> Moavenzadeh, 1987

<sup>141</sup> Roest, 1973, cited in Wegelin, 1978, p 71.

<sup>142</sup> cited in Drakakis-Smith, 1981, p. 34

<sup>143</sup> Spence and Cook, 1983

<sup>144</sup> Schumacher, 1973



Schumacher, Spence and Cook<sup>145</sup> justified the use of capital as a basis for categorizing various technologies because it directly affects the amount of employment generated.

‘Low’ technologies are those that have a strong local content; they use locally-produced raw resources, are quite cheap to establish, and can be adaptable to different conditions. On the other hand, they are relatively inefficient in the way they use labour and raw material, and the kinds of goods produced are mostly of poor quality. Unlike the ‘low’ technology, ‘high’ technology requires large capital investment and substantial imported materials, and the methods of production are complex -- for example, the current methods of producing cement, steel, and aluminium.<sup>146</sup> Such technologies, however, generate little employment and produce sophisticated, high-priced goods. ‘Intermediate’ technologies are based on a mix of locally produced and imported raw materials. In terms of capital, ‘intermediate’ technologies require a higher level of capital investment than do ‘low,’ but substantially lower than ‘high.’ Their main advantages are their low cost, small scale, and more importantly, their use of relatively simple production methods.<sup>147</sup> Such technologies also process local raw materials and generate more employment, and they are relatively independent of large imported materials. The case for intermediate technologies for places like Africa is particularly strong because the proportion of imported materials used in the building and construction industries remained about 60% since the 1970s, obviously limiting the extent of employment generation as well as linkages with other sectors of the economy.<sup>148</sup> Meanwhile, a survey

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<sup>145</sup> Spence and Cook, 1983

<sup>146</sup> *ibid*, p. 3

<sup>147</sup> *ibid*, p. 5-7

<sup>148</sup> Edmonds, 1979

carried out in Sri Lanka by Ganesian<sup>149</sup> found a higher employment rate in cheaper, small-scale technologies than in high technologies. Indeed, under current precarious economic conditions, with critical unemployment in most developing countries, there is the need to adopt techniques that are appropriate and cost effective --for example, a blend of locally-produced materials and foreign input. In this respect, intermediate technologies are vital techniques; local resources for such technologies and required expertise already abound.<sup>150</sup> The above argument applies to construction in general but, more specifically, to residential construction of low-cost housing using locally based materials.

### **2.3.3 Household Income/Savings and Domestic Financial Mobilization**

In low or even middle-income settlements in Third World cities, the home is commonly used not only for shelter, but also as a source of income through home-based enterprises (HBEs) and rental arrangements. These activities are prevalent in cities of many developing countries and have been identified as vital sources of employment and income for the low-income people as well as contributions to national income, and thus, the development process. McCallum and Stan,<sup>151</sup> who reviewed the literature on low-income urban housing, concluded that, “housing has a complex and vital economic role in low-income communities in Third World cities well beyond that normally attributed to it in conventional economic thought and practice.” The author’s conclusion is based on empirical studies in which many researchers have identified the home and its

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<sup>149</sup> Ganesian, 1982

<sup>150</sup> Spence and Cook, 1981

<sup>151</sup> McCallum and Stan, 1985, p. 286

environment as filled with economic activities, such as carpentry and furniture works, food-selling, tailoring, and shoemaking.<sup>152</sup> A similar conclusion has been reached by Tipple,<sup>153</sup> who, like McCallum and Stan, reviewed the literature on HBEs and demonstrated that they are a common and a vital income-generating activity in cities of developing countries. Diverse data on the extent and importance of HBEs as a source of income-generating activities are readily available from innumerable empirical studies, specific ones of which are illustrated below.

Strassman<sup>154</sup> surveyed three low-income settlements -- Lusaka (Zambia), Colombo (Sri Lanka), and Lima (Peru) -- to determine the share of employment of HBEs and their contribution to urban household. This study revealed a strong presence of HBEs (e.g. sewing, cooking, and repairs etc.), and these serve as an important source of employment and income for most people. For instance, about 25% of the total households surveyed in Lusaka had home-based enterprises, as in Colombo, which also had 25%. His study showed that households with enterprises have incomes more than 10% higher than do those with no enterprise. The prevalence of HBEs has been reported on in recent studies. In Egypt, 53% of women's and 10% of men's businesses are located in the home.<sup>155</sup> In Venezuela, 45% of all clothing industry workers are homed-based;<sup>156</sup> and Fisseha and McPherson<sup>157</sup> report that in South Africa, 71% of enterprises are either located in home or are home-based. Apart from HBEs, home-owners in low-income and

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<sup>152</sup> *ibid*, p. 281

<sup>153</sup> Tipple, 1993

<sup>154</sup> Strassman, 1987

<sup>155</sup> Weiddeman and Merabet, 1992, cited in Chen et al. 1999

<sup>156</sup> Prugl, 1992, cited in Chen et al 1999

<sup>157</sup> Fisseha and McPherson, 1991



even middle-income areas have used their homes to generate income through renting. Kumar's<sup>158</sup> paper on *Landlordism in Third World Urban Low-income Settlements* demonstrated that the production of renting accommodation is not only extensive but also economically vital for most cities in developing countries and is a profitable business for most landlords. Hoffman et al., for instance, found that 30% of the residents in *kampung*s in Indonesia are tenants.<sup>159</sup> Also, Sinai<sup>160</sup> found that, in Kumasi (Ghana), the use of homes for renting was widespread, with 60% of all households surveyed renting their rooms.

Whilst many of these empirically based studies not only reiterate the economic importance of housing investments, they also question the old theory that viewed a house as a consumer item. For most people living in low- and middle-income areas, the house is their work-place, making the case that housing be considered a productive investment that national development plans should take into consideration. Whether measured in terms of work hours or value of production, investment in housing ought to be treated as a productive investment and tied to national policies aimed at creating employment for the growing population.

Another economic contribution of housing investment emphasized in recent years relates to the development of housing finance systems as a way of mobilizing resources for the development of the domestic economy. The reasoning is that saving rates in most developing countries are low, due primarily to low incomes and more especially the lack

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<sup>158</sup> Kumar, 1996  
<sup>159</sup> cited in Kumar, 1996  
<sup>160</sup> Sinai, 1998

of well-organized financial institutions. This situation has compelled households to hold savings in unproductive assets such as gold and jewelry. At the same time, most people tend to attach a high priority to home-ownership. Indeed, in developing countries home-ownership is one of the highest priorities in terms of asset acquisition for the majority of people, and many are prepared to make sacrifices in other areas in order to purchase a house. On this basis, experts have stressed that if these resources can be mobilized and properly channeled, a housing finance system could become an important instrument for the underutilized funds of the households sector and could serve as a force for the development of both the financial system and the domestic economy.<sup>161</sup>

#### **2.3.4 Contributions to Growth**

Construction/housing is also a major contributor to GDP and Gross Fixed Capital Formation (GFCF) and a catalyst for investment in other sectors. The best known and undoubtedly the most significant contributors to the study of the relationship between construction and economic growth were Turin,<sup>162</sup> Strassman,<sup>163</sup> Drewer,<sup>164</sup> and Wells.<sup>165</sup> Using data from several countries at different levels of development, Turin and Strassman, have argued that a close and dynamic relationship exists between construction output and level of development, and that in most cases, a rapid construction output tends to correlate with rapid economic growth. According to the two authors, a well-defined

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<sup>161</sup> Christian, 1987; Boleat, 1987; Renaud, 1987; van Huyck, 1987

<sup>162</sup> Turin, (various years)

<sup>163</sup> Strassman (various years)

<sup>164</sup> Drewer, 1980

<sup>165</sup> Wells, 1984, 1985

relationship between construction and economic growth is a demonstration of the critical role of construction/housing in the development process. However, the claim of a well-defined relationship has been the subject of criticism by a number of researchers, including Drewer,<sup>166</sup> who criticized it on the grounds of inappropriate data, analytical methods, and philosophy of development. In particular, Drewer believed that the assumption of positive relationship suggests a ‘natural’ path of development, “one that is similar to Rostow’s stages of economic development.”<sup>167</sup> He also raised concerns about the direction of causality, which according to Drewer, is difficult to determine.

In spite of the differences in opinions, there is a strong agreement on the contributions of construction to GDP, GFCF, and capital formation in both the developed and developing world. In the case of developing countries, the construction sector contributes between 3-8% to GDP, a third of which is said to originate from housing,<sup>168</sup> while the sector’s contribution to GFCF is estimated to vary between 40-70%.<sup>169</sup> The true importance of housing is even greater than these data suggest, especially in developing countries, since informal activities that constitute about 80% of residential construction are not usually even reported or are greatly undervalued.<sup>170</sup>

The discussion above offers many insights in support of the general proposition that housing investment cannot be considered as a wholly resource-absorbing, unproductive sector or as merely a social policy with little or no effect on other sectors of

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<sup>166</sup> Drewer, 1980, p. 400

<sup>167</sup> *ibid* p. 401

<sup>168</sup> Sethuraman, 1985

<sup>169</sup> Moavenzadeh, 1987, see also, Mayo and Buckley, 1988; Spence et al 1993

<sup>170</sup> Grimes, 1976



an economy, but rather as a resource-producing and investment good. Its economic benefits need to be considered and planned in line with wider national development strategies.

### **2.3.5 The Place of Housing in Singapore's Economy: Lesson for less developed countries**

Despite these arguments, there have been a few places where housing policy has played a critical role in rapid economic development. Singapore is one of these, often cited as a “success story”.<sup>171</sup> When Singapore gained independence in 1959, it faced economic and urban problems, including severe housing shortages--a housing situation which some commentators described as one of the worst in the world.<sup>172</sup> But from the beginning, the newly independent Singaporean government saw housing and economic development as closely linked. Poor and inadequate housing could severely compromise and hinder effective economic development programs. Throughout the 1960s and 1970s, the avowed aim of government policy was to achieve at least two major objectives: first, meet the housing needs of the entire population, and second, enable housing to be among the leading sectors in the economy. Among other things, policies included integrating the housing sector into the rest of the economy, land reforms, housing financing, and policies relating to the development of the most efficient building materials. All of these had deep and wide consequences for the place of housing in the national economy. In general, policies were pursued with zeal and deep financial commitment and decisions were

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<sup>171</sup> see, for example, Field and Ofori, 1989; Goh, 1989; Lee et al. 1993

<sup>172</sup> Kaye, 1960

extended beyond social considerations. In the financial year 1984-85 alone, the Housing Development Board's (HDB) capital expenditure budget comprised 43% of the government's total Development Estimates,<sup>173</sup> and housing programs absorbed about 15.9% of GDP and 34% of gross investment.<sup>174</sup> No doubt, the sector's contributions to the economy have been staggering. By the mid-1980s, 70% of the total population had access to a HDB's flat, the number rising to 85% in the 1990s.<sup>175</sup> By the mid-1990s, the home-ownership rate was as high as 90%.<sup>176</sup> This high rate can be attributed to the implementation of 'Home Ownership for the People Scheme,' introduced in 1964. The aim was "to encourage a property-owning democracy in Singapore, and to enable Singapore citizens in the lower middle-income group to own their own homes."<sup>177</sup> To accomplish this objective, deliberate efforts were made to sell most government flats built since the 1970s. Through the introduction in 1968 of a "Central Provident Fund" as an instrument of public housing finance, citizens were able to buy their own homes. The scheme also allows for an effective mobilization of financial resources and creation of a direct link between the housing system and broader financial markets.<sup>178</sup>

In the 1960s and 70s, housing contributions to the GDP averaged almost 10.5%, rising to 15.5% in the 1980s and 90s, coupled with substantial contributions to capital formation, usually accounted for 20 to 30%. Through the construction of large blocks of rental housing and implementation of home ownership programs, large numbers people

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<sup>173</sup> Wong and Yeh, 1985  
<sup>174</sup> Pugh, 1996, p. 1056  
<sup>175</sup> Wong and Yeh, 1985; Pugh, 1997a

<sup>176</sup> Pugh, 1997a

<sup>177</sup> Housing and Development Board, cited in Goh, 1989, p. 150

<sup>178</sup> cf. Phang, 2000

were propelled into a wage labour-force, of which residential activities employed about 30,000 people by the late 1960s.<sup>179</sup> Housing has a strong link with other sectors of the economy -- generating economic growth multipliers of two.<sup>180</sup> Public housing programs, according to Lee, et al,<sup>181</sup> were linked to “savings and investment process in the economy”, and it “...formed the very basis for industrialization and human and capital productivity.”<sup>182</sup> Singapore represents a prime example of a country where housing policy played an instrumental role in promoting development and shaping the urban landscape. Certainly, Singapore is an exceptional country in some ways and its model may not be easily imitated by and implemented in other economies: it is small, has a restricted population growth, and has experienced persistent rapid economic growth rates vis-a-vis other developing countries. Despite these unique features, it offers many general lessons, particularly on how housing was conceived and operated as an overall development package. Housing was treated as a part rather than a by-product of the economic development process, and public housing construction and industrialization were pursued with equal vigor and enthusiasm. Singapore’s example clearly shows that the case for integrating housing policy into an overall development program is not or should not be only a theoretical argument – the industry is a major sector in the country’s economy.

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<sup>179</sup> Goh, 1989; Salaff, 1997, p. 234

<sup>180</sup> Pugh, 1997a

<sup>181</sup> Lee et al 1993, p. 93

<sup>182</sup> Goh, 1989, p. 157



## **2.4 SUMMARY AND CONCLUSION**

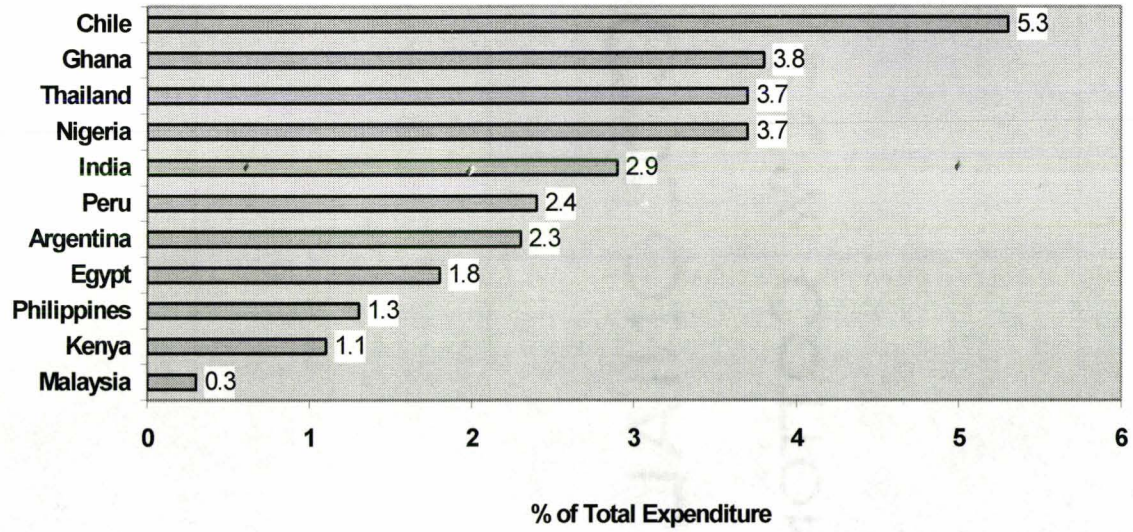
The theoretical discussions about the relationship between housing investment and economic development have had a long history dating back to the mid-1940s. From the beginning, several related questions emerged: How much priority should be or could be given to housing in view of the limited resources in less-developed countries? What should the appropriate role of housing be? What are housing benefits in the development process vis-a-vis other economic investments?

Debates over these questions have, and historical experience led to changing views on the role of housing in development. The changing views have been the result of a myriad of factors, including conceptual shifts in the prevailing economic models, changing perspectives on development, and developmental experience of developing countries.

Between the 1940s and 60s, most development experts and policymakers were preoccupied with rapid economic growth, and emphasis was placed on capital formation strategies including new industries and growth of exports. During this period, housing was downplayed because it was considered a consumer good. Critics, mostly development economists using productivity criteria, argued that housing demonstrates low productivity and, therefore, should be given a low priority in national development strategies. But others challenged this argument and justified the importance of investing in housing development. From the 1960s through the 70s, there was a shift from the previous emphasis on economic growth to a holistic view on development. As a result, a greater weight was given to housing in growth strategies, but the emphasis was placed

mostly on social benefits. Recognition of the economic benefits of housing investment was still missing. Other experts argued for investment in housing only as a “necessary adjunct” to industrial development. Since the 1980s, however, the overall views on housing, including economic aspects, have broadened significantly. Proponents mentioned economic benefits such as employment creation, income generation, savings, the possibilities for raising labour productivity, multiplier effects, and contributions to economic growth. However, given the apparent influence of international development agencies on policies and projects in developing countries, a key question that deserves consideration is this: Do the changing views reflect in policies and practices of these agencies? The next chapter traces the evolution of views, policies and actions of the international agencies between 1945 and 2000, and discusses whether rhetoric and practical actions have been consistent.

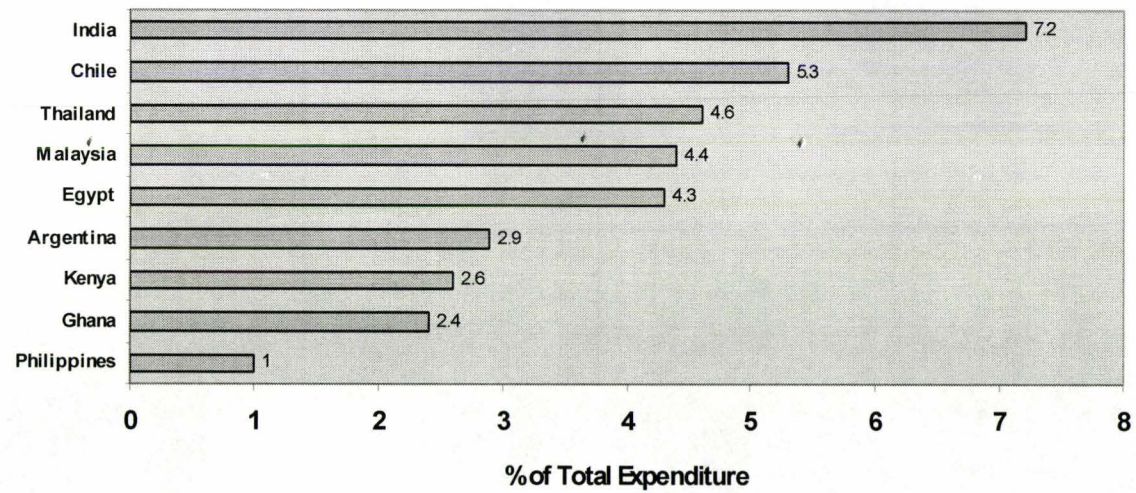
**Figure 2.1: Government Expenditure on the Housing Sector: Selected Countries, 1975**



Source: International Monetary Fund (IMF), 1975



**Figure 2.2: Government Expenditure on the Housing Sector: Selected Countries, 1995**



Source: International Monetary Fund (IMF), 1995

**Table 2.1 Percentage Distribution of Persons Employed in Major Divisions of Economic Activities, 1980s and 90s**

Country (Year)	Agriculture	Mining	Manufacturing	Utilities	Construction	Trade	Transportation	Fin. & Dev.	Social Services
Bahrain (1994)	0.8	0.0	22.5	2.9	<b>28.8</b>	18.1	9.1	5.7	10.4
Botswana (1981)	4.9	7.5	6.6	1.7	<b>15.6</b>	15.7	4.0	5.0	39.0
Benin (1982)	6.0	0.7	7.9	1.1	<b>12.2</b>	12.0	12.6	3.4	43.9
Paraguay (1991)	1.2	0.2	15.8	1.1	<b>9.2</b>	26.7	5.7	6.8	33.4
Venezuela (1993)	10.7	1.0	15.5	0.8	<b>9.0</b>	22.3	6.6	6.5	27.5
Chile (1993)	16.4	1.8	16.8	0.5	<b>8.1</b>	18.6	7.1	5.8	24.7
South Africa (1990)	-	13.1	28.8	1.0	<b>7.9</b>	14.9	6.8	3.5	24.1
Hong Kong (1994)	0.6	0.0	19.6	0.7	<b>7.7</b>	28.8	11.9	11.4	19.4
Philippines (1994)	52.8	0.6	8.7	0.5	<b>7.3</b>	7.5	8.4	1.9	12.3
Chile (1994)	0.4	0.3	19.2	0.6	<b>6.1</b>	32.9	7.4	7.7	25.3
Kenya (1991)	18.9	0.3	13.1	1.6	<b>5.0</b>	8.1	5.3	4.6	43.2
Ghana (1990)	8.3	5.6	12.5	1.7	<b>4.6</b>	4.7	4.1	1.9	56.5
Indonesia (1991)	53.9	0.7	10.4	0.2	<b>3.2</b>	15.0	3.3	0.7	12.5
Bolivia (1990)	47.4	2.6	7.1	0.5	<b>2.7</b>	8.1	7.4	0.9	23.4

Source: ILO, Year Book of Statistics, Various Years

### **CHAPTER 3: THE ROLE OF HOUSING IN NATIONAL ECONOMIC DEVELOPMENT: CHANGING PERSPECTIVES OF INTERNATIONAL DEVELOPMENT AGENCIES**

#### **INTRODUCTION**

Chapter 2 discussed the views of academics on the role of housing in national development. The present chapter looks at the international development agencies, notably the United Nations and the World Bank. Two major topics are considered: first, their views, policies and recommendations, and second, their practical actions. These topics are important because some of the international development agencies have exerted great influence, both through direct intervention and through their influence on national policy-makers. The United Nations, for instance, has a special department that deals with housing issues, and the World Bank, through its role as a financier of shelter projects, has succeeded in implementing its preferred policies in most developing countries. Also, in light of the theoretical debates, it is necessary to consider the views of actors who are close to the ground – that is, those who have had a direct influence on policy formulation. To date, no systematic appraisal of the changing views of the international development agencies on the role of housing in national development has been carried out. At the same time, there is enough evidence that these views and roles have changed since the early post-war period. Drawing on a wide range of sources, including annual reports, ‘fugitive’ reports, and working papers, the purpose of the present chapter is to discuss the development agencies’ perspectives prevailing since 1945.



The chapter shows that the ways international development agencies conceptualized housing in the development process over the last 50 years, and that this can be attributed to several factors, including the changing perspectives on ‘development’, the experiences gained in the implementation of development projects, the influence of individuals, and internal and external criticisms of the agencies’ policies at various points in time. The changes in perspective have been accompanied by a continuing shift in the approach to lending and implementation of projects. Nevertheless, I will argue that there are several discrepancies: first between academics and agencies, and second, between rhetoric and practical actions. Concerning the latter, the chapter argues that the agencies’ rhetoric and actions are often inconsistent; for example, in areas of actual budgetary allocations and development programs’ priorities. This discrepancy stems from the status quo of giving the highest priority to economic growth and the tradition of treating housing as a passive element in economic development.

The rest of the chapter is organized in five sections. The first section provides information on data sources and methods in using them. The second provides a brief history of the involvement of international development agencies in housing promotion since 1945. In the third section, agencies’ changing perspectives on the role of housing programs and projects in economic development are discussed. The fourth section compares the rhetoric of the agencies with their actions. Finally, the chapter provides a brief summary and conclusion.

### 3.1 DATA SOURCES AND METHODS

Information about the changing perspectives of the UN and the World Bank on the relationship between housing and economic development may be found in a range of sources. The present account relies heavily on the agencies' own literature. This includes the World Bank's annual reports; World Development reports; the United Nations year-book of statistics; published and unpublished reports on various committee sessions; and working papers. Second, this account also draws upon scholarly works on development issues in general as well as critiques of the agencies' policies and programs. Third, data was also obtained from the World Bank's project database on the Internet.

Various annual reports, notably the *World Bank's Annual Reports* (1946-2000), the *UN Year Book of Statistics* (1945-2000), and *World Development Reports* (1978-2000) were extensively surveyed. From these, I derived two types of information. The first related to the general framework of development themes and philosophy that prevailed at the institutions at different times. The second type was statistical. The reports contain information on development expenditures and this enabled me to construct tables and graphs showing trends in financial allocation among various sectors (Tables 3.1, 3.2; Figures 3.1, 3.2, 3.3). The two types of information are presented throughout the chapter and are vital in establishing policy shifts over the period of study.

Several working papers, especially those from between the 1970s and 90s, were also consulted. Housing researchers have frequently cited some of these reports. These include: *Urbanization* (World Bank, 1972); *Site-and-services projects* (World Bank, 1974); *Housing* (World Bank, 1975a); and *Vancouver Declaration on Human Settlements*

(UNCHS, 1976). A number of these reports, however, were never widely distributed outside the agency itself. This is especially true of those prepared within the UN during the 1950s and 1960s. Examples include: *International Surveys of Programmes of Social Development* (UN Bureau of Social Affairs, 1959), *Main Trends of International Programmes of Housing, Building and Planning* (UN EcoSoc, 1964), and *Integration of Housing into National Development Plans –A System Approach* (UN EcoSoc, 1973). The full lists of published and unpublished working papers are shown in the bibliography. In many ways, the ideas in these working papers reflected the views of the agencies' during a particular period. However, they offer much broader insights for the World Bank than for the UN, mainly because the Bank has a larger number of such papers, especially pertaining to the past three decade. Selected *Country Study Reports* commissioned by the World Bank were also examined. These reports, based on extensive survey of various countries by the Bank's experts contain information on constraints of national development and strategies to combat them. In all, 15 reports were selected and preference was given to countries that the World Bank officials visited on more than one occasion. The reports are significant because they contain development strategies suggested by the Bank's experts for respective national governments. By, comparison with the working papers, they are wider in scope and cover broader development issues. They are helpful in establishing how prominent the issue of housing was in the larger context of ideas about development.

For the UN, its Centre for Housing, Building and Planning in 1975 published a *Cumulative List of UN Documents in the Field of Housing, Building and Planning* (UN



Centre for Housing, Building and Planning 1975). Using this publication as a guide I located a considerable number of documents relevant to the issue. These included reports published by the Economic and Social Council (EcoSoc); UN Committee on Housing, Building and Planning (UNCHBP); the UN Centre for Human Settlements (UNCHS); Economic Commission for Africa (ECA); Economic Commission for Latin America (ECLA); Economic Commission for Asia and the Far East (ECAFE); as well as affiliated bodies like the International Labour Organization (ILO) and the World Health Organization (WHO). Some of these reports were published; others were not. The published reports were either found at the Robart Library at the University of Toronto or obtained on microfiche from other libraries in North America. The unpublished documents were located at the UN's archives and here I drew upon materials gathered by Ceinwen Giles'<sup>1</sup> in New York City in 1999/2000. Of these, the reports of the *Committee on Housing, Building and Planning* were particularly useful in providing early views on housing. However, since the mid 1970s, the *UN Centre for Human Settlements* has become the main agency within the UN set-up responsible for developing objectives for the housing sector, producing a number of strategic documents that articulate views on housing – for example, *Global Strategy to the Year 2000* (UNCHS, 1990a).

Finally, data were obtained from the World Bank's database on urban and housing projects at their website. The website contains detailed information on specific projects implemented by the Bank notably, type of projects, locations, year, and costs of projects. The website is useful in providing information on the above issues which,

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<sup>1</sup> C. Giles was a former student of Richard Harris; McMaster University, Geography.

otherwise were not available in their annual reports, and working papers. The full address of the website can be found at:

<http://www4.worldbank.org/sprojects/Results.asp?all=urban+housing&matchwords> (accessed 28/06/2003); and <http://www.worldbank.org/urban/lending/lending.html> (accessed 7/15/2003).

Together, these varied data sources are extensive and useful, but the compilation posed considerable problems. These problems include in some cases, incompleteness of data for certain years. For instance, in the case of the United Nations Year Book of Statistics (UNYBS), information on expenditures for housing was not reported before 1966, nor for certain years during the 1970s through to the 1990s. This obviously suggests that no definitive conclusions can be drawn for these years. Also, both the UNYBS and the World Bank's annual reports have classification or categorization problems. In particular, some of the sectors do not appear for every single year. But to ensure accurate representation, every sector that has ever appeared is listed appropriately (see Tables 3.2a, b, and c). There were also definitional problems in the agencies' reports: the scope or boundaries of certain sectors were not clearly defined and the exact expenditures for activities in those sectors were not spelt out. For instance, it was difficult to determine what constituted urban management projects and how much was spent on them. Fortunately, however, the Bank's database at the website listed above has detailed description of projects and amount invested in specific programs. This information was used to construct trends in investment for the housing sector between 1972 and 1999 (Table 3.3).

### **3.2 INTERNATIONAL DEVELOPMENT AGENCIES INVOLVEMENT IN HOUSING: A BRIEF OVERVIEW**

Rapid population growth, urbanization, and under-developed productive resources in many developing countries created housing poverty during the early post-war period. This result drew the attention of many international development agencies into the housing field. Among the development agencies that have been prominent in the provision of housing are the United Nations (UN) and its specialized agencies such as the International Labour Organization, the International Bank for Reconstruction and Development – later the World Bank – and its affiliates, the United States Agency for International Development (USAID), the Inter America Development Bank (IADB), and Agency for International Development (AID). Of these, the UN was by far the most important until the early 1970s because it operated on a global scale. Since 1972, however, the World Bank has become a major financier and a powerful player in housing promotion in developing countries.

The UN entered the housing field in 1944 when it formulated its first international program. Formulated by the United Nations Relief and Rehabilitation Administration (UNRRA), the program was narrow and piecemeal, consisting of emergency aid in rebuilding shelter and community services, together with assistance for construction and building materials industries (Weissman, 1978). This program was terminated in 1947. The UN then adopted a more formal approach to the issue of housing with the establishment in 1949 of the Housing and Town and Country Planning Branch by the Economic and Social Council. This was later renamed the Housing, Building and



Planning Branch. Its main project, according to its first head, Ernest Weissman, was “to stimulate an international exchange of information on practical and transferable experiences” (Weissmann, 1978: 229). Earlier, in 1948, the Division of Social Affairs of the UN began to publish a *Bulletin on Housing and Town Country Planning*, which, according to Weissman, was the “project’s vehicle” (Weissman, 1978, p. 229). At that point housing became an issue in the thinking of the organization.

Since the early 1950s, the UN’s housing branch has developed several objectives and programs for the housing sector. One of the objectives developed in the 1950s was a wider role for housing in national economic development. In its recommendation in 1953, the branch advised policymakers in developing countries to formulate policies that would link housing to national economic programs, notably, by taking measures to develop housing finance systems and increase the capacity of the building and materials industries (UN Economic and Social Council, 1957). Two years later, the UN added environmental issues to its lists of objectives, and in particular related “environmental planning to the other strategies for urbanization and regional development, as well as to general planning for national economic and social development” (Weissmann, 1978: 230). At this stage, the UN considered housing and planning as necessary and important issues in industrialization programs in developing countries. Despite these efforts, it was not until 1962 that housing was elevated to ‘commission’ status within the UN. Charles Abrams attributed this delay in housing interest to the long-standing idea that housing was a “social problem” that could wait (Abrams, 1964: 92). During the subsequent four decades, the UN has organized a series of conferences and meetings to deal with various

aspects of housing, including affordability, finance, building materials, and the environment. Notably, in 1976 the UN organized a conference on Shelter and Human Settlements (Habitat I) in Vancouver, Canada, focusing its attention on rapid urbanization and deficits in housing supply. This conference led to the formation of the United Nations Centre for Human Settlements (UNCHS), an executive body responsible for implementing housing programs and giving technical assistance to developing countries. The Vancouver conference was followed by International Year of Shelter for the Homeless (IYSH) in Vienna in 1987, and Habitat II conference in Istanbul, Turkey, in 1996.

Various specialized agencies within the UN and its affiliated institutions have also demonstrated tremendous interest in housing. For instance, the International Labour Organization (ILO) has been concerned with housing for workers and productivity in the building industry, while the United Nations International Children Fund (UNICEF) and World Health Organization (WHO) have recognized the close links between housing and issues of health, development, and urbanization. The UN's Regional Commissions, including Economic Commission for Europe (ECE), Economic Commission for Africa (ECA), Economic Commission for Latin America (ECLA), and Economic Commission for Asia and the Far East (ECAFE) have also done studies on various aspects of housing and urbanization. These agencies conducted studies relating to housing and economic development and adopted resolutions recommending housing as an integral part of national development programs.

The World Bank, established in 1944 as a development institution, became concerned with housing in developing countries for the first time in 1972. Before then, a strong anti-housing bias had existed within the agency because housing investment was considered unproductive. The Bank had always insisted that loans or credits should be geared towards “productive,” private investment (World Bank, 1948/49: 8; Abrams, 1964: 95). Thus, the Bank’s entry into the housing sector was quite unprecedented. Weissmann (1978: 292), for instance, described its shift in philosophy as dramatic. Since 1972, the Bank has included housing and urban issues in its lists of development programs and has become a major policymaker. Its urban specialists have written and provided advice on housing policy in many developing countries; among these are Robert Buckley and Stephen Mayo (1988), Bertrand Renaud (1988), and Per Ljung and Catherine Farvacque (1988).

With regard to housing policy, the World Bank was at first a strong advocate and agent of “slum upgrading” and “site-and-services” projects, particularly in the 1970s and early 1980s. Since the beginning of the 1980s, it has shifted its attention from a project-based approach to the provision of financial support to housing credit institutions and the development of whole housing systems. The Bank, has worked with the UN and other development agencies, to implement urban and housing policies in developing countries. In broad terms, the development agencies’ housing philosophies, policies, programs, and projects have become more comprehensive, emphasizing linkages with other sectors of urban and national economies. These issues are discussed fully later in this chapter.



### **3.3 CHANGING VIEWS OF INTERNATIONAL AGENCIES ON THE ROLE OF HOUSING IN ECONOMIC DEVELOPMENT**

The past 50 years have seen major changes in the ways international development agencies perceive housing and its relationship with economic development. The view that housing is a “non-productive” element eventually gave way to a new perception that recognized housing as wider than ‘shelter’ and physical ‘human settlement.’ In particular, the macroeconomic aspects of housing policy have received significant attention in recent years (Buckley and Mayo, 1988; Mayo, 1991; World Bank, 1993a; Pugh, 1994; Tipple, 1994; UNCHS/ILO, 1995).

To a great extent, the new perception on housing and housing policy has resulted from changing perspectives on development in general. The ‘new’ meaning of development has had a profound influence on the way the international development agencies perceive housing and housing policy, and the type of housing programs and projects they recommended. Between the early 1950s and the late 1960s, increased productivity was considered a good proxy for development, and the primary goal of policy was to increase investment in physical capital to raise production and incomes, and hence, to alleviate poverty. However, in the 1970s this perspective changed, mainly because policy-makers recognized that development encompassed far more than the accumulation of capital. Accordingly, a new philosophy based on basic needs became the dominant paradigm. This approach stressed the importance of alleviating poverty through the direct provision of social services, like shelter, education, health, and nutrition (World Development Report, 1985, p. 98). Since the early 1980s, however, a new development orthodoxy has emerged, one based on global integration of national economies,

liberalization in trade, and deregulation of markets. This, too, has had implications for the housing sector (Harris, 1992, Pugh, 1994).

Although the evolution of the international development agencies' thinking about the role of housing cannot be easily divided into distinct periods, it is possible to identify at least three stages: the first covering the period 1945 to 1971, the second covering 1972 to 1982, and the final stage covering 1982 to the present. During the first phase, the international development agencies had contrasting philosophies on housing. Beginning in the early 1950s, the UN and its specialized agencies like the ILO saw housing as an important impetus in economic and social development rather than simply a passive element in development programs. They stressed the importance of including and integrating housing policy into national development programs. Meanwhile, the World Bank had a fairly negative or indifferent view of housing in this period. In the second phase, however, the World Bank redefined its position, and together with the UN and other development agencies, became more concerned with housing improvement. They emphasized the social aspects of housing – that is, housing as a basic need. The post-1982 era, which constitutes the third phase, is characterized by a more positive perspective to housing within the broader context of economic and urban development. These phases are by no means exhaustive, nor should they be considered conclusive. In many instances, the international agencies' attitudes were not consistent throughout a particular phase. It must also be pointed out that little evidence of explicit views on the role of housing in development can be found in the agencies' reports. In most cases, the

agencies' perceptions of housing can be known from their resolutions or recommendations on the promotion of housing and programs implemented.

### **3.3.1 Phase One, 1945-1971**

Economic development has been of overriding interest to most international development agencies since World War II. Although agencies had different approaches and priorities, they all emphasized economic growth and physical capital. The World Bank, for example, devoted about 50 percent of its lending in its first fifteen years to physical projects, such as power projects and railroads, and none of its expenditures went directly to the social sector (World Development Report, 1985, p. 98). Industrialization, in particular, was considered a decisive part of economic development in developing countries. In 1948, the UN's Economic and Employment Commission published a report on Economic Development in Developing Countries, stating its views on the desirable pattern of development. It advised developing countries to industrialize and, in particular, to concentrate on heavy industries – for example, metallurgy, machine tools, chemicals, and power plants (UN Economic and Employment Commission Reports, 1948: 3-5, and 1949: 3-4). The World Bank's policy recommendations on development were similar, except that it favoured light industries (UN Economic and Social Council, 1949: 1-6).

Although the international agencies never produced explicit statements that rejected housing as a development priority, it is clear that they did not give the issue serious considerations. This point is well demonstrated in Ernest Weissmann's



description of the UN's early attitudes to housing: in hindsight he observed that the agencies' "...conception was exceedingly timid, its priority was low and its resources extremely limited" (Weissmann, 1978: 229). Indeed, the fact that housing was at first omitted in the UN's institutional set-up indicates its low level of importance. It was only in 1949 that the UN Economic and Social Council established its first international program in housing, even though much attention and resources had initially been devoted to the promotion of the so-called priorities programs, such as industrialization.

Similarly, the World Bank's attitude towards housing during this period was fairly negative. Its *Annual Report* for 1947/48 on economic development emphasized the need for investment in sound development projects and mentioned physical infrastructure – such as transportation, communication facilities, and power projects – as major sectors necessary for economic growth and development. The Bank believed that the lack of physical capital was a major obstacle to development in developing countries, and because resources were limited, it was prudent to make selective investment – mainly in areas that contributed directly to economic growth. Although infrastructure projects were considered important, the Bank was concerned with the large outlay of capital, and indicated that, "if housing and similar facilities are included, requirement in this category may amount to two-thirds or more of the total capital needed" (World Bank, 1947/48: 17). Thus, financial considerations were the Bank's major concern, even though it acknowledged some form of housing was a necessary and an indirect prerequisite for the development process. For instance, in its 1949/50 *Annual Report* the Bank stated that, "in many cases, certain basic investments in public utilities, transportation and ports...

workers housing and similar projects will be required before other investments in more immediately profitable activities can be undertaken” (World Bank, 1949/50: 9). As discussed in Chapter 2, the ‘moderates’ have advanced similar arguments; they have acknowledged that investment in housing is a pre-requisite for certain projects but argued against its special priority in national development programs. In spite of this recognition, the Bank neither gives the issue meaningful attention in terms of budget allocation, nor discusses the policy implications of housing investment during the 1950s and 60s. Indeed, the fact that the Bank was not involved in housing development until 1972 is indicative of the level of importance it attached to housing.

The experiences the UN gained in developing countries began to enlarge its conception of housing and the contribution it could make to the development process. During the 1950s and 60s, the UN and its specialized organs developed, in relative terms, a broadening conception of housing. Indeed, by the beginning of the 1950s the UN had become fully conscious of the need to integrate housing policy into national development plans, and the issue was discussed at several UN conferences and specialized committee meetings (ILO, 1953b; UN EcoSoc, 1953). As we saw in Chapter 2, the controversy existing in academic circles from the 1950s and 1970s had also surfaced in the UN by the mid-1950s. One viewpoint, similar to those held by critics, maintained that housing was a non-productive element and, therefore, should not be given a prominent role in national development plans. For instance, at a Regional Seminar on Housing and Community Improvement in Asia and the Far East, a reporter from Bombay, A .M. Lorenz, stated that

with respect to India, there were not “any facts ...to substantiate the statement that housing directly affects productivity” (UN EcoSoc, 1955: 58).

The second viewpoint within the UN Committee on housing was very positive, and consistent with the argument of the moderates and proponents. It indicated that housing policy, especially for housebuilding, was critical to the success of economic development plans. The Housing Branch, particularly, stressed the multiplier effects of housing investment, the possibilities for improving worker productivity, mobilization of financial resources – household savings, and income and employment opportunities from residential construction, particularly in urban economies. It also recognized housing as an essential element of industrialization (UN ECA, 1963: 9-10, see also UN Committee on Housing, Building and Planning, 1964, 1967: 6).

Indeed, the notion that investment in housing was a precondition of economic growth was the leading tenet of the UN’s Housing Branch’s philosophy throughout the 1950s and 1960s. This philosophy was consistently expressed and appeared in several symposium/seminar papers and reports/documents of the UN Committee on Housing, Building and Planning (eg, UN EcoSoc, 1955, 1959, 1964, 1968, 1971). According to a UN Economic and Social Council resolution:

... the role of the housing industry, and particularly the building industry is especially important in the development programme of any developing country ...[because] building activity will call for more building materials which means more industrial employment, and thus it acts as a most important ‘initial impulse’ or pump-priming process (UN EcoSoc, 1955: 58).

Studies were carried out in the 1950s and 1960s on how to make the industry more efficient. The major parameters in the efficiency of the building industry were thought to be lower costs, standardization of building components, prefabrication and



industrialization of the industry, and efficient use of equipments – partly because it was considered “backward”. Thus, the UN recommendations revolved around these parameters, but whether these were appropriate to the peculiarities of developing countries is a contentious question, and is a subject for discussion in the case of Ghana in Chapter 5.

In general, the UN Committee on Housing, Building and Planning argued that without a comprehensive housing policy, and without adequate investment in housing, development programs would be impaired, and various sectors would be unable to perform their essential functions. Field studies and surveys were undertaken, and housing experts were tasked to advise on issues such as the place of housing policy in national development programs and the role of housing in urban development, among others. In 1962, for instance, the UN tasked a group of experts to advise on the place of housing in national development programs and the relationships between housing and national programs. The reports were explicit in calling for appraisal and integration of housing into national development plans, especially for countries in the process of industrialization (UN EcoSoc, 1962: 28; Weissmann, 1978). Based on such arguments, the working party on housing, at its first session in 1963, adopted a resolution that stated:

...housing must be accorded its due priority as a productive investment, not only per se but because it increased productivity throughout the entire economy. It also was a decisive factor in economic development since new factories, farms, and workshops could not be provided, particularly in expanding or developing areas, without housing the workers to man them. (UN EcoSoc, 1963, p. 22).

At a meeting in Addis Ababa in 1963, experts stressed that development plans of African countries “should give housing – without speaking of “absolute priority” - the place it deserves; it was noted that good housing conditions contribute to economic

progress...” (UN EcoSoc, 1964, p. 3). Again, at its sixth session in 1966, the Committee on Housing, Building and Planning stated that, “many members of the Committee had agreed that the construction of housing was a productive activity” and additionally, that “improved housing conditions ...might well be a point of departure for the sought-for economic take-off in a number of developing countries” (UN Committee on Housing, Building and Planning 1967: 6). On the whole, the UN Committee on Housing, Building and Planning contributed to the broadening of the positive view on housing.

The ILO, WHO, and the UN Regional Commissions for Europe, Africa, Latin America, and Asian and Far East, repeatedly expressed similar views. In the 1950s, the ILO considered housing a necessary ingredient for national development and expressed support for workers’ housing programs, which, it argued, were important to raise workers’ efficiency by improving health (ILO, 1953b). Additionally, the ILO paid attention to the building industry which, it believed, was important for employment creation and industrialization (cf. ILO, 1948, 1953a, 1968; Howenstine, 1957; Mumford, 1957). In 1968, the Eighth Session of the ILO in Geneva expressed support for housing in a very positive manner:

A vigorous housing policy is of particular importance in the underdeveloped countries where a large expansion in the capacity of the building industry is needed as a fundamental underpinning for the urban migration and development that are essential for rapid industrialization (ILO, 1968: 4).

On the whole, the ILO believed that the building industry was important for industrialization, and that housing contributed to employment generation. The WHO added a different emphasis to the discussions on housing when it recognized close links between health, housing, and development in general. Arguing that development can only

be achieved through the contribution of healthy people, it emphasized that housing was a major determinant of good health (various WHO resolutions; 1965, 1967(4), 1972(5); see also WHO, 1991, 1992).

The UN Regional Commissions, notably the ECA and ECLA, also devoted considerable time and resources to studying the place of housing in the development process in the 1950s and 60s. For example, delegates at the ECLA conference in 1963 stressed the importance of building materials in industrialization and the process of economic development in general (UN EcoSoc, 1963). Their resolutions indicate that the Housing Branch and other specialized agencies recognized the need to integrate the housing sector into national development strategies. Similarly, in a 1965 report, experts on housing problems in Africa noted an intimate connection between housing and development, and the importance of integrating housing policy into overall development plans. The document stated unequivocally that:

...no housing policy and *a fortiori*, no financing of such policy, can properly be considered except within the framework of the development plan of a given country, that is to say, in the final analysis, within the framework of the general strategy of development and of the choices which it implies. Housing can help to give **concrete form to the idea of development**, but it is not the sole constituent of development. **On the other hand, considered in isolation, it may sometimes hamper development** (UN, ECA, 1965: 52, *emphasis added*).

Many UN reports maintained that housing is not something to be dealt with after development; rather, it is a part of it (UN EcoSoc, 1973 p. 4).

Housing experts who worked with, or served as consultants to, the UN also contributed to the changing perspective on housing. One of the experts was Ernest Weissmann; his views are essential because he was one of the earliest heads of the Housing Branch in the 1950s and 60s. Weissman stated eloquently on a number of



occasions – and in several of his reports and letters to the Housing Branch – that formulation of long-term housing policies and integration of these policies into national development plans was necessary for economic development in developing countries. In an address in 1953 to the Albert Farwell Bemis Foundation conference on the topic: “The Importance of Physical Planning in Economic Development,” Weissmann expressed support for investment in housing in the following words:

When we consider housing and social services we tend to be over-conservative, overcautious and over-economical. Let us take a bolder and more imaginative approach. Let us not forget that provision of adequate housing ...is a prerequisite for sound economic development, as is provision for adequate transport, power and communications. Let us stress and demonstrate the economic benefits that nations could derive from large-scale housing and community betterment programs. Let us also remember that continuous operations would change the seasonal character of employment in the building industries. It could also reduce appreciably the cost of construction... (cited in Kelly, 1955: 65-66).

Weissmann’s address clearly demonstrates the positive view he held about housing and the importance of linking housing policy and national development plans. As discussed in Chapter 2, Charles Abrams and J. F. C Turner were highly influential in the housing field and they both favoured the role of housing policy in development strategies. On a number of occasions, Abrams acted as a consultant for the UN and headed missions to several developing countries, including Ghana, Kenya, Turkey, and Singapore, while Turner lived and worked in Peru. More important, Abrams was one of the pioneers in establishing the direction and tone of the investigation between housing and economic development. In his classic book, *Housing in the Modern World* (1964), he argued that housing policy must be linked to national development plans, and programs should contribute directly to productivity. This thinking on housing policy and programs was also implicit in the work and writings of J. F. C. Turner (e.g. Turner, 1972). These works

demonstrated that housing was considered essential in economic development programs. One could argue that in the 1950s and 60s the UN's overall perception on housing was relatively broad; it supported and advocated for not only investment in housing, but also for its integration into national economic development programs. The positions taken by the agencies were contrary to classical economic theories, which considered housing as a non-productive and durable consumption good. That is, of the three theoretical views outlined in Chapter 2, the UN's and its affiliates' positions were consistent with those of the proponents. In this sense, one might readily draw a conclusion that housing was a developmental priority. But such a conclusion would be misleading and incorrect, and as is argued later in this chapter, actual policies and priorities were profoundly biased against housing – although their reports and recommendations suggested otherwise.

### ***The World Bank***

Compared with the UN view, the World Bank's conceptualization of and approach to housing during 1950-1971 did not change. By the early 1960s, the General Assembly, the Economic and Social Council, and the Social Commission of the UN had adopted an integrative approach to the development process -- that is, one that balanced economic with social considerations – and had adopted a resolution to that effect (cf. UN Report of the Economic and Social Council, 16th Session, 1961, p. 37). On the other hand, the World Bank's approach to and definition of development remained firmly rooted on economic grounds until the early 1970s. According to Mason and Asher (1973: 48), the Bank identified development with “a demonstrated capacity to sustain a

“satisfactory” rate of increase in the gross national product, or perhaps of per capita GNP.” Throughout this period, the Bank placed emphasis on capital formation as the main instrument of economic growth and development, and its finances were directed at “economic-overhead” projects (World Bank, 1950/51: 12). Its lending goal was “to provide the necessary stimulus to commerce, raise industrial and agricultural production, and open up new markets and new areas of development” (World Bank, 1962b: 23). Consistent with its view on development, the Bank insisted that loans provided to member countries must be for direct “productive” purposes – primarily for physical capital, notably, transportation, communications, and power plants, which together constituted about 60% of the Bank’s lending in the 1960s. Emphasis was placed on these capital projects mainly because it was considered not only as a primary prerequisite for faster economic growth in developing countries but also as a necessary framework for expansion of private enterprises, which the Bank regarded as the power behind economic development (Mason and Asher, 1973: 465). Further, capital projects were considered essential because the net returns are higher and the time involved to maturity is short compared with “social overhead projects,” notably housing.

Thus, as in the periods before the 1950s, housing did not enjoy priority at the World Bank during the decades 1950s and 60s and because it was considered a less direct “productive” investment. A search through the Bank’s annual reports for the 1950s and 60s reveals no reference whatsoever to housing as a priority project or sound investment.<sup>2</sup>

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<sup>2</sup> Thirteen selected reports were surveyed, covering the periods, 1947-1950; ‘53; ‘55; ‘57; ‘59; ‘60; ‘63; ‘65; ‘67; ‘69



The basic philosophy of the Bank, according to Laquian (1977: 292), was to “invest in basic facilities and industries that would build economies, which would, in turn, generate enough growth for housing to thrive as an industry.” Or, as Charles Abrams stated, “housing production will occur as a spontaneous result of aid given to everything except housing” (Abrams, 1964: 96). A representative of the Bank stated in an address to the Eighth Session of the UN Social Commission in 1961, that “...aid to housing will take the form, as it has done in the past, of investment in basic utilities and industries, thus helping to build economies, in which housing can become progressively more active” (UN EcoSoc, 1962: 7-12). Although the UN had called upon the Bank to participate in housing projects, the Bank had repeatedly declined such invitation (UN EcoSoc, 1963:13). Indeed, the question of the Bank’s financing housing was raised several times at the UN Committee on Housing, Building and Planning’s sessions, including the UN experts’ meetings on housing and urban development in 1962, and again on housing problems in Africa in 1963. The Bank was suggested as a possible provider of loans (UN ECA, 1962, 1963). However, it refused to lend because housing investment did not meet its basic test – increased productivity – for providing loans. During this period, the Bank organized missions on various aspects of economic problems, but only on one occasion was a housing expert included. Further, an official was reported to have told a UN meeting that “...it did not need a housing expert on its staff” (Abrams, 1964: 95). In general, their thinking and attitude had many affinities with recommendations then being made by the development economists, who indeed were active and dominated the institution, so their practical actions thus illuminate much of their thinking (see Chapter

2). It was for this reason that many considered the Bank's venture into site-and-services projects in 1972 as dramatic and innovative.

### **3.3.2 Phase Two (1972-1982)**

In the period 1972-1982, the World Bank began to pay serious attention to the issue of housing within the context of urban development. The agency's change of attitude may be attributed to a number of factors, the two most significant being pressure from governments in the developing world (Laquian, 1977, p. 292; Pugh, 1994, 1995), and the work and influence of international housing experts such as Charles Abrams, John F C Turner, and William Mangin (Van der Linden, 1986; Pugh 1994, 1997b). In addition, the Bank's increased interest in housing partially resulted from its 'new' perception of development and economic priorities. As has already been noted, its early model of development placed overwhelming emphasis on increased physical capital, and it measured development in terms of increase in Gross National Product (GNP). However, by the early 1970s, scholars and policymakers both within the Bank and externally had noticed serious limitations with this approach, notably Hollis Chenery, who noted that "our diagnosis of the causes and dimension of poverty calls into serious question the accepted approaches to policy-making" (Chenery et al., 1974: xiii). Outside the Bank, there were critics such as Prebisch who challenged the development models based on economic infrastructure, arguing that such strategy required high import components, with negative effects on the country's terms of trade, balance of payment, and debt services (DeWitt and Peter, 1977). These criticisms, together with the agencies'

own recognition of the failure of initial development strategies and widespread poverty in the developing countries, began to change the agencies' perspective on development. Regarding the role of capital for example, Eugene R. Black, the Bank's President in 1961 said that, "Our experience continues to confirm that shortage of capital is not the only, and indeed not the principal, obstacle to more rapid economic progress in the less developed countries" (World Bank, 1962a: 63). Also, the expected "trickle down" effects from rapid economic growth never materialized and the Bank admitted that, "the benefits of growth cannot be assumed to 'trickle down' automatically; to ensure that development benefits the poorest, it must deliberately be directed to the poorest" (World Bank, 1977: 8).

Thus, beginning in the 1970s, the Bank expanded its conception of and requirements for development – the emphasis on capital investment giving way to other considerations, notably, investment in human resource development. The World Bank and other development agencies became convinced that growth and the more equitable distribution of wealth required new development priorities, including housing, health, and human resource development. Concerns with these new development objectives were apparent in the address that Robert McNamara, the Bank's President, gave to the Board of Governors in Copenhagen. He stated,

We have made a start at broadening the concept of development beyond the simple limits of economic growth. The emerging nations need, and are determined to achieve, greater economic advance. But ...we believe economic progress remains precarious and sterile without corresponding social improvement. Fully human development demands attentions to both. We intend, in the Bank to give attention to both (cited in Mason and Asher, 1973: 475).

During the 1970s, the issue of poverty became the central focus of the international agencies, including the World Bank at various international conferences.



The Bank considered poverty in the developing world as a major pressing problem of development and proposed an alternative strategy to deal with it (World Bank, 1979). Specifically, the agencies adopted a “basic need” approach<sup>3</sup> to development, marking an important departure from the previous emphasis on capital formation. This approach was amply supported by the various development institutions including the ILO, whose General-Director recommended – at a Tripartite World Conference on Employment in 1976 – the adoption of the new approach by its members: “The approach which is now proposed is that development planning should include, as an explicit goal, the satisfaction of an absolute level of basic needs” (ILO, 1976: 31). Greater attention was to be paid to the needs of the people for shelter, education, nutrition and health – particularly among the least privileged (Thirlwall, 1995). The ILO emphasized investment in human resources to raise productivity and increase employment and income, albeit in the long run. Streeten suggested that these basic needs included:

... more and better food, safe water at hand, security of livelihood, health, sanitation, education, **decent shelter**, and adequate transportation. In addition there are nonmaterial needs like self-confidence, self-reliance, dignity and capacity to make one’s own decisions, to participate in the decisions that affect one’s life and work, and to develop fully one’s talents...(1979: 48, *my emphasis*).

For the Bank, its views on housing during this phase were varied and inconsistent. Indeed, its housing sector policy papers made references to the economic importance of housing; for example, its 1975 policy document described housing as a tool for “...macroeconomic development, which should be viewed as complementary to other

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<sup>3</sup> Unlike the previous development strategy, which stressed investment in physical capital, basic need emphasized direct provision of goods and services to alleviate poverty. Key areas include education, shelter, rural development, nutrition, and health.

sectors” (World Bank, 1975a: 17). The document further reiterated that a “well-planned housing policy can increase national productivity, economize on urban space and minimize the cost of urban infrastructure.” Similarly, its 1975 *Annual Report* noted that a sound housing program can “...make a substantial contribution to economic development and social welfare” (World Bank, 1975b: 20). Clearly, these statements suggested a new way of thinking about housing. In reality, however, the Bank did not fully implement these new ideas. Although housing appeared among the Bank’s lending programs, the Bank’s actions and recommendations showed that housing was still conceived narrowly. The Bank’s idea of housing, according to Pugh (1994), “...scarcely represented anything more than ‘shelter’ and the physical nature of dwellings and their related infrastructure” (p. 173). The World Bank was not alone.

At about the time the World Bank began to pay the issue some serious attention, the favourable economic views of the UN on housing weakened considerably. The Housing Branch continued to place considerable emphasis on housing as a “basic human right”. Major policy statements by the World Bank, the UN, the ILO, and other development agencies all advocated the same theme. In 1976, these views were well articulated in UNCHS’ Vancouver Declaration on Human Settlements, which stated that “adequate shelter and services are a basic human right which places an obligation on Governments to ensure their attainment by all people, beginning with direct assistance to the least advantaged through programs of self-help and community action” (UNCHS, 1976:7). This rhetoric was not new – although, perhaps, embraced with new enthusiasm. At most international conferences during that decade, however, few remarks were made

about the economic potential of housing in national economic development. A typical example is the *Vancouver Declaration and Action Plan*, in which the document gave only a passing and vague attention to the relationship between housing and national development plans (see, UNCHS, 1976). There were no explicit recommendations concerning the role of housing in economic development strategies; neither was there any comment on improving productivity of the building industry or the promotion of housing finance institutions. Instead, the focus was on how to make shelter affordable and accessible to the low-income groups, replicate projects, and recover cost from public funded projects, which, of course, were the Bank's urban development strategy at the time (see, World Bank, 1972, 1974, and 1975a).

Both the UN's and the World Bank's overall 'new' housing policy approach had a number of limitations. The project-by-project approach was narrow in scope. It did not stress either the macroeconomic aspects of housing or the link between housing and the wider urban economy. The Bank was concerned primarily with the housing delivery system, and its intent, according to Pugh (1995: 64), was to make "housing affordable to low-income households without payment of subsidies, in contrast to the heavily subsidized public housing approach." The Bank's principle towards housing was based on three main premises: affordability, replicability, and cost recovery (World Bank Annual Report, 1991b: 55). Arguments for these principles are well stated in its sector papers (World Bank, 1972, 1974, 1975a, 1980) and are competently reviewed and debated by several authors (Ward, 1982; Turner, 1978; Burgess, 1985; Mathey, 1997; Pugh, 1994). The arguments which favoured the Bank's new orthodoxy were plausible,



but as already indicated, the approach was rather narrow in scope (Pugh, 1994). According to Pugh (1991a: 277), the first phase theory of low-income housing was based upon neo-liberalist political economy, with emphasis on individualism, free markets, and ‘user pays’ principles. This means the Bank’s overall general intent was not centred on the economic importance of the housing sector in relation to other sectors of an economy.

The World Bank’s approach to housing during the 1970s was a surprise. It had previously argued before the UN Economic and Social Council that the relation of housing to productivity arose in cases where “...housing development is an integral part of a directly productive project, for example workers housing for industrial plant” (quoted in UN EcoSoc, 1963: 13). From this standpoint, one would have expected the Bank, after 1972, to emphasize the economic potential of housing investment, including income and employment opportunities, multiplier effects, housing finance development, and productivity of the building industry. On the contrary, the World Bank’s prescribed strategies – “aided self-help” and “site-and-service projects” – were not justified in terms of national economic development. Instead, the agencies were primarily concerned with the provision of physical housing units as a basic human need. Of course, part of the logic of “basic needs” approach was to improve human capital formation as a way of promoting development. But the problem of this approach is that it justified investment in housing on welfare grounds, and thereby, neglected the broader issues of impacts of housing policy on the processes of economic development. As the Bank itself acknowledged several years later, “proclaiming housing to be a welfare good or a basic human right cannot command the resources necessary to provide decent housing for

everyone” (World Bank, 1993a: 58). This limitation is, however, addressed in the third phase, discussed next.

### **3.3.3 Phase Three (1982 - present)**

The past two decades, more than any other period, have been characterized by continuous reforms and rethinking of housing policy. As in the preceding years, the reforms and views are stated in the agencies’ publications: for example, *Learning by Doing, Urban Policy and Economic Development*, and *Housing, Enabling the Markets to Work* (World Bank, 1982, 1991a, 1993a). These publications articulate a new direction for housing policies for both the Bank and the Third World countries. For instance, the 1993 Sector paper strongly emphasizes:

...reform of government policies, institutions, and regulations to enable the housing markets to work more efficiently, and a move away from the limited, project-base support of public agencies engaged in the production and financing of housing (World Bank, 1993a: 1).

The paper went further, advising governments to “abandon their earlier role as producers of housing and to adopt an enabling role of managing the housing sector as a whole” (World Bank, 1993a, p. 1). Similarly, several of the UNCHS’ documents and publications contain explicit guidance and frameworks for housing development (UNCHS, 1987, 1989; 1990b). Central to this phase has been the emergence of a close working relationships among the agencies, notably the World Bank, UNCHS, the United Nation Development Program (UNDP), and various Non-Governmental Organizations (NGOs).

In general terms, the international development agencies, especially the World Bank, have developed a wider conception of urbanization and housing and a greater understanding of the link between housing and other sectors of the economy. In its 1993 housing sector paper, the Bank argued for a drastic shift in housing policies:

...housing agenda should not be seen as one of shelter per se or only as an element of welfare policy, but rather as one of managing the housing sector as a whole, while still contributing to the provision of a safety net...the housing sector must be seen as an important and productive sector, in which policies have serious repercussions for overall economic performance, and not, as is a common view, as a drain on productive resources.” (1993a: 11).

Earlier, a UNCHS (1990a: 19) document had identified specific contributions of housing investment, and urged policy makers to be aware that:

“...housing investment is productive and an important source of income and employment,” adding that

“...housing and infrastructure investments are productive investments from both an economic and a social point of view,” and concluding that

“...housing represents an important share of national wealth and is, thus, not only a measure of a society’s well-being but also an important motivation for saving and investment.”

The period since 1982, then, has been characterized by what some refer to as a ‘whole sector’ housing development approach (World Bank, 1993a; Pugh, 1994, 1995, 1997a). This idea entails comprehensive policies and institutional reforms rather than isolated projects, and places housing in the broader context of development policy. These policy reforms are based on better recognition of the productivity and economic potential of housing investment; and greater understanding of the linkages between housing investment on the one hand, and urban productivity on the other. This new view about the productivity of housing investment is similar to that expressed by academic proponents of housing in the late 1960s (see Chapter 2), although it placed greater emphasis between macro-economic policies and urban development.



There are at least three very different factors that might account for the wider view of housing in the 1980s and 90s. First, the experiences of the agencies, particularly the World Bank, with site-and-services and upgrading projects during the 1970s and early 80s revealed the weaknesses and limitations of project-based programs. The Bank became aware that, on the one hand, its schemes had not always been quite successful – there were locational, institutional, bad administration, and cost problems (Keare and Parris, 1982) – and that on the other, the affordability-cost recovery-replicability approach was a narrow conceptualization of housing that called for a broader perception of housing (World Bank, 1991a, 1993a; Pugh, 1994, 1997a). Pugh (1994), for instance, argued that the initial projects were narrowly conceived and lacked basic understanding of the relationships between housing and the national economy — a limitation acknowledged by the Bank itself (World Bank, 1993a; Nientied and Van der Linden, 1985, Mayo and Gross, 1987, Skinner, et al, 1987, and Ward, 1998). In short, the initial projects failed, partly because of the Bank’s narrow conception of a housing sector that compelled it to revise its approach by placing the urban agenda within the context of the broader economic development.

Second, weakness of public sector institutions, high building standards, and inappropriate regulations as constraints to the effective operations of the housing system were also identified by the agencies (World Bank, 1991b). To address these constraints, the Bank thought it necessary to shift emphasis from a project-based approach to the broader issues of policy and institutional reforms and the creation of a regulatory environment in which the private sector could operate effectively.

A third and broader issue was the overall economic challenges of the 1970s and early 80s in many developing countries: high inflation, high and volatile interest rates, declining terms of trade, increased indebtedness, deepening poverty, and other issues; all of these necessitated a re-thinking and adoption of a different approach to housing and urban development, as well as a redefinition of governments role. These shifting approaches were part of neo-liberal reforms introduced in the developing countries in the 1980s and 90s. The basic tenets of these reforms include the introduction of stabilization programs, tightening and credits conditions, a cut in government expenditure, such as on housing, and securing reductions of deficits in balance of payments (Duncan and Howell, 1991; Gilpin, 1994). In the 1960s and 70s the focus was on state leadership, but in the early 1980s development planners and institutions, notably the IMF and the World Bank, began to advocate for market leadership, trade liberalization, and the deregulation of housing and land markets (Pugh, 1994: 166). These and other considerations meant a re-conceptualization of housing itself and the role it could play in economic development. As the World Bank (1993a: 10) sector paper aptly noted, "... the perception of the housing sector must simply shift."

Thus, since the early 1980s a new perspective has developed within the UN and the World Bank and its affiliates, one that reflects a greater understanding of the potential contribution that housing can make to domestic resource mobilization and financial development, while at the same time, claiming to meet social objectives (Ljung and Farvacque, 1988). As noted earlier, housing was brought closer to, or integrated into, macro-economic policy, and the main thrust was the development of the whole housing

sector within the broader context of urban and national development. Ljung and Farvacque (1988) described this initiative as movement away from sporadic intervention in shelter projects to address broader financial and institutional issues (cf. Werna, 1996). Thus, an important outcome of changes in perspectives is a continuing shift in approach to lending, including emphasis on housing finance institutions, which the agencies' perceived as important for sustaining urban economy and overall financial markets. The Bank supported housing finance projects in various countries, notably, the Korea Republic in 1987 with \$150m, and India and Mexico in 1988 with \$250m and \$300m, respectively. In Ghana, in 1990 the Bank provided a loan of \$10m to establish the Home Finance Company (HFC), currently the only housing mortgage company in the country.

By the late 1980s, the agencies' views on housing and human settlement in general have been further broadened by laying a strong emphasis on "enabling" strategies<sup>4</sup> in the provision of housing in developing countries. Pugh (1994: 358) has suggested that "enabling" strategies have an economic purpose in the sense that housing is now "...understood as being linked to the wider urban economies and both the housing sector and the urban economy are meant to be used as a vehicle for promoting national economic development." The enabling strategy has received official backing at several international meetings since the late 1980s. For instance, the Second International Shelter Conference in Vienna in 1987 centred on a discussion of shelter and economic development and stressed the need for integrating shelter policy as part of a national

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<sup>4</sup> Enabling strategy seeks to reorient government's role away from direct housing provision and to regulate the private market to one that allows housing markets to function efficiently in what is generally called "market oriented approach".



development strategy (IYSH, 1987). Significant as well, in the following year, was the endorsement of the Global Strategy for Shelter for the year 2000 by the General Assembly of the United Nations (UNCHS, 1990a). As part of its resolution, the General Assembly stated explicitly that:

Shelter and development are mutually supportive and interdependent, and policies must be developed in full recognition of the important links between shelter and economic development (UN Year Book, 1990a: 479).

Other agencies like the USAID and UNDP have also employed the “enabling” strategy in their urban development and housing policies (Maybach, 1998). The main feature of this approach is the widening of the scope of housing policy and arguments supporting the importance of housing in an urban economy. The UNCHS’ 1988 agenda emphasised the influence of human settlements on economic growth, rather than consider them as only supporting social services. Home Based Enterprises (HBEs), discussed in Chapter 2, are now recognize as a vital source for the generation of income and employment, and the agencies have already sponsored programs to that effect (UNCHS, 1992; Spence et al., 1993).

This new thinking about housing policy has already received official endorsement by the ILO, the WHO, and the Bank’s researchers and consultants (eg. Malpezzi, 1990; Malpezzi and Sa-Aadu, 1996; and Mayo, 1991), and housing sector reforms have already begun in a number of developing countries, including Mexico, India, Chile, Nigeria, Ghana, among others (see Pugh, 1995; Ogu, 1999).

Like the approaches before the 1980s, the agencies’ market concept, and in particular, the ‘enabling strategies,’ has generated considerable debate among

researchers. This time, however, the debate is not about the perspective on housing, but rather, on the policies' appropriateness within the context of developing countries and on implications for the urban poor. Indeed, the World Bank and its allied writers have supported the current policy on the grounds that the housing markets of developing countries are over-regulated, and thus, have impeded market operations and driven up costs (see, World Bank, 1993a; Malpezzi, 1994). Formal private markets are seen by these authors as more efficient and appropriate responses to distortion in the housing markets of developing countries. In response to these recommendations, researchers have raised concerns about 'formal' private markets bias and its inability to effectively cater for the poor (Baken and Van der Linden, 1993; Jones and Ward, 1994a, 1995; and Jones, 1996). A market approach pays scant attention to – and may even damage – informal housing activities, which cannot compete with the formal sector for credit, land, and other factors of production. Baken and Van der Linden (1993, p. 5) have elaborated considerably on this point, contending that proposal for market efficiency ignores the imperfection in the Third World housing market, including imperfect knowledge, and the monopoly power of property companies, land owners and mortgage institutions. The UNCHS, which initially endorsed the proposal, later expressed similar concern: "As the title of the most recent World Bank policy statement makes clear, the focus is on 'enabling' the markets to work rather than on enabling the poor to gain access to housing and land markets" (UNCHS, 1996c: 338).

The effects of the private markets bias has been particularly apparent to Ghana since the beginning of the 1990s where, as a result of privatization, liberalization, and an

open market policy, huge private building firms have emerged and are actively engaged in the construction of houses. Even though the involvement of formal private firms in housing delivery is not bad *per se*, it has had a negative consequences for the low-income population. The price of houses produced by these firms are astronomical – with prices as high as US\$200,000 (Konadu-Agyemang, 2001c: 18), making it practically impossible for the poor to ever purchase. At the same time, liberalization of the land market in Ghana has also led to speculative activities and escalating prices, depriving further the low-income groups of land. Similar patterns have prevailed in Greater Santiago (Duran and Soza, 1987), and in Bangkok (Dowall, 1989, 1992). Both cities have experienced fast-rising land and housing prices during the era of deregulation. This development in these and other housing markets confirms indeed the views of Baken and van der Linden and their colleagues.

Another limitation of the enabling policies is that standards are likely to be raised by monopoly powers. Again, Baken and Van der Linden (1993: 7) argue that market systems in which the formal private sector dominates could “exert upward pressure on standards so that in the end the poor would be priced out of the market.” They argue that from the economic perspective, the growth of the formal private sector could mean the reduction of informal housing employment, because “the labour component is generally much higher in informal construction than in its formal counterparts” (ibid. p. 7). In general it can be said that strengthening the formal private sector in housing delivery is vital, but it is equally critical that housing policies balance this with measures that limit



the adverse effect on the informal housing sector. How this contradiction can be resolved is critical for the impact of housing policy on overall economic development.

### **3.4 COMPARING RHETORIC WITH REALITY**

The published, official statements of the international development agencies indicate a steadily growing commitment to housing. But actions speak louder than words, so the questions to ask about the agencies' real commitment are, therefore: What have these agencies actually done? What changes have the agencies brought about since 1945? To answer these questions, attention will be paid to two related issues. One is the trend in expenditures on urbanization and housing, the other covers the importance of housing in broader recommendations of the agencies in national development. The latter is imperative because a majority of the documents surveyed in the preceding section relate specifically to housing and are most likely to contain positive statements. An accurate description of the changing perspective on housing, however, must go beyond these documents and look at broader reports on development. A major argument is that rhetoric and practical actions are often inconsistent, stemming from the status quo of giving the highest priority to economic growth and the tradition of treating housing as a passive element in economic development.

#### **3.4.1 Lending to Urbanization and Housing**

The share of housing expenditure in total funds allocated for development programs is an important indicator of housing's priority. Given the prominence of these

agencies, it is surprising that no attempt has been made to trace fluctuations in the amounts they spent on housing. To this end, expenditure data were compiled from three major sources. One is the UN Year Book of Statistics (UNYBS), covering the period 1966-1982. Another is the World Bank Annual Reports, covering the period 1951-2000. The Third source is the Bank's Projects Database at <http://www4.worldbank.org/sprojects/Results.asp?all=urban+housing&matchwords> and <http://www.worldbank.org/urban/lending/lending.html>. Overall, the data provide a general idea of the extent and priority of housing within the scheme of development programs.

Since the 1950s, expenditures on housing projects have been minimal compared with the supposedly “productive” sectors. During the period 1966-1971, housing, building, and planning accounted, on the average, for only 1.8% of the United Nations Development Program (UNDP) expenditures on economic and social activities compared with 21.6% for industry which had been one of the traditionally favoured sectors (Table 3.1a).

**Table 3.1a: UNDP Expenditures by Field of Activity (percentages), 1966-1971**

ACTIVITY	1966	1967	1968	1969	1970	1971
Agriculture	37.6	37.8	46.1	36.8	31.1	33
Industry	22.5	25.1	15.9	25.2	20.7	20.3
Public Utilities	13.1	13.9	11.7	18.7	19.8	15.4
Multi-sector	10.6	8.8	6.9	5.4	3.8	8.2
Education	9.1	6.0	9.5	6.7	12.0	11.1
Public Admin & Other Services	4.9	6.3	5.0	5.0	7.6	6.4
<b>Housing, building &amp; Physical Planning</b>	<b>1.8</b>	<b>2.0</b>	<b>2.5</b>	<b>1.2</b>	<b>1.3</b>	<b>2.2</b>
Health	-	-	2.3	0.4	3.1	2.8
Social welfare	0.4	-	0.1	0.6	0.6	0.3

Source: United Nations *Year Book*, 1966-71

The share of industry is, however, not surprising because, as pointed out in Chapter 2, the conventional wisdom was that investments in industry paid off quickly and had direct and immediate relevance to the economies of Third World countries. As shown in Table 3.1a, the development of agriculture has been another important objective of the UN, accounting for about 35-37% of the UNDP budget, mainly because of recognition of the importance of agriculture in developing countries. The sector is considered as dynamic in developing countries and contributes tremendously to growth in real income, employment, and foreign exchange earnings, and more especially, to the alleviation of poverty (UNYBS, 1970).

Since housing did not appear on the list of expenditures by field of activity, nothing is known about the UN's financial commitment in the years prior to 1966. It was in 1962 that housing was elevated to a 'commission' status within the UN – a possible reason for its previous exclusion. Judging by the share of funds for the period 1966-1971, it can be reasonably assumed that any expenditure on housing projects prior to 1966 could still be significantly less than those of other sectors, especially the traditionally regarded "productive" sectors.

The period 1972-1978 represents another era in which housing, building, and physical planning were excluded from the lists of expenditures. It is not known how much was spent on housing programs during this period, but by 1979, the share of funds allocated for human settlements stood at 1.4% and 0.9% and 1.2% in 1980 and 1982 respectively (Table 3.1b). As can be seen from Table 3.1b, the sectoral allocation of expenditures shifted away from industry, whose share fell from 15.8% in 1972 to 7.4% in



1982. The share of health, on the other hand, rose from 5.3% in 1972 to 19.4% in 1982, a rise consistent with “basic needs” approach, identifying health and related services as priority areas necessary for financial support.

**Table 3.1b: UNDP Expenditures by Field of Activity (percentages)-1972-1982**

ACTIVITY	1972	1973	1974	1975	1976	1978	1979	1981	1982
Agriculture, Forestry, Fishery	29.3	27.5	25.9	27.4	27.8	27.8	26.3	14.8	18.0
Industry	15.8	14.5	15.7	16.3	15.7	18.3	12.0	5.3	7.4
Transport and Communication	10.4	13.6	13.4	11.4	12.4	10.6	12.9	7.4	8.9
Policy and Planning	10.4	10.4	11.8	12.1	13.1	12.5	10.9	-	-
Education	8.5	8.0	6.9	6.9	6.8	6.6	6.9	3.8	4.1
Science and Technology	6.9	6.7	7.0	5.8	4.6	5.1	4.5	2.7	4.2
Natural Resources	4.8	5.1	4.0	5.3	4.8	4.1	11.0	6.5	9.7
Health	5.3	5.7	5.7	5.8	5.8	5.0	4.3	14.7	19.4
Labour, Management, Employment	3.5	3.5	3.7	3.7	3.9	4.1	6.8	3.6	4.9
Social Security and Services	2.3	2.3	1.8	2.0	2.0	1.8	3	0.5	0.8
International Trade	1.6	1.8	1.8	2.2	2.1	2.9	3.0	1.5	2.3
Cultural, Social & Human Sciences	0.7	-	0.6	0.5	0.8	0.9	-	0.7	2.1
Human Rights	-	-	-	-	-	0.1	-	0.0	0.0
Population	0.3	0.2	0.1	0.1	-	-	-	6.3	8.2
Relief Activities	0.3	0.1	0.6	0.6	0.3	0.2	-	0.1	0.1
Political Affairs	-	-	-	-	-	-	-	-	0.4
General Development	-	-	-	-	-	-	10.7	5.9	8.3
<b>Human Settlements<sup>5</sup></b>	-	-	-	-	-	-	<b>1.4</b>	<b>0.9</b>	<b>1.2</b>
Other	8.7	1.0	2.2	1.2	1.1	-	1.6	25.3	-

Source: United Nations *Year Book*, various years

Between 1980 and 1987, less than 2% of all bilateral and multilateral financial aid programs went into housing (UN Year Book, 1989: 467). Judging by the comparatively small expenditures, it can be asserted that low priority has been accorded to housing within an overall development scheme. This fact was even underscored in the 1989

<sup>5</sup> The UN defined human settlements broadly to include issues dealing with land, finance, infrastructure, institutions, and building material production.

UNCHS Executive Director's report on financial aid and assistance for developing countries: The Director acknowledged that financial development institutions have most often accorded low priority to issues of human settlements (UN Year Book, 1989: 467). And also observed by scholars such as Hesselberg (1995: 157): "the amount of assistance from international organizations and bilateral aid to urban poverty and shelter problems is negligible."

Trends in the World Bank's lending for urban purposes are shown in Tables 3.2a, 3.2b and 3.2c. A notable feature in the 1950s, 1960s and the early 70s, seen in the Tables, was a strong commitment to sectors such as transportation, power and energy, and industry. In the period, 1952-62, these three sectors received the largest share of the Bank's lending, accounting for about 82.5% of the total lending (Table 3.2a). This trend continued well into the 1960s. In 1963 alone, for example, these three sectors again accounted for 83.1% of the Bank's total lending (Table 3.2b). This is not surprising because economic development at the time was largely equated with capital formation. However, lending in transportation, power and energy, and industry experienced a decline during the 1970s and early 80s, mainly because of a change in perspective on development, from emphasis on 'capital formation' to 'basic needs' paradigm. Despite the decline in these sectors, the three sectors still accounted for 42.1% of the Bank's total lending in 1982. Notable during the period 1963-1982 was a large percentage share for agriculture. Similar to the UN, the Bank justified the increase on the premise that large numbers of people depended on agriculture for livelihood and contributed significantly to exports earnings (World Bank, 1963, 1977). In addition to the importance of agriculture

**Table 3.2a: Trends in World Bank Lending by Sector, 1952-62**

SECTOR	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Transportation	20.2	22.8	28.8	30	30.2	28.3	32.1	33	33.4	35.3	34.4
Power & Energy	44.2	38	37	34.7	36.4	34.4	34.2	43.3	35.1	33.7	36.6
Industry	7.9	14	12.2	13.3	15.3	17.4	16.9	21.3	18.3	17.1	16.9
Agriculture	14.5	14.1	12.1	12.7	10.5	10.9	9.8	9.8	8.2	9.6	8.3
Communication	2.8	2.4	1.9	1.5	1.2	0.9	0.7	0.7	0.5	0.5	0.4
General Development	10.4	8.7	8	7.9	6.5	8.1	6.3	6.3	4.5	4	3.4

Source: World Bank Annual Reports, 1952 - 1962



**Table 3.2b: Trends in World Bank Lending by Sector (percentages) -1963-1982**

SECTOR	1963	1964-68	1969-73	1974	1975	1976	1977	1978	1979	1980	1981	1982
Transportation	38.3	29.1	25.3	22.2	16.8	20.7	15	13	19	12.6	8.8	12.4
Power & Energy	34.5	29	17.5	17.8	8.5	14.3	16	14	15	24.8	16.2	22.3
Industry	10.3	2.3	4.5	9.7	13.4	9.1	8	5	9	3.7	7	7.4
Agriculture	8.6	12.3	20.1	22.2	31.5	24.5	33	39	25	30.1	30.6	23.7
Dev't Finance Company	3.9	9.6	9.5	8	8.5	11.5	11	11	7	7.1	9.1	8.4
Non-project	3.3	9	5.6	5.4	8.8	6.5	3	2	4	4.6	8.2	9.5
Telecommunication	0.9	3	5.4	2.5	3.4	1	2	1	1	1.1	2.7	3
Water Supply	0.2	2.4	4.6	4	2.5	5	4	4	10	5.5	4.3	3.4
Education	0.1	3.1	5.6	3.5	3.8	4.8	4	4	5	3.8	6	4
Technical Assistance	-	-	0.1	0.5	0	0.5	-	-	-	0.1	1.1	0.6
Population	-	-	0.5	0.4	0.7	0.4	1	1	1	1.2	0.1	0.3
Tourism	-	-	0.6	1.1	0.5	0.5	1	-	1	-	-	-
Urbanization	-	-	0.4	2.6	1.6	1.2	2	4	3	3	4.1	2.9
Small-Scale Enterprises	-	-	-	-	-	-	-	-	-	2.3	1.9	2.2

Source: World Bank Annual Reports, 1963 - 1982

**Table 3.2c: Trends in World Bank Lending by Sector (percentages) –1983-99**

SECTOR	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Transportation	13.3	16.7	14.9	9.2	9.9	13.7	8.6	13.5	6.1	6.1	16.2	15.8	9.5	12.9	20	11.5	10.4
Power & Energy	19.5	22.7	24.9	18.5	19.5	12.4	18.1	15.9	13.5	3.1	15.1	13.3	12.6	15.4	10.6	7.5	1.6
Industry	4.8	3.5	4.5	5	2.4	11.6	9.3	3.8	8.7	10.2	1.4	3.3	1	1.2	1	0.3	2.3
Agriculture	25.5	22.4	26.1	29.3	16.6	23.4	16.3	17.7	16.3	17.6	13.8	18.8	11.8	9.7	18.6	9.4	9.7
Dev't Finance Company	8.6	6.2	3.9	8.9	13	8.9	13.5	6.1	8.2	10.6	4	7.2	11.4	6.6	6.2	21.9	9.9
Non-project	9.9	8.9	4.4	8.1	13.8	8.8	11.1	14.7	12.4	22.5	-	-	-	-	-	-	-
Telecommunication	0.4	1.1	0.8	0.3	3.9	0.2	0.8	3	1.5	-	1.5	2	1.4	0.2	-	0.2	-
Water supply	5.6	4.1	5.4	3.7	5.5	2.8	3.7	4.9	5.4	7.5	4.9	4.7	4.6	2.8	3.6	1.9	2.6
Education	3.8	4.5	6.5	5.1	2.5	4.5	4.5	7.2	9.9	10.1	8.5	10.4	9.3	7.9	5.3	10.9	4.6
Technical assistance	0.4	0.9	0.8	0.8	0.6	0.5	1	0.7	1.6	2.2	-	-	-	-	-	-	-
Population	0.8	1.6	1.3	2.6	0.3	1.6	2.6	4.5	6.9	2.5	7.6	4.3	5.2	10.9	4.9	7	3.8
Tourism	-	-	-	-	-	-	-	-	-	-	0.5	0.1	-	-	-	-	-
Urbanization	3.8	3.2	2.7	6.8	8.3	8.9	5.6	4.8	5.5	5.6	5.5	6.1	6.4	4	3.5	2.7	2.4
Small-Scale Enterprises	3.7	4.3	3.9	1.7	2.4	2.7	2.7	1	0.9	-	-	-	-	-	-	-	-
Public Sector Mag't	-	-	-	-	-	-	2.3	2.5	2.9	1.9	4.2	3.3	7.6	8.7	7.3	7.9	4.9
Environment	-	-	-	-	-	-	-	-	-	-	0.3	3.2	2.2	4.1	1.2	2.8	1.9
Mining	-	-	-	-	-	-	-	-	-	-	1.1	0.1	0.1	3.2	1.7	4.8	1.1
Multi-sector Dev't	-	-	-	-	-	-	-	-	-	-	15.3	6.8	14.1	7.7	11.4	6.5	35.4
Social Sector	-	-	-	-	-	-	-	-	-	-	0	0.7	2.9	4.6	7.3	4.7	9.2

Source: World Bank *Annual Reports*, 1983 - 1999

to national economies, Zanetta (2001: 516) attributed increase lending in agriculture to “competitive advantage thesis that stressed the central role of agriculture exports for developing countries under the neo-classical development paradigm.”

As far as urbanization<sup>6</sup> is concerned, it was only in 1972 that the Bank’s lending in the sector occurred. Part of the reason for change in attitude was high population growth, which the Bank considered as an impediment to development in developing countries. Robert McNamara, who was influential in changing the Bank’s perspective on development, identified rapid population growth as the “greatest single obstacle to economic development and social advancement of most of the societies in the developing world” (Payer, 1982: 26). Urbanization pressures, especially in cities across Third World countries, also contributed to a shift in the Bank’s approach to urban issues. But as Zanetta (2001: 518) noted, “the emerging attention on urban problems did not arise from the recognition of the intrinsic importance of the role of urban areas in the development process.” Not surprisingly, between 1969-1982, the Bank’s lending in urbanization averaged only 2.5%. In the period 1963-82, the lowest lending of \$52m, or 0.4% of the total lending, occurred in the 1969-73 period when the Bank lent money for urban projects for the first time, while the highest lending of 4.1% occurred in 1981 (Table 3.2b).

From the published official statements of the agencies’ and on the basis of the three phases identified earlier, the period 1982 to the present is supposed to represent an

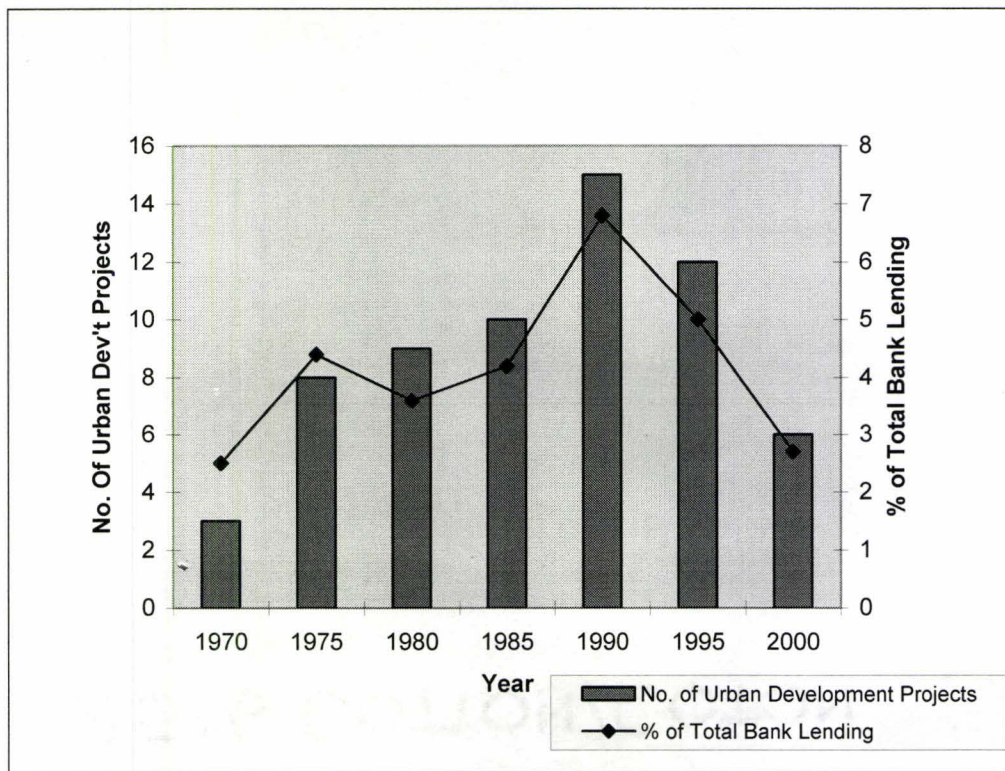
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<sup>6</sup> Early urban projects include services such as sanitation, safe water, and shelter.



era when the agencies have had a strong positive view on housing. As far as expenditures on urbanization are concerned, the pattern of allocations did indeed witness some significant increase during this phase (Table 3.2c). The overall average expenditures on urban projects have doubled from 2.5% in the previous period (1969-1982) to 5.1% in the years 1983-1999. Similarly, the actual number of urban projects sponsored by the Bank has increased steadily between 1970 and 1990 and declined thereafter; the percentage of the Bank's urban projects has remained consistently between 3% and 7% of its total projects (Figure 3.1).

**Figure 3.1: Urban Development Lending: FYI 1970 - 2000**



Source: World Bank, 2003

By the mid 1980s through to early 1990s, urbanization was rivaling several other sectors as a leading ‘development’ sector. The years 1986 to 1988 recorded the biggest financial commitment, with the highest occurring in 1988, when \$2642.5m (constant dollar value = 9,360.606m)– 8.9% of the total fund – was lent to urban projects. At least two factors were responsible for this. First, it was during this period, specifically in 1986, that the Bank launched its “New Urban Management Program” (NUMP). The thrust of the NUMP is a shift away from project-based lending to an approach that focuses upon “urban operations on city-wide policy reform, institutional development, and high-priority investments – and to put the development assistance in the urban sector in the context of broader objectives of economic development and macroeconomic performance” (World Bank: 1991a: 4). Among other things, the NUMP seeks to support programs such as national housing finance, land management, and local government revenue generation.<sup>7</sup> As already mentioned, housing finance is considered critical because of its potential impact on the national economy and the housing delivery system – it constituted about 30% and 34% of urban lending in 1986 and 1988, respectively (World Bank, 1988b: 13).<sup>8</sup> Focusing on urban land markets in developing countries, on the other hand, is meant to improve efficiency and lower the cost of housing delivery.<sup>9</sup> On the whole, the initial enthusiasm for the NUMP may have accounted for the strong financial commitment.

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<sup>7</sup> NUMP is a 10-year project. The first phase covered 1986-1990 while the second covered 1991-1997. Emphasis on housing finance and land management was quite new and unique, considering that these were missing in the Bank’s policy agenda in the previous decades.

<sup>8</sup> Six housing finance projects were approved in 1988 alone. The countries include Senegal, Ecuador, Mexico, India, Philippines, and Lesotho.



Second, the International Year of Shelter for the Homeless (IYSH) was observed in 1987; the conference concerned with shelter urged that urgent attention be paid to such issues as land, finance, building materials production, and employment generation. By the end of 1988, more than 6000 demonstration projects had been carried out in more than 100 countries (UN Year Book, 1988, p. 477). These projects helped to account for the high percentage funding share in 1988.

However, since 1988 the proportion of the Bank's budget devoted to urban development has dropped sharply. The percentage share fell from 8.9% in 1988 to a low level of 2.4% in 1999, which was lower than the 1974 figure even though, in absolute terms, the 1999 figure was comparatively higher than that of 1974. Indeed, both the percentage share and number of actual projects decreased consistently beginning the early 1990s to the latter period of the same decade (see, Table 3.2c & Fig 3.1). This decline could be attributed to the changes in international urban policies in the 1990s, in which the Bank sought to emphasize institutional reforms with greater emphasis on private sector participation in various sectors – including housing. The reforms were not limited to urban management, but the fact that housing expenditures, for example, were traditionally considered unproductive meant that they became the first items cut. Further, part of the explanation for the reduction in the relative percentage share of lending to urbanization may lie in the increased number of sectors on the Bank's agenda, which stood at 19 sectors in 1983-1999 compared with 14 in the previous period (1963-1982).<sup>10</sup>

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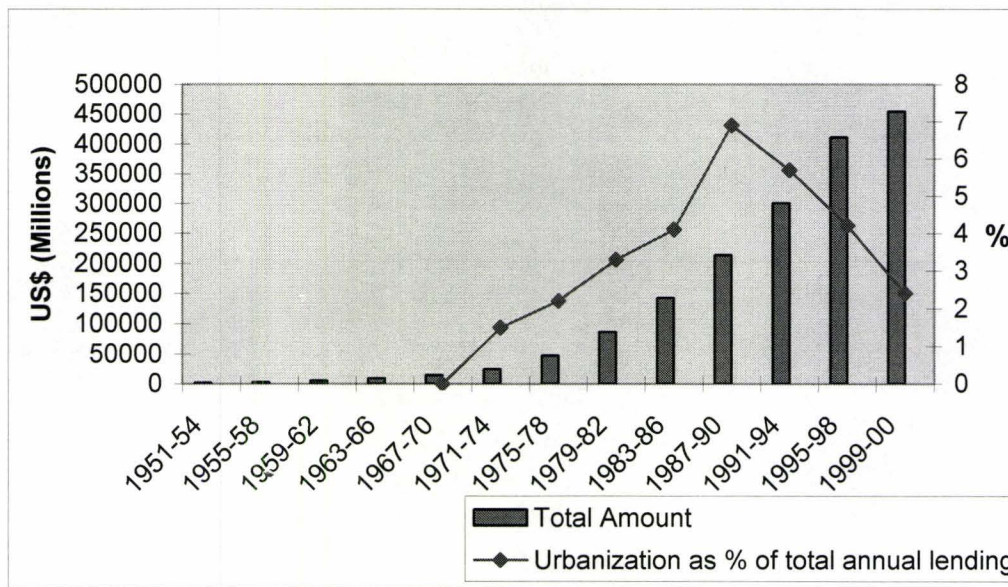
<sup>9</sup> Land management projects have been supported in Malaysia, Pakistan, Ghana, Brazil, and Sri Lanka, involving land tenure, registration, and land availability.

<sup>10</sup> Five sectors were added after 1982: Public sector management; Environment; Mining; Multi-sector development; and Social sector.



Figure 3.2 summarizes into greater detail trends in total share of funds committed to urban projects. The picture that emerges in the graph from the Bank’s lending trends shows a medium term cycle – a steady upward trend (1960s to late 1980s), followed by a steady decline.

**Figure 3.2: Trends in World Bank Annual Lending**



Source: World Bank, *Annual Reports* (various years)

So far, we have explored trends in urban development lending as a whole. This exploration is justified because housing is an important component of urbanization sector, constituting about a third of urban development expenditures. However, the urban sector is highly heterogeneous and its expenditures do not really necessary an accurate picture

of housing's share of lending in relation to other that of sectors.<sup>11</sup> To this end, it is appropriate to now look specifically at the Bank's budget for housing (Table 3.3).

**Table 3.3: Trends in IBRD/IDA Lending to Housing Sector, Fiscal 1974 – 1999**

Year	Annual Lending (Current US\$ Millions)	Annual Lending (Constant US\$ Millions)	Amount to Housing (Current US\$ Millions)	Amount to Housing (Constant US\$ Millions)	Housing as a % of Total Annual Lending	Housing as a % of Urban Dev't Lending
1974	4313.6	6371.187	55	81.235	1.3	48.7
1975	5895.8	9504.03	16	25.792	0.3	17.2
1976	6632.4	11308.24	53.6	91.388	0.8	67.3
1977	7066.8	12826.24	41.7	75.6855	0.6	26.4
1978	8410.7	16434.51	123.3	240.9282	1.5	33.5
1979	10010.5	21762.83	164.8	358.2752	1.6	53.2
1980	11481.7	28336.84	143	352.924	1.2	41.0
1981	12291	33480.68	169	460.356	1.4	33.7
1982	13015.9	37628.97	226.9	655.9679	1.7	60.5
1983	14477	43199.37	153.1	456.8504	1.1	27.6
1984	15524.2	48295.79	138	429.318	0.9	27.6
1985	14384.3	46346.21	256	824.832	1.8	66.6
1986	16318.7	53590.61	425	1395.7	2.6	38.0
1987	17674	60162.3	171	582.084	1.0	11.6
1988	19220.7	68098.94	1147.6	4065.947	6.0	66.9
1989	21366.8	79334.93	338	1254.994	1.6	28.4
1990	20701.7	81026.45	86.2	337.3868	0.4	8.6
1991	22685.5	92556.84	133.4	544.272	0.6	10.6
1992	21705.7	91163.94	450	1890	2.1	37.4
1993	23695.9	102532.2	345	1492.815	1.5	26.3
1994	20836	92511.84	350	1554	1.7	27.4
1995	22521.8	102699.4	400	1824	1.8	26.6
1996	21516.6	101106.5	32	150.368	0.1	3.7
1997	19146.7	92057.33	17	81.736	0.1	2.5
1998	28593.9	139624	195.9	956.5797	0.7	25.3
1999	28994.1	144680.6	505	2519.95	1.7	71.5

Source: World Bank, Annual Reports, various years; database: Bank

<http://www4.worldbank.org/sprojects/Results.asp?all=urban+housing&matchwords> (accessed 28/06/2003). Note: Constant dollar values were adjusted. Base Period: 1967=100. Unless otherwise stated, 1967 base period was used to calculate all constant dollar values in the thesis.

<sup>11</sup> The current urban programs cover four major themes: urban services for the poor, such as water management, water resources, education reform, and employment projects; municipal finance projects; municipal governance and institutional building; and urban capital development projects, like transport infrastructure.



Table 3.3 gives a clearer picture of the Bank's lending in housing. It shows that the percentage of the Bank's housing financial commitments has consistently remained small relative to other sectors: average housing lending during the second phase (1972-1982) was only 1.2%, and this increased slightly to 1.5% in the third phase (1983 – 1999). The overall average lending between 1974 and 1999 was only 1.4%. Both the highest lending of \$1147.6m (constant dollar value = 4,065.9468) (6% of the total lending) and the largest number of housing projects approved (n=8) took place in 1988. As well, that year coincided with the highest lending in urban projects (Table 3.2 & Fig 3.2). Except for the period 1988, the percentage shares of the Bank's total lending annually shows a fairly stable trend. If one compares the proportion of the Bank's housing financial commitment with that of other sectors, one finds a consistent pattern in which housing ranked the lowest – or one of the lowest. Indeed, while the share of the World Bank's total expenditure devoted to other social overhead projects, namely education, social sector have increased (Tables 3.2b and 3.2c), the share of housing remained static. Such low expenditures are consistent with the assertions found in the literature about the low priority for the housing sector (Koenigsberger, 1970; Renaud, 1988: 30). It must, however, be acknowledged that the World Bank, has since the early 1990s adopted a market enabling approach to urban management. The thrust of this approach is a shift away from project-based lending to institutional development, as well as investment in larger urban management projects notably, infrastructure development. Thus, it is fair to acknowledge that the housing sector projects may have benefitted from these supporting services.



### 3.4.2 Policy Recommendations and Development Priorities

We have been considering exclusively the volume of financial commitment as a measure of priority or importance of the urban and housing sectors in the agencies' development priorities. A different approach to this issue is to examine how extensively or consistently housing has appeared in policy documents of major economic importance, notably World Development Reports (1978-2000), the World Bank country studies and annual reports from various years, and other publications. It stands to reason that if housing is a priority or an important development issue, then, the changing perspective must not only be limited to housing documents but must also reflect broader policy recommendations.

Reviews of *World Development Reports*<sup>12</sup> and the Bank's *Annual Reports*<sup>13</sup> revealed very little attention to housing in the broader context of economic development. In a majority of cases, the fundamental premise of development strategy is still rapid economic growth, with capital formation, manufacturing, and trade and related issues being the frequently mentioned activities. During the 1980s and 90s, for example, the majority of *World Development Reports* gave considerable attention to the issue of poverty alleviation in developing countries, an issue consistent, of course, with "redistribution" and "equity" development paradigm or "basic needs" approach. In response to this approach, education and health became important elements of development agenda. In spite of the emerging attention given to poverty alleviation, various relevant documents produced by the agencies have paid much less attention to the

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<sup>12</sup> All reports covering 1978–2000 were surveyed

links between housing and economic development and that of 1980 *World Development Report* is more curious. This report attributed differences in growth rates among developing countries to different levels of investment in physical capital. The fast-growing countries, according to the report, such as those in East Asia, were the ones that invested substantially in capital creation, while countries that experienced sluggish growth were the those that invested proportionally more in "...activities (such as housing) that do not contribute directly to production..."(World Development Report, 1980: 37). Such statements not only contradict those made in housing and urban development related documents but also allude to the Bank's initial view on housing as a less "productive" investment. The 1990 report is also significant because it provides a detailed treatment of poverty and it singles out primary health care, family planning, nutrition, and education as areas for consideration in poverty reduction strategies (p. 138). However, the report has very little to say directly about housing and, in general, it assumes that policies that raise income would enable the poor to take care of their housing needs.

Similarly, one can look in vain in various *World Bank's Country Studies*<sup>14</sup> for statements on the potential of housing investment in economic development. At best, there are only a few scattered references to the magnitude of the housing crisis – not to what housing does or can do in economic development. No suggestion appears in these

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<sup>13</sup> In total, 35 selected reports were surveyed, covering the period, 1946-2000

<sup>14</sup> These studies are significant because they contain development strategies proposed by the Bank's experts for national governments. In all, 15 such studies were conducted, covering countries at different levels of development: Nigeria (1964); Kenya (1975); Turkey (1980); Peru (1981); Belize (1984); Columbia (1984); Ghana (1984); China (1985); Grenada (1985); The Bahamas (1986); Philippines (1987); Poland (1990); Egypt (1991); Indonesia (1994); and Uganda (1996).

studies that considers housing as a development tool, and in most cases, recommendations are consistent with the conventional strategy that stresses capital accumulation, economic stabilization, and market reforms to promote growth. Ghana's 1984 report, for instance, was overly preoccupied with macro-economic stabilization – partly because of the economic crisis of the early 1980s – and rehabilitation of “productive” sectors with the assumption that these would secure growth, but at the same time, they remained conspicuously silent on housing, even though urban housing was a critical issue during this period (cf. Tipple, 1987).

Finally, one report that deserves consideration is *Accelerated Development in Sub-Sahara Africa: An Agenda for Action* (1981).<sup>15</sup> This report was the outcome of a request made in 1979 by African Governors of the World Bank to the Bank's President, asking that the Bank review the causes of abysmal economic performance and the prescriptions for growth in sub-Sahara Africa. By any standard, this document is of major significance, not only because its author – the World Bank – is an influential international lending institution and a major advisor to governments in the region, but more important, because it identifies priority areas for developmental considerations in the region. As expected, recommendations for rapid economic progress conformed to the classical patterns of development, maintaining the status quo in terms of policies and priorities – for example, industry, physical capital, and agriculture. The report neither identified housing as a priority area that deserved serious considerations nor discussed policy implications of an improved housing; only a cryptic reference was made to “site-and-



services” program on page 115 of the report.<sup>16</sup> This was an explicit endorsement of the conventional approach to development that emphasizes growth in order to achieve housing improvement. It is clear from the foregoing analysis that housing was not accorded a significant priority in the overall scheme of development programs, even though the thinking about its importance has accelerated.

In general, the perspective on housing has changed over the last five and a half decades, as presented in table 3.4.

**Table 3.4 Summary of Changing Perspectives of Development Agencies on Housing**

Years	Theory	UN	World Bank	
		Practice	Theory	Practice
1940-1950	<p><i>Low priority:</i> narrow perspective on housing; housing seen as a social problem</p> <p>Considered industrialization as decisive factor in economic development</p>	<p><i>Little action</i></p>	<p><i>Low priority:</i> viewed housing as less productive investment</p> <p>Saw lack of physical capital as obstacle to development;</p>	<p><i>No attention--</i> no budget allocation</p> <p>Devoted considerable shares to capital projects, eg. energy, industry</p>
1950s	<p><i>Medium priority:</i> emphasized housing as a productive investment; housing as necessary for industrialization programs</p> <p>wider view on development; as both social &amp;</p>	<p><i>Little attention</i></p>	<p><i>Low priority</i> Regarded housing improvement as outcome of economic growth</p> <p>Defined development primarily as economic issue</p>	<p><i>No attention—</i> no budget allocation</p>

<sup>15</sup> This report is perhaps the most noteworthy because it was considered a blueprint, aimed to provide development directions for African countries in the 1980s and beyond.

<sup>16</sup> The report simply recalled housing policies in developing countries from emphasis on high public housing to the Bank’s involvement in site and services projects.

	economic issue			
1960s	<i>Medium priority:</i> emphasis on the building industry	<i>Medium attention:</i> improved action--housing elevated to 'commission' status; small budget allocation	<i>Low priority</i>	<i>No action--</i> no budget allocation
1970s:	<i>Medium attention:</i> housing as basic human right; welfare issue	<i>Medium attention:</i> organized shelter conferences; sponsored projects	<i>Medium priority:</i> emphasized housing as a basic need	<i>Little attention:</i> housing appeared in budget allocation; sponsored projects, eg. site and services, & upgrading
	Increased recognition of complexity of development process	Focus on poverty alleviation; eg. health, agriculture	Broader perspective on development: redistribution with growth approach; emphasized poverty alleviation strategies	Greater attention to agriculture, human capital development
1980–90s	<i>Relatively high priority:</i> investment in housing as source of income and employment, & wealth of nations	<i>Medium priority:</i> sponsored home based enterprise projects	<i>Relatively high priority</i> —a more positive view of housing; housing placed within the context of urban development; emphasis on housing; financial institutions & proper land management	<i>Relatively higher priority</i> —in terms of budget allocations to urban development of projects & urban emphasis projects;  <i>Medium attention</i> to housing; Housing issues still negligible in broader development strategies
			Emphasis on policies that allow markets to work	

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*Note:* Level of priority/attention defined on a scale of 1 to 3  
 1 = low priority  
 2 = medium priority  
 3 = relatively high priority

### **3.5 SUMMARY AND CONCLUSION**

The purpose of this chapter was to look at the changing perspectives of the international development agencies on the role of housing in national development and compare rhetoric with action. It is clear from the foregoing discussion that the perspectives of the agencies have broadened greatly over the past five decades. Incorporating housing into development budgets, better perception of housing as a sound investment, and adoption of whole housing sector development as opposed to project-based approach are significant changes. These changes cannot be attributed to a single factor; they are the consequence of many interrelated developments occurring within and outside the agencies over an extended period. Among other things, they include changes in the perspectives of the overall development process, the influence of individuals and researchers, the experience gained in implementing development policies in general and housing in particular, and criticisms of agencies' policies at different times.

However, in comparing rhetoric and practical actions, it is clear that the two have not always been consistent. On the one hand, expenditures on housing are still comparatively low, averaging only about 1.5% of the World Bank's total annual lending, and about 4% for urban purposes. On the other hand, documents of major economic importance have little to say about the linkages between housing and the development process. This discrepancy suggests that studies on policies and recommendations of the international agencies ought to distinguish between theory and practice. It also raises a question about the relative importance of the urban department in general, and housing in particular, within the agencies. Commenting on this issue, Jones and Ward (1994: 35)



believe that the urban department in the World Bank still “carries little weight due to its low-budget and normative (rather than executive) role.”

In spite of its relative weight and its inability to carry through all its intended actions, the World Bank remains the world’s largest multi-lateral lending institution and financial policy advisor, influencing the development policies of developing countries. In light of this, the apparent inconsistency between rhetoric and practical action is a matter of concern. From the perspective of individual countries, the discussion up to this point raises several essential questions: Does the broadening perspective on housing reflect on national policies? If yes, what accounts for the changes and what forms does it take? Is there inconsistency between rhetoric and practical action at the national level? The next chapter addresses such questions through a case study of Ghana.

## **CHAPTER 4: HOUSING POLICY AND NATIONAL DEVELOPMENT PLANNING IN GHANA, 1945 - 2000**

### **INTRODUCTION**

After considering issues at the international level in Chapter 3, I now focus on a national level, specifically on Ghana, as a case study. The purpose of this chapter is to determine how prominent economic considerations were in the framing of housing policy and how well this policy was integrated with national economic planning. The next chapter documents how housing has been used as a tool of economic development. It also documents specific cases where housing programs were operated as part of a cumulative economic development package and aspects of the housing market that government failed to emphasize. To date, no study has systematically examined the economic aspects of housing policies and programs, in particular whether policies and programs were framed as a tool to advance national economic development.

Previous studies of housing policy in Ghana, including those of Tipple (1985), Agyepong (1990); Tipple and Korboe (1998), and Konadu-Agyemang (1998; 2001a, 2001c), have focused on the issue of housing need: how many units of housing should be supplied in order to solve the housing problem, and how they should be supplied. These studies were driven mainly by the severe and persistent housing shortages, especially in the urban centres. A draft National Housing Policy (1986, p.3) described the housing shortage as “one of national development crisis.” It estimated an annual need of 70,000 and an accumulated delivery deficit of 250,000 to de-crowd urban units from 12.8 to a

household occupancy rate of 7.0 persons per unit (Ministry of Works and Housing, 1986, p.3).

Because of the general housing shortages, these studies have so far focused on the social and political aspects of housing. The majority have concentrated on the general causes, nature, and extent of the problem, and on policy options, but a number of focused studies also exist. Examples include analyses of state housing enterprises and politics (Kwaku, 1977); land policies and housing development (Acquaye and Asiamah, 1986); squatter settlement among residents in Kumasi (Konadu-Agyemang, 1991); and housing choices among residents in Kumasi (Sinai, 2001).

These works established the enormity of over-crowding, unaffordable housing prices, poor physical housing conditions of most urban housing, and poor sanitation services (cf. Tipple, 1985; Konadu-Agyemang, 1998, 2001b, 2001c). Several related works have looked at the causes of the housing problem, and from different angles (cf. Tipple, 1985; Donkor and Lea, 1986; Ofori, 1989; Songsore, 1989; Konadu-Agyemang, 2001b). They have stressed the influence of colonial authorities, including the institution of unrealistic building standards and planning regulations. Most authors argue that the colonial regulations led to an excessive dependence on imported building materials, and subsequently high production costs and housing prices. Other studies have taken issue with successive post-independence governments, and in particular stressed the neglect of a comprehensive national housing policy. Tipple (1995, p. 6), for instance, has observed that various “Ghanaian governments have never formulated a comprehensive policy for housing the low income groups...”



Despite the lack of housing policy, housing issues have featured prominently in national development policies and governments have always claimed that decent housing is a major priority. Given this claim one would think that a national housing policy with strong government commitment would be particularly important. But this was not necessarily the case. Ofori (1989) has observed that housing has never been a major priority for government's spending since independence in 1957. Other studies that look at the causes of housing problem include, Konadu-Agyemang (2001) who is one of the most influential writers on housing in Ghana. His book, *The Political Economy of Housing and Urban Development in Africa*, explores Ghana's housing problem within the context of development theory. Among other factors, the book identifies economic mismanagement, the lack of an effective housing policy, and excessive dependence on foreign building materials as the major causes of housing problem. Elsewhere, Konadu-Agyemang (2001b) has explored the effects of the World Bank's neo-liberalist free markets approach on housing and other social sectors. His main argument is that cuts in subsidies to the housing sector have increased housing production costs and practically made housing unaffordable to the majority of individuals. Despite being the most prolific writer on the subject of housing in Ghana, Konadu-Agyemang has so far not given any attention to the relationship between housing policy and economic development.

In thinking about policy options, one important area that has received considerable attention in these studies is the informal sector. Tipple (1985) argues that since private individuals have provided the bulk of housing, the government must disengage itself from the direct production of housing and instead concentrate on

functions such as establishing legislation, and of providing services, financial supports to enable the informal sector to function efficiently. Tipple and Korboe (1998) made a similar argument. Other frequently recommended policies include encouraging rental housing (Tipple and Korboe, 1998); promoting efficiency in the land market system (Gough and Yankson, 2000); and expansion in the use of locally-available materials (cf. Ofori, 1985). Kwaku (1977) emphasized the need for comprehensive planning that covers economic, social, and spatial dimension beyond being a “social overhead”. Kwaku believes such designation has made it a low priority in national planning.

Overall, the large body of research on housing in Ghana has acknowledged the importance of housing as a social issue—one that deserves serious attention. But research has been virtually silent on the relationship between housing and economic development, while the role of housing within the scheme of government development programs has not yet been adequately conceptualized or documented. Even in Africa as a whole, research on housing policy in relation to economic development is equally deficient. Although an extensive body of influential research on housing and urbanization in Africa exist (cf. Stren, 1978, 1990; 1992; Amis, 1990; Mabogunje, 1990), none specifically examine the importance of housing as a priority sector within the framework of government development agenda or as a tool for economic development planning. Adopting an approach that looks at changing perspectives on housing and economic development, and the important roles that housing may play in advancing development goals, therefore fills a crucial gap in the housing literature, and opens up a number of fruitful possible avenues of research.

The chapter advances two major arguments: First, successive Ghanaian governments and policymakers have expressed concern over the issue of housing and have consistently placed priority upon housing provision on policy agenda. However, as we saw in Chapter 3 for the international agencies, there has normally been a gap between *rhetoric* and *practice*, particularly in the 1980s and 90s. Second, housing policies have been socially oriented and politically motivated, especially in the 1950s and 60s. Judging from published documents, until the mid-1980s, policy with regard to housing was often seen as addressing social needs and concerns rather than having macroeconomic implications. This fact was confirmed in person by a senior official of the Ministry of Works and Housing in 2003. Besides, the majority of the housing programs have not been designed with much sensitivity to economic impacts on the national economy. Housing policy and projects themselves have been pursued in a rather disjointed and piecemeal fashion, as there was no official national housing policy until the mid-1980s (cf. Tipple, 1985, p. 6).

The chapter is organized into six sections. Section one presents information about data sources and method of analysis. The second presents an overview of and trends in the economic environment and national planning, which have influenced the priorities in housing in the national economy. The section looks at the prominence of the construction and housing industry within the national economy and its contributions to growth and employment creation. The presentation sets the scene for the section three, which looks at the trends in thinking about the relationship between housing policy and national economic planning. Section four analyses the relative priorities of the housing sector



within the context of national development strategies. Section five discusses the influence of international agencies on projects, as well as relative priorities assigned to the different sectors of the economy. The last section of the chapter provides a brief summary and discussion.

#### **4.1 DATA SOURCES AND METHODS**

I used a variety of sources to understand housing policy and economic development in Ghana. These include published and unpublished documents, notably national development plans, reports of committees of enquiry, technical reports, parliamentary debates, newspaper articles, and annual budget statements. Some of the documents were obtained through inter-lending in North American libraries while the rest were obtained from various sources in Ghana, including the National Archives, the Ministry of Works and Housing, and public libraries that were consulted during a visit in May and June 2003. These sources were supplemented by personal interviews with selected public officials and private individuals. In the remainder of this section, I describe these sources and my methods in using them.

Among the published documents, National Development Plans constituted one of the most vital sources of information in part because in Ghana state-guided indicative planning, usually in the form of five- or ten-year development plans, has been a common feature, dating back to the later years of colonial administration. The development plans contain information on government development programs over an extended period, measures to achieve policy goals, and allocation of financial resources among various

sectors within the economy. Between 1945 and 2000, colonial and successive Ghanaian governments formulated and published at least eight separate development plans (Gold Coast, 1946, 1951; Ghana, 1959, 1964, 1968, 1970, 1975, 1997). All the plans were examined; they provide useful information on the way housing was treated within national development programs, including projected expenditures on housing as opposed to other sectors. Another major source of information was the Daily Graphic. Established in 1950, the Graphic soon became the main national newspaper and is published on a daily basis (except Sundays). Relevant articles were identified through an exhaustive manual search of each issue for the period 1952–1977 and of selected issues for the 1980s and 90s. Since its establishment, the Graphic has been the key source of information for the public. It is national in scope and has a wide coverage on various issues but as government controlled media, its political bias cannot be ruled out. In the 1950s and 1960s, the size was small so it was relatively easy to go through each issue. The volume increased over the course of time, especially in the 1980s and 90s. Due to time constraints, I was unable to fully scan each issue for the periods 1980s to 2000.<sup>1</sup> Within these decades, I surveyed the years during which there were discussions on housing in policy circles. The papers were obtained through inter-lending in North America and through library search in Ghana.

Obtained primarily from the British Library in London, Parliamentary Debates also proved invaluable in tracking down the stated opinion of decision-makers (politicians). Unfortunately, these debates covered only limited years (1951-66, 1969-71,

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<sup>1</sup> Those surveyed included: 1980; 1981; 1984; 1986; 1988; 1990; 1992; 1995; 1998; 1999; 2000; and 2003

1979-81, 1993-2000), mainly because of the shorter periods of democratic regimes in Ghana. Of these sources, the Daily Graphic and Parliamentary debates are particularly unique because previous researchers on housing have not used them.

Equally valuable were reports commissioned by the Ghanaian government from external advisors. These included the report on *Financial and Physical Problems of Development in the Gold Coast* (Dudley Seers and C. R. Ross, 1952); the report on *Industrialization and the Gold Coast* (W. A. Lewis, 1953); The Charles Abrams-led UN team (1956) report on *Housing*; and the report on *Housing Policy to the Government of Ghana* (UN/ECA/Bouwcentrum, 1967). These reports contain the repeated opinions and recommendations of various governments (e.g., the UK) and ideas of specific experts. Other sources of published and unpublished materials are listed in the bibliography.

The most important source for statistical data were Budget Statements (1946-2000); Quarterly Digest of Statistics (1957-1991); Economic Survey (1957-71); and National Development Plans. Budget statements contained information on government expenditure on the housing sector vis-a-vis other sectors. Great efforts were made to retrieve and use a wide range of these publications, but not every copy could be found. From these statements, I was able to construct a comprehensive table and graph showing summary of trends in government expenditure for the period 1946-2000. The tabular data are shown in *appendix 1*, but the data are summarized in the text as Figure 4.2.

Overall, the data is useful for providing general trends in government expenditure, including allocation for the housing sector from 1946 through 2000. However, an examination of the data raises a number of issues and compilation problems. First, some



of the sectors do not appear for every single year. Some of the sectors have been merged and others have changed names over the course of time. To resolve this problem, I listed only sectors that have appeared consistently; those that appeared occasionally I grouped as “other sectors.” Another problem relates to the difficulty of identifying general administration expenses. The expenditure in this category was huge, but the items that came under this group were not listed or defined. To ensure a fairer representation of the expenditure values, I re-calculated the percentages – excluding general administration. For each year, the value for general administration was distributed proportionally among other sectors.

In addition to studying government reports and documents, I conducted twenty-seven in-depth interviews in Ghana with public officials of The Ministry of Works and Housing, the President of Ghana Real Estate Development Association (GREDA), executives of the Real Estate Companies, the World Bank, UNCHS, First Ghana Builders Society (FGBS), and Home Finance Company (HFC). The interview schedule, the nature of questions, and characteristics of the interviewees are presented in *appendix 2*. The interviews were conducted in May and June 2003, and each lasted 45 - 60 minutes. In each interview, a series of semi-structured, open-ended questions were asked. All interviews were tape-recorded and transcribed verbatim for subsequent thematic analysis. The two officials of the Ministry of Works and Housing were purposely selected to explore Government’s changing perspectives and attitudes regarding the relation between housing policy and national development policies. Thus, I asked questions such as “What have been the general trends in housing programs?” and “What, in your opinion, is the

position of housing in the overall national planning?” The answers given to such questions shed light on the changing relationship between housing policy and national development programs.

The twenty executives were selected from a list of registered real estate companies (n=450) in order to get different views on the government’s practical action and commitment towards the housing sector. They were selected by the president of GREDA who suggested that they were the most active companies in the country. The majority have been in operation for several years (at least 10 years) and were useful in providing views on government housing policy. The mode of selection means that this sample is not representative of the typical Ghanaian builder. Typically, a majority of builders are unregistered small-scale operators, working in the informal sector. The sample in this survey does not include these operators and any information pertaining to their mode of operation including, sources of finance, raw materials, and contributions to national development will be missed out.

The executives were asked a wide range of questions, using a questionnaire divided into three sections: (1) Background; (2) Housing and Government Economic Policy; and (3) Housing Industry Contributions to National Development. Typical questions included: “Would you say that Government has a positive attitude towards the housing industry?” and “Would you say that Government’s overall approach to the housing industry has changed over the years?” In general, the interviews offer statements that present alternative views to those in public documents. The names of companies and

executives were not used in the discussion of the results; instead, pseudo names were used to identify them—for example, Mr Fegger etc.

Interviews with the official of the World Bank, of UNCHS, FGBS, HFC, and the president of GREDA were meant to add further insights into the discussion. These individual were asked about the importance of housing in national development programs, their perception of government's commitment to the housing sector, changes in housing policy, and constraints facing the housing industry. Taken together, these diverse sources allowed me to examine issues of the housing policy and economic development that have been understudied in the literature on housing in Ghana.

#### **4.2. ECONOMIC ENVIRONMENTS AND PLANNING IN GHANA, 1945-2000**

In the late 1940s and early 50s, Ghana's future looked bright. On the basis of several estimates (e.g., Ghana Economic Survey, 1957; Roemer, 1984; Werlin, 1994), during the 1950s, Ghana grew much more rapidly than had many other countries with comparable levels of development. However, in broad economic terms, Ghana failed to fulfill the promise of a rapid development of the early post-war years. Ghana, on the West Coast of Africa, occupies an area of 92,000 square miles – about the same size as the United Kingdom (Map 1). Known until independence as the Gold Coast, Ghana was a British colony for many years and was regarded by the British establishment as its model



Map 1: Map of Africa showing Ghana



colony for Africa.<sup>2</sup> It was the first sub-Saharan African country to gain political independence from colonial rule – in 1957; when it changed its name to Ghana. Throughout the 1940s and 50s it enjoyed prosperity and was one of the richest of the British colonies.<sup>3</sup> Its GDP in 1950 was estimated at \$544 million and the GNP at \$526.4 million (Ghana, Economic Survey, 1957). Total reserves were estimated at \$532 million in 1955, and it had a per capita income of \$490 and \$500 in 1957 and 1960, respectively (Roemer, 1984; *The Economists*, 1989, p. 39; Werlin, 1994). These were comparable to those of a number of middle ranking countries – for example, South Korea (*Economist*, 1989). Ghana was the world's leading exporter of cocoa, producing about a third of the world's output, and the exporter of 10% of the world's gold, along with other vast resources.<sup>4</sup> Furthermore, Ghana was better endowed with human resources than was any other country of tropical Africa,<sup>5</sup> and had the best infrastructure systems and well-formulated development plans (Killick, 1978; Huq, 1989). Thus, at independence, there was a general feeling that Ghana was poised to develop into a middle-income country and lead the other African countries. Apter expressed this optimism for Ghana in the following words:

Richer than most [African] countries, carefully groomed for independence, with trained cadres exceeding those of far larger countries, without racial minority problems, having inherited a good and expanding educational system, Ghana is regarded as having the resources, manpower and moral and spiritual qualities to set the pace and tone of political development in all Africa (Apter, 1972: 337).

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<sup>2</sup> Governor Burn's address to the Parliamentary Association "Political Changes in the Gold Coast" 24 October 1946: cited in Donkor, 1997, p. 6.

<sup>3</sup> *The Economist*: "A Survey of the Third World" (1989, p. 39), for example, described Ghana as the wealthiest nation in Sub-Saharan Africa in 1957.

<sup>4</sup> Ghana's economic resources were said to exceed Sterling Reserves in London (see, Uphoff, 1970, p. 45).

<sup>5</sup> Ghana "exported" skilled workers to other West African countries by the early 1960s. See Robert Szereszewski, *Structural Changes in the Economy of Ghana*, (1965), pp. 8-9.

Despite the country's economic and social advantages, its development record over the subsequent four decades has been one of the more disappointing on the continent. From the mid-1960s to the 1980s, Ghana's economy was in bad shape: not only had its reserves been wiped out, but the country accumulated a total debt of nearly US \$1.0 billion, while the growth rate of GDP had fallen to 0.4% in 1964 (Fieldhouse, 1986; Younger, 1989).<sup>6</sup> Budget deficits rose by 98% between 1971 and 1977; the inflation rate was in excess of 100% by early 1980s; and deteriorating terms of trade GDP at constant market prices fell by 12% between 1971 and 1982, while the population grew in the same period by over 32 per cent (Rimmer, 1992; Hutchful, 2002, p. 12; Konadu-Agyemang, 2002). The underlying causes include the adoption of now-discredited development programs, economic mismanagement, periods of political instability, a mismanaged and over-expanded public sector, and inept leadership.<sup>7</sup> Economic conditions at different points in times have, to an extent, influenced relative resources allocated to various sectors at the national level, as well as economic policies fashioned to achieve acceptable growth and development.

Ghana's development strategies over the years have had strong affinities with many of the leading economic development ideas discussed in Chapters 2 and 3, notably

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<sup>6</sup> The 1970s especially was a decade of poor economic performance. Rado (1985, p. 12-13), who followed Ghana's economic developments for several years, characterized the period as "acceleration towards the abyss," while Aryeetey et al. (2000, p. 11) classified it as "economic disaster."

<sup>7</sup> See Roemer (1984); Huq (1989); Younger, (1989); Rimmer (1992); and Werlin (1994) for a detailed analysis of Ghana's development problems.



the “big push” industrialization and import substitution policies of the 1950s and 60s, and structural adjustment programs and liberalized market reform policies of the 1980s and 90s. Planning along the lines of targeted blueprints has been a common development approach in Ghana. The earliest attempt was the drafting of the *Ten-Year National Development Plan* for the period 1920-30.<sup>8</sup> The plan, initiated by the Governor, Sir Gordon Guggisberg, was the first of its kind in any British colony and recognized the importance of social and physical infrastructure – including schools, health, and road networks – in national development. The plan, enabled the country to “build a relatively advanced physical and social infrastructure” (Birmingham et al, 1966: 440). During the planned period, 333 kms of new railway lines were constructed, as well as new roads, a harbour, nineteen new hospitals, and many schools.

The next ten-year plan – for the period 1946-56 – was formulated as a result of British government policy for the promotion of economic and social development of colonies. This stemmed from the 1929 Colonial Development Act, which was revised in 1940 as the Colonial Development and Welfare Act, legislation that marked an important change in colonial policy. Prior to the introduction of these bills, a major plank of colonial policy was that colonies should pay their own way: they were expected to balance their budgets without recourse to outside assistance. This policy, however, changed during the inter-war period. The 1929 Act authorized grants to aid colonial development. Like the 1920-30 development plan, the policy placed priority upon social

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<sup>8</sup> Albert Waterston (1965, p. 28) suggested that Ghana is probably the first country in modern times to attempt national development planning.

development, its primary objective being to “develop the economy of the country as the basis for an expansion in the social services” (Gold Coast Progress Report, 1949: 1). Advancement in social services was emphasized – especially in education and health, which were considered vital “both as a means of meeting reasonable public demands and as an integral part of any scheme of economic development” (Gold Coast Progress Report, 1948: 1). In the late 1940s, however, the country’s financial situation and social and economic conditions changed, and government became convinced of the necessity to shift development strategy. Accordingly, the *Ten-year Plan of Development and Welfare* was revised in 1950.

The revised plan, launched in 1951, had an implementation period of ten years, but was shortened to five years by Nkrumah, Ghana’s first elected president. The plan, which initially called for investments totaling £70 million between 1951 and 1961, differed substantially from its predecessors in scope and objectives. It was much more ambitious, with the emphasis shifted from social services to ‘economic and productive services’ (Gold Coast, 1951) (Table 4.2). Under various development plans, activity was defined as “productive” if it directly promoted the output of goods and services for the market. An analysis of investment allocation in the plan shows that priority was given to improving the administrative and physical infrastructure, with transportation and communications getting the largest share (40.7%) of the planned investment (Table 4.1).

The government saw the development of an extensive system of communication as a pre-requisite for a developing country like Ghana. During the early 1950s the joint colonial and Ghanaian government became preoccupied with the development of

**Table 4.1: Allocation of Capital Expenditure by Sector in National Development Plans (%)**

SECTOR/YEAR	1951-58	1959-63	1964-70	1968-70	1970-71	1975-79 <sup>d</sup>	1997-2000
Economic and Productive Services <sup>a</sup>	17.6	20.6	37	25	23.1	45.5	9.3
Communication <sup>b</sup>	40.7	25.4	26	38	31.7	-	41.2
Social Services <sup>c</sup>	29.6	36.4	32	21	27.7	18	21.3
Common Services and General Admin.	12.1	17.6	5	16	17.5	32.5	28.3

Source: National Development Plans (1951-2000)

*Notes:*

*a. Economic & productive services consisted of agriculture and industry*

*b. Communication: roads, railways, and telecommunication*

*c. Social services: health, education, and housing*

*d. 1975/76 Plan: Economic and productive services and Communication were classified together*

physical and communication facilities in the country. In 1950, for example, the government invited Dudley Seers and C. R. Ross to study financial and physical constraints on the country's development. The Seers-Ross Report, published in 1952, recommended investment in basic services and infrastructure so as to open up the economy and promote development (Seers-Ross, 1952). Up until that point, no serious effort had been made to diversify the narrow export base of the economy. This neglect, however, was criticized on the grounds that it failed to improve the economic structure, and that the neglect of productive sectors – especially industry would perpetuate Ghana's colonial dependence and facilitates its exploitation (Howard, 1978).

Throughout the 1950s and early 60s concern for industrial development grew, culminating in *Five- and Seven-Year Development Plans, 1959-1963 and 1964-1970*. In 1952, the Colonial Office had sent W. A. Lewis to advise on the prospects of developing an industrial economy in the Gold Coast. In his report, Lewis argued that conditions at the time did not justify a massive investment in an industrial program; instead, he argued



that government should promote development by improving public services to “reduce the cost of manufacturing ...and...thus automatically attract new industries, without the government having to offer special favour” (Lewis, 1953: 43-44). Lewis’s suggestion seemed to have been largely adopted by the government because at first planning concentrated on communication, education, and public works.

As summarized in Table 4.2, the period 1961-1966 marked a major “turning point” in Ghana’s development strategies. The first significant change was a new emphasis on industry; the second was the adoption of socialist development policies. In consonance with the leading development theories of the early 1960s, Ghanaian policymakers identified development synonymously with industrialization and pursued it through the strategy of import substitution industries (Eisenstadt, 1963, p.3; Apter 1971; p. 18; see also Killick, 1978). For instance, in 1962 President Nkrumah saw industry as a means to escape the poverty trap: “the vicious circle of poverty, which keeps us in our rut of impoverishment, can only be broken by a massively planned industrial undertaking” (quoted in Killick, 1978: 44). De-emphasized was the initial emphasis on communication and social services. The proposed investment share of the so-called productive sector, which included industries, increased from 17.6% in the 1951 plan to 20.6% and then 37% in the 1959 and 1964 plans, respectively (Tables 4.1; see also Table 4.5). State Owned Enterprises (SOEs) became the central instrument in implementing industrial programs within a socialist framework and, by 1966, a total of £82 million had been invested in them. The objective was to reduce imports, diversify the economy and, more important, to take the nation out of poverty by – in the terminology of Rostow (1960) – propelling a

“take-off” into self-sustained growth. In addition, the government emphasized industrialization programs not only to transform the colonial structure of production, but also to increase economic independence and reduce the unemployment problem (Ghana, 1964; Killick, 1978, p. 46). An industrialization program was also pursued to train workers, provide capital for investment, motivate Ghanaians, and conserve foreign exchange through import substitution programs (Nkrumah, 1963, p 213; Uphoff, 1970, p. 113). A common feature of Ghana’s industrialization program was that the projects were capital-intensive and heavily biased towards imported technologies that required large inputs. As will be discussed in Chapter 5, this feature had ramifications for the building materials and residential construction sector. On the whole, two major factors influenced development planning in Ghana during the early 1960s: the first was the desire to diversify the economy from an agrarian and primary-producing economy to a modern industrialized one, and the second was the need for structural transformation—that is, the overall transformation of production relations and society (Donkor, 1997, p. 41).

The late 1960s through the 1970s saw a steady deterioration of Ghana’s economy, coupled with political instability, with little attempt to form coherent economic policies. Four development plans emerged but these were largely dead documents. Because of the poor economic conditions, policies were forced to focus on fiscal measures including financial restrictions, price controls, devaluation, and the removal of subsidies – especially those on social services (Hutchful, 2002). The National Liberation Council (NLC) government – which replaced Nkrumah’s CPP in 1966 – took tentative steps to limit the role of the state, while specific activities, notably housing, agriculture and

commerce, were assigned to the private sector (Table 4.2). The new Progress Party (PP) government, elected in 1969, committed itself to the liberalization program started by its predecessor, and rural development and agriculture were given centre stage in the government's development strategy (Roemer, 1984, p. 220; Donkor, 1997, p. 72). Overall, economic policies in this period were extremely inconsistent and this state continued into the 1970s, during which Acheampong's NRC and SMC governments reversed Busia's devaluation program and adopted protectionist policies (Table 4.2).

A significant turning point came in 1983 with the adoption of an IMF/World Bank-sponsored 'structural adjustment program' (SAP), inspired in large part by neo-liberal theories. As they did for many other developing countries, the IMF and World Bank identified Ghana's economic crisis as internally driven – including state interference in the workings of the price mechanism, a bloated civil service, exchange control, corruption, state ownership of manufacturing enterprises, and subsidies on social services like housing (Green, 1987; World Bank, 1994). As shown in Table 4.2, this development marked the beginning of a period of economic, social, and administrative reforms, including the cutting of government expenditure – especially subsidies on social programs – the liberalization of trade and investment, devaluing the currency, and institutional reforms, among others. An important development under SAP was that major responsibility came to be placed on the private sector and market leadership. As will be discussed later, the 1980s macroeconomic changes influenced the thinking and course of housing policy in Ghana. Table 4.2 provides a summary of the political and economic stance of successive governments for 1945-2000.



**Table 4.2: Summary of the Political and Economic Development Profile, 1945-2000**

<i>DATES</i>	<i>Government</i>	<i>Type</i>	<i>Economic Dev't Stance</i>
1945-51	Colonial Government	Civilian	Placed priority upon development of social services & communication
1951-57	Joint Colonial & Ghanaian adm.	Civilian	Emphasized the development of 'productive services' but no real change in budgetary allocation
1957-66	K. Nkrumah Convention People's Party (CPP)	Civilian	Socialist with Eastern Bloc Orientation, Inward Looking; Protectionist; High Levels of Public Spending and Establishment of State Owned Enterprises; and strong emphasis on industrialization, modernization of agriculture, and education
1966-68	A. Afrifa/E. Kotoka National Liberation Council (NLC)	Military	Renounced Socialist Orientation, Austere, Tentative steps towards Liberalization
1969-72	K. A. Busia Progress Party (PP)	Civilian	Market-Oriented, stronger moves to Liberalization, attempted Large Devaluation. Emphasized a balanced approach to development, including rural development. Also placed priority on agricultural development.
1972-75	Gen. I. Acheampong National Redemption Council (NRC)	Military	Inward Looking; Protectionist; Reversal of Busia Devaluation
1975-78	Gen. I. Acheampong Supreme Military Council I (SMC)	Military	Inward Looking; Protectionist Policies
1978-79	Gen. F.W.K. Akuffo Supreme Military Council II (SMC)	Military	Inward Looking; Protectionist Policies
1979	Fl. Lt. J. J. Rawlings Armed Forces Revolutionary Council (AFRC)	Military	Some Reforms but a general tightening of Economic controls
1979-81	H. Limann Peoples National Convention (PNC)	Civilian	No Real Change
1981-92	Fl. Lt. J. J. Rawlings Provisional National Defence Council (PNDC)	Military	Initially a tightening of controls but from April 1983, an Outward-Oriented Structural Adjustment Programs (SAPs)—cutting subsidies, currency devaluation, etc.
1993-96	Fl. Lt. J. J. Rawlings National Democratic Congress (NDC)	Civilian	Continuation of SAPs, privatization, divestiture, and trade liberalization (ie. market approach to development).
1997-2000	Fl. Lt. J. J. Rawlings (NDC)	Civilian	No Real Change

Sources: Adapted and updated from Roe and Schneider (1992); and Dordunoo, (1994)

#### **4.2.1 The Role of the Construction and Housing Industry in the National Economy**

The main thrust of economic strategies was summarized in the preceding section. This section looks at the economic importance of the construction sector within the national economy. In Ghana, the construction sector has contributed to economic development by satisfying the basic objectives of development including output generation, employment creation and income generation, as well as meeting the basic physical and planning needs of the country. Since the late 1940s, successive governments have consistently invested substantial portion of the country's development budget on the building of communication infrastructure (see Tables 4.1 & 4.5). The industry has been responsible for the creation of these facilities, especially in the 1950s and 60s when, as shown in the previous section, government gave prominence to the establishment of a high level of physical capital stock. During these decades, the sector contributed significantly to GDP and GFCF, accounting for between 4% and 5% of GDP, and approximately 60% of the GFCF (Ghana Economic Survey, 1963). In the 1960s, the value added by housing construction industry accounted for between 40% and 45% of gross output (Ghana, 1975). These figures are high by international standards. For a sample of developing countries, Moavenzadeh (1975, p. 12) estimated that construction contributed 3.6% to GDP in the period 1953-55; 3.7% in 1959-61; and 4% in 1966-1968. In Ghana, part of the reason for construction and building industry's large contribution lies in the numerous public works undertaken in the 1950s and early 1960s, including roads, railways, and public housing projects, the aim of which was to develop physical

infrastructure for industrialization programs. By the mid 1960s, “Ghana’s capital stock per capita was among the highest in the underdeveloped world.” (Ghana, 1975: 4).

In the 1970s and early 1980s, construction activities were less vigorous as compared with the previous years. Subsequently, the sector’s contribution had decreased – for example, it contributed only 21.6% of gross output in 1974 and 2.3% of GDP in 1985 (Ghana Economic Survey, 1974, p. 98; UN Year Book of National Accounts Statistics, 1990). The decrease was due primarily to the economic slump during this period and a series of policy measures taken by the government to rehabilitate the economy, as well as a reduction in the creation of communication infrastructure. However, despite this decrease, building and construction works were still dominant economic activities in the country.

The sector has shown dynamism in the 1990s—it contributed an average of 6.1% of GDP of all economic activities between 1990 and 1997 (Quarterly Digest of Statistics, 1994, 1998), comparing well with traditionally favoured sectors, such as the manufacturing industry (Table 4.3). Indeed, it consistently ranked as the fourth-largest contributor to the GDP between 1993 and 1997. The 1990s’ strong showing is a result of unprecedented growth of activities of real estate development companies and increased construction works.

In addition to its gross output contribution, the building and construction sector offers employment. And even though the housing construction sector does not stand out as a particularly significant activity in terms of job creation, it compares favourably with



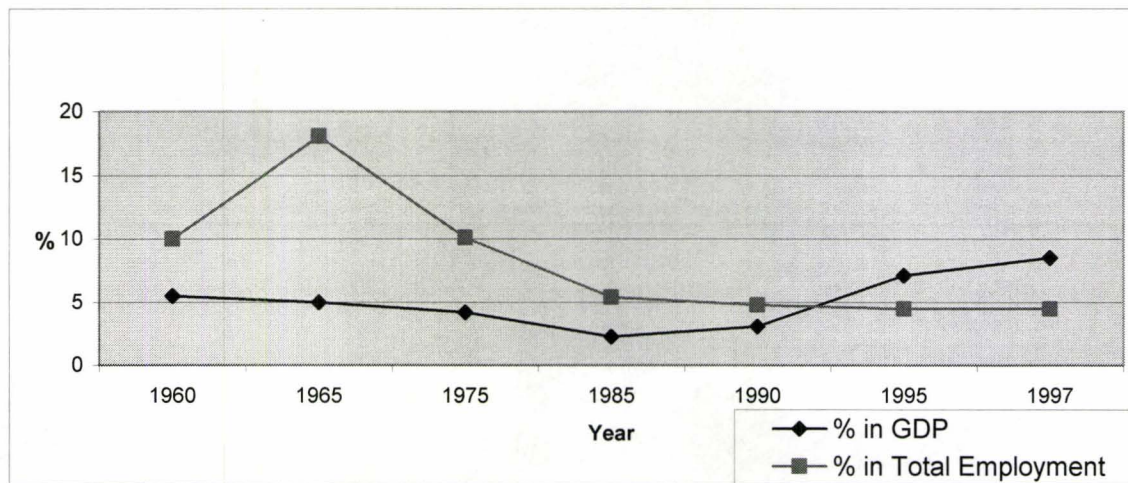
**Table 4.3: Gross Domestic Product by Kind of Economic Activity (%)**

<b>Activity</b>	<b>1955</b>	<b>1960</b>	<b>1965</b>	<b>1970</b>	<b>1975</b>	<b>1980</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>1997</b>
<b>1. AGRICULTURE</b>	45.5	46.6	46.8	42.5	47	50.5	48.0	47.9	38.8	35.8
1.1 Agriculture & Livestock	-	-	-	-	-	-	-	33.3	23.6	22.6
1.2 Cocoa Production & marketing	-	-	-	-	-	-	-	9.1	6.8	4.6
1.3 Forestry & Logging	-	-	-	-	-	-	-	4.2	2.7	3.4
1.4 Fishing	-	-	-	-	-	-	-	1.3	5.7	5.1
<b>2. INDUSTRY</b>	19.8	21.0	21.8	21.6	16.7	15.2	12.1	15.9	24.3	25.7
2.1 Mining & Quarrying	2.5	2.8	2.9	2.2	2.0	1.2	1.1	1.8	4.8	5.1
2.2 Manufacturing	9.4	9.7	11	13.8	9.9	9.8	7.9	9.2	9.3	9.1
2.3 Electricity & Water	2.6	3	2.9	1.0	0.6	0.7	0.8	1.8	2.7	3
<b>2.4 Construction</b>	<b>5.3</b>	<b>5.5</b>	<b>5.0</b>	<b>4.6</b>	<b>4.2</b>	<b>3.5</b>	<b>2.3</b>	<b>3.1</b>	<b>7.5</b>	<b>8.5</b>
<b>3 SERVICES</b>	33.4	32.2	30.4	32.6	31.9	29.6	34.9	35.8	27.8	27.9
3.1 Transport Storage & Comm.	4.3	4.5	4.3	4.1	3.2	2.8	4.0	4.4	3.9	4.1
3.2 Wholesale & Retail Trade	14.8	15.2	16.7	12.1	11.6	9.5	9.9	19	5.9	6.5
3.3 Finance, Insurance & Business	3.9	3.2	2.7	6.6	4.9	6.3	8.0	3.9	4	4.2
3.4 Government Services	9.6	8.2	5.9	9.3	11.6	10.4	11.9	7.5	10.6	9.8
3.5 Community & Social services	0.8	1.1	0.8	0.5	0.6	0.6	1.1	1	2.4	2.4
3.6 Non Profit Services	-	-	-	-	-	-	-	0.1	0.9	0.9
<b>4. Others</b>	1.3	0.2	1.0	3.2	-	4.6	5.0	0.4	9.2	10.7
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source Compiled from: Quarterly Digest of Statistics, 1994, p. 117; 1999, p. 123 & UN Year Book of National Accounts Statistics (various years).

other sectors – except for the services sector which, of course, is exceptional (see Table 4.4).<sup>9</sup> However, a close look at employment trends in the sector shows a consistent decline since 1964. The decline may be due to cuts in government investment – especially in housing activity, which usually constitutes about a third of total construction employment. An economic slump and a shift in favour of services employment may be other explanatory factors. Figure 4.1 compares construction share of employment and GDP for specific giving periods.

**Figure 4.1: Percentage of Construction in GDP and Total Employment**



Source: *Quarterly Digest of Statistics*, various years (1964-1991) & *UN Year Book of National Account Statistics* (various years).

<sup>9</sup> The figures in the table must be read with caution because of the predominance of informal activities, the majority of which are not recorded.

**Table 4.4: Recorded Employment in Establishments Irrespective of Size:  
Classified by Major Economic Activities (%)**

<i>Sector/ Year</i>	<i>Agriculture</i>	<i>Mining</i>	<i>Manufacturing</i>	<i>Construction</i>	<i>Commerce</i>	<i>Transp't &amp; Comm.</i>	<i>Services</i>	<i>All Industries</i>
1957	15.2	12.4	7.2	17.7	10.9	9.8	26.8	100
1958	15.4	11.7	7.5	18.0	10.3	10.3	26.8	100
1959	15.4	10.5	7.3	20.2	10.7	9.2	26.7	100
1960	9.3	4.7	3.9	10.0	5.0	5.0	62.0	100
1961	14.4	8.5	8.8	18.9	11.3	10.0	28.1	100
1962	11.4	8.4	8.9	18.0	11.5	9.6	32.1	100
1963	12.9	8.3	9.0	16.3	10.4	9.1	34.0	100
1964	13.8	7.4	9.3	17.6	12	7.3	32.5	100
1965	15	7.4	8.7	18.1	9.1	7.9	33.8	100
1968	13.1	7.6	11.8	14	9.1	9.8	34.7	100
1969	11.8	7.5	12.5	14	8.7	10.1	35.4	100
1975	14.8	5.7	18	10.1	7.9	5.9	37.5	100
1976	14.6	5.3	19.5	8.1	6.9	6.2	39.3	100
1977	14.8	5.1	19.9	8.2	7.5	4.8	39.8	100
1978	16.9	5	18.8	7.1	7	4.2	40.9	100
1979	16.3	5.3	17.6	6.3	7	4.1	43.3	100
1981	16	8.6	13	5.9	5.8	6.3	44.4	100
1982	11.6	8.2	8.6	7	6.1	5	53.5	100
1983	15.9	8	14.4	6.3	5.5	1.7	48.1	100
1984	13.4	6.2	11	5.7	6.6	5.3	51.8	100
1985	13.1	5.8	12	5.4	5.4	4.7	53.7	100
1986	10.3	7	14.1	5.8	5.5	5.4	52	100
1987	8.7	7.6	21.3	4.9	4.9	4.9	47.8	100
1988	9.5	7.7	15.3	5.8	5.3	5.5	51	100
1989	9.2	7.3	14.1	5.2	5.6	3.2	55.2	100
1990	8.6	5.8	13	4.8	4.8	4.3	58.7	100
1991	8.3	9.7	11.7	4.4	4.3	5.9	55.7	100

Source: Quarterly Digest of Statistics, various years (1964-1991) & UN Year Book of National Accounts Statistics (various years).



### **4.3 HOUSING POLICY AND NATIONAL DEVELOPMENT PLANNING**

Through all of these changes, development planning in Ghana since the mid 1940s has never envisaged the housing industry as playing a leading or even a significant role in stimulating economic growth. Typically, the housing strategy has been based on a concern to house people – that is, in terms of needs and supply. To be sure, the housing issue has often featured prominently in national politics, parliamentary discussions, governments' reports, national newspapers, and budgets – appearing consistently in all development plans formulated since 1945. Although there had been early public concerns, the colonial government did not actively intervene in housing provision for the local population but concerned itself primarily with health issues to address housing problems. Policies were intended primarily to “create sanitary conditions and prevent diseases”, suggesting that the colonial government saw the connection between improved housing conditions and health of people (Tipple, 1987b: 4). For example, following the outbreak of plague epidemics in Kumasi in 1924, the colonial government introduced strict action in the Public Health Codes and Standards (cf. Kumasi Health Board Ordinance, 1925, Colonial Files, Co. 96; Brown, 1978). But housing schemes that existed were limited in extent and focused primarily on welfare of expatriate workers of both the colonial service and European commercial companies that operated in the country, as well as the tiny staff of Ghanaian civil servants (Tipple, 1987b, p.4; Konadu-Agyemang, 2001a, p. 533).

Nonetheless, the government controlled and set standards and designs for housing development in the urban areas through a plethora of rules and regulations – such as

stipulating the use of specific building materials and building standards, minimum plot sizes, alignment of streets and back lanes, protection of water supplies, and control of rank vegetation (Tipple, 1987b, p. 5; Konadu-Agyemang, 2001a, p. 533). Powers to regulate building standards were initially given to local authorities and later extended to urban authorities, particularly to the mining towns in the 1915 Public Health Act (see Gold Coast, Public Health Ordinance (Amendment) 1906). The Government first became directly involved in housing development in 1923 when it introduced the Dispossessed Persons' Housing Scheme, meant to provide accommodation for those displaced by development projects undertaken by the government (Gold Coast Annual Report, 1939). But this provided only 118 loans at a total cost of £9280 in its ten-year period, and was discontinued in 1933 for lack of funds. The next significant direct government involvement in housing provision occurred in 1926 after an outbreak of plague in Kumasi (Atkinson, 1951). Immediately after the plague, the government demolished the "Strangers" or "Zongo" town and replaced it with 684 single-room units. The project was completed in 1928. Little other social housing was attempted until 1939, when the Accra Re-housing Committee (ARC) was set up to house people who were homeless as a result of the Accra earthquake. Afterwards the colonial government set aside funds which were used to develop a number of estates in Accra – notably Osu, Mamprobi, and Chorkor. A total of 1,300 houses were completed (Gold Coast Annual Report, 1947, p. 62). During the early 1940s, ARC was the main agency responsible for social housing schemes. Up to this point no economic considerations were given to the framing of housing policy and housing programs were not integrated with national development policy.

Economic considerations began to play a role in Ghanaian housing policy only after 1945. Ghanaian housing policy in relation to economic planning can be classified into three periods: 1945-66, 1967-82, and post-1983. The first period, 1945-66, was typical of development emphasis at the time, when housing was not considered an economic good but rather a social good—a right for citizens. The second period was marked by some redirection in thinking but a broad continuity in policies, including an emphasis on public housing. Market reforms occupied the third phase.

#### **4.3.1 Housing As a Social Service: 1945-1966**

Starting in 1945, the colonial government showed an increased concern to provide housing for specific elements of the urban population as a result of a new emphasis on colonial development. This concern was embodied in Ghana's first post-war *Development Plan (1946-1956)*. Important considerations were the return of war veterans and the need for government to show gratitude to them, the acute shortage of urban housing, and high rents, which had led to the first nationalist rioting in Accra in 1945 (Austin, 1964, p. 12). In addition to its being a health consideration, the government's intervention in the housing sector became part of a stated social responsibility to provide housing for all income groups (Gold Coast Progress Report, 1945).

During this period some significant initiatives were taken, including the passing in March 1945 of an ordinance which made provision for the acquisition of lands in connection with housing schemes in the Gold Coast Colony and Ashanti (Gold Coast Annual Report, 1947, p. 64). Under this ordinance a housing scheme was deemed to



consist of “a scheme which has been approved by the Governor-in-Council for the purpose of providing housing accommodation in the Colony or Ashanti” (Gold Coast, 1945b, cited in Konadu-Agyemang, 2001a: 140). To implement government housing policy and schemes, a new Department of Social Welfare and Housing was formed, taking over the work of the Accra Rehousing Committee which was created after the earthquake of 1939. Between 1946 and 1948, the new department supervised the completion of seven subsidized housing estate projects in the three major urban centers – namely, Accra, Kumasi, and Takoradi. These efforts were minimal and proved incapable of meeting the housing needs of the then-rapidly urbanizing population, and no scheme existed outside of Accra for individuals to purchase houses (Gold Coast Annual Report, 1947, p. 65).

The most innovative development of the period was the inclusion of housing within the *1946-56 Gold Coast Development Plan*. Housing ranked fairly high in the overall portfolio: a total of £800,000 was proposed to construct estate houses for people who lived in the large towns and on small incomes (Gold Coast, 1946, p. 47). The plan focused primarily on the “expansion of the basic economy of the Gold Coast,” accomplished through investment in projects that improved the country’s communication facilities and social services (Gold Coast Annual Report, 1948, p. 1). Emphasis on social services contradicted neoclassical economic model prescriptions at the time, suggesting that the colonial government had an unfashionably broad conception of development (see Chapter 2).

If anything, from the 1950s through the early 1960s the government became more active in the housing field, and the sector featured prominently in successive government development policies—housing received detailed coverage in all successive development plans formulated during the period. But the overriding emphasis was on poor living conditions and housing needs, issues that received a great deal of media attention in the 1950s and 60s – especially in the *Daily Graphic*.<sup>10</sup> The CPP government made a commitment on housing, stating that adequate housing was a right and a basic necessity,<sup>11</sup> which the government had an obligation to provide. As the 1951 Plan clearly stated:

The government wishes to see every family in its own comfortable home...Cheap yet strong and decent homes are to be provided...government is determined to end uneconomic methods of building houses in the country. Its policy is to introduce power machines into houses that can be mass-produced...people will be trained in ...building principles so as to supply more efficient labour...to the industry (1951: 20-21).

To show its commitment, the *1951-1958 Development Plan* committed £2.5million to create and complete housing estates, as well as to provide decent homes for the lowest-paid workers. Five new housing estates were proposed. Further, it introduced a loan scheme with a maximum of £1600 per person for those who wanted to construct their own homes, and a further £500,000 for slum clearance projects. Despite these initiatives, however, the principal objectives of housing policy at this time consisted of building more houses for urban civil servants and improving building standards.

As noted earlier, the major focus in the 1950s was communication and social

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<sup>10</sup> Media coverage of the housing problem was extensive. See for example, “Housing—One of our country’s urgent needs” (1956); “The Housing Problem—No signs of improvement” (1969); and “Inadequate Houses” (1970).

<sup>11</sup> See, for example, Ghana, *Parliamentary Debate* 1966, 15 February, p. 484.

infrastructure development. Housing was classified as a social service or good, and while its improvement was considered important it was not expected to make a direct contribution to economic development.<sup>12</sup> With the exception of a few projects, housing programs were designed not so much to stimulate the economy as to address social needs and deliver welfare.<sup>13</sup> The *Development Plan*, made no reference to multiplier effects, linkages to other sectors of the economy, or to the building industry's contribution to economic development. A statement by the Minister of Local Government and Housing in the Legislative Assembly in 1953 reflected the social emphasis:

...the government housing estates are designed for the lower paid worker and artisan group and the rents are subsidized. This program of estate construction and management in the urban centers has been the main feature of the Government's *social housing policy*...<sup>14</sup>

The two development plans formulated during the 1950s laid strong emphasis on housing as a social welfare, and policies reflected this objective. Like the housing goal of the 1950s, the *1964-70 Development Plan* set out: "...to ensure adequate housing for each family in the country as a matter of right to maintain social fabric" (Ghana, 1964). Similar statements appeared consistently in the *Daily Graphic* and *Ghanaian Times* – the two major national newspapers – as well as in Parliamentary debates.<sup>15</sup>

At least three factors account for this emphasis on social housing policy. One was

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<sup>12</sup> This point applies to all supposedly social services. The 1951 Plan stated that "The importance of improving the social services is fully respected but it must be realized that **these services do not normally make a direct contribution to the economy**, important as their indirect contribution may be, and that their development must be dictated by the **economic prosperity of the country**" (Ghana, 1951:11, *my emphasis*).

<sup>13</sup> In addition to education and health, housing was regarded as "progressive socialist schemes" that will "transform Ghana into a modern country." See Nkrumah (1961, p. 28).

<sup>14</sup> See, Gold Coast, *Parliamentary Debates*, 20<sup>th</sup> March 1953, p. 1566, *emphasis added*.

<sup>15</sup> See, for example, Ghana, *Parliamentary Debate*, February 1, 1961, p. 116; 15 February 1966, p. 483.



ideological, especially between 1960 and 1966: socialist ideology, which the Nkrumah government had adopted during this period, provided a framework for all policy, objectives, targets, and programs.<sup>16</sup> Nkrumah's socialism and its conception of housing policy was a decisive break with the colonial development policies. As part of the government's new agenda, policies aimed to create social justice and equality of opportunity for all members of the national society, and housing programs were seen as a mechanism to achieve these social goals.<sup>17</sup> Another factor was the development strategy itself which, as already noted, placed priority on the development of social services. A further factor was political—public housing programs were not only a response to an increasing public demand at the time but also a perceived essential requirement for political longevity.<sup>18</sup>

To meet its social goals, the government made significant efforts to provide housing through publicly funded projects – mainly in the form of public housing. In the 1959-64 plan, it proposed to construct 6700 housing units, comprising 200 units for the middle income, 1,500 for lower income, and 5,000 laborers' quarters at £2,000, £500 and £200 per unit, respectively. Similarly, the *Seven-Year Plan (1964-70)* proposed to build

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<sup>16</sup> As in all socialist systems, the government dominated the housing system and regarded housing as a right for all citizens—its investment, therefore, must be made by the government.

<sup>17</sup> As part of his socialist ideology, Nkrumah wrote in 1963 that “In Ghana, we have embarked upon the socialist path to progress ... We want to see full employment, **good housing**, equal opportunity for education ... for all the people up to the highest level possible” (Nkrumah, 1963, p. 119, **my emphasis**).

<sup>18</sup> For instance, Nkrumah (1961:145) once said that “We cannot tell our people that material benefits and growth and modern progress are not for them. If we do, they will throw us out and seek other leaders who promise more. And they will abandon us, too, if we do not reasonable, measure respond to their hopes.” Again, speaking in support of his government's development programs, Nkrumah (1958: 51) wrote that “There must be something to show for independence. And if there is nothing to show, popular discontent may split the country apart.” In most instances, housing is either implicitly or explicitly referred to; it is visible and, hence, usually used as a symbol of political commitment to people.

60,000 new dwellings throughout the country at a cost of £44.5 million, comprising £31.3 million for commercial housing and £13.3 million for low-income housing. The major responsibility for achieving these targets was given to the State Housing Corporation (formerly Gold Coast Housing Corporation), which was given 54% of the budgetary allocation. Even though the 1959 plan endorsed self-help housing and offered incentives to that end, its budgetary allocation, together with the Roof Loan Scheme and site and services projects, was 34% of the total allocation (Ghana, 1959, p. 105; see also Tipple, 1987b, p. 20).

Housing policy in this period was based on a public commitment to house Ghanaians, especially urban workers, but its relation to larger planning goals was not seriously considered. At best, housing was regarded as contributing little to development; improvements were thought to reflect rapid economic growth, not to cause it.<sup>19</sup> As Konadu-Agyemang (2001a: 147) has stated, “housing investment on a large scale was to await the materialization of the benefits which were to accrue from the industrialization and infrastructure development which the government was undertaking under the socialist goals.” Industrialization was the cornerstone of development strategy during the first half of the 60s, as President Nkrumah stated in 1963:

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<sup>19</sup> The clearest statement on this point is in the 7-Year Development Plan: “In the final analysis the real wealth of an economy derive from the commodities it produces in its agriculture and industry. The other sectors of the economy—social services--important as they are, are still only concerned with organizing the distribution and utilization of the material wealth created in the productive sectors.” (Ghana, 1964: 10). Of course, housing was not specifically mentioned, but it was most often categorized as social services.



The welfare state is the climax of a highly developed industrialism. To ensure its benefits in a less developed country is to promote merely a division of poverty. Undoubtedly there must be an investment of a proportion of the capital reserves in the establishment of minimum wage levels to assure proper diet, as well as minimum health and housing facilities. *But poverty is progressively reduced as productivity increases and industrialization progresses and part of its surplus can be made available in increased wages, better housing and generally improved social conditions* (1963: 105, *emphasis added*).

Such statements were consistent with the assumptions of conventional development theory (cf. Chapters 2). Ironically, the economic policy adopted in the early 1960s had consequences for urbanization and the housing situation in urban centers. The rapid economic growth strategy pursued through development of import substitution industries entailed the establishment of centrally located manufacturing industries in places like Accra and Kumasi, stimulating massive migration of labour from rural areas to these centres.

But this is not to suggest that the potential economic impacts of housing policy were completely ignored in policy discussions or in the scheme of development programs. Government did attempt to use housing policy as a way to intervene in population distribution through creating ‘new towns’ where employment opportunities were planned (Ghana, 1959, p. 44; 1964, p. 20; Tipple and Korboe, 1998, p. 246). Indeed, a major housing objective of the 1964-70 plan was as follows:

...to ensure that adequate housing could be available to meet the requirements of the working force, especially in urban areas, where new economic activities were expected to develop (Ghana, 1964, 20).

Consequently, providing workers’ housing was a major objective of government housing policy – especially in mining towns like Tarkwa, Bibiani, and Konongo-Odumase, where employers provided housing for their employees – suggesting that government saw a connection between housing and labour productivity. This was most obviously the case at



the Takoradi Harbour Project (THP), the Volta River Project (VRP), and Tema New Township, where housing programs were successfully tied to harbour, power, and industrialization projects (these projects are discussed in detail in chapter 5). But these projects were the exception rather than the rule. Indeed, a major flaw in government housing projects was that they were neither coordinated nor comprehensive national programs;<sup>20</sup> major housing projects were concentrated in few urban centres. No national housing policy existed up to this point, and the interrelationship of the housing sector with the rest of the economy was not taken into account in overall development planning.

#### **4.3.2 The Broadening Housing Policy Agenda: 1966-1982**

The relative neglect of housing began to change after 1966, although at first it was more rhetorical than real. During this period, the approach to development was broadened, with a shift in emphasis from industrialization to agriculture, rural development, and issues of human development. Both the NLC (1966-68) and PP (1969-71) governments renounced the socialist-ideological agenda of Nkrumah's government. Among other measures, both took tentative steps towards liberalization and market reforms aimed to halt economic deterioration and free the economy of constraints (Table 4.2). The *1968-70 Development Plan* expressed a strong desire for the state to withdraw from all productive investment (e.g., industry) other than infrastructure and services such as education, health and housing (Ghana, 1968). In this regard, development policy in Ghana was consistent with international policies.

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<sup>20</sup> Interview with a senior official of Housing Ministry in Accra, May 2003

What emerged was an awareness that housing policy should not be limited to the social realm, but that investments in housing programs might create employment opportunities and generate growth (Ghana, 1968, p. 88). The government started to focus on the impacts of housing provision on industrial development and on labour productivity. For instance, commenting on industrial development Prime Minister K. A. Busia, in a speech to the Trade Union Congress (TUC) in 1970, noted that a well-designed housing scheme was a necessity for both social and economic development, especially national industrial promotion: “Industrial development will be hampered unless workers are adequately housed.”<sup>21</sup> In the same speech, the PM also acknowledged the practice whereby a home is commonly used as a workplace: “Is a house in this country no more than just a shelter?”<sup>22</sup> He continued: “In this country a house built for the ordinary man is not just for himself and his family. It is often a production center, and small factory.”<sup>23</sup> Underlying the Prime Minister’s statement is a recognition of home as a source of income through home-based economic activities, such as retailing and small-scale production of foods and certain equipment, all prevalent in developing countries (already discussed in Chapter 2). Such views were consistent with the general shift of international opinion. In fact, the Prime Minister rejected the dominant view, which suggested that investment be made in factories while housing await the materialization of economic growth. He stated explicitly that “ I do not believe in this short-sighted view of the problem. We believe that economic change and social change go together. The two

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<sup>21</sup> *Daily Graphic*: “Housing: A basic necessity for workers” (1970). Address by the Prime Minister to the Trade Union Congress.

<sup>22</sup> *Ibid*

<sup>23</sup> *Ibid*, p. 8; see similar discussion in chapter 2.

are integral parts of the process of development... We believe that while we are trying to provide industries... we should at the same time also try to provide more housing...”<sup>24</sup>

Rhetorically, this was an important statement.

In the 1970s there was continuing recognition of the relationship between housing and economic development. In the 1975/76 Development Plan – one of the most comprehensive ever drawn up – the connection between housing and economic development was clearly enunciated:

A good housing programme provides substantial employment opportunities and builds up a reserve of skilled labour and artisans who would be available for other related constructional works. It also stimulates the development of natural resources which are basic to the housing and construction sectors and has a multiplier effects on the economy (Ghana, 1975/76: 409).

In a speech during the launching of this plan, the head of state declared that: “the provision of housing and its related facilities forms an essential part of the country’s socio-economic development. Good housing creates social stability, employment opportunities, and also affects the health of the community.”<sup>25</sup> These statements were significant indicators of the new trend.

In a new departure, the 1975/76 Plan (p. 409) and subsequent annual budget statements declared that government alone could not bear the responsibility of providing houses for everyone.<sup>26</sup> This position was expressed in a government economic statement issued in 1975: “the present economic position of the country and the competitive demands on public funds from the other sectors make it difficult for Government alone to

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<sup>24</sup> Ibid, p. 8

<sup>25</sup> *Daily Graphic*, June 14, 1975, p. 8-9.

<sup>26</sup> *Daily Graphic*, June 8, 1970: “*Housing the Workers*”; *Daily Graphic*, January 14 1975, p. 16: “*Housing Fund To Be Set*”; see also *Parliamentary debate*, Friday 30<sup>th</sup> November, 1979: 26.



undertake to house every Ghanaian.”<sup>27</sup> Consequently, NLC, PP and NRC/SMC governments attempted to liberalize the housing market by emphasizing efficiency and private sector-led housing delivery, as well as improvement in the quality of rural housing. A government policy guideline is very explicit on this point: “Government will reduce its participation in direct house construction and limit its involvement in housing mainly to the development of housing infrastructure for private house building.”<sup>28</sup> However, in spite of the rhetoric, policy continued to emphasize public-sector production. As a result, little changed. In fact, neither the NLC nor the PP introduced any new policy on housing (Konadu-Agyemang, 2001a, p. 148): existing public housing programs remained, and the social emphasis of housing policy continued.<sup>29</sup> The government’s primary focus was still on housing for civil and public servants. Government annual financial statements produced in the 1970s typically reiterated a dominant role for public agencies, notably the SHC and Tema Development Corporation (TDC), to solve the housing problems, with emphasis on low-income housing.<sup>30</sup> Under the 1968-70 Plan, these two organizations were to produce 2000 dwelling units annually. Although the 1975/76 Plan proposed low-income housing through site and services projects, and creation of housing finance schemes to help individuals build their own houses, no concrete effort was made by the government to implement such policies.

Perhaps the most significant development was the attempt to formulate a co-ordinated national housing policy when the NRC/SMC government appointed a

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<sup>27</sup> Daily Graphic, June 14 1975, p. 8-9.

<sup>28</sup> Daily Graphic (1960): “Housing Fund to set”.

<sup>29</sup> Interview in Accra, May 2003.

<sup>30</sup> See, for example, Budgets, 1974/75, p. 34; 1977/78, p. 34.

committee in 1976 to advise on national housing policy. The committee's report, published in the same year, formed the basis for housing policies in the 1975/76-79/80 National Plan. Reforms in the land system – with priority given to public ownership, slum rehabilitation through self-help, site and services housing, and a central housing authority to bring together all departments – were among the most significant recommendations (Ghana, 1975). Although nothing specific was said about the subject, adequate housing was apparently considered an objective in development. In general, it can be said that thinking about housing as an element in development strategy was given relatively prominent attention – at least rhetorically.

#### **4.3.3 The Liberal Reform Agenda: post-1983**

Since 1983 the government has carried out the sorts of housing policies that it had promised in the preceding periods. The housing strategies have largely coincided with international policy reform and consistent with what is known as the “enabling strategy” for housing policy (World Bank, 1993a; UNCHS, 1996a). The Ghanaian government reform policies based on neo-liberal ideas have had far-reaching implications. Market mechanisms are now the guiding principles for the housing sector, with the government acting as a facilitator.<sup>31</sup> The change in approach can be attributed to the failure of previous policies, and to dwindling state resources, and a recognition that governments alone are unable to solve the housing problem (Ghana, 1993b, p. 2).

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<sup>31</sup> *Budget Statement* (1988, p. 16).

Since the mid-1980s, this shift towards broader conceptualization of housing has been evident in key policy documents and in programs. Housing policy is now linked to the macroeconomy, and there has been a growing awareness about the economic impact of housing activity. For instance, in 1986, a comprehensive National Housing Policy was formulated and, among other things, the document stated that:

...housing programs provide substantial employment opportunities and have the added effect on the economy of stimulating development of other resources. Planning for housing is therefore commonly integrated with other sectors of national development so as to provide the necessary support to national economic goals (Ghana, Ministry of Works and Housing, 1986: 3).

Further, the government, in its *Medium Term Development Plan (1997-2000)*, outlined what appeared to be an emerging housing agenda. The plan advocated that the housing industry be promoted as a force to generate growth through the creation of employment opportunities and the improvement of housing finance systems by promoting savings and investment (Ghana, 1997, p. 152). Several key individuals have expressed a new philosophy towards the housing sector. In his annual address to Parliament in 1995, the Minister of Works and Housing argued that:

Housing, apart from being a basic human need, has profound effects on health, both physical and mental. The satisfaction of the housing needs of the population has tremendous implications for industry, public administration, technology, the environment and the financial sector.<sup>32</sup>

Also in 2003 a senior official of the Ministry of Works and Housing told me that “In the past, not much attention was paid to economic aspects of housing but the current objective is to use housing to stimulate economic growth, and generate wealth in the economy.”<sup>33</sup> Another senior official in the Ministry said in an interview that:

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<sup>32</sup> Ghana, *Parliamentary Debate*, 3 March 1995, p. 1221.

<sup>33</sup> Personal interview in Accra, June 2003



The government has tried to put an end to the welfare housing production system ....Our approach now is to create the enabling environment for the private sector to deliver. We believe that if this approach is properly pursued the housing sector will be a key investment area and thereby make significant contributions to the social and economic development of this country.<sup>34</sup>

In the spirit of the World Bank's and UNCHS' emphasis on "whole housing sector" development, the Ghanaian government has stressed private participation, land reforms, the creation of a housing financial system, and the promotion of a local building materials industry.<sup>35</sup>

Particular efforts have been made to tap the potential of the private sector to finance and construct houses for people.<sup>36</sup> Prior to the reforms of the 1980s, the Ghanaian real estate sector was non-existent, the building industry being dominated by the public sector and private informal provision. Since the liberalization of the market, there has been a dramatic increase in the activities of large-scale real estate development companies, especially from the 1990s onwards. In the area of housing finance, the government has demonstrated its commitment to the mobilization of housing finance by approving the establishment of the Home Finance Company (HFC) as a non-financial institution in 1990, and as a public company in 1995. The impacts of both the real estate companies and HFC are described in detail in chapter 5.

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<sup>34</sup> Personal interview in Accra, June 2003

<sup>35</sup> Personal interview in Accra, June 2003. These issues have been well elaborated on in Ministry of Works and Housing Review Study: The Economic Impact of Government Policies on the Housing Sector, 1989a.

<sup>36</sup> Most significant fiscal incentives used over the years to attract real estate companies were a 5-year tax holiday for Real Estate Developers; reduction of corporate tax from 55% to 45%; among others (Budget Statement, 1988, p. 16).

It might seem that the importance of housing for different sectors of the economy has now been recognized. However, all the executives of private estate developers whom I interviewed expressed contrary views: They believe that the housing sector is still a low priority in national planning and that government statements are mere rhetoric, because little has really changed.<sup>37</sup> As one of the smaller Ghanaian firms noted: “It is very apathetic. Government has not been helpful. Housing is not part of the priorities of the government. Where do we have housing in the national budget? How much does the government allocate to housing? Housing is lowest on its agenda.”<sup>38</sup> Apart from the low financial budgetary allocation, several of the executives described housing as a low priority because of little support services offered by the government. A comment by one of the relatively larger Ghanaian firms I interviewed is typical:

Housing is low on government agenda. Because the government could be granting tax rebates, providing expert advise on road engineering, land registration, and development schemes etc. to offer private developers better encouragement...nothing concrete is being done at the moment.<sup>39</sup>

When the executives were asked whether they think the government regards the housing industry as a sound economic sector, their responses were mixed. On the one hand, about half of them believe the government sees the industry as a valid economic sector: “government has a positive view of the housing industry,” replied one of the executives.<sup>40</sup> Specifically, to support such claims several mentioned the liberalization of the housing market and the emphasis on private participation. On the other hand, in terms of

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<sup>37</sup> Indeed, executives of all the 20 real estate companies interviewed expressed strong reservation about government’s genuine commitment to the housing industry.

<sup>38</sup> Personal interview with Mr. Henry

<sup>39</sup> Personal interview with Mr. Mark

<sup>40</sup> Personal interview with Mr Jerry

economic contributions, some expressed reservations about government's genuine commitment. As one executive put it, "in most advanced countries, housing or the construction industry is regarded as an engine of growth, but the sector's viable economic role has been ignored in this country."<sup>41</sup> There was general agreement among the executives interviewed concerning a shift in the Ghanaian government's position as producer of housing to a facilitating role. But even here, there was a general consensus that government has no realistic policy for the sector. In the light of these criticisms it is important to go beyond the mere policy statements by the governments and look at practical actions. The vital question is: Do trends in expenditures bear out these criticisms?

#### **4.4 EXPENDITURES ON HOUSING IN NATIONAL DEVELOPMENT POLICIES**

Since the mid-1940s, successive Ghanaian governments have shifted their emphasis in sectoral expenditures and development policies (Table 4.5). These shifts have not been previously documented. To that end, data on expenditure allocations for housing were compiled from published planned documents.

During the first phase (1945-66), both the colonial and post-independence government placed a fairly heavy emphasis on communication facilities and social development projects. In the 1951 Plan, for example, some 30.6% of expenditure was directed to communication facilities, 14.8% to education, and 12.8% to health and water. The pattern of sectoral spending for these services decreased sharply from 21.8% to

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<sup>41</sup> Personal interview with Mr Shark



11.1% in the 1964 Plan. At the same time, allocations in trade and industry more than doubled from 4.7% to 10.4% in the 1959 Plan, and again to 23.2% in the 1964 Plan. Thus by the early 1960s, a shift in development policy favouring support for the productive sectors (e.g. industry and agriculture) was apparent. In spite of this development, education, and health and water still received a fairly large proportion of development spending in the 1959 and 1964 Plans. In the 1990s, the government's sectoral spending priorities shifted once again, with industry and agriculture de-emphasized and communication facilities becoming the dominant sector, receiving 49.5% and 44.8% of the total spending in the 1991 and 1996 Plans, respectively.

**Table 4.5: Detailed Investment Allocation in Selected National Development Plans (%)<sup>42</sup>**

Sector	1951-58	1959-63	1964-70	1968-70	1975-80	1991-95	1996-2000
Agric & Natural Resources	6.5	10.2	14.1	-	-	3.6	8.6
Trade & Industry	4.7	10.4	23.2	-	-	5.2	4.5
Electricity	3.8	3.6	9.1	-	-	0.7	4.9
Communication	30.6	21.8	11.1	-	-	49.5	44.8
Local & Regional Gov't	5.1	7.7	-	-	-	-	-
Education	14.8	11.4	14.2	-	-	6.7	7.3
Information	1	1.1	-	-	-	-	-
Housing	6.7	7.0	4	-	-	8.1	9.0
Health & Water	12.8	18.0	12.1	-	-	7.2	7.7
Policy, Prison & other Social services	2.5	3.2	7.1	-	-	0.7	3.2
Miscellaneous & General Services	11.5	5.7	5.1	-	-	18.3	10.0
Total	100	100	100	-	-	100	100

Source: National Development Plans. Note: Figures are not available for 1968 and 1975 Plans

<sup>42</sup> Adjustments were made to the table; hence the percentage values may be different from those of the original data. Some of the categories have been merged, for example, miscellaneous and General Services. More important, the original data has a large percentage share for "contingency," but since this expenditure was not clearly defined, the percentage share for each sector was recalculated, excluding contingency. The value for contingency was distributed proportionally among other sectors in each plan period. Hence, the percentage share for housing in the 1959-63 Plan, which originally was 6.8%, became 7%, while 5.6% and 6.4% allocated in the 1991-95 and 1996-2000 Plans became 8.1% and 9%, respectively.

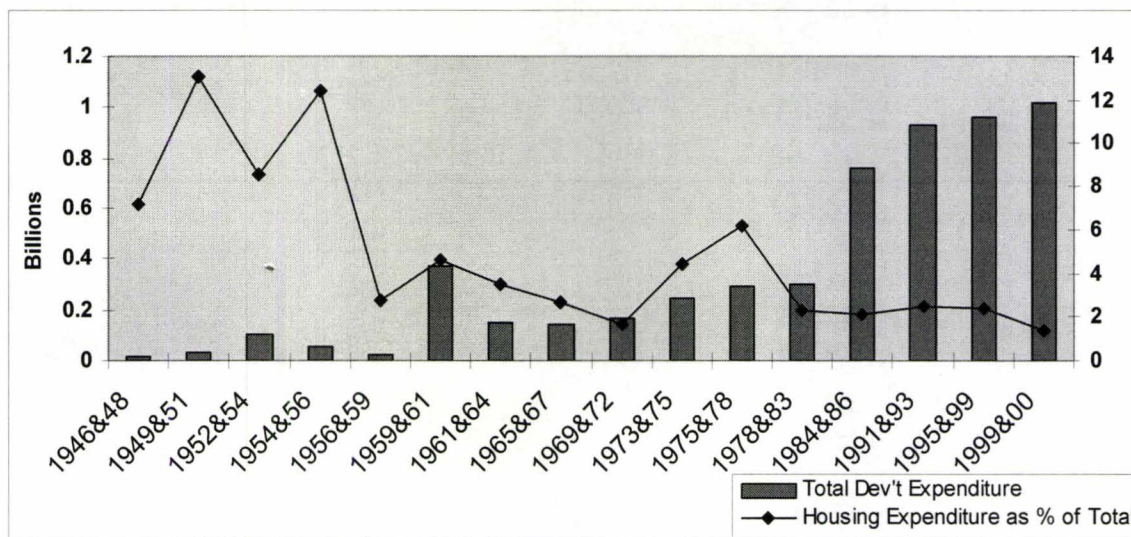
For housing, the overall investment allocation has been quite stable, increasing slightly from 6.7% in the 1951-1958 Plan to 7.0% in the 1959-1963 Plan, but decreasing to only 4% in the 1964-1970 Plan – clearly reflecting a low priority in this period. The overall sectoral spending pattern in the 1964-70 Plan partly reflected greater priority for agriculture, and trade and industry, which indeed were the main areas of emphasis in the early 1960s. Ashahid (1991: 136) explained that as a result of a strong emphasis on industrial and agriculture development during the early 1960s, “allocation to other sectors of the economy like *housing*, social services and general government services had declined considerably confirming the trend of investment shifting from unproductive to productive activities”(my emphasis). In the 1990s, the pattern of investment allocation in housing remained fairly consistent with those of other social services, notably health and education; housing increased from 4% in the 1963 Plan to 8.1% and 9.0% in the 1991 and 1996 Plans, respectively. On the whole, under various development plans, the sectoral expenditure on housing increased fairly over the course of time. But these amounts were proposed allocations so it is imperative to look specifically at actual annual budgetary spending.

Trends in actual budgetary allocation in housing show contradictions between policy statements and reality. The average budgetary funding in housing in the first phase (1946-66) was 7.1%, and this dropped to only 4% and 1.9% in the period 1966-82 and 1982-2000, respectively, clearly demonstrating a shift in attention – and perhaps the



government's low priority for the sector.<sup>43</sup> Housing investment was almost insignificant in the last two decades – 1980s and 90s (Figure 4.2). Comparing the pattern of expenditure over the period (1946-2000), the following trends become evident. The overall total annual expenditure increased consistently over the period (Figure 4.2).

**Figure 4.2 Trends in Actual Development Budget, 1946-2000**



Source: Budget statements, various years (1946-2000)

The total funds allocated to housing decreased from the first phase (1946-66) through the second (1966-82), and into the third (post-1983). As discussed earlier, a major factor underpinning a relatively high spending in the first phase was the strong orientation to the development of social and welfare services during the late 1940s through the 1950s, as clearly evident in expenditure on other social services, including education, and health and water. Indeed, the colonial Development Plan (1946-56) and

<sup>43</sup> See appendix 1 for detailed trends in government budgetary spending.



Gold Coast Plan (1951-56), which established the basis of development policies, set forth a program of social development – one of its main goals.

For the second phase, the factor that played a major role in relatively high spending on housing between 1974 and 1977 was the implementation of a crash program under the Low Cost Housing Committee (LCHC). Under this scheme, 6092 housing units were completed nationwide between 1972 and 1976 (Owusu, 1980), which, according to Konadu-Agyemang (2001a: 150) was “a record construction within a three-year period, which was, and is second to none in the history of Ghana.” As explained earlier, the post-1983 period has been characterized by a retreat of the Ghanaian government from its commitment to welfare subsidies of all kinds, including housing. Thus, the small budgetary allocation for housing is not surprising; in fact, it is perfectly in line with government’s policy stance that sought to withdraw from directly providing budgetary funding (subventions and subsidies) to all housing organizations with the aim to foster an enabling environment for the private sector’s participation in housing delivery. In summary, in spite of a high priority stance towards housing in government policy statements, the sector does not stand out as a prominent priority sector in national development programs and budgetary funding. Like the international agencies, the discrepancy between *rhetoric* and *practice* is particularly true in the 1980s and 90s.

#### **4.5 FORMS OF HOUSING POLICY AND RESOURCE ALLOCATION: THE INFLUENCE OF INTERNATIONAL AGENCIES**

In recent years, the Ghanaian government housing policy has conformed to the ideas that were being advanced by the UN and, especially the World Bank. To some

extent this may be due to their direct influence, especially the Bank. The impacts of the two agencies were felt in turn, with the UN dominating in the 1950s and 1960s and the World Bank emerging in the 1980s through the 1990s.

The UN's involvement in the housing sector in Ghana dates back to the early 1950s. Under its Technical Assistance (UNTA), the UN sent its first Mission of Experts to the country in 1954 to investigate the country's housing problems and "to advise and exchange information on general housing in the country"<sup>44</sup> and make recommendations on housing policies. The experts – Charles Abrams, Vladimir Bodiensky, and Otto Koenigsberger – advised against certain governments programs and made a number of recommendations to the government. One was that slum clearance exercises, which the government was undertaking at the time, be suspended. The Mission also advised against the commitment of £2million into the government-managed and -controlled building and loan society (UN EcoSoc, 1970, p. 3). The amount was proposed following Charles Garratt-Holden's report to the government in 1953, in which he advised the formation of building societies in the country.<sup>45</sup> The Mission suggested that the grant of £2million be split and used for two programs: £890,000 was to be in a mortgage bank, and the rest was to be used to start a "roof loan program"(UN EcoSoc, 1970). Other specific recommendations related to land tenure reforms, the creation of flexible financial policies to suit low-income workers, encouragement of self-help through roof loan schemes

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<sup>44</sup> *Daily Graphic*, August 16, 1954, p. 1.

<sup>45</sup> *Daily Graphic*, March, 1954, p. 1. Charles Garratt-Holden was the Secretary of the Building Societies Association of Great Britain at the time.

subsidized for the very-low-income groups, creation of a national housing authority, and encouragement of indigenous housing style and technology (UN, 1956).

The UN's report had limited impacts. The government implemented some of the recommendations but ignored the rest. It passed a number of ordinances; among those passed were the Gold Coast Housing Corporation Ordinance (1955), Building Society Ordinance, (First Ghana Building Society (1956)) and other legislation relating to Roof Loan Schemes, Town and Country Planning, and Registration of Land Title. Even though it was not explicitly stated, the Mission wanted the Ghanaian government to assume the responsibility of "facilitator," while direct housing production and financing was to be left to the individual; that is, it should adopt what is generally called a "aided self-help" program, which (as opposed to public housing) was a favoured program of the UN and other international organizations (Harris and Giles, 2003, pp. 14-17).

Prior to the group's arrival, G. A. Atkinson (housing advisor to the Secretary of the State for the Colonies) visited Ghana and assisted in the preparatory work for the Mission's visit. Atkinson spoke in Accra in 1954 at a conference organized on the topic, *Problems of Urban Housing*, in which he stressed the importance of research in solving housing problems.<sup>46</sup> Also, specific recommendations were made by the UN to Ghana and other countries regarding the need to formulate comprehensive housing programs and integrate these programs into national development plans (UN Year Book, 1953, p. 454; Un Eco Soc, 1957/58, p. 39). Similar recommendations were offered in 1967 by a working party consisting of officials of UNECA and the Netherlands (Bouwcentrum

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<sup>46</sup> *Daily Graphic*, August 1954.



Mission) that visited the country at the invitation of the government.<sup>47</sup> As did Abrams' group, but with greater emphasis, this group suggested that priority be given to site and service schemes and aided self-help projects, arguing that implementing such schemes was the most effective way to mobilize financial resources for the housing sector. The team believed that aided self-help would encourage savings and invariably generate much-needed financial capital for the sector. The team further suggested that insurance companies be encouraged and pension funds set up to provide capital for housing projects. It advised the government to develop an integrated system of housing programs and related aspects of the housing industry (UN/ECA, 1967). The recommendations of the Mission's report were never explicitly implemented due, in part, to the frequent changes in government. From the above, it is clear that various UN teams not only wanted the Ghanaian government to pay significant attention to the issue of housing but also were thinking about its economic aspects. Further into the 1970s, the UN provided expert advice on modernizing Ghana's building and material industries so as to increase housing production and reduce building costs, but with limited impacts (UN EcoSoc, 1955, p. 53; 1956, p. 55; UN Year Book, 1960, p. 364).

Consistent with the World Bank's general views, its two teams sent in 1965 and 1982 made no mention of housing; major attention was devoted to the need to pursue sound macro-economic policies, including the importance of balancing the national budget and taking adequate measures to ensure a stabilized economy (World Bank, 1965, 1984). Indeed, in 1965 the Bank's staff told the Ghanaian government that they would

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<sup>47</sup> This was a combined team of experts from the UN, ECA and the Netherlands, which visited the

disallow projects which would not break even within two years (Uphoff, 1970, p. 916). Such a requirement effectively ruled out investment in housing projects.

Typically, the Bank’s early development lending to Ghana was overwhelmingly concentrated in the areas of transportation, power projects (notably, Volta dam project), and agricultural activities—indeed, the very areas that were the priority sectors at the international level. The overall trends and patterns of World Bank lending in Ghana have never been compiled or documented. Information is obtained primarily from their website ([www.worldbank.org/ghana](http://www.worldbank.org/ghana)) and the basic goal is to show the importance of various sectors over the past decades, especially those pertaining to urbanization and housing.

These sectors, together with public sector management, absorbed about 53.1% of total expenditure (Table 4.6).

**Table 4.6: Sectoral Distribution of World Bank Projects in Ghana, 1962-2000**

SECTOR	1962-79		1980-89		1990-99		2000		Total (US\$)	%
	Amount in US\$	%	Amount in US\$	%	Amount in US\$	%	Amount in US\$	%		
Agriculture	76.00	23.1	167.10	11.9	226.23	10.6	67.00	42.4	536.33	13.3
Transportation	42.50	12.9	178.30	12.7	251.00	11.7			471.80	11.7
Power & Energy	125.10	38.0	105.20	7.5	247.60	11.6			477.90	11.8
Trade & Industry	20.00	6.1	121.80	8.7	12.30	0.6			154.10	3.8
Telecommunication	23.00	7.0	19.00	1.4					42.00	1.0
Education			34.50	2.5	283.27	13.2			317.77	7.9
Health			15.00	1.1	85.10	4.0	25.00	15.8	125.10	3.1
Urbanization			32.60	2.3	317.20	14.8	10.83	6.8	360.63	8.9
Water & Sanitation	13.90	4.2	82.20	5.8	185.40	8.7			281.50	7.0
Public Sector Management			171.40	12.2	435.75	20.3	50.20	31.7	657.35	16.3
Development & Finance	29.00	8.8	150.00	10.7	97.60	4.6	5.13	3.2	281.73	7.0
Multisector Economic Mgm't			330.00	23.5					330.00	8.2
Total	329.50	100.0	1407.1	100.0	2141.45	100.0	158.16	100.0	4036.21	100.0

Source: [www.worldbank.org/ghana](http://www.worldbank.org/ghana)

country from March 4-18, 1967.



Between 1962 and 1969, for example, the Bank financed six projects totaling \$69.3million, out of which \$63million (91%) went to power and energy projects. The Bank made agriculture one of its priorities, investing about 13.3% of its total lending in the sector. Trade and industry –emphasized at the international level –received little attention from the Bank in Ghana. In general, however, the sectoral distribution of the Bank’s lending in Ghana has been consistent with its lending worldwide.

The Bank’s neglect of housing in Ghana changed a little in the 1980s and 90s. During these decades, urbanization accounted for 2.3% of total lending in the 1980s; 14.8% in 1990s, and 6.8% in 2000 alone. These are relatively high values compared with the international average (cf. Table 3.2c). However, of the total urban investment of \$360.63m, direct housing assistance accounted for only \$10.83million (3.2%)—only 0.3% of the Bank’s overall lending to Ghana between period 1962-2000 (Table 4.6). Therefore, it could be argued that in Ghana, as internationally, housing was not, and still is not, one of the priority sectors of the Bank’s development assistance. But the World Bank official I interviewed in Ghana disagreed with this assertion, saying that “the Bank definitely has a positive view of the housing sector and we believe housing investment is a productive activity...”<sup>48</sup> On the question of why little expenditure has been made on housing, the official answered that the “housing industry is a kind of activity that individuals and the private sector can deliver more efficiently than perhaps state sponsored programs.” He added that “what the World Bank has done over the past two decades was to get the government to reform its policies by creating the right

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<sup>48</sup> Interview in Accra, June 2003.



environment to enable the individuals and private sector provide housing....” This response is clearly an affirmation of the reforms discussed earlier.

In general, through the Bank’s macro-economic policies, significant impacts have been exerted on Ghana’s housing policy, especially in the 1980s and 1990s—specific impacts have already been discussed. As in other countries, the World Bank in Ghana has been successful in pushing through its reforms, mainly because of the conditional clauses in loan facilities, which often were designed to reduce inflation, decrease government expenditure, or improve balance of payments deficits. These reforms have affected government’s role, financing, and production of houses. Indeed, in many ways, the Bank has been very instrumental in determining Ghana’s sectoral development. This is especially true for housing because government budgetary allocation was fairly high during the period 1945-60 and this was the era in which Ghana’s economy was not dependent on the World Bank financial assistance and policies. However, by late 1950s and through 60s when Ghana started seeking the favour of the Bank, the Ghanaian government commitment to the housing sector declined appreciably.

#### **4.6 SUMMARY AND DISCUSSION**

A retrospective analysis of the Ghanaian government’s policies shows an expanded view on the relationship between housing and economic development. But as shown in chapter 3, this expanded view was not necessarily reflected in actual investment pattern. Allocation to housing, as a percentage of total annual spending was very limited, suggesting a divergence between rhetoric and practical action. Of course, there were some differences in the patterns of investment between Ghana and those of the agencies;

for instance, in the periods 1946-66 and 1970s, various Ghanaian governments spent about 7.1% and 4% respectively of the total national expenditure on housing. In contrast, the UN spent only about 2%, similar to spending by the World Bank, which invested only about 2.2% of its annual expenditure in the 1970s. And since the early 1980s, the share of housing as a proportion of total expenditure in Ghana and among international agencies has averaged about the same—less than 2%.

On the question of how prominent economic considerations were in shaping housing policies, public statements and documents suggest that, since 1945, provision of housing has always been a priority issue on the policy agenda in Ghana. Initially, especially during the colonial era, housing was considered essential for health, but attention was given primarily to colonial residents. From the late 1940s, first the colonial and subsequently the Ghanaian governments showed serious interest in providing housing for people but gave only little thought to the economic impacts of investing in housing. Rather, policy goals were defined in social and welfare terms and government was preoccupied with meeting people's housing needs or shortages. With reform policies in the 1980s and 90s, however, the role of the housing sector has been reconsidered, and housing is recognized as a productive sector. In this respect the policies of the Ghanaian government have followed, and indeed been influenced by those of the UN and the World Bank.

Having traced and discussed the economic considerations in housing policy and its significance in national economy planning, I next examine the specific areas that

housing policy has been used as a tool in economic development. That task I undertake in the next chapter.



## **CHAPTER 5: HOUSING AS A TOOL OF ECONOMIC DEVELOPMENT IN GHANA**

### **INTRODUCTION**

The preceding chapter considered the significance of economic considerations in framing housing policy and the extent to which policy was integrated with national economic plans. The present chapter goes a step further by looking at how housing has been used as a tool of economic development. In particular, it documents and analyses governments' specific initiatives in using housing to mobilize financial resources, to create employment and generate wealth, to improve labour productivity, and to develop an efficient building industry so as to promote growth. The chapter consists of three sections. It begins with an examination of the country's housing system. The purpose here is to elucidate changes that have occurred since 1945 and how governments have responded to the urban housing system. The main part of the chapter involves a discussion of the practical actions that successive governments have taken to promote economic development through housing. The final section summarises aspects of the housing system that governments emphasised and those that they neglected – and that therefore deserve policy consideration.

Overall, it is shown that the development of an efficient building industry has been a concern of successive Ghanaian governments since the 1940s. Initially, programs were defined in terms of specific needs of the industry—making it more efficient. Increasingly, especially after the 1980s, economic goals became important.

## 5.1 THE HOUSING SYSTEM IN GHANA

In order to put the discussion in perspective, it is imperative to briefly highlight features of the urban housing system in the country. Issues discussed include the main sources of urban housing supply and the relative importance of formal and informal sectors; sources of finance; the structure of the building industry; the types and sources of building materials; and tenure forms. Over the past several decades, these features have changed as a result of evolving national policies and changes in economic and socio-cultural factors.

In Ghana, as in many other developing countries, the urban housing market has two major segments: formal and informal. Formal sector builders operate under government rules, regulations and control, and produce dwellings that meet minimum required standards of environmental quality and infrastructure. Houses are built under titled land, and the physical infrastructure is registered and usually has adequate services provision. The earliest building rules and regulations, dating back to the early nineteenth century, were issued for health reasons and aimed to create good sanitary conditions (Tipple, 1987b, p.4). Over time, the formal sector became the main focus of government attention due mainly to the conviction that it could contribute better to meeting housing needs and that it embodied the key to modernization and national development. The sector consists of two sub-sectors: public and private. The public sector builders are the state organizations or parastatals, while the private sector builders are firms (both local and foreign) that produce purely for profit. Prior to the 1980s, policy centred upon the

development of the public sector, but with the advent of neo-liberal policies in the 1980s and 90s, emphasis switched to the private sector.

The informal housing sector is the second and numerically dominant segment of the urban housing market. This sector consists of two types of operators: first, self or owner builders; and, second, small-scale building enterprises (which may consist of single individuals) that are engaged primarily in construction, maintenance, and repairing for profit purposes. Some of the informal dwellings may be registered, but the majority are built without formal approval, and builders operate largely outside of official employment and tax regulations (cf. Tipple and Korboe, 1998). This does not necessarily mean that such houses are illegal. The land on which the unit is built on may be legal but the building may not conform to the formal building code. From my own observation and experience during the 1980s and 90s, the informal builders avoid planning regulations because of the bureaucratic procedure of building approval, site surveys, site plans and associated registration and inspection fees. Informal houses are built incrementally depending on the availability of financial and related resources. Generally, they are also less expensive, in part because of the use of cheaper labour and building materials. Ziss and Schiller's (1989) study in Ghana estimated that informal costs are only a sixth of the formal sector costs for the same floor space.

Until the mid-1950s, foreign builders such as Taylor-Woodrow constituted the dominant component of the formal housing market and were responsible for most projects. According to Seers and Ross (1952: 123), these builders were "highly organized European firms, who cost their works properly." At the time, the local firms were small



and had little or no experience (Seers and Ross, 1952: 123). However, following independence in 1957, the development strategy shifted to an expansion of the formal public sector, especially State-Owned Enterprises (SOEs) – a development common in countries that emerged from colonial rule after 1945. The most important housing agencies created were the Ghana National Construction Corporation (GNHC) (1955), the Gold Coast Housing Corporation (GCHC) (1956), the Tema Development Corporation (1965) the State Construction Corporation (1966), the Bank for Housing and Construction (1973), Low Cost Housing Committee (LCHC) (1974), and several prefabricated housing companies.

Of the sources of urban housing supply identified above, it is estimated that by 1988 public housing comprised about 20% of all dwellings in major cities like Kumasi<sup>1</sup> (Tipple, 1998, p 246), but less than 10% of the national housing stock (Konadu-Agyemang, 2001a, p. 533). However, in terms of demand, public housing provisions met only a small proportion of the urban requirements. In the 1960s and 70s, the SHC—the largest public agency in the country – met only 2% to 6% of urban housing requirements (Konadu-Agyemang, 2001a, p. 166). By contrast, the informal sector has been the most widely used approach to acquiring houses, either for owner occupation or for rental purposes. In general, the sector accounts for about 80% of the national housing output (Ghana, 1989a, p. 42; Songsore, 1989, p. 10). This is similar to the situation in other countries: in the 1980s the informal sector accounts for 86% of new construction in the Philippines, and about 82% and 77% in Venezuela and Brazil respectively (Payne, 1989).

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<sup>1</sup> It is the second largest city in Ghana

In terms of housing finance, there are again two principal modes: formal (institutional), and informal (non-institutional). The formal sources include mortgage loans from First Ghana Building Society (FGBS), the Bank for Housing and Construction (BHC), the recent Home Finance Company (HFC), and various commercial banks and private financial institutions. The mortgage system, however, is underdeveloped, and most formal financial institutions have been reluctant to grant mortgage loans. As a result, they provide only a small proportion of housing finance in the country, about 20% of the total costs of investment in new housing (cf. Ghana, 1989a). Again, this is comparable to the situation in other countries – notably Thailand (20%), Indonesia (7%), and Pakistan (17%) (Stubbs, 1991, p. 26). The balance, amounting to almost 80%, is provided by informal sources that include personal savings, loans from employers, credit unions, and assistance from relatives. Precise data on trends in informal financing in Ghana are unavailable, but the proportion may be about the same as those in other countries; for example, in Nigeria and Tanzania, nearly 80% of finance for housing construction comes from informal sources. In Thailand and India, the proportion is between 70% and 80% (Okpala, 1994, p. 1573; UNCHS, 1990b).

Historically, in Ghana houses were built with locally available materials, technology and standards. Local materials include mud, sun-dried bricks, poles, thatch, swish, and stone. However, with the introduction in the nineteenth century of physical planning regulations to major urban centers, the choice of building materials slowly altered (Songsore, 1989, p. 3). The trend has shifted toward the use of imported building materials, the major ones being sandcrete/cement; corrugated asbestos/aluminium sheets;

terrazzo; glass louvres; and iron rods. A study by Songsore (1989, p. 4) for example, estimated that metal, asbestos or concrete constitute about 86% of urban roofing materials. In the early 1970s, official data estimated that about 60% of all building materials were imported each year (Ghana, 1975, p. 411; cf. Donkor and Lea, 1986, p. 103). In the 1980s and 90s, the introduction of liberalization policies has further encouraged importation of building materials; these policies have either reduced or eliminated tariff barriers on imported materials and components. The value of building materials imports rose from over 185 million cedis in 1983 to over 2 billion in 1987, to over 13 billion cedis by 1990 (Ghana, 1993a p. 80). Allowing for inflation, which averaged about 40% during this period, the 85% increase in value of imported building materials between 1987 and 1990 was still substantial. Currently, the exact proportion of import content is not known, but it might be higher than before.

Another important aspect of the urban housing system relates to ownership and tenure arrangements. As mentioned earlier, the mortgage system is underdeveloped, restricting access to home ownership in most urban centers. In the 1950s and 60s, home ownerships in the urban centers averaged 16%, and this rate increased only marginally to 19% in the early 1990s (Ghana Statistical Services, 1996). In Kumasi, Sinai's (1998, p. 7) study estimated that only 17.5% of residents own their homes. Consequently, the housing market in Ghana is dominated by renting. In their study of rental market in Kumasi in 1986, Willis, Malpezzi and Tipple (1990, p. 242) estimated that about 65.2% of households are tenants, and a further 25.4% live on free premises owned by a family member, a proportion which may be about the same in Accra. The rental market has two



components: public and private. The public rental market represents the social housing sector and it includes all housing units built by the government agencies to house public and civil servants. Nationally, the contribution of this sector to the rental market was fairly high in the 1950s through the 70s, but the proportion diminished since the early 1980s. Public renting has declined substantially since that period because of changes in government housing policy from a regulating and developing role to a facilitating role, which resulted in a sell-off of public agencies' rental homes to occupants. Consequently, private renting is currently the most widespread, and includes housing units supplied by landlords, as well as by companies to house their employees as an incentive for better productivity. Overall, the private rental market constitutes a vital source of accommodation for migrants to cities and towns.

In addition to rental activity, most homes in Ghana have typically been used –and are still used – for various kinds of income-generation activities, notably cooking, baking, sewing, and repair works. These practices, though certainly not unique to Ghana, are an essential part of the social and economic fabric of Ghanaian society. As observed by Sinai (1998, p. 3) in the case of Kumasi, “virtually every compound in Kumasi is used for income-generation by one or more resident households.” They have a long tradition and are still found not only in informally built settlements – as most often suggested – but also in government-owned homes. Indeed, because home-based enterprises (HBEs) are regarded as informal activities, studies have typically assumed that they are limited to informal homes (cf. Tipple, 1993; Sinai, 1998; Chen et al. 1999). But such an assumption is inaccurate and misleading. Again, from my own personal observation in both Accra

and Kumasi, public homes have most often been used for a variety of home-based economic activities—despite policy regulations against such practices. In the country as a whole, home-based enterprises have been a significant source of employment and income for most people.

As pointed out in the previous chapters, housing is a vital sector in any economy and a potential tool of economic development. The nature of the urban housing system in Ghana suggests that several components could have been deployed as a policy tool. In particular, the informal housing sector is vast and a significant source of housing stock, employment, and income for urban dwellers. In addition, the building materials industry, and the residential building industry as a whole could be a lead sector in the economy. Other areas, such as home-ownership and promotion of the real estate market, could encourage savings, secure productive labour and generate wealth in the national economy. Further, an integration of the housing finance sector with the rest of the financial sector could undoubtedly impact the financing and development of capital market and institutions in the country. Also, on the basis of the widespread use of the home for diverse income generating activities, the promotion of HBEs could be actively promoted as a tool of economic development.

## **5.2 THE EVOLUTION OF HOUSING POLICY**

In Ghana, housing policies and programs have responded to changes in the international and national economic environment, to shifts in government priorities, to

public demand, and to deficiencies in past policies. The next section discusses the evolution of the urban housing system and its role as a tool of economic development.

### 5.1.1 The Building Industry

In broad terms, ‘building industry’ within the context of developing countries may be used to mean a whole range of formal and informal construction activities. This is especially true considering the fact that about 80% of all housing construction activities takes place within the informal sector. But in reality, within policy circles in Ghana, as in some other developing countries, the building industry is synonymous with the formal sector.

The development of an efficient building industry has been on the policy and research agenda since the late 1940s. Indeed, successive Ghanaian governments stressed the need to develop an efficient building industry to support the industrialization program and provide housing for workers (Gold Coast 1951; Ghana 1964, 1975). The building industry figured prominently in various national policy discussions since the late 1940s, and policymakers have repeatedly emphasized that the country needs a very strong and organized housing industry (Gold Coast Annual Report, 1947).<sup>2</sup> The *Seven-Year Development Plan* of 1964 indicated that “It is essential that the construction industry be made more efficient” (Ghana, 1964: 22).<sup>3</sup> Similar statements appeared in subsequent plans, including the *One-Year Development Plan of 1970-71* which stated that “if a

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<sup>2</sup> cf. Gold Coast *Parliamentary debates*, 20<sup>th</sup> March, 1953, p. 1605.

<sup>3</sup> Here, and in some other instances the term construction is used synonymously with residential sector.



serious attempt is to be made to improve the urban housing situation the capacity and efficiency of the construction industry will have to improve significantly” (Ghana, 1970: 142).

A number of leading foreign experts on economic development who visited the country from the 1950s through the 70s also appreciated the importance of an efficient building industry. They drew the attention of successive Ghanaian governments to the implications of inadequate construction capacity for economic progress. Amongst these experts were Dudley Seers and C.R. Ross (1952), W. A. Lewis (1953), the UNECA/Bouwcentrum Group (1967), and an American Pre-Investment Housing Program team (1971). These experts, especially Seers-Ross and Lewis, considered the relationship between the building industry and economic development. For instance, in his 1953 Report on *Industrialization and the Gold Coast*, bricks and tiles, cement and wood were among the small set of industries that Lewis recommended for the Gold Coast economy. Lewis pointed out that conditions for the production of these materials were favourable and could help reduce the country’s dependence on external supply. As discussed in Chapter 4, the basic government development strategy, pursued from the 1940s, through the early 60s centred on establishing a truly national physical infrastructure including roads, schools, hospitals, port facilities, power, housing, as well as industries. The development of these facilities required a strong construction industry and this was a recurrent theme in policy statements during this period.<sup>4</sup> Experts and

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<sup>4</sup> The focus here was not necessarily on ‘residential construction’ per se but on the construction industry as a whole.

policy-makers saw the program as an opportunity to develop a strong domestic building industry capable of handling large-scale development projects (Seers-Ross, 1952).<sup>5</sup>

Although the importance of the building industry has been acknowledged, it has always been beset with constraints, notably shortages of skilled building technicians, high labour costs, high costs of and scarcity of building materials, shortage of capital, and lack of mechanization (Ghana, 1951; 1968, p. 90; 1975, p. 414; Ross and Seers, 1952).<sup>6</sup> Of these, high costs and the shortage of building materials were deemed to be the most critical issues, and were discussed frequently. As far back as 1945, shortage of building materials was identified as the principal obstacle to progress in housing schemes in Accra and elsewhere in the country, a shortage that resulted in increased costs of materials and high house prices (Gold Coast Annual Report, 1947, p. 62). Between 1948 and 1952 alone, for example, the costs of building materials increased by about 300%.<sup>7</sup> This phenomenal increase, coupled with other constraints, became a major concern of the government. Subsequently, the Colonial Office in London sent Dudley Seers and C. R. Ross to investigate the limitations that the building and construction industry imposed on development. In addition to cost and shortage of materials, their 1952 report further identified low productivity as another key constraint on the country's economic development.

Successive governments have put forward policies and programs to remove the constraints and thereby improve the industry's efficiency. Policies have been diverse and

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<sup>5</sup> Seers and Ross meant all types of construction works and not 'residential building' alone.

<sup>6</sup> Gold Coast *Parliamentary Debates*, 1951, November 20 p. 34.

<sup>7</sup> Gold Coast *Parliamentary Debates*, 1952, February 1. p. 111.

evolved over time. Prior to the 1980s, they ranged from passive ‘encouragement’ through subsidy, assistance and control, to active participation through direct state-owned enterprises (cf. Edmond and Miles, 1984). Since the 1980s, policies have evolved and experienced some fundamental redirection, with government assuming a facilitating and regulating roles. Specific programs in the earlier years included the use of prefabricated systems for building, the mechanization and industrialization of the building process, and the encouragement of research into the use of local building materials. The earliest actions were taken in the 1940s when the colonial administration investigated the possibility of building prefabricated houses in the country. Based on this early study, a number of prefabricated houses were imported on an experimental basis. In the domestic economy, a high degree of partial prefabrication was also introduced for the production of such components as doors and window frames (Gold Coast Annual Report, 1954, p. 59). It must be emphasized that the initial projects were purely experiments adopted mostly on estates, notably Sakumona in Accra.

Commencing in the early 1950s the government called in foreign experts for advice. The first advisor was a Dutch firm, Schokbeton, which was contracted to advise on economic methods of housing construction. To improve efficiency and speed up the construction of houses, Schokbeton’s report, which was published in 1953, recommended prefabrication and large-scale production of houses. Following this recommendation, the government contracted the consultant to erect, as models, 168 prefabricated houses in Accra, Kumasi, and Takoradi. However, after the firm constructed the first 64 units for \$441,000 (i.e., \$7,000 per unit), the government terminated the contract because the cost



was too high. The government's stance was collaborated by Charles Abrams and his colleagues who visited the country in 1954. In addition to advising against such projects, Abrams drew attention to serious consequences of over-reliance on imported materials and foreign housing technology (Taper, 1980). George Atkinson, a Colonial Office advisor on housing policy had earlier expressed similar reservation about the use of British made prefabrication in the colonies (Atkinson, 1953). At the international level, the agencies did not approve of the use of imported building materials, because of the attendant high expenditures. Subsequently, in the developing world in the 1950s and 60s, most experts and all international agencies stressed the need for greater reliance on local building materials (cf. UN ILO 1958, p. 26; UN 1963; UN 1971).

In spite of this advice, prefabricated housing was the most favoured program among successive governments, so it became a major project of the building industry—most of which required the use of imported materials. Prefabricated housing received a good deal of media attention, especially in the *Daily Graphic*, which consistently covered issues relating to such program, with front-page headlines, such as: “*Prefab Houses for Workers*”,<sup>8</sup> “*Pre-Fab Factory: Production next March*”;<sup>9</sup> “*Prefab Building Houses for State Organization*.”<sup>10</sup> It was emphasized that prefabricated and the use of standardized materials would increase efficiency and bring down building and construction cost.<sup>11</sup> Further, a prefabrication industry was viewed as a way to “provide solution to the

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<sup>8</sup> June 12, 1961, p.1

<sup>9</sup> January 5, 1975, p. 1

<sup>10</sup> April 12, 1986, p. 8

<sup>11</sup> Ghana *Parliamentary Debates*. February 15, 1966, p. 484

growing demand for houses.”<sup>12</sup> In the 1950s, several prefabricated companies were established. One such company was established in Accra in 1958 at a cost of \$4.7 million. Also in 1963, Prefabricated Concrete Products Limited (Prefab) was set up in Accra by the USSR at a total cost of \$5.5million to produce large concrete panels (cf. UN, 1965, p. 13). In 1975, another large prefabricated panel factory was established at cost of \$7.5 million cedis; owned jointly by the Ghanaian and the Soviet Governments, it produced 167 four-storeyed flats, 109 two-storeyed housing units, and 2600 cubic metres of precast panel walls for public buildings annually.<sup>13</sup> And in 1977, Redco Prefeb Company was established, which also produced about 210 housing units annually. Alongside these prefab companies were several state-owned housing enterprises, which were established in part to increase the construction capacity of the local building industry.<sup>14</sup>

Also between 1950s and 70s, the initiative of successive governments to improve the efficiency of the building industry entailed industrialization of the building process partly because government felt that lack of mechanization was the most daunting and pressing challenge and a major cause of the high costs of building construction and inadequate housing supply. A ministerial statement in 1952 declared that: “Government is determined to end the uneconomic methods of building in this country. Its policy is to

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<sup>12</sup> *Daily Graphic*: Cheap Housing Factory to Help Ghana” (1962)

<sup>13</sup> *Daily Graphic*: “Pre-Fab Opens Today” (1975)

<sup>14</sup> *Gold Coast Parliamentary Debates*, November 17, 1955, vol, col 612-615.

introduce power machines into the building and it will also experiment with houses that can be ease-produced.”<sup>15</sup>

Industrialization involved the use of modern industrial, organization and production methods. Specifically, at first it was supposed to involve the use of machines at various stages of the building process, notably concrete mixers, tractors, excavators, and motor graders (Seers and Ross, 1952). The government’s initiatives were reinforced by suggestions of Seers and Ross (1952), who urged the introduction of machinery. They argued that mechanization was the way to overcome labour shortage, to train labour, and raise labour productivity within the industry. Internationally, as was indicated in Chapter 3, the UN and its affiliated bodies had themselves taken a similar position. In several of their recommendations, the housing branch of the UN suggested to governments in developing countries that they adopt prefabrication and pursue policies for gradual and progressive standardization and industrialization of their building and construction industries (cf. UN EcoSoc, 1953; UN EcoSoc, 1962; UN, 1974). In Ghana, these recommendations were accepted: in various development plans, industrialization of the building industry became the major policy objective and common practice of the housing agencies established during this period. It changed the building process, which previously entailed an extensive use of manual labour, although a considerable amount of work still involved the use of labour.

In general, policies and programs were defined in terms of the specific needs of

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<sup>15</sup> Gold Coast *Parliamentary Debates*. November 20, 1951, p. 34. Address by the Minister of Housing to a *Parliamentary Session* in 1952, March 15.



the building industry—making it more efficient, although economic elements are implied in the programs. Over time, especially in the 1980s and 90s, policy shifted with more emphasis on developing the industry to create employment, train labour, promote savings, and growth (cf. Ghana, 1986, 1993b, 1997). During this period, the policy emphasis became more comprehensive, embodying the development of mortgage lending institutions, private sector participation, secure tenure, and an effective local building materials industry.

### 5.1.2 The Building Materials Industry<sup>16</sup>

Since the mid-1940s, most policy statements have recognized the need to develop local building materials industries, and schemes for the sector have been included in various development plans (Gold Coast Annual Report, 1947, p 63; cf. Ghana, 1959, 1975).<sup>17</sup> The *1964-70 Seven-Year Development* declared: “The government has to find ways to reduce the cost of building materials, mainly through the use of more indigenous materials.” (Ghana, 1964: 22). Policy-makers and experts were convinced of the economic potential of the building materials industry; its expansion and modernization was considered necessary to support increased construction activities, develop resource flow within the economy, and promote economic development (Lewis, 1953; Ghana, 1964). They also noted its significance as a source of employment and creator of multiplier effects on the economy. However, the country’s reliance on imported materials

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<sup>16</sup> The materials industry is a component of the building industry, but is treated separately here because of the significant attention it received in policy statements.

<sup>17</sup> cf. Gold Coast *Parliament Debates*, May 2 1951, pp. 683-687

was a major concern—it limited the multiplier effects and linkages that the building industry could have with sectors of the economy. Domestic industries were seen as necessary to reduce the country's dependence upon imported building materials – so as to reduce construction costs, shorten delivery time, and remove uncertainties of supply (Ghana, 1959, 1975, 1997).

Throughout the 1960s and 70s, there were efforts to promote domestic materials industry. Initially, the policy goal was to develop locally-available materials, but the industries that were established sought rather to produce foreign materials locally, notably cement, and asbestos; in effect, they did not reduce the construction costs or increase supply though they did create jobs and reduce imports. There were few attempts to produce locally available materials like bricks, albeit on a limited scale. The industry became a vital element of the country's industrialization programs. Successive governments stressed the import-substitution role of the domestic building materials industries: "Government will ensure that the potential of the domestic building materials industry is fully developed and an import substitution programme is actively pursued" (Ghana, 1975: 417). The stated objectives of the import substitution building materials program were similar to those of the manufacturing industries: they were conceived primarily to create employment, support large-scale housing development projects, produce local materials so as to reduce external dependence, and conserve foreign capital.

By the early 1960s, a few of these had been set up. Under the 1951-58 plan, the government allocated £2 million for the development of a cement industry, but this was not utilized (cf. Birmingham, et al. 1966). In 1953, the Ghana Brick Corporation, a state-

owned enterprise was established, to replace imported roofing materials by producing roofing tiles. These early efforts were endorsed by Charles Abrams in 1954. As part of his recommendations, Abrams urged the government to adopt local building methods and use local materials (UN, 1956). In 1957, the CPP Government and a British firm signed an agreement to establish a cement factory in Takoradi at a cost of £700,000.<sup>18</sup> This was followed in 1967 by another joint agreement with a Norwegian company, which led to the establishment of Ghana Cement Works Limited at Takoradi and Tema. In addition to supplying cement, some attention was given to making clay products (brick and tiles) and, by the 1970s, a number of these factories were established across the country.

The government's support for the building industry was particularly strong in the 1950s and 60s when the state participated actively in industrialization programs—between 1953-1965, a total of 7.2 million cedis was committed to building materials programs (Ghana, 1975). However, a shift in the mainstream development policies since the 1980s reduced the government's support for the industry. Building materials like other sectors was now left to the private sector – with the government acting as a facilitator.

While successive Ghanaian governments have intervened widely in the building industry with the intention of releasing the constraints and ensuring efficiency, evidence shows that the industry has not always developed smoothly – a trend that has affected its capacity to play an effective economic role. In fact, the constraints that existed in the 1940s continued well into the 1980s (cf. Ghana, 1980/81, p. 59). These constraints were

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<sup>18</sup> *Daily Graphic*: “Plan to Produce Cement in Ghana” (1957).



mentioned by a majority of the real estate executives when I interviewed in May/June 2003. The most common problems cited by the executives were high cost and severe scarcity of building materials, coupled with the lack of finance. According to two of the executives, presently these scarcities restrict the amount of work the industry can handle and invariably limit its contribution to economic development.<sup>19</sup> Speaking of the 1980s and 90s, the executives further mentioned several macro-economic constraints, notably high inflation and interest rates—all of which affected the economic performance of the housing industry. Others believed governments' overall support has been limited.<sup>20</sup>

Several reasons could be advanced to explain the persistent reliance on imported materials. Some scholars believed that stringent colonial building codes and regulations have encouraged preference for imported building materials: the codes barred the use of traditional building materials—especially sun-dried bricks, woods, and swish (Donkor and Lea, 1986; Gidigasu and Boadu, 1986; Konadu-Agyemang, 2001a, 2001b). A report submitted to the government in 1989 noted that: “[the] prohibitions must be seen as directly responsible for the extensive use of cement and concrete as the primary building material in Ghana...Although these codes strictly are no longer enforced, the psychological barrier to the use of other materials remains to be broken” (Ghana, 1989a: 39). Although the influence of the planning regulations cannot be completely ignored, it was also true that the codes were not strictly enforced, and cannot be faulted as the sole

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<sup>19</sup> Personal interviews with Mr Jack and Miller in Accra, May/June 2003.

<sup>20</sup> Personal interviews with Mr T'Mac and Zac in Accra, June 2003.

cause of the reliance on imported materials. Indeed, an important fact is that the use of cement has become popular because it is considered modern.

Another factor for the limited progress in the building industry in general, and materials industry in particular has been inappropriate technology. Although the concept of industrialization of the building industry in Ghana was strongly supported by various Ghanaian governments, it proved to be ineffective in overcoming not only the housing shortages but more especially in releasing the constraints which plagued the industry. This inefficiency was due in part to over emphasis on capital-intensive and large-scale projects. Such capital projects ignored the character of the country's building industry which, as in most other countries in the developing world consists of small (informal) businesses using handicraft techniques. Moreover, the emergence of capital intensive and large-scale industries meant that inputs had to be imported, usually at a very high cost, thereby defeating one of the objectives of the programs. By the early 1990s, 50% of the prefabricated plants had closed and the remaining plants were operating at less than 40% capacity (Ghana, 1993b, p. 12). This move was due primarily to lack of inputs, especially essential spare parts. As rightly noted in a government financial report, "equipment and trucks have been grounded because of lack of spare parts" (Budget, 1980/81: 59). From an economic point of view, the inability of these industries to utilize their capacities suggest that they did not generate enough employment opportunities nor created strong linkages with other sectors of the economy.

### 5.1.3 Housing Finance Programs

In the area of housing finance, successive governments have underscored its significance in various development plans. Between the 1950s and 60s, all the foreign experts that visited the country mentioned housing finance as a vital area that merited priority attention (Charles Garratt-Holden, 1953; Abrams, 1956; and UN ECA/Bouwcentrum Group, 1967). All of these experts urged the government to address the central issue of mobilizing a steady flow of long-term finance for the housing sector. Despite these suggestions, few efforts have been made over the past six decades to mobilize financial resources through the housing sector.

In the early postwar period, housing finance took the form of a housing loan scheme operated by the government, but mainly for civil and public servants.<sup>21</sup> Since the mid-1950s, three housing finance institutions have been created, notably the First Ghana Building Society, the Bank for Housing and Construction, and the Home Finance Company. The earliest of these, the First Ghana Building Society (FGBS) was established in 1957 with a combined government grant and shares totaling £260,300 under the Building Societies Ordinance No. 30 of 1955. The FGBS only promotes savings and home ownership of its members.<sup>22</sup> The ordinance that set up the FGBS restricts its scope of service to only the raising of savings by members to finance their home ownership; that is, it is not allowed to raise and maintain permanent equity capital

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<sup>21</sup> Gold Coast *Parliamentary Debates*, March 20, 1953, pp. 1565-1953.

<sup>22</sup> *Daily Graphic*: "First Ghana Building Society: The pioneer mortgage financier in the country" (2003).



as modern financial institutions can, a restriction that not only put the society at a competitive disadvantage but also affected its link to the macro-economy.<sup>23</sup>

The next institution, the Bank for Housing and Construction (BHC), created in 1972 and now defunct had broader functions. In addition to mortgage financing, the BHC provided financial support to real estate developers and the construction sector, and also undertook commercial banking. But, BHC’s total spending on residential mortgage loans never exceeded 20%, while a disproportionate 80% was spent on the non-residential industry. Between 1974 and 1988, the BHC granted only 363 residential mortgage loans. Overall, then, the two institutions have had little impact on mortgage lending and have not really mobilized financial resources for the housing sector and the national economy (Table 5.1).

**Table 5.1: Residential Mortgages Provided By BHC and FGBS, 1974-1988**

Year	1974	'75	'76	'77	'78	'79	'80	'81	'82	'83	'84	'85	'86	'87	'88	Total
BHC	19	109	74	44	16	8	-	6	2	7	7	4	30	3	24	<b>363</b>
FGBS	-	-	-	-	-	-	159	217	122	91	31	63	146	105	33	<b>967</b>

Note: Information on mortgage loans provided by FGBS is not available for the periods 1974 - 1979.  
 Source: Konadu-Agyemang, 2001a, p. 125

From the mid-1950s through 70s, government assistance to housing finance also took the form of subsidies to public housing agencies. The goal was to subsidize housing production costs so as to reduce the price for consumers.<sup>24</sup> During the same period,

<sup>23</sup> Personal interview with a senior official of FGBS, June 2003.

<sup>24</sup> *Daily Graphic*: “Houses for the People: Accra alone has 30,000 house-hunters” (1960).

government also intervened directly from its own resources through subsidized rates on interest to public and civil servants.<sup>25</sup> However, with dwindling government resources this approach could not be sustained. By the early 1980s, government policy had shifted: the major emphasis is now on private sector capital mobilization. The most significant policy initiative in the 1990s was the establishment of the Home Finance Company (HFC) in 1990. Created jointly by a World Bank contribution of \$10million and the Social Security and National Trust (SSNIT) assistance fund of \$16.4m, HFC aimed to mobilize and manage a long-term fund to establish a sustainable housing finance system in Ghana.<sup>26</sup> It has made steady progress in terms of the delivery of houses and mobilization of finance, and has boosted the real estate sector development in terms of job creation. By the end of 1999, HFC's mortgage inventory was valued at \$25.5million, comprising 3,241 mortgagors. Unfortunately, the operation of HFC is not nation-wide, but has so far limited to only Accra and has generally catered to the upper echelons of the Ghanaian economy. The HFC's mortgage trend is shown in Table 5.2.

**Table 5.2 Trends in HFC's Mortgage Lending, 1992-1999**

<i>Year</i>	<i>Mortgagors</i>	<i>Mortgages (\$ million)</i>
1992	163	1.9
1993	435	5.7
1994	1,259	9.9
1995	1,676	12.4
1996	2,087	16.7
1997	2,488	19.7
1998	2,839	26.7
1999	3,241	25.5

Source: Office of Home Finance Company (HFC), Accra.

<sup>25</sup> *Ghanaian Times*: "Special Housing Scheme for Workers" (1963).

Similar to the building materials industry, the housing financing institutions have always faced several challenges. The unstable macro-economic environment—constantly changing currency exchanges, inflation, and interest rates – has been especially challenging.<sup>27</sup> Officials of both FGBS and HFC claimed that the interest rates on mortgage loans have been lower than rates of inflation and this rate affected the real value of the money loaned—to the detriment of the housing finance institutions. Consequently, major banking institutions have been reluctant to provide mortgage loans because of the persistently unstable macroeconomic environment, a view reflected in a report to the Housing Ministry in 1989: “The housing sector is not attractive considering that the Commercial Banks have to tie up really short-term funds over long periods (20 – 30 years) in a continuing very risky market” (Ghana, 1989a: 25). Not surprisingly, in the late 1980s less than 5% of banking institutions’ total loan portfolios were invested in housing (Ghana, 1989b, p. 46). This limited institutional residential financing clearly suggests that housing finance is not integrated into the overall national finance system—contrary to the situation in the advanced countries where there is a close linkage between the housing sector, the banking system, and national economy.

Not surprisingly, most of the executives expressed concerns about the system of housing finance. According to one executive, macroeconomic instability adversely affects the borrowing capacity of the real estate businesses.<sup>28</sup> Other executives took issue with governments’ involvement in the housing sector: “there is no government policy on

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<sup>27</sup> Personal interviews with officials of FGBS and HFC, May and June, 2003.

<sup>28</sup> Personal interviews with Mr Webber in Accra, June 2003



housing and no direction. I think the government just doesn't know how to handle the housing industry."<sup>29</sup> The overwhelming concern was that government should demonstrate practical action by addressing such issues as the creation of a national housing fund and dealing with the problems of land acquisition and rising construction cost. According to most of the executives interviewed, since private banks have been reluctant to finance housing, and since real estate businesses have no access to credit from Government sources, the creation of a long-term national housing fund would ensure easy access by companies to capital, as well as fast housing delivery.<sup>30</sup> In the absence of such a fund, a majority of the executives claimed they depend only on their own savings and also the deposits of their customers, which often is inadequate. From the discussion one can conclude that although some efforts have been made to make housing finance a component of the development process, these efforts were ineffective and serious considerations were not given to the necessary connections within the overall national economy.

#### **5.2.4 Urban Housing Programs**

Since the 1940s and 50s, successive Ghanaian governments have implemented diverse urban housing programs including, slum clearance, public housing, sites and services, and private real estate projects. The objectives of these programs have been social, political, and economic. As mentioned in chapter 4, social considerations framed

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<sup>29</sup> Personal interviews with Mr Gerard in Accra, May 2003.

<sup>30</sup> Company interviews in Accra May/June, 2003

the earliest programs, especially public housing. The overriding objective was to meet housing needs and demands of the population – especially of the urban work force, notably public and civil servants.<sup>31</sup> Early efforts centered on the creation of state owned enterprises. Before 1958, only two development firms were state-owned; by 1965, over eight were. The social motivations are best understood in the words of the then Minister of Housing. Speaking in 1955, the Minister indicated that the decision to set up GCHC was a “new practical approach to the housing problem in the Gold Coast...”<sup>32</sup> Indeed, the principal duty of the housing agencies was to provide houses for the low- and middle-income groups of the population.<sup>33</sup>

Political motivations were also obvious. According to Edmonds and Miles (1984), a major objective in setting up large housing corporations was to provide a purely Ghanaian housing and construction organization, one that could compete effectively with the foreign firms that dominated the market. Similarly, Killick (1978), who wrote on state-owned enterprises in Ghana, believed that motivation was political as well as ideological; it was a means by which the government created a socialist society (cf. chapter 4). They were also means of political patronage, as revealed in Wittman’s 1959 Report: “Housing in Ghana in a touchy political issue. Until the Second Development Plan, most of the new housing had been designated for the upper income groups and

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<sup>31</sup> See *The Ghanaian Times* for several headlines on housing for workers; for example, “Special Housing Scheme for Workers” (September 12, 1963, p. 1); “New plan to House All Workers” (October 17, 1963, p. 1); “20 Houses A Day for Workers!” (July 20, 1968, p. 1).

<sup>32</sup> *Gold Coast Parliamentary Debates*, 1955, vol. 3, col 612-615

<sup>33</sup> *Daily Graphic*: “Houses for the People: Accra alone has 30,000 house-hunters” (1960)

more articulate supporters of the controlling political party” (cited in Seidman, 1978: 136). That is, targeted to a specific constituency or allocated to specific individuals.

Whatever the motivations were, the state housing organizations (SOEs) that were created took charge of housing projects, which were designed to eliminate slum dwellings and squatter living (Ghana, 1975, p. 411). In the 1950s public housing accounted for not less than 50% of the total government housing investment (Ghana, 1959). In the 1960s, the two dominant housing agencies, SHC and TDC, controlled all the jobs from the government and a disproportionate share of investment resources—indeed they had access to resources that were not available to the private sector. For instance, within the expenditure allocated to the housing sector in the *1975-80 Five-Year Plan*, the SHC and the TDC were given the highest priority, accounting for 44.7% and 45.9% of funds respectively, in the 1975-76 and 1976-77. By 1979-80, their share had been reduced, but still accounted for more than a third of the total housing sector expenditure. Such allocations show the government’s commitment to the development of the public sector (Table 5.3).

**Table 5.3 Plan Period Proposal for the Housing Sector, 1975-1980 (%)**

	1975-76	1976-77	1977-78	1978-79	1979-80
State Housing Corporation	25.3	30.8	26.2	23.6	24.4
Tema Development Corporation	19.4	15.1	12.7	12.1	11
Rural Housing	15.8	19.2	23	27	29.2
Ministry of Works and Housing	36.7	31.8	32.7	32.9	31.4
Physical Planning	1.2	1.5	4.1	3.1	2.7
Research Programme	1.6	1.6	1.2	1.3	1.4
Total	100	100	100	100	100

Source, *Five-Year National Development Plan 1975*, p. 443



While the formal sector received all the attention, little if any, was given to the informal, although, successive development plans as well as published reports have recognized the significance of self-help housing (eg. Ghana, 1951, 1959, 1964). These documents acknowledged the fact that most people obtain shelter by building their own homes, and small-scale builders used resources with which they are familiar. As the *1959-63 Development Plan* noted: “The only practical way for the people in the lower income groups living in towns to have good houses cheaply, is to build for themselves with their own labour.” To this end the plan added that “Sites will be prepared on the outskirts of towns, and people willing to build for themselves will be organized in teams...” (Ghana, 1959: 45). As noted before, Abrams (1956) favoured self-help schemes. Similarly, in *UN/ECA/Bouwcentrum Group’s Housing Policy Report of 1967*, site-and-service schemes were recommended as an alternative to the provision of completed low-cost houses. National development plans produced in the 1950s through 70s reiterated many of these ideas.

Yet, in reality, external recommendations failed to trigger any practical action on the part of the government. In fact, the informal sector has been rarely supported. As Tipple and Korboe note, “no formal sector finance or *any other assistance* is available for the majority who develop in any informal way” (1998: 248 *my emphasis*). Available evidence over the past five decades shows that self-help programs were barely implemented, suggesting a disjuncture between policy statements and practical action. Official statements on self-help housing projects were dated as far back as the mid-1940s, when the colonial administration designated £2 million in the *1946-56 Development Plan*

for a Housing Loan Scheme (Gold Coast Annual Report, 1953, p. 57), an amount meant to support private individuals in building their own homes. The following three decades witnessed some tentative public effort to promote self-help schemes. Aided self-help and site-and-services housing programs were incorporated into various development plans during this period. In the *Ten-Year Development Plan* of 1951, the government allocated £2million to support self-help projects, but in both cases the money was never utilized. In the *Five-Year Development Plan* of 1959, the government designated £1,000,000 and £300,000 for aided self-help and site-and-services projects, respectively. Based on the recommendations of the *UN 1956 Report*, the government allocated £1,000,000 towards the Roof Loan Scheme—the government offered up to £560 to anyone who would put up the walls of a house according to some predetermined standard for the purchase of roof, doors and windows. Governments were aware of the economic importance of such projects. For instance, in the *Five-Year Plan* (1975-80), self-help projects were expected to “...improve the living conditions and health of 200,000 low income people, thereby increasing their productivity as well as their welfare” (Ghana, 1975: 432). They were also expected to “...provide employment in the direct construction of both infrastructure and shelter” (Ghana, 1975: 432). Unfortunately this awareness, though commendable, was never put into practical action.

The public housing strategies had some impacts, mainly social and to some extent economic. Established in 1956, the Ghana Housing Corporation (whose name was changed to the State Housing Corporation in 1965) was one of the two leading housing agencies from the late 1950 through the 1970s, constructing about 25,000 housing units

since its creation (Ghana, 1989b). Impacts were felt mainly in urban centres where public housing was provided for government workers (see figure 5.1 at the end of the chapter). By 1988, in places like Kumasi, public housing comprised about 20% of the total housing stock (Tipple, 1998, p. 246), and about 10% nationally (Konadu-Agyemang, 2001a, p. 102). At Tema New Township, the Tema Development Corporation (TDC) – the second-largest housing agency – created a sophisticated level of social and urban services that formed the very basis of industrial development. Indeed, TDC's infrastructure supported rapid growth of industrial and commercial activities that further enhanced its image as an industrial town.<sup>34</sup> As shown in Chapter 4, housing construction contributed to job creation; like other state-owned enterprises, formal public housing and construction agencies employed considerable numbers of workers. For instance, by 1962, GNCC employed about 35,000 workers (Birmingham et al. 1966, p. 278); SHC's and TDC's employment numbers were about the same in the 1960s and 70s. By 1989 housing parastatals controlled assets of more than 2% of Ghana's GDP (Ghana, 1989b, p. 6).

Even though housing enterprises received a disproportionate share of the government investment in housing, their overall performance has been abysmal: "The Public Agencies have not made any appreciable impact on the housing situation" (Ghana, 1975: 411). Indeed, in many instances, less than 20% of the units originally planned were built. The *Two Year Development Plan* (1968-70) envisaged the construction of 8,000 housing units between 1968 and 1970. However, by the end of the plan period less than 25% of the targeted units were constructed (764 and 1012 by SHC and TDC,

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<sup>34</sup> Ghana *Parliamentary Debates*, July 30, 1958, p. 1007-8



respectively). As with public housing programs in other countries, those implemented in Ghana were riddled with problems of corruption and inefficiency. Houses intended for the poor largely fell into the hands of the select few – usually the middle and upper-income groups and the family and friends of politicians. By the late 1970s, there were questions about the viability of the public housing program to meet housing needs. The government acknowledged that massive direct state programs were expensive and required large flows of investment and maintenance capital. Above all, the projects served neither the broader social interest nor met economic development goals.<sup>35</sup>

These concerns in part led to a shift in housing policy at the beginning of the 1980s, a reform that coincided with the advent of neo-liberal policies, largely through the World Bank sponsored structural adjustment programs. Certainly, the advent of neo-liberal policies has had fundamental impact on housing provision and the structure of the building industry. One effect of this development has been a shift in emphasis from public sector production to that of the private sector. Before the reform program was initiated the real estate sector was non-existent, but in the late 1980s there was a sudden rise in the number of real estate companies operating, engaged mainly in residential construction (see figures 5.2 and 5.3 at the end of the chapter). Between 1994 and 2001, the Ghana Investment Promotion Centre (GNPC) registered a total of 68 new foreign real estate developers,<sup>36</sup> and GREDA, an organization of private housing developers that emerged during the reform era, grew rapidly. It had a membership of 38 in 1988,

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<sup>35</sup> cf. Ghana *Parliamentary Debates*, August 13 1981, p. 1748-1778.

<sup>36</sup> Indeed, a major objective of government housing policy statement is: “to encourage foreign investment into the housing sector both in delivery of completed units and production of building materials” (Ministry of Works and Housing, 1989, p. 42).

increasing dramatically to about 450 in 2003.<sup>37</sup> Indeed, a breakdown of registered foreign enterprises indicates that the building and construction sector has become the third largest target of foreign investment. Between 1994 and 1998, 10.8% of foreign direct investment in the national economy was invested in the building and construction sector, whereas manufacturing industry and service sectors absorbed 27.9% and 26.8% of the total respectively.

In addition, the housing sector offers employment opportunities to a significant proportion of the country's labour force. As in many other developing countries, the building industry is most often the entry point for migrants to urban centers in Ghana. In fact, all the executives of the real estate companies that I interviewed supported this assertion: "They come from rural areas and are new in Accra," replied one of the executive when asked about the source of labourers at his project site.<sup>38</sup> Another stated, "It is construction activities that most often propel these workers into the urban wage labour-force".<sup>39</sup> Other executives affirmed the importance of the building sector as a major source of employment and income generation:

Without construction activities these workers would have been on the street, especially those without a formal education. Some've been working at my site for the past 2-3 years and have acquired skills and earned regular income....The remittances these people sent back [home] are also an important source of income for their families....<sup>40</sup>

Thus, in the above quotation we see not only that housing construction contributes to employment and income earning, but also that the process contributes to acquisition of

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<sup>37</sup> The President of GREDA confirmed this figure to me.

<sup>38</sup> Personal interview with Mr Law in Accra, June 2003

<sup>39</sup> Personal interview with Mr Zac in Accra, June 2003

<sup>40</sup> Personal interview with Mr T'Mac in Accra, June 2003

skills and has effects on people's lives outside of the urban economy – that is, in rural communities.

Most people in the developing world attach high priority to home ownership and this is also the case in Ghana, where home ownership offers social prestige and, is a high priority in terms of asset acquisition. This has been the case for a long time. A Colonial Annual Report commented that: “The Gold Coast African regards a well-constructed house as a sound investment for his savings” (Gold Coast Annual Report, 1947, p. 62). Within this context, there are strong reasons to believe that the housing sector in Ghana has contributed substantially to financial mobilization and the generation of foreign exchange. For instance, concerning foreign exchange, one interviewee said: “Our business brings into the economy an average of \$1m per year from our clients abroad.”<sup>41</sup> Two other executives even quoted higher figures of between \$2 and \$3million per year.<sup>42</sup> On average, each company claimed to bring into the economy between \$250,000 to \$300,000 per year, and the aggregate for the 20 companies interviewed was about \$10.65million per year, although the yearly national aggregate could be far greater, considering that only about 5% of the estate companies operating in the country were interviewed. A senior official of HFC corroborates the views of the real estate executives, saying that the majority of the HFC's clients are Ghanaians living in Western countries, especially in the US and Britain.<sup>43</sup> This finding challenges the old argument that housing does not generate foreign exchange mainly because it is not an exportable product.<sup>44</sup> It is

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<sup>41</sup> Personal interview with Mr Chuck in Accra, May 2003

<sup>42</sup> Personal interview with Mr Gerard and Webber in Accra, May/June 2003

<sup>43</sup> Interview in Accra, May 2003

<sup>44</sup> See Chapter 2 for discussion on this argument.



true that housing is not an exportable good, but its acquisition serves as a means of foreign exchange generation.

In general, the preceding discussion shows that urban housing policies and related programs in Ghana have typically stressed the production of housing through the formal system, relying especially on heavily subsidized blocks of public housing, particularly in the 1950s through 70s. Increasing after the 1980s, the government has recognized housing as a tool of economic development.

#### **5.2.5. Housing As An Adjunct To Development Projects**

As discussed in chapter 2, one of the major positions that emerged in the 1940s and 50s was that investment in housing should be undertaken when it was an adjunct to industrial project. Such arguments have been advanced and made effective in Ghana. For instance, commenting on the housing and industrialization program in 1952, one MP argued that a “housing scheme, if implemented, will give us the opportunity of establishing in this country very costly factories that will help in the industrialization of this country.”<sup>45</sup> The MP referred to mining towns and also to Accra, where, he suggested that a well-developed housing program could guarantee the success of industrial projects. From the 1930s through the 1950s, governments and companies built homes for workers in mining towns (Gold Coast Annual Report, 1948, p. 63).<sup>46</sup> The principal objectives were to secure labour and enhance productivity of the workforce. In the past, governments had also planned housing as adjunct to major development projects. This

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<sup>45</sup> Gold Coast, *Parliamentary Debates*, 1952, January 31, p. 79.

practice dated back at least to the colonial administration in the 1920s. Then, around Tarkoradi Harbour, a number of residential estates were constructed to house labour required for the harbour scheme. Amongst them were Adiamber housing estate, which was completed in the early 1920s consisting of 1102 room units. Later, the Effiakuma estate included 2000 one-room units.<sup>47</sup>

In the postwar years, Volta River Projects and the Tema New Township including the harbour project represented good illustrative examples of integrating housing and development projects with general national policy. The unique aspect of these projects was the way they were co-ordinated and the way housing was conceived and operated as part of an overall development program. The earliest, the Volta River Project (VRP) was conceived in the 1920s when the British Aluminum Company and the Colonial Government held discussions on the possibility of hydro-electric power to smelt aluminium (Hance, 1958). The primary objective of this project was to harness the waters of the Volta for hydro-electric power and, hence, for an aluminium smelter works to exploit Ghana's enormous bauxite deposits. However, the VRP required a new deep-water harbour, which was unavailable at the time. Thus, taking them together, the government saw a unique opportunity to develop both the harbour and the VRP. Consequently, a British firm of consulting engineers – Sir William Halcrow and Partners – was commissioned in 1949 to “examine a proposed power scheme and report on the

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<sup>46</sup> cf. Gold Coast, *Parliamentary Debates*, March 18, 1952, p. 1524.

<sup>47</sup> Minutes of a meeting between the Government of Ghana, foreign advisors, and aluminium companies. October 4, 1954: Typescript. [Abrams papers, Reel 46].

wider aspects of the development of the Volta River basin in respect also of irrigation, health, navigation and communication” (Ghana, 1961: 6). The consultants, whose report was presented in 1951, supported the VRP and also suggested that a new harbour was needed. The president accepted the report and approved the harbour project, making it one of the most crucial aspects of his development strategy. The harbour project was awarded to Parkinson-Howard Limited in 1954, and completed in 1962 at a cost of £7.5 million. As with the harbour, the VRP received a full endorsement from the president, who stated that Ghana required abundant and inexpensive power (Ghana, 1954). The Government also saw VRP as the “best means of diversifying and strengthening the national economy” (Ghana, 1961). Subsequently, a £432million loan was obtained from the World Bank, the US, and Great Britain to implement the project. A key element of both projects was the construction of an aluminium smelting plant, representing Ghana’s first major industry, and spurring industrialization in the rest of Tema.

Located along the Greater Accra coastline, Tema in the late 1940s was a small fishing village of a few hundred people (see *map 2*). But through a concerted and an integrative development effort, this small community was transformed by the early 1960s into a varied industrial and business enterprises township. Tema and its planned industrial township were a co-operative effort and were President Nkrumah’s very first development projects, dating back to 1951 – the year he assumed office. However, prior to this period, the colonial administration had for many years recognized the need for a new port to serve the eastern side of Ghana. Before the 1950s, Ghana had only one deep-sea harbour – at Takoradi, 120 miles to the west of Accra. With the country’s massive



infrastructure programs and rapid economic growth since the late 1940s, it was apparent that a new port in the Greater Accra Region was needed to relieve the bottleneck limiting exports and imports, caused by having only one harbour at Takoradi (Ghana, 1961, p. 5; Uphoof, 1970, p. 127).

The plan for Tema Township had three dominant elements, namely, the industrial area and the harbour, the town center, and the residential area (see figures 5.4 and 5.5). From the outset, housing was seen to be a vital part of the overall economic package, and it entailed a considerable survey and research effort, with the housing program planned and implemented in stages. Before the commencement of the VRP in 1954, a series of discussions were held between the government and representatives of the aluminium companies to consider a range of housing and planning issues in both Tema Township and surrounding areas. Housing issues were considered seriously and recognized as necessary not only to meet the demand of the labour force, but also to facilitate the achievement of the broader project goals.<sup>48</sup> At one of the meetings held in Accra in 1954, a representative of one of the companies argued that a housing program would be “essential for the economic operation of the scheme and would be in the interest of the Gold Coast Government as well as the aluminium companies.”<sup>49</sup>

Delegates of various companies expressed a similar view.<sup>50</sup> Throughout the deliberations, strong emphasis was placed on how to house the labour force required for the harbour scheme and the VRP, acknowledging that the entire labour force would

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<sup>48</sup> Minutes of a meeting between the Government of Ghana, foreign advisors, and aluminium companies. October 5, 1954: Typescript. [Abrams papers, Reel 46].

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

require housing facilities.<sup>51</sup> Economic benefits in terms of an increased labour productivity were seriously considered. Other significant issues considered included standards and designs of houses, affordability, and impacts of migration on Tema Township as a result of the availability of housing facilities. In many ways, the thinking behind the Tema Township economic development programs were consistent with “moderates” arguments as provided in Chapter 2. In both cases, housing investment was viewed as an essential economic tool to make a factory productive – for example, to attract labour for industries. As such, housing investment was made a necessary adjunct to industrial development.

Once the groundwork was laid, the next significant issue considered was how to achieve the plan’s objective. A Tema Development Corporation (TDC) was set up by government ordinance in July 1952 as a public housing enterprise with extensive responsibilities, including the construction of housing units, planning and design of estates, and land assembly. TDC’s mandate was not limited to housing production: the corporation was the major landlord and developer, and was responsible for orderly co-ordination, planning, and development of the entire network and urban infrastructure and services of the Tema area (Ghana, 1964). It began active operations in 1953, and constructed houses for workers of the Volta Aluminium Company engaged in the construction of a smelter, as well as those of other industries.

From the 1950s through the 1970s, the TDC and the housing facilities it provided played important roles in the economic development of Tema. Its production in the 1960s

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<sup>51</sup> *ibid.*

and 1970s was relatively rapid; it averaged 800 units a year in the mid 1960s, peaking at around 900 units in the 1970s. The company constructed 9,212 units between 1952 and 1964, and 7567 housing units in the period 1964-75 (*see pictures at the end of the chapter*). But as a result of a substantial retreat of the Ghanaian government from involvement in most sectors of the economy, including housing, TDC's production has steadily declined since the 1980s, averaging less than 100 units per year (Ghana, 1989b, p. 94). Overall, TDC's housing helped develop a complete network of urban infrastructure, including facilities such as schools, health, recreational and community facilities, and a major transportation system that linked various communities. Without doubt, infrastructure supported the rapid growth of industrial and commercial activities in Tema: TDC's housing estates provided employment opportunities for tens of thousands of people. A strong inter-sectoral linkage between TDC, the building materials industries, and manufacturing plants is another important economic benefit.<sup>52</sup> Building materials industries, for instance the Ghana Cement Works Limited, were set up to support large-scale industrialization by providing materials to various factories. Good housing facilities have also made Tema a choice for both domestic and foreign investments.<sup>53</sup>

In general, the government was extremely successful in implementing a housing program in Tema, which, by virtue of its scale and impetus, has become a decisive force in shaping a new and an improved living environment. A housing program has been

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<sup>52</sup> *The Ghanaian Times*: "New Tema Planning: Traditional Way of Life Blended With the Modern" (1959)

<sup>53</sup> *The Ghanaian Times*: "Progress at Tema" (1960)



carefully drafted and integrated into Tema's economic development projects, and has been a major determinant of the pace at which commercial and industrial facilities and all other infrastructure constructed were developed. Unlike the other public housing programs, the primary objective in Tema was not based purely on need; housing was conceived differently and operated as component of a collective economic development program.

### **5.3 SUMMARY AND DISCUSSION**

Since the mid-1940s, successive Ghanaian governments have introduced several policy measures to address different needs of the housing system. From the beginning, government concerned itself with providing housing to the urban population through publicly funded housing programs. These programs were not without difficulty, yet they made impacts on the urban landscape. In many ways, governments have also argued for an efficient building industry to support development programs. In particular, attempts have been made to promote the domestic building materials industry, although most of the policy initiatives have been ineffective and counterproductive. One of the most remarkable achievements was the effort to promote housing as an adjunct to large-scale development projects. In both Tema harbour and Volta Dam projects, housing was conceived of and operated as part of an economic development package. In this respect, housing was a tool of economic development. However, these examples were exceptional cases rather than the rule. Nationally, there has never been a systematic and comprehensive approach to integrate housing with national economic goals.

Throughout the period, several essential aspects of the urban housing system received only little policy considerations. One is the informal housing sector. While hard statistical data on the economic impacts of informal housing activities are not available, practical observation and experience leave no doubt about the importance of the sector in Ghana: it is a vital source of employment and investment resources, and has contributed to both national output and training of the industry work force, and is above all the principal source of national housing stock. A study by Ziss and Schiller (1989) in Ghana demonstrated that in the 1980s informal housing generated higher employment than the formal sector, and the same has surely been true throughout the postwar period. Similarly, in Kenya research found variations in levels of employment between the formal and the informal housing sectors, with the informal construction sector creating more jobs than the formal sector (Wells and Wall, 2003: 5). Despite its importance, the informal sector received little practical support. The lack of concern for impacts of the informal sector is a major flaw in Ghanaian housing policy. Extensive reliance on the production of houses through the public sector explains in part the reluctance to promote informal housing activities. Also underlying the neglect of the informal housing sector were several criticisms, including incompetence to supervise projects, inefficiency in production techniques, and low labour productivity. But the informal housing sector, despite all its criticisms, still dominates the housing construction scene. Besides, considerable evidence suggests that much of the informal housing activities is closely linked with the formal sector. This obviously makes a good case for policy intervention.

The second area of neglect is the housing finance system. Although some attempts have been made in recent times to develop a housing finance system, it is still underdeveloped. This situation has not only hindered effective housing delivery but also limited the role of the housing sector in the economy. If the housing sector in Ghana is to make a meaningful contribution to national economic development, then attention needs to be paid to the issue of housing finance and its with the broader financial system.

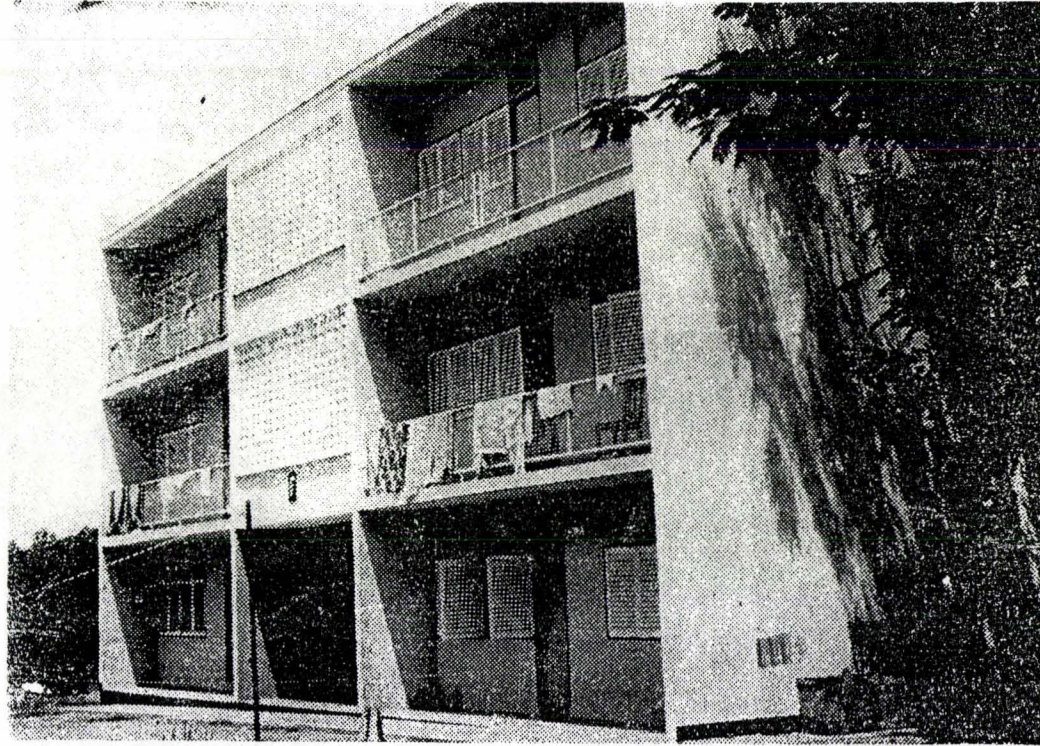
One other aspect of the housing system is that home-based enterprises, even though widespread in Ghana, have been neglected in policy considerations. Of course, there have been few rhetorical statements on the issue, as shown in chapter 4, but in reality successive Ghanaian governments have failed to give recognition to the ways in which housing policy might assist home-based enterprises and, more generally be meshed effectively with industrial policy. For now, what is required is practical action similar to those in Singapore and Hong Kong, where policies that restricted home-based enterprises have been revised to accommodate them (cf. Strassman, 1987). The Singaporean initiative took the form of constructing homes that had workspaces. Such enterprises have become vital contributors to the national economies of both countries (cf. Strassman, 1987).

Overall, housing policies and programs have changed direction at various times – first from state-led programs, then to most recent emphasis on private-sector participation. In the process, economic goals have become more prominent. In one perspective, this trend reflects changes in the broader environment. But in other ways, it simply reflects a better understanding of the potential of housing as a tool of economic



development. In comparative terms, with the exception of public housing, the general trajectory of the Ghanaian housing policy and programs has been consistent with the broad international policy trends.

**Figure 5.1: Example of workers housing unit constructed by Ghana Housing Corporation in the 1950s**



**THE** Government has embarked on a gigantic housing scheme to provide accommodation for the people throughout the country.

This building, sited at Kaneshie in Accra, is one of the new flats the Ghana Housing Corporation is building for workers.



**Figure 5.2 : A typical view of new residential estates in Accra in the 1990s**





**Figure 5.3: Multiple Storey buildings being constructed by real estate companies in Accra in the 1990s**



**Map 2: Map of Ghana showing locations of Accra, Tema, Takoradi and Kumasi**

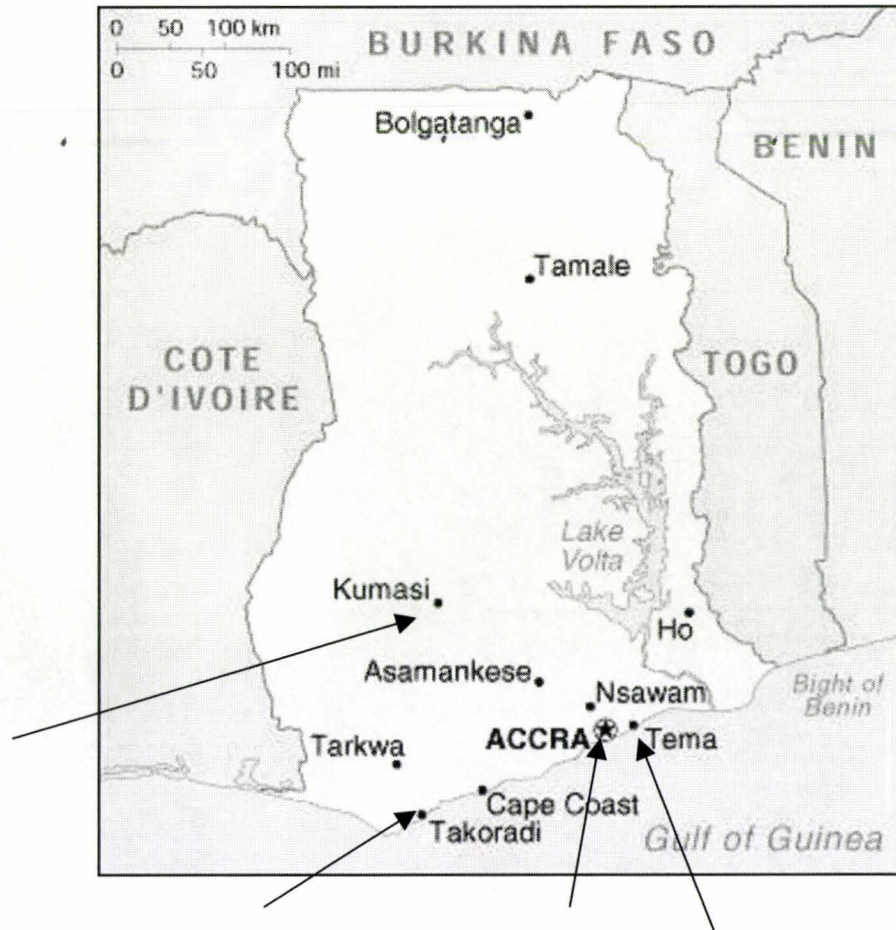




Figure 5.4 : Part of lay-out of Tema in the early 1950s

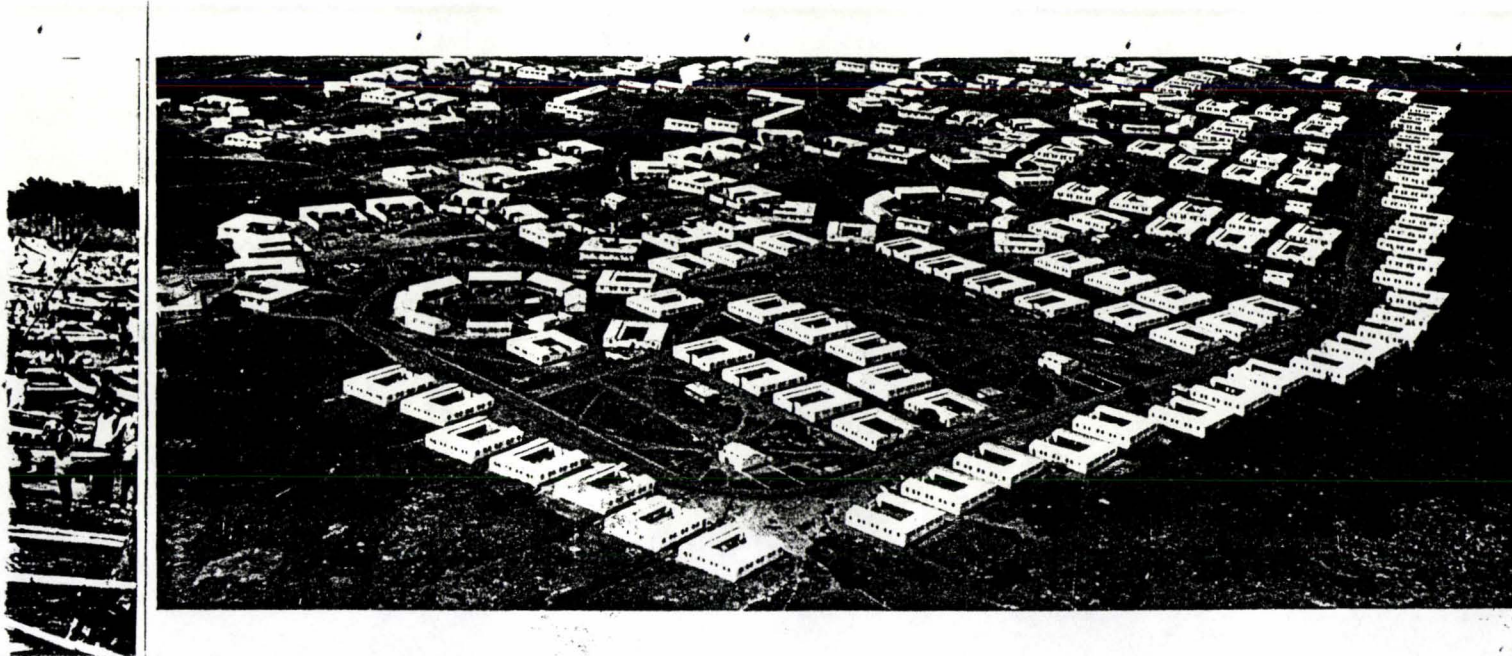
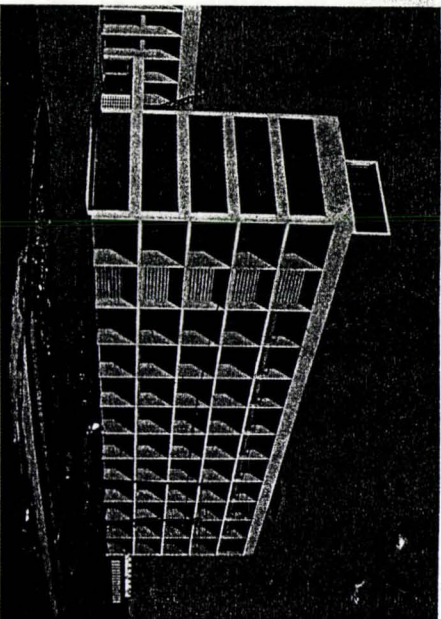
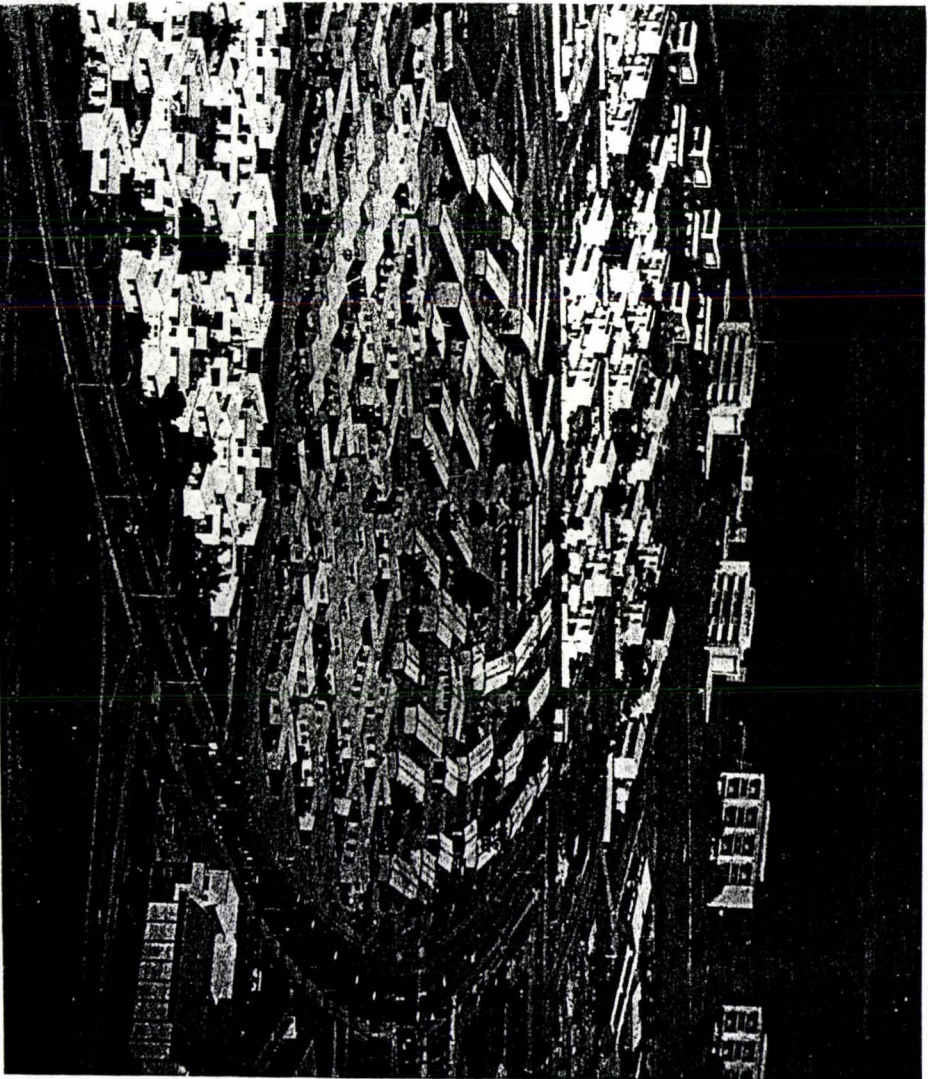




Figure 5.5: The harbour administration (top) and part of residential area in Tema in the early 1950s



RIGHT: The harbour administration building  
BELOW: Part of community no 1 at Tema



## **CHAPTER 6: CONCLUSIONS AND DISCUSSION**

Over the past half century, views about the role of housing in economic development have shifted. In the 1940s and 50s, the place of housing in national development programs was a subject of some debate amongst development economists, urban planners, and policymakers, with debates revolving around whether housing was an economic investment or a pure social expenditure. Since then, the topic has been a subject of academic research; views have changed, and presently many experts take the position that housing has an important economic role to play in the national development process. Through a study of international agencies and a case study of Ghana, this thesis examines the changing relationship between housing and economic development. It considered the factors that have driven both the general intellectual trends on the topic as well as shifts in practical policies and programs of the institutions and governments concerned. Within this context, this analysis adds to the current body of knowledge about the evolution of housing policy and economic development.

As described in Chapter 1, the study has been concerned primarily with tracing the long-term evolution of the relationship between housing and economic development, in particular with the objective of determining how significant housing policy has been within the schemes of development programs, at both the international and national levels. Such a long-term study is imperative because the present context of housing policy is an outcome of historical trends in political, social, and economic development. Indeed, like other policies, housing policy – whether in advanced or developing countries – has most often been designed to respond to the deficiencies of past policies. As such,



without a long-term view, the chances are that we may either learn nothing or forget everything from the past.

Beginning in Chapter 2 this study documented the main theoretical and academic views regarding the appropriate role of housing in development planning. Studies have alluded to the debates on housing, but for the most part, only scattered and scant references were made to comments and ideas expressed on the issue, and accounts are mostly dispersed. The comprehensive discussion in Chapter 2 systematically brought together various positions and ideas on the subject. The chapter showed that various theories of development had an influence on the perception about housing, starting in the 1940s when classical development theories downplayed its role, and through the 1960s and 70s when the human capital approach emphasized its importance as a means to increase labour productivity. From the 1980s, with its neo-liberal regime – to the present, the objectives of housing policy have broadened significantly, with emphasis now placed on the economic role. If the past were to be replicated, then it is certain that a new development paradigm would emerge in subsequent decades. But what is not certain is the role that would be assigned to housing policy in such a scenario: Would housing be again ignored? Or would it become more relevant in development planning? Given that the overall thoughts have progressed continuously, especially during the 1980s and 90s, we can predict only a continuation of the present trend; that is, the potential of housing as an economic development tool will be emphasized in the policymaking processes.

After the main theoretical and academic viewpoints were documented, the discussion in Chapter 3 turned to consider policies and programs of agencies of



international organizations that have typically been involved in promoting development around the world – especially in developing countries. The chapter provided evidence to show shifts in dominant thinking about housing at various points, each shift reflecting a response to changing development paradigms. Their overall thinking has progressed continuously from a narrow and obscure understanding to a broader view. The trend is influenced by a shift in overall approach from a focus on interventionist strategies towards a position more thoroughly wedded to a free market.

In a broad sense, the shifts among the agencies are similar to those that occurred in Ghana, where analysis of policy statements in Chapters 4 and 5 also showed a progression in thinking – driven by ideological values, economic conditions, and international influence. For the most part, national policies and programs in Ghana moved in parallel with international developments, many of them having affinities with recommendations and ideas of the international agencies. Their views illuminate much of what happened in Ghana.

Further, the study shows that for both the agencies and Ghana, diverse economic aspects of housing received better attention during the 1980s and 90s in matters like job creation, financial mobilization, and institutional reforms. In some respects, appropriate programs were initiated, notably UNCHS' home-based enterprises projects in Kenya, and the creation of housing financial institutions in countries such as Ghana, Mexico, and India (Chapter 3). Taken together, these emphases and initiatives are 'new,' and are an important departure from the thinking in the 1950s and 60s when investment in housing was regarded as a social expenditure. Notwithstanding these shifts, housing policies in

Ghana have shown little concern for the dominant sector of the housing system—the informal sector. The challenges for policymakers are the need to implement policies that would strengthen the sector. As mentioned in the preceding chapter, the informal housing sector has several advantages – especially with respect to labour, cost of housing provision, and use of building materials. Another area of the housing system that merits urgent attention is the use of local available materials and technology. Certainly, an effective local materials industry is a prerequisite for maximum economic benefits from residential construction activities. More important is the necessity to officially recognize and more fully appreciate the positive contributions of home-based enterprises to income and employment creation. These enterprises have played key and crucial economic roles in economies of most developing countries. As a result, public policy should recognize these contributions and take action to formalize, legalize, and support their productive roles.

Further, if it is true that the economic significance of housing has been well understood, then this understanding must be reflected in broader policy statements of economic importance, as well as in general development programs – most notably in investment allocation. Yet for the international agencies and for Ghana, this has not happened and questions can be raised about the genuine seriousness of commitments to housing in recent statements. It would be premature to suggest that prejudice about housing is a thing of the past. Many statements have remained at the level of rhetoric. A survey of many of the agencies' recent development and annual reports shows that they make only scant references to housing. This is also true for Ghana, where, contrary to

some recent policy statements about the importance of housing, actual national programs have failed to integrate housing with general economic development programs. We still have to be cautious about taking policy statements at face value. Thus, in addition to tracing the long-term thinking about housing and economic development, the present study has also demonstrated the importance of comparing rhetoric with practice, providing a basis for making appropriate judgement on policy.

Many scholars and policymakers have placed housing policy within a social context, believing that the critical test is whether the poor have access to adequate and affordable housing. Alone, this argument is flawed; the economic significance of housing must also be acknowledged, and indeed must be the first step in increasing dwelling units. As stated throughout this study and reiterated here, housing can be a lead sector in any economy. It has an important role to play in national development strategies: It has strong forward and backward linkages to the entire economy; it has a positive effect on both direct and indirect employment; it can mobilize underutilized financial resources in domestic economy, and it can increase housing stock and related urban infrastructure. These roles should certainly serve as a fundamental test for any urban housing policy.

These roles are especially crucial in view of the multifaceted problems faced by developing countries, including rapid population growth – particularly in large cities, rising unemployment, and slow growth. Within this context, it is axiomatic that a serious consideration is paid to sectors which hitherto were not really utilized as instruments for accelerating economic development – in this case, housing. National policies need to incorporate a broader vision for housing that goes beyond the mere provision of physical



units for inhabitants. Policies must integrate housing policy as part of the overall national development program. It is imperative that benefits be stated in economic terms, to enable housing to compete effectively for scarce resources.

The present study has considered the way in which the economic impact of housing has been viewed, rather than the exact nature of that impact. As a result, one area for future study is a more in-depth analysis of these impacts. Those who have analysed and discussed this issue have agreed on its significance. What has been largely missing is a precise documentation of impacts. The lack of reliable data has rendered the results tentative and exploratory rather than definitive. Studies of housing impacts must address issues of employment creation, labour productivity, capital formation and mobilization, and multiplier effects. In recent times, the use of homes as workplaces and as sources of rental income have received considerable attention in the literature, and research on other economic aspects of housing can build on these studies. Impacts of housing investments may vary according to various stages of economic development; consequently, future research must take such variations into consideration. In the end, studies of housing impacts can usefully be compared with reviews of other economic sectors of national economy.

Another area of future research relates to countries that have undertaken a more active policy of using housing to promote economic development. Ghana obviously does not fall into this category. As mentioned in the first chapter, Puerto Rico and Singapore are two of the exceptional cases to the general trends. Relevant questions are: Did investment in housing succeed? If it did, then why did these nations succeed while others

failed? How did the countries that have succeeded manage to do so? And how can other countries also promote economic growth through housing? Investment in housing was an important component of Puerto Rico's development program—indeed, it was a model for many developing nations in the 1940s. Chapter 2 also demonstrated how Singapore has succeeded in using housing as a tool of development. In this context, a comprehensive analysis of these nations' housing development program would certainly add depth to our knowledge on the subject. More especially, results from such future studies would serve as useful lessons for other nations. Overall, future studies that resolve these and related issues would make vital contributions to the literature on housing and economic development.

## APPENDIX 1: TRENDS IN GOVERNMENT EXPENDITURE

### Trends in Development Budget By Sectors, 1946 2000 (%)

A- 1946-66

SECTOR	1946-47	1947-48	1949-50	1950-51	1952-53	1953-54	1954-55	1955-56	1956-57	1958-59	1959-60	1960-61	1961-62	1963-64	1965-66
Agriculture	9.0	7.3	3.3	15.1	.6	28.8	11.6	10.9	10.3	4.7	6.3	2.8	<b>10.1</b>	7.9	12.0
Defence	-	-	-	-	3.0	3.7	12.0	5.0	7.7	2.4	5.7	24.6	<b>17.9</b>	14.9	11.3
Education	34.9	28.6	6.3	18.4	32.4	6.2	12.5	13.3	6.9	5.7	9.5	2.5	<b>13.2</b>	25.0	11.7
Energy	14.9	16.7	19.6	15.0	2.6	2.0	3.0	1.9	2.2	4.5	-	-	-	-	-
Health	8.1	12.8	15.2	11.3	3.8	5.2	24.9	7.5	5.8	11.4	4.4	4.9	<b>9.0</b>	11.3	5.9
<b>Works &amp; Housing</b>	7.5	6.9	14.3	11.9	12.3	4.8	13.5	11.3	5.2	6.4( <b>0.4</b> )	22.8( <b>5</b> )	16( <b>4.1</b> )	<b>14(3.9)</b>	14( <b>3.1</b> )	13( <b>2.8</b> )
Trade & Industry	-	-	-	-	1.0	0.2	8.4	1.3	4.5	17.6	7.0	0.3	<b>2.2</b>	1.4	15.3
Transport & Comm	17.1	9.9	11.5	8.0	37.0	46.6	8.2	28.0	28.7	20.0	27.8	39.4	<b>13.9</b>	6.7	7.4
Other Sectors	1.9	12.8	24.3	12.2	1.3	0.7	0.2	8.2	9.0	26.9	16.5	9.7	<b>19.7</b>	15.7	20.5
Projects	6.6	5.0	5.5	8.0	-	1.7	5.8	12.7	19.8	0.4	-	-	-	3.2	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Figures in parenthesis are exclusively for housing.

Source: Government Annual Budget Statements, various years (1946-2000)



## A- 1966-82

SECTOR	1966-67	1969-70	1971-72	1973-74	1974-75	1975-76	1977-78	1978-79
Agriculture	12.1	19.1	9.7	3.7	10.8	9.8	16.1	8.8
Defence	14.8	5.9	13.5	10.3	15.5	12.6	7.4	6.4
Education	25.1	22.2	33.1	26.7	8.1	19.3	7.4	19.4
Energy	-	-	-	-	-	-	-	2.4
Health	6.6	11.7	11.7	9.7	5.9	13.6	6.4	9.5
<b>Works &amp; Housing</b>	<b>12.6(2.5)</b>	<b>6.1(1.6)</b>	<b>8.0(2.7)</b>	<b>5.7(1.7)</b>	<b>26.9(7.0)</b>	<b>15.2(4.8)</b>	<b>31.8(7.5)</b>	<b>16.5(4.2)</b>
Trade and Industry	4.5	3.8	0.5	0.5	3.4	2.0	3.4	1.0
Transport and Comm	-	6.1	-	0.6	2.1	-	1.5	6.5
Other Sectors	16.1	18.5	17.9	42.8	25.2	26.4	24.0	26.4
Projects	8.3	6.6	5.6	-	2.1	1.1	2.0	3.1
Total	100.0	100	100.0	100	100	100.0	100.0	100.0

Source: Government Annual Budget Statements, various years (1946-2000)

Note: Figures in parenthesis indicate allocation in housing alone.

## B- 1982-2000

SECTOR	1982-83	1984-85	1985-86	1991-92	1992-93	1995-96	1998-99	1999-2000	2000
Agriculture	2.5	10.5	8.6	4.5	4.7	3.1	2.4	3.8	3.6
Defence	3.5	1	4.7	0.9	2.0	6.5	8.1	11.2	13.5
Education	12.8	2.4	7.8	7.5	7.2	2.9	5.3	4.3	2.0
Energy	-	0.5	1.9	1.9	1.9	0.7	3.8	3.3	1.1
Health	4.5	4.2	4.5	6.8	6.8	4.1	7.4	8.0	6.4
<b>Works &amp; Housing</b>	<b>1.4(0.3)</b>	<b>13.1(2.1)</b>	<b>11.5(2.1)</b>	<b>14.8(2.7)</b>	<b>10.9(2.3)</b>	<b>9.1(2.4)</b>	<b>9.9(2.5)</b>	<b>7.8(1.5)</b>	<b>7.7(1.3)</b>
Trade and Industry	0.5	0.7	0.5	4.4	4.4	0.7	0.5	1.0	0.7
Transport and Comm	36.4	56.1	36.4	45.4	3.4	41.5	42.1	35.7	39.6
Other Sectors	36.4	11.5	24.0	11.3	44.5	21.2	20.4	24.9	25.4
Projects	1.9	-	-	2.6	14.2	4.0	-	-	4.1
Total	100	100	100	100	100	100	100	100	100

Source: Government Annual Budget Statements, various years (1946-2000)

Note: Figures in parenthesis indicate allocation in housing alone.

## APPENDIX 2: INTERVIEW SCHEDULE

### Introductory Letter

School of Geography and Geology  
McMaster University  
Hamilton, Ontario  
L8s K41

Tel: 905-525-9140 (ext 24394)  
Email: arkug@mcmaster.ca

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I am a graduate student in geography at McMaster University, Canada. I am doing a research for my doctoral dissertation on the evolution of housing policy and economic development in Ghana since 1945. My research aims to trace trends in housing policy, how it evolves, and more especially to understand the relationship between development planning in general and housing policy in particular. For my research, I am using secondary materials as well as interviews with key individuals who have been involved in housing and development issues over the years. I will deeply appreciate your contribution to the study by providing answers to certain key questions in my research.

## INTERVIEW WITH PUBLIC OFFICIALS

### HOUSING POLICY AND ECONOMIC DEVELOPMENT IN POSTWAR GHANA

---

Date

Name

Position/Title

Ministry

---

1. For how long have you been involved in some capacity with the development of national housing policy?
2. In general terms, what would you say are the current goals of the country's housing policy?
3. What has been the overall goal of housing policy over the past decades?  
Probes:  
Has this goal changed?  
Why?  
How?
4. What have been the general trends in housing programs?  
Probes:  
What significant changes have occurred?  
What prompted the changes?
5. From the perspective of the ministry, which aspects (eg. economic, social etc) of housing are most important?  
Probes:  
Presently?  
In the past?
6. From what you said, how important has economic as opposed to social goals been in framing of housing policy?
7. From your experience in this ministry, what would you say has been the position of housing in the overall national planning?  
Probes:  
Little attention?  
Significant?  
Has this changed?  
How?
8. Would you say housing policy been effectively integrated into national policy making?  
Probe:  
Has housing policy been significant in shaping development planning in Ghana?
9. Can you identify some of the significant economic contributions from the housing sector?



10. How much influence do you think the international agencies recommendations as opposed to domestic considerations have in the framing of national housing policy?

11. Any further comment(s) on the role of housing in national development planning in Ghana?

**QUESTIONNAIRE  
PUBLIC/PRIVATE BUILDING ORGANIZATIONS**

**The Role of Housing in National Economic Development in Ghana**

---

Name:.....

Title/position.....

Company name:.....

Address.....  
.....

---

**Section 1: Background**

1. How long have you been with the company?.....
2. When did your company start operating in Ghana?.....
3. How many people are presently employed in your company?

# Full Time.....

# Part Time.....

4. Is your company:  
locally-owned.....  
foreigned-owned.....or  
jointly-owned.....

5. Which activities are undertaking in this company?

Probes:

Housebuilding?.....

Land development?.....

Other types of construction?.....

**Section 2: Housing and Government Economic Policies**

1. Would you say that:

a. Government has a positive view of the housing industry?

Probe:

Valid or sound economic sector?

How/Why?

.....  
.....

b. Government's overall approach to the housing industry has changed over the years?

Probes:

How?

What prompted the change in approach?

.....  
.....

c. Government has paid serious attention to the housing sector?

.....  
.....  
.....

2. How would you assess government's attitude to the housing industry vis-a-vis other industries?

Probes:

High, low priority, or about average?

How?

.....  
.....

3. Does the government help the housing industry? If yes, how?

.....  
.....

4. Is there any government policy that hinders the housing industry?

.....  
.....



5. How has your company been affected by government economic policies?

Probes:

Cut production?

Other?

.....  
.....

6. Can you mention some of the significant constraints facing your company or the housing industry?

.....  
.....

7. Any further comments on government policy towards the housing industry?

.....  
.....

**Section 3: Housing Industry Contributions to National Development**

1. Approximately how much employment was created by your company since it started business?

# Full Time.....

# Part Time.....

2. How would you describe your employees?

Skilled.....

Unskilled.....

Specify.....

Probes:

How do you get your employees.....

.....

.....

3. Did this company offer training program(s) for the employees?

Yes.....

No.....

Probes:

If yes, how often and what are some of these programs?

.....  
.....

Have these been encouraged by the government?

.....  
.....

4. How much was invested by your company since it started business?

Probes?

What is your yearly investment?

.....  
.....

5. What is your main source of financing?

Probes:

Varies?.....

Percentage of each?.....

Bank credit?.....

Other?.....

6. When your company started business, what were the principal source of building materials?

Probes:

Local?

Foreign/imported?

What is your main source of building materials today?

.....  
.....

7. Does your company process some of the building materials it uses?

Probes:

How?

.....  
.....

8. What is the total number of houses your company completed since it started business?

Probes:

What is your average yearly production?.....

Who are you customers?.....

What are the prices for various categories of houses?

Two bed room.....

Three bedroom.....

Four bedroom.....

Other (please specify).....

9. Does your work company co-operatively with other builders and agents in the industry to produce houses, or do you prefer to work alone?

Probes:

With subcontractors

Other builders

Why?

10. Does your company have any relationship with the informal sector builders?

Probes:

What sorts of relationship?

Why?

How would you describe an informal house builder or how do you understand informal housing sector?

.....  
.....

11. Can you identify some of the significant contributions your company has made or is making to the national economy?

.....  
.....

12. In constructing houses, does your company make provision for the establishments of home-based enterprises?

Probe:

How?

.....  
.....

13. Any further comments?

.....  
.....



### Characteristics of the Real Estate Companies

Name (Mr)	Year Established	# of Employees		Ownership	# of Houses	Activity
		FT	PT (Appx)			
Fegger	1956	202	-	F	250,000	RED
Jack	1986	12	5	F	500	RED/LD
Mark	1986	48	-	F	120	RED/LD/RR
Chuck	1988	52	12	JV	340	RED
Derric	1988	5	50	F	230	RED
Luc	1990	10	70	F	150	RED
Jerry	1991	150	50	F	216	RED/MCP
Alex	1991	50	20	F	94	RED
Law	1992	132	18	F	110	RED
Gerard	1993	50	35	F	500	RED
Smith	1993	5	100	JV	240	RED/BC
Henry	1993	6	30	F	75	RED
T'Mac	1994	13	100	F	180	RED
Weber	1994	10	150	F	585	RED
Miller	1995	25	60	JV	130	RED/LD
Koby	1996	20	60	F	90	RED
Shark	1996	10	50	F	74	RED
Taylor	1997	30	100	JV	45	RED
Teysec	1998	5	20	F	24	RED
Zac	1999	5	25	JV	140	RED

*Notes:* L = Fully locally owned; JV = Joint Venture (i.e. between local and foreign partners); RED = Real Estate Development;<sup>2</sup> MCP = Manufacturing of Concrete Products; BC = Building Construction; LD = Land Development; RR = Residential Renovation; Appx. = Approximate; PT = Part-time workers (but does not include workers employed by subcontractors).

<sup>2</sup> These are purely residential construction companies, even though few are engage in land development and other construction activities.

## INTERVIEW WITH THE WORLD BANK OFFICIAL

### HOUSING POLICY AND ECONOMIC DEVELOPMENT IN POSTWAR GHANA

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Date:

Name of Interviewee:

Position/Title:

Agency:

---

1. How long have you been with the Bank?
2. When did the World Bank start operating in Ghana?.....
3. When you started operating in Ghana, what were the key sector(s) the Bank was concerned with?.....  
Probe?
  - Have these changed?
  - What prompted changes?
4. What have been the major policy goals of the Bank over the years?  
Probe:
  - Economic development?
  - Social enhancement?
  - Others?
  - Have the general policy goals of the World Bank changed?
  - Why?
5. Has the Bank ever financed housing projects in Ghana?  
Probe:
  - When?
6. Can you mention some of the specific housing programs the Bank developed or implemented over the years?
7. In general terms, how important has housing been on the World Bank's developmental agenda or projects?  
Probes:
  - Little attention? Why?
  - Moderate?
  - Significant attention? How?
8. Does the Bank still finance housing projects in Ghana?  
Probes:
  - If no, why?
  - Has the Bank got any intention of financing housing in the future?

9. In broad terms, what have been the World Bank's views on housing?

Probes:

- Economic activity? How?
- Pure social service? How?
- Both?

10. Would you say that investment in housing is essentially a productive activity, or unproductive investment?

Probe:

In what ways productive?

11. Would you say that the Bank has influenced the development/evolution of housing policy and implementation of housing programs in Ghana?

Probe:

Yes? In what ways?

12. Any further comment(s)?

**NOTE:**

Can I get data/information on the lists of all loans the Bank advanced to Ghana since it started operating in the country?

- According to years?
- According to sectors/Projects?
- Especially total amount invested in housing projects vis-a-vis other projects?

Thank you



## HOME FINANCE COMPANY (HFC)

### HOUSING POLICY AND ECONOMIC DEVELOPMENT IN POSTWAR GHANA

---

Date:

Name:

Position/Title:

Company:

---

1. When was HFC established?
2. Why was HFC established?
3. How does HFC operate?  
Probe:
  - Has the mode of operation changed over the years?
  - What has changed?
  - Why/how?
4. From your society's/company's involvement in housing issues in Ghana, do you think the government view the mobilization of resources through the financial system as being critical to the development of a strong housing sector in Ghana?  
Probe:
  - Why/Why not?
5. Has HFC been financed by the government?  
Probe:
  - Subsidies?
6. What have been the major contributions of HFC to housing development in the country since its establishment?  
Probe:
  - Any data/information on the number of beneficiaries of funds?
7. Would you say Government policies, and specifically national housing policies/programs recognized housing finance as important to national development in the country?

8. In general, how would you assess housing finance system in Ghana?

Probe:

Well developed? Why?

Poorly developed? Why?

Is it well integrated into the overall national finance system in the country?

How?

9. What significant constraints/difficulties have your company faced in the past?

What about presently?

10. In what ways have government policies help advance or hinder the effective development and operation of housing finance system in Ghana?

11. Does your company supports informal house-builders?

Yes/No      Why?

.....  
.....

12. Any further comment(s)?.....

**FIRST GHANA BUILDING SOCIETY (FGBS)**  
**HOUSING POLICY AND ECONOMIC DEVELOPMENT IN POSTWAR GHANA**

---

Date:

Name:

Position/Title:

Society:

---

8. When was your company/society established?

9. Why was FGBS established?

10. How does FGBS operate?

Probe:

Has the mode of operation changed over the years?

What has changed?

Why/how?

11. From your society's involvement in housing issues in Ghana, do you think the government view the mobilization of resources through the financial system as being critical to the development of a strong housing sector in Ghana?

Probe:

Why/Why not?

12. Has FGBS been financed by the government?

Probe:

Subsidies?

13. What have been the major contributions of FGBS to housing development in the country since its establishment?

Probe:

Any data/information on the number of beneficiaries of funds?

14. Would you say Government policies, and specifically national housing policies/programs recognized housing finance as important to national development in the country?



8. In general, how would you assess housing finance system in Ghana?

Probe:

Well developed? Why?

Poorly developed? Why?

Is it well integrated into the overall national finance system in the country?

How?

13. What significant constraints/difficulties have your society faced in the past? What about presently?

14. In what ways have government policies help advance or hinder the effective development and operation of housing finance system in Ghana?

15. Does your society supports informal house-builders?

Yes/No      Why?

.....  
.....

16. Any further comment(s)?.....

**INTERVIEW WITH THE PRESIDENT OF GREDA**

**HOUSING POLICY AND ECONOMIC DEVELOPMENT IN POSTWAR GHANA**

---

Date:  
Name:  
Position/Title:  
Association:

---

**Section 1: Background**

4. For how long have you been the president of GREDA or been involved in the house construction industry?  
.....
5. When was GREDA formed?.....
6. How many members does GREDA have currently?.....
7. Are all real estate builders members of GREDA? .....  
.....  
If no, Why?.....
8. How does a company become a member of GREDA?  
.....  
.....
9. Do you know of any other real estate association apart from GREDA?.....
10. Does GREDA have any relationship with informal sector builders?.....

**Section 2: Government Policies for the House Building Industry**

1. What has been the Government's attitude/commitment towards the housing industry in the past?
2. From your experience in the housing building industry, would you say that the housing building industry has been a priority on Government policy agenda?  
Probe:  
How? Why?

3. How does government help the industry?
4. Is there any government policy that hinders the housing industry?
5. What do you think has been the overall national housing policy goal(s)?  
Probe:  
    Currently? In the past?
6. How would assess government's commitment to the housing industry vis-a-vis other sectors?  
Probe:  
    High, low priority, or about average?  
    How?
7. From your experience in the housing business would you say government's housing policy has changed over the past decades?  
Probe:  
    In what way(s).....
8. Would you say that Government views the housing sector as economic or social sector?
9. Can you mention some of the significant constraints facing the housing industry in the country?
10. What is GREDA doing to promote the use of local building materials?

**Section 3: Housing Industry Contributions to the National Economy**

1. Can you identify some the significant contributions from the housing industry to the national economy?
2. Do you think the housing industry poses constraints on the economy?  
Probe:  
    How?
3. Any final comment(s)?.....



**INTERVIEWS WITH THE UNDP OFFICIAL  
HOUSING POLICY AND ECONOMIC DEVELOPMENT IN POSTWAR GHANA**

---

Date:

Name of Interviewee:

Position/Title:

Agency:

---

1. How long have you been with the UNDP?
2. When did your agency start operating in Ghana?
3. What have been the major policy goals of UNDP projects over the years?  
Probe:
  - Economic development?
  - Social enhancement?
  - Others?
4. What kind of projects have you supported in the past?.....  
Probe:
  - In terms of the question above, would say these projects have been consistent with:
    - Economic objectives?
    - Social objectives?
    - Both?
    - Others?
    - How?
5. Has the UNDP ever supported housing projects in Ghana?  
Probe:
  - When?
6. Can you identify some of the specific housing projects the UNDP developed or implemented over the years?
7. In general terms, how important has housing been on the UNDP developmental agenda?  
Probes:
  - Little attention? Why?
  - Moderates?
  - Significant attention? How?
8. Does the general housing policy goal(s) of the UNDP changed?  
Probe:
  - How?
  - What prompted the change?

9. Does the UNDP still implement housing projects?

Probes:

If no, why?

Has the UNDP got any intention of supporting housing projects in the future?

10. Would you say that your agency has influenced the development/evolution of housing policy and implementation of housing programs in Ghana?

Probe:

In what ways?

11. From your experience, how would you assess housing policy/programs in Ghana?

Probes:

Have housing policies been developed to meet the goals of national economic planning?

Socially oriented?

How?

Why?

12. From your agency's experience, what would you say has been the level of importance of housing in national development in Ghana?

13. Has the UNDP got any policy towards the informal housing in Ghana?

14. Would say that investment in housing is essentially a productive activity, or unproductive investment?

Probes:

In what ways productive?

15. What is the attitude of the UNDP towards home-based enterprises?

Probe:

Should they be encouraged or discontinued?

Should housing policy be developed to accommodate this sort of enterprise?

15. Any further comment(s)?

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