



Homeless International

**Feasibility study for the application of
Community-Led Infrastructure Finance Facility
(CLIFF) operations in Ghana**



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September 2004



Urban Management Programme

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Cover photo:

Sanatu describes the issues facing residents like herself in the Old Fadama settlement, Accra, to Farouk Braimah (People's Dialogue Ghana) during the research process.

LIST OF ABBREVIATIONS

| | |
|--------|----------------------------------------------------------------------------------------------------------|
| ADRP | Accra District Rehabilitation Project |
| AfDB | African Development Bank |
| AMA | Accra Metropolitan Assembly |
| AU | African Union |
| CBO | Community Based Organisation |
| CEDAW | Convention on the Elimination of all forms of Discrimination Against Women |
| CIUP | Community Infrastructure Upgrading Project (part of World Bank's Urban Environmental Sanitation Project) |
| CLIFF | Community Led Infrastructure Financing Facility |
| CPP | Communist People's Party |
| CRC | Convention on the Rights of the Child |
| DA(s) | District Assembly (-ies) |
| DACF | District Assemblies Common Fund |
| DANIDA | Danish International Development Agency |
| DFID | Department For International Development (UK Government) |
| DUR | Department of Urban Roads |
| DoRH | Department of Rural Housing |
| EAP | Environmental Action Plan |
| ECG | Electricity supply Corporation of Ghana |
| ECOWAS | Economic Community of West African States |
| EIA | Environmental Impact Assessment |
| GAMA | Greater Accra Metropolitan Area |
| GDP | Gross Domestic Product |
| GHA | Ghana Highways Authority |
| GNP | Gross National Product |
| GoG | Government of Ghana |
| GPRS | Ghana Poverty Reduction Strategy |
| GPRSP | Ghana Poverty Reduction Strategy Paper |
| GWSC | Ghana Water and Sewerage Corporation |
| HFC | Home Finance Company, now HFC Bank |
| HI | Homeless International |
| HfH | Habitat for Humanity |
| HIPC | Heavily Indebted Poor Countries |
| ICCPR | International Covenant on Civil and Political Rights |
| ICESCR | International Covenant on Economic, Social and Cultural Rights |
| KLERP | Korle Lagoon Ecological Restoration Project |
| KMA | Kumasi Metropolitan Assembly |
| LDCs | Least Developed Countries |
| LTR | Land Tenure Registration |
| MDG(s) | Millennium Development Goal(s) |
| MFI(s) | Micro-Finance Institution(s) |
| MLGRD | Ministry of Local Government & Rural Development |
| MoES | Ministry of Environment & Science |
| MoF | Ministry of Finance |
| MoWH | Ministry of Works & Housing |
| NDPC | National Development Planning Commission |
| NEPAD | New Partnership for Africa's Development |
| NGO | Non-Governmental Organisation |
| NTHC | National Trust Holding Company |
| OPEC | Organisation of Petroleum Exporting Countries |
| PDG | People's Dialogue Ghana |
| PNDCL | Provisional National Defence Council Law |
| SDI | Shack/Slum Dwellers International |
| SHC | State Housing Company |
| SIF | Social Investment Fund |
| SSNIT | Social Security and National Insurance Trust |

| | |
|------------|-------------------------------------------------------------|
| UDHR | Universal Declaration of Human Rights |
| UNCHS | United Nations Centre for Human Settlements, now UN-Habitat |
| UNDP | United Nations Development Programme |
| UNEP | United Nations Environmental Programme |
| UN-Habitat | United Nations Human Settlements Programme, formerly UNCHS |
| UUN | Urban Upgrading Network |

ABOUT THE AUTHORS

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WHAT IS THIS STUDY?

Homeless International was commissioned to carry out research into the feasibility of introducing a Community-Led Infrastructure Finance Facility (CLIFF) in four countries in sub-Saharan Africa (Ethiopia, Ghana, Uganda and Zambia). The feasibility studies are intended to contribute to national and city government strategies for tackling slum upgrading, and to enhance donors' understanding of their potential roles in scaling-up the CLIFF concept. They also aimed to help ensure that the preparatory work is in place to aid the eventual process of developing CLIFFs in these countries if it is judged appropriate to do so.

The studies were carried out in Uganda, Ghana, Ethiopia and Zambia during 2004. Wherever possible, the Homeless International team sought to work collaboratively with local UMP partners and with Homeless International's own partners in the Shack/Slum Dwellers International (SDI) network. This paper documents the findings in Ghana and makes recommendations for steps required to catalyse community-led slum upgrading in partnership with government and other stakeholders, and how a CLIFF could be introduced to build upon these partnership approaches.

1 NATIONAL CONTEXT

1.1 MACRO-ECONOMIC, POLITICAL AND SOCIO-ECONOMIC OVERVIEW

1.1.1 Political and economic overview

A former British Colony, Ghana is located in West Africa and is bordered on the Northwest and North by Burkina Faso, on the West by Ivory Coast, on the East by Togo and on the South by The Gulf of Guinea. Ghana's total land area is approximately 92,100 square miles (238,537 sq km), and the country has a population of about 20 million. The most populous region in Ghana is Ashanti, followed by Greater Accra, although Greater Accra is the most densely populated, with an average of 895.5 people per square kilometre (2000 Census). In total there are 364 urban areas across the country (2000 Census), and the capital city is Accra.

Ghana has a democratically elected government, an Executive President, and a multi party Parliament. General elections are held every four years at which a President and Parliamentarians are elected to run a four-year term. For the purposes of local governance and administrative efficiency, Ghana has been divided into 10 regions and 110 districts. Government operates within the framework of the Ghanaian Constitution, which was drawn up in 1992 as the country returned to multi-party democracy.

Ghana is a member of the Commonwealth, the United Nations, ECOWAS, the AU and NEPAD. It is a signatory to many international human rights treaties and conventions, many of which it has also ratified. These include CEDAW, ICCPR, ICESCR (Article 11), UDHR (Article 25), CRC and the Habitat Agenda. The Habitat Agenda is particularly relevant, as it was intended to influence national policy developments in housing, upgrading, resettlement and infrastructure provision. As a signatory to these conventions, Ghana has obligations to respect, protect and fulfil the rights and obligations enshrined in them, hence the passing of domestic legislation and laws in its statutes. Some of these have even been incorporated in the Ghanaian Constitution, to give them greater domestic effect.

Forty-seven years after independence, there have not been many significant changes in the Ghanaian economy in terms of major industries and income levels. The economy is still largely agrarian with cocoa, gold and timber remaining the country's main exports. The per capita income has remained close to \$350.

However, the economic depressions faced by many Least Developed Countries (LDCs) during the late 70s and 80s resulted in the lack of investment and a general downward trend in almost all the major facets of the Ghanaian economy. This economic depression coupled with the high population, rural-urban migration and the growth of cities and towns without a corresponding rise in provision of urban infrastructure and social services, resulted in a major stagnation and pressure on the country's infrastructure base – especially urban infrastructure

and social services. Over the last couple of years, the economy has begun to pick up. The GDP growth rate for 2003 was 5.2% (though lower than the 7% rate said to be necessary for realising most of the MDGs), inflation has declined considerably over the same period, and the Ghanaian Cedi had remained relatively stable against most major currencies. The commercial banks' base rates are around 28%. However, over 50% of budget financing is from external donor support.

Ghana has opted for the HIPC initiative as a mechanism to benefit from debt cancellation. Ghana's participation in the (enhanced) HIPC initiative provides opportunities to reallocate central government funds from debt servicing to investment in poverty alleviation and the development of human, physical and other forms of capital. In 2002, for example, the Government of Ghana disbursed approximately £20million from its HIPC Account for poverty related spending, rising to approximately £55million in 2003 (GoG, 2004). Ghana's Poverty Reduction Strategy (GPRS) was produced in February 2003 as part of the country's HIPC activities (see section 1.2.1 for more detail).

Ghana is a signatory to the Millennium Declaration committing the country to make progress towards the Millennium Development Goals (MDGs) by 2015. Ghana views the GPRS as a medium-term strategy towards achieving the MDGs. The country's 2003 Millennium Development Report describes progress towards achievement of some of the MDG targets (GoG, 2003a), but notably makes no reference to Target 11 *"By 2020, to achieve a significant improvement in the lives of at least 100 million slum dwellers"*.

Generally, the macro-economic, political and social trends appear more solid and promising for greater successes in achieving many of the MDGs and economic development. However, political instability and conflicts within the sub region and external shocks could derail or delay the achievements of the country's growth and development targets.

1.1.2 Urbanisation trends and urban poverty

The World Bank (2002) highlights several key trends illustrating Ghana's urbanisation:

- The urban population has, since 1970, consistently grown at a higher rate than the overall national population.
- The proportion of the population living in areas rose from 26% in 1965 to 35% in 1993 and an estimated 37% in 1997 (approximately 6.7 million people).
- At the estimated current urban growth rate, the urban population will double in 17 years.
- Accra and Kumasi together contain over 40% of the total urban population. 60% of the urban population is contained in the Greater Accra, Ashanti and Eastern Regions in Southern Ghana.

The World Bank's report estimates that of the 6.7 million people living in urban areas, around 1.9 million are poor (approximately 28%). The GPRS states that 17.3% of the urban population are poor, although it is felt that this

figure may be lower than the reality. Despite looking at a broader range of qualitative poverty indicators within the document, the GPRS derives its overall statistic for 'Population defined as poor' based upon average income levels and consumption (Mitlin, 2004). This use of a national income-based poverty line tends to ignore that people face higher costs of living in urban areas, and hence under-represents the extent of urban poverty, certainly compared to measures of poverty defined in relation to access to adequate services (see below). However, the process of preparing the GPRS laudably included insights into the nature of poverty, and what it means to be poor, as expressed by the poor themselves – this may help improve future definitions of poverty. According to the GPRS, most respondents emphasised that poverty related to a lack of basic necessities and lack of access to services/facilities.

1.1.3 Housing in Ghana

Access to housing is a key social issue in Ghana. The housing market is characterised by insufficient existing stock, inadequate housing delivery frameworks, limited financial provision and hence ongoing under-supply. Historically, government agencies supplied houses through a variety of mechanisms, but this was abandoned as material costs increased making the approach expensive and unsustainable. The overall result has been that large numbers of Ghanaians, even in formal employment, find it difficult to access the housing ladder.

1.1.4 Water and sanitation in urban areas

Urbanisation has placed considerable pressure on urban infrastructure – investment in safe water and sanitation has failed to match the increasing need for them – and the GPRS analyses these issues in some depth. For example, based upon analysis of 60 communities in Ghana's second city, Kumasi, the GPRS recognises lack of access to piped water, lack of water actually in piped networks and irregular flow of water as major problems. It concludes that with an 'adequate access to water' based definition of poverty, between 50% and 75% of the sample communities would be classified as poor. However, tables used later in the document suggest that 70% of the urban population have access to safe water, although it is unclear if a 'proximity' measure has been used to arrive at this figure. The GPRS also recognises that inadequate sanitation is being made worse by urbanisation; inadequate sanitation provision is both a problem in its own right and affects access to safe water due to pollution.

1.1.5 Access to health and education in urban areas

Mitlin (2004) also points out that where the GPRS does look at poverty in terms of access to basic services such as health and education, it primarily measures distance to a facility. This implies that proximity is equivalent to access, without considering actual use of those services due to their cost or other prohibitive factors. For example, the GPRS (p18) states that "*Nearly 70 per cent of the sample population (especially among the rural and urban poor) cited cost as one key reason for non-use of medical services...*" but uses measures of proximity to education and health services (less than 30 minutes away) as indicative of access to those services (p. 14). By this definition health services are shown to be available to 80% of poor communities in urban areas, and

primary schools to 97%, but high costs and other factors, which may prevent the urban poor from actually accessing these services, are not taken into account. Again this may contribute to an underestimation of urban poverty in Ghana.

1.1.6 Characteristics of informal settlements in Ghana

Ghana's informal settlements demonstrate many of the physical characteristics common to slum and shack settlements in other parts of Africa, although certain of these characteristics are of course more evident in some settlements than in others. These include:

- o Location on marginal land – in the case of Accra, particularly in low-lying areas prone to flooding.
- o Inadequate shelter – structures are frequently made of wood and other 'impermanent' materials.
- o High density – both of structures and of population. Compound style living is also common in many of these areas, sometimes with up to 20 families living in one or two rooms and sharing toilet facilities.
- o Tenure insecurity and the threat of eviction – informal settlements are variously located on public land (e.g. Old Fadama settlement in Accra & settlements on Railway Corporation or KMA land in Kumasi), land owned by the Stools as described in section 1.2.5 (e.g. in the town of Ashiaman) and land that is part-owned by Stools and part-owned privately by residents and/or former residents (e.g. Agboghloshie & Avenor settlements in Accra). A smaller number of sites are owned privately (e.g. near railways in parts of Kumasi).



Residents of the Avenor settlement have only basic sewerage and the majority live in wooden shacks



Some settlements have high proportions of tenants renting from landlords who own multiple properties. Development plans and landlords' attitudes threaten residents in many informal settlements with eviction and/or forced relocation to unsuitable sites.

- o Poor access – narrow and twisted dirt roads, combined with high density, make access difficult and increase the impacts of fire outbreaks and flooding.

- Poor sanitation and lack of environmental and health services – The World Bank (2003) estimates that about one third of the low-income population of Accra lacks access to piped water and purchases water from vendors, that these households pay about four times as much for water as households with access to formal water supplies and that the cost of purchasing water from vendors can come to 10 percent of monthly income.

1.1.7 Key socio-political influences likely to affect slum upgrading

Although seasonal migration and permanent urban dwellers are both present in Ghana's informal urban settlements, anecdotal evidence also suggests that there are a significant number of people who live in urban areas on a 'semi-permanent' basis. Many of them have retained land in rural areas and plan to return there after a period of 5, 10 or 15 years during which time they feel they can save money to build houses on these rural plots. This range of intentions and hence degrees of likely interest in slum upgrading will need to be encompassed in communities' plans for upgrading.

In some cases there is a feeling, amongst both the poor and other parts of the population, of disenfranchisement and an associated expectation that government should be solely responsible for the provision of services in Ghana. This phenomenon can in part be attributed to the socialist policies pursued by the Convention People Party (CPP) immediately after independence, founded in a belief in the welfare and benevolent state whereby basic infrastructure and services were provided by the state for free. This CPP legacy has left most people with the feeling that government is duty bound to provide infrastructure services and to maintain those services.

1.2 NATIONAL POLICY AND INSTITUTIONAL FRAMEWORK FOR SLUM UPGRADING AND DEVELOPMENT

1.2.1 Ghana's Constitution, GPRS proposals and influence of the Habitat Agenda

The Ghanaian Constitution was drawn up in 1992. In addition to outlining Ghanaian citizens' general civil and political rights as the country returned to a multi-party political system, the Constitution makes some specific references to the living conditions and services that Ghanaians can expect, and government's obligations in this regard. These include:

- Infrastructure – "*Reasonable access by all citizens to public facilities and services in accordance with law*" (section 35 [3]).
- Compensation and relocation – Where land is required for public works and development, "*Resettle[ment of] the displaced inhabitants on suitable alternative land with due regard for their economic well-being and social and cultural values*" (Ghanaian Constitution, section 20 [3]).

These declarations are broadly in line with some of Ghana's obligations under the Habitat Agenda. However, two key components of the Habitat Agenda, namely the rights to shelter and security of tenure, are not included anywhere in the Constitution. There is also a feeling that many current Ministry personnel do not understand or actively pursue the Habitat Agenda because they were not part of negotiating or signing it originally (personal communication, 2004). Ghana's Habitat Committee, formed to co-ordinate implementation of the recommendations in Ghana, still exists but has minimal influence or resources (see section 1.2.9). Many of the top Ministry personnel have also been changed since Ghana signed up to the Agenda.

To benefit from the HIPC initiative, Ghana's Poverty Reduction Strategy (GPRS) paper was produced in 2003, incorporating the country's overall medium-term economic objectives and policy agenda. It is a comprehensive document prepared to map out Ghana's strategy for promoting and reducing poverty. The stated goal in the GPRS is "...to ensure sustainable and equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment." (GPRS, 2000, p30). It also aims, amongst other things, to "increase access to basic needs of life in addition to developing a strong human resource base to enable them to identify and take advantage of opportunities" (GPRS, 2000). The approach to achieving these goals is framed very much in terms of wealth creation through the transformation of the nature of the economy to encourage growth, poverty reduction and social inclusion. The GPRS also prioritises five areas for action and investment. These are:

- o Infrastructure development.
- o Delivery of enhanced social services.
- o Strengthening institutions of good governance.
- o Strengthening the private sector.
- o Modernisation of agriculture.

Based in part on the use of income/expenditure statistics to define poverty, rather than the qualitative data that is also included in the GPRS, Mitlin (2004) points out that at first glance the GPRS emphasises the problem of rural poverty, but that there is sporadic recognition that pockets of urban poverty require attention. In some cases the resulting strategies outlined in the GPRS assume that tackling urban poverty will encourage rural-urban migration, rather than recognising the complex economic and social linkages between urban and rural areas.

The GPRS states for example, that:

"...the terrible phenomenon of head porters (or kayayei) and the street hawkers has to be recognized with demographic and social information of where they migrated from rather than policies that seek to rectify their abject poverty in urban areas, lest the migration will continue."

(p29)

The GPRS recommends investment in both water and sanitation infrastructure, in both rural and urban areas. It indicates that financial resources will be mobilised for investment in refurbishment and extension of coverage of

urban water systems, and proposes that implementation plans should be prepared for the Ghana Water Company and private operators. District Assemblies are given primary responsibility for improving sanitation, including stimulating provision and upkeep of facilities by landlords through enforcement of existing laws. There is no mention of community involvement in construction or management of water or sanitation infrastructure.

In many cases, the GPRS document refers to infrastructure as a means to an end (economic growth for development) but not as an end in itself. For example, infrastructure development often refers to developing major roads, constructing new feeder roads, and constructing arterial highways to "*link Ghana to neighbouring countries to support exports and industrial sectors.*"

Where residents of urban slums are identified in the GPRS as a particularly vulnerable group (p115), slums are primarily defined in terms of economic decline, with no reference to land tenure or access to basic services. However, a "*programme for slum upgrading*" is vaguely referred to, beginning in old neighbourhoods with high population densities and using "*participatory development methods*". The GPRS also identifies that, in general terms, participation at the local level is critical to achieving its goals, and that it will seek to strengthen civil society in Ghana. However, it does not suggest innovative or practical ways of ensuring local participation, nor where CBOs/NGOs could become involved in tackling the issues of housing, infrastructure or services. The GPRS does not include plans to monitor indicators of tenure security or access to affordable land, although planned indicators for access (i.e. proximity) to safe water, access to adequate toilets and number of new functional water systems constructed could play some part in analysing slum upgrading strategies.

The issue of shelter is not dealt with in the GPRS. There is no specific mention of housing poverty, and no action plan, strategy or relevant indicators to address it despite evidence of both the housing shortage in the country and the poor quality of shelter in informal settlements (as described in 1.1.4 and 1.1.3 above).

It is significant to note that the GPRS is well intentioned, identifies several major barriers to development and suggests some ways to tackle poverty in a holistic manner. However, it lacks more detailed strategies and action plans to deliver in the areas of housing and infrastructure.

1.2.2 National Shelter Strategy

Ghana has a National Shelter Strategy document that sets out in broad terms government's overall objectives and strategies towards the provision of safe, sanitary and affordable housing to every Ghanaian. The document identifies upgrading, maintenance and addition of infrastructure as key to achieving the policy objective of adequate housing for all Ghanaians. The document particularly calls for a "*Greater emphasis on upgrading and maintenance*", which it seeks to achieve through:

- Rehabilitation and maintenance (e.g. Upgrading existing stocks in terms of both houses and infrastructure).

- Provision of easy access to finance for informal settlements dwellers to upgrade their dwellings.
- Stepping up of programmes for the provision of minimum levels of basic services and infrastructure.

To achieve this, the National Shelter Strategy identifies five broad components where action is required:

- Land for shelter – In terms of policy, the Government's responsibility is limited to regulating land laws though it may compulsorily acquire land for specific purposes. The Government plans to improve the supply of serviced land for housing through a combination of strategies that will include, but not be limited to, improving systems for land titling, land administration and hence providing security of tenure – see section 1.2.5 for more detail. Part of the government's land strategy also includes acquiring, servicing and leasing land to real estate developers who intend building houses for specific target groups.
- Financing shelter – The strategies under this component include setting up a mortgage financing system, promoting savings and investment in housing, exploring non- conventional approaches to mobilising savings (e.g. savings and credit schemes in low income communities) and establishing a revolving fund for housing.
- Building materials and technology – Under this element, the government intends to develop and promote the availability of materials of acceptable quality at affordable prices, to respond to the shelter construction needs of the majority of the country's population. This idea is partly intended to address the shelter needs of rural dwellers and the 'urban poor'.
- Institutional arrangements – This element is intended to re-orient and better coordinate policies and programmes among all the institutions involved in the provision of houses, to develop an efficient and integrated approach to housing development.
- Shelter programmes – Government's aim is to make affordable shelter, infrastructure and services more accessible to those who need them. The strategies to be used in rural areas will include fund mobilisation and establishment of a housing credit system, assisting in land management, promoting appropriate construction skills, and stimulating community participation/self-help principles in shelter delivery. For the urban areas, mechanisms will be put in place to provide low and moderate-income groups greater access to land; to provide credit for new housing and upgrading; to promote savings schemes for housing; to create 'step-up' programmes for the provision of minimum level of basic services and infrastructure; and finally to devise a special programme to address the housing needs of the very poor.

Although a well-intentioned document, evidence so far suggests that many of the aforementioned strategies have remained on paper only, with many held up by a range of institutional, logistical and financial constraints. Only in relation to 'financing shelter' has any progress been made, with the establishment of the Home Finance Company (HFC, now HFC Bank) providing a capable mortgage financing institution (see section 1.5.7 and 2.3.1). The remaining objectives and strategies have yet to be implemented. Most of the major assumptions and statistics

used have changed since the document was produced, meaning that the shelter strategy is in real need of adjustment and updating before it can be useful in the longer-term.

1.2.3 Ten year Environmental Action Plan (EAP)

In March 1988, the Government of Ghana initiated a major effort to prioritise environmental issues. This reprioritisation culminated in the preparation of a strategy document called the Environmental Action Plan (EAP). It defines a set of policies and actions for sustainable development, including environmental issues such as land management, water management, marine and coastal ecosystems and human settlements.

The EAP identifies urbanisation as one of the four priority areas for intervention and investment. It outlined existing problems in urban areas, like broken and choked drains, inefficient refuse collection and poor street clearing systems, which resulted in mounting refuse in parts of urban settlements. It also highlighted the absence of programmes to make new roads and streets in cities, the inadequacy of basic service provision and the lack of social infrastructure. It further noted that social infrastructure was usually narrowly planned and carried out separately from general town planning, leading to a lack of co-ordination with physical developments.

The EAP therefore gave special attention to water, waste disposal (both solid and liquid), sanitation, drainage, infrastructure and land use. It also developed a set of planned control and management strategies to address these problems, involving CBOs and NGOs, encouraging District Assemblies to improve sanitation services, enforcing zoning regulations in urban areas and improving urban drainage. Other strategies included managing wastewater discharges, obliging landlords to provide 'places of convenience' for their tenants and the provision of public 'places of convenience' at vantage points in Accra and other towns.

Thirteen years have passed since the EAP recognised the urban environmental challenges, but little progress has been made. Some feel that the situation has worsened instead of improving (Personal communication, 2004). One only needs to walk through the Central Business District of Accra to confirm this view, which clearly tells the story of serious gap between policy and implementation.

1.2.4 Housing policy

As described in sections 1.2.8 and 1.2.10, increasing material costs have compelled government agencies to withdraw from direct housing provision. Both in terms of policy and process, Ghana's more recent housing policy has as a result been designed and implemented as a means to enable Government to intervene to ensure private sector led housing processes without exposing it to risk. The policy framework is one of 'enablement'. The Government's housing policies set out incentives for potential developers and bodies who want to become involved in housing and infrastructure provision in Ghana. One of the key objectives of the policy document is to facilitate private sector participation and control in the delivery of houses. This has resulted in a situation where people's organisations capable of driving housing and infrastructure development are virtually non-existent in

Ghana, although the 2004 budget statement encouraged CBOs and co-operatives to become involved in housing and infrastructure provision. Nevertheless, the process of housing and infrastructure development has not been participative nor people-centred in Ghana. Where housing schemes have been implemented, the target groups have been those in formal employment.

Ghana has no housing subsidy for its citizens. Various Governments have adopted different approaches to housing and infrastructure provision. These have included the creation of building societies and rural co-operative housing schemes, but their primary focus has been on the provision of houses for formal-sector workers living in urban areas. The Ministry of Works and Housing (MoWH) is currently drafting revisions to existing rent laws, and plans to increase low-income housing supply. In particular, MoWH plans to take an inventory of government's low-cost housing stock, as a first step towards selling them to existing tenants, using the revenues to fund the Government's Rural Housing Programme (GoG, 2004). The National Shelter Strategy also advocates increased private sector supply of houses for rent, because it is assumed that low-income Ghanaians will not be able to buy outright (particularly in a situation where housing finance is focussed on individual lending rather than collective housing development).

1.2.5 Land policies and institutions – formal and informal

Complicated land policies, patterns of land ownership and responsibilities for land administration are considered some of the most problematic areas in planning and implementing urban development initiatives in Ghana (Somevi, 2001; World Bank, 2003). Responsibilities for land administration historically lay with the traditional land owners – the Stools. A Stool in this context refers to land owned by a community in Ghana, expressed through clan or family ownership. Rights to develop land were based on being a member of that particular community, clan or family. Stool ownership is the allodial title – the highest title of land that can be held in Ghana. However, interventionist strategies for land management have dominated since they were established during the era of colonial government, and have also impacted on traditional Stool land management. Legislation enacted in 1962 and 1994 accounts for most current land regulations (Asiedu, 2002).

The 1962 Statutes gave government the power to acquire land compulsorily and to assume control of managing Stool lands. The Administration of Lands Act 1962 (Act 123) enabled government to vest Stool lands in trust for the owners ('vested lands'), although later management of Stool land was returned to Stools with exceptions like responsibility for revenue collection.

The Lands Commission Act 1994 (Act 483) outlines the functions of the Lands Commission, which succeeded the Lands Department in 1986. Firstly, the Commission has sole responsibility for management of public and 'vested' land, including procedures for allocating plots. The Commission can also give consent for changes in use of Stool land, but in practice plays a stronger supervisory role. Thirdly, the Commission is supposed to advise all parts of government on land policy development, and should ensure that particular site developments are co-

ordinated with relevant area development plans. More recently the Commission has decentralised its affairs, in keeping with the broader governance trend towards decentralisation, but this has had drawbacks in terms of lack of qualified personnel, limited administrative capacity and hence delays in the land acquisition processes. The Office of the Administrator of Stools Land was also created in 1994 (Act 481), charged with establishing Stool land accounts for revenue management, collection and spending (including rents). As Asiedu (ibid) points out, *"the total effect of the 1994 statutes is to re-state the government's legislative control over Stool land dealings, and its authority to collect and manage Stool land revenue."*

One of the complications surrounding land ownership in legal terms stems from a dual system of registering title. 'Deeds registration', whereby ownership is proved by the transaction in acquiring the land, has been prevalent in Ghana for many years, but has been criticised because confirmation of ownership requires checking of the historical chain of relevant transactions. The Land Commission's Land Registry administers this system, which includes outright land purchase arrangements and long-term leasehold arrangements (especially for 'vested' land). To counter the 'chain of transactions' problem, and partly to tackle the perceived power held exclusively by the Land Commission, an alternative system of 'Land Title Registration (LTR)' was established in which ownership is proved simply by producing evidence of land title registered with the new body, the Land Title Registry. The system was begun in Accra in 1986, and now also operates in Tema and Kumasi. Meanwhile the rest of the country operates under Deeds Registration and even in Kumasi and Tema many prefer to go through the Deeds system first to make LTR easier (Somevi, 2001). The overall effect has been that *"more bureaucratic bottlenecks, high transaction cost, uncertainty and complexity have continued to mark the property market."* (Ibid, p18). This directly contradicts information contained in City Profiles for Accra and Kumasi on the UN-Habitat website, which both state that *"There is no impediment to security of tenure"* (UN-Habitat, 2001a and 2001b).

Land transactions and ownership are complicated still further by the wide-reaching but poorly understood informal land market, particularly in Accra. The informal system¹ is more akin to the 'Deeds' system, but without documentation – evidence of 'ownership' is through actions showing physical possession of the land (i.e. construction of a structure). Stools, for example, may grant private ownership of a plot to somebody from outside the clan/family/community provided that they follow the particular customary prescriptions put forward by that Stool. However ownership can also mean *de facto* freehold arrangements (virtually permanent rights to possess, occupy and develop the plot) or long-term leasehold rights rather than outright (private) purchase. The suppliers of such land tend to be the Stools, in reaction to the fact that the supply of government and vested land is either insufficient, prohibitively expensive or administratively daunting for many people. Antwi's *Study of informal urban land transactions in Accra, Ghana* concludes that the informal market responds well to fundamental demand and supply conditions (and hence keeps prices from spiralling), that transactions are efficient in terms of time taken to complete them, and finally that the formal system excludes many people simply due to cost:

¹ Various known as 'customary' or 'traditional' systems.

"Indeed, the cost implications of complying with formal policy prescriptions relating to land transactions go a long way to explaining why the Accra land market operates the way it does – informally and undocumented. The actual cost of getting land transactions documented through both the Lands Commission/Deeds Registry and the Land Title Registry systems are simply too high compared to households' perceived benefits of doing so. The same can be said about the cost of obtaining planning and building permits for construction of houses... A refocusing on the affordability to households of such policies if real (as against theoretical) impacts are to be achieved from land, planning and building regulations, is a policy priority." (Antwi, 2002, p18)

The World Bank provided technical and financial assistance for the establishment of the Land Title Registry in 1986. In August 2003, the World Bank's new Land Administration Project was approved, which is intended to develop a lasting and well functioning land administration system that is fair, efficient, cost effective, decentralised, providing improved security of land occupancy. In 2004, the Government of Ghana also agreed a development credit from the International Development Association to enhance land administration. The long-term goal of the Government's land policy is to stimulate economic development, reduce poverty and promote social stability by improving security of land holding, making it simpler to gain access to the land and making it fair, transparent and efficient, developing the land market and encouraging sensible land management². However, there is a worry that land is being seen solely as an economic/commercial asset, which may lead to excessive focus on individual land title (personal communication, 2004) or fail to take into account the well-functioning informal system (see above). Capacity building to improve mapping, conveyancing and deeds registration is also required (World Bank, 2003).

Land supply (in terms of affordability, physical availability, and accessibility through clear ownership for negotiation) is extremely variable across the country. The Ministry of Works and Housing is said to have land available outside of Accra (personal communication, 2004), where the main issue is availability of finance for building top structures. Inside Accra, commercial pressures have increased land prices and supply problems are exacerbated by complicated ownership arrangements, although the Government of Ghana and SSNIT (see section 1.2.8) still intend to obtain large tracts of land to make available for private housing developments.

1.2.6 National Ministries and departments

Several national government Ministries are involved in settlement upgrading, resettlement, housing and infrastructure provision. The GPRS designates the Ministry of Local Government and Rural Development (MLGRD) as the lead Ministry in the area of 'Slum Abatement' in Ghana. MLGRD's main role involves developing policies and legislation with respect to local government, monitoring aspects of local government

² From <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20121932-menuPK:34470-pagePK:40651-piPK:40653-theSitePK:4607,00.html> and <http://www4.worldbank.org/sprojects/Project.asp?pid=P071157> downloaded 20th February, 2004

administration and providing technical assistance (including drafting by-laws and providing guidelines for the delivery of environmental sanitation services). In the medium term it seeks "to improve the capacity of communities and local government institutions to mobilise, and manage resources for accelerated rural and urban development" and to "to promote human development and sustain the orderly and healthy growth of rural and urban settlements in Ghana."³ MLGRD is also the current chair of any Ghanaian government Delegations to UN-Habitat meetings from Ghana.

The Ministry of Works and Housing (MoWH) is nominally responsible for housing policy, and was responsible for implementing the first generation of World Bank supported urban projects through its Technical Services Centre (World Bank, 2002, p9). MoWH is also the only shareholder in Ghana's State Housing Company (SHC), nominally an independent commercial company aiming to provide low-income housing, although MoWH is in the process of divesting it. SHC's commercial status, combined with other factors (see section 1.5.6), has however prevented it from delivering affordable housing for the urban poor in Ghana.

MoWH is also charged with formulating and co-ordinating programmes for infrastructure development, including water supply and sanitation. Implementing agencies in this area include the Public Works Department and Ghana Water Supply Company, whilst the Department of Hydrology focuses on flooding issues and bulk drainage. The Ghana Water Supply Company (GWSC) and the Ghana Electricity Supply Corporation (ECG) provide other basic services and infrastructure. However, there is a lack of integrated planning leading to contradictory situations where extensive water supplies and electricity are provided on a formal basis in a settlement, yet government development plans threaten the same communities with eviction. In terms of roads, local assemblies are responsible for local roads, the Department of Urban Roads (DUR) for urban roads and the Ghana Highways Authority (GHA) for arterial routes.

With an overarching objective of sustainable development in Ghana, the Ministry of Environment & Science's involvement in settlement development is focused on technical solutions. These include exploring technical options for sanitation and waste management and "*Human settlements planning and management (including land reclamation and re-use)*."⁴ However, most of their activities are focused on rural environmental issues.

1.2.7 Decentralisation and Local Government

The local government system consists of a Regional Co-ordinating Council, a four-tier Metropolitan and a three-tier Municipal/District Assemblies Structure. The Assemblies are either Metropolitan (population over 250,000), Municipal (population over 95,000) or District (population 75,000 and over). There are 3 Metropolitan Assemblies, 4 Municipal Assemblies and 103 District Assemblies in Ghana.

³ From <http://www.ghana.gov.gh/governing/ministries/infrastructure/housing.php> downloaded 3rd March 2004.

⁴ From <http://www.ghana.gov.gh/governing/ministries/social/environment.php> downloaded 3rd March 2004.

The Metropolitan, Municipal and District Assemblies are autonomous local governments with legislative and executive powers, in accordance with the Local Government Act 462 (1993). Assemblies are responsible for local planning, development control, support for housing provision, and the provision of most local infrastructure (drainage, solid waste management plus other environmental health functions). Civil Service Law PNDCL 327 (1993) also charges Assemblies with improving people's lives in rural and urban areas more broadly.

The Assemblies can prepare and approve their annual budgets, raise revenues from taxes and fees, borrow funds and acquire land, whilst they are supposed to have discretion in the selection of projects to be financed with revenues of the District Assemblies Common Fund (DACF – see section 1.5.1). Executive Committees (i.e. local government officers) are responsible for recommending to the elected Assemblies the economic social, special and human settlement policies relating to the development of the district. The Executive Committee is expected to draw upon information provided by the 'Development planning' and 'Social services' sub-committees, in accordance with Section 24 (1) (a) of Act 462.

The Executive Committee is also responsible for implementing development programmes and projects at the local level once approved by the elected Assemblies. Implementation is carried out through departments (including Community Development, Physical Development and Works departments), often in association with relevant national Ministries. In Accra for example, the Accra Metropolitan Assembly (AMA) is charged with providing main roads and drains, housing lies with the Greater Accra Department of Rural Housing (one of MoWH's implementing agencies), whilst other infrastructure falls under the auspices of the Metro Works Department.

Despite a strong commitment to decentralisation in Ghana, local capacity to deliver on these responsibilities is often considered weak (DFID, 1998 & 2003). Several housing projects, for example, initiated by various government agencies, assumed local government funding would sustain activities after project funding had ended, but have reportedly fizzled out when no such funding was forthcoming (personal communication, 2004). In part this seems to reflect that local government involvement was not embedded in an institutional framework as part of the project, and also that externally designed projects produced no real sense of local ownership. DAs also argue that they lack the financial base to carry out such capital-intensive projects like social housing (personal communication, 2004). Furthermore, national Government's policies of enablement for private-sector housing development have encouraged DAs to divest housing provision from their core activities.

1.2.8 Social Security and National Insurance Trust (SSNIT)

One institution that has in the past contributed to the provision of housing for low-income and middle-income workers in Ghana is the Social Security and National Insurance Trust (SSNIT). Established in the mid-1960s, SSNIT's traditional role was to operate a Pension Scheme for formal sector workers and to contribute to the

welfare of retirees. SSNIT was established to collect contributions from workers and pay lump sums upon retirement. Employers are by law required to contribute a percentage of their employee's monthly salary to SSNIT over a stated period of time and thereafter the employee qualifies for pension / lump sum upon retirement.

Aside of its traditional role of running pension scheme described above, SSNIT has in the past built houses and flats for rent, mainly targeted at people in formal employment – middle level and junior staff living in urban areas. Although it built flats in almost all the ten regions of the country, rising building material costs and the low earning of tenants (and hence the low rents chargeable) made the schemes unprofitable, and SSNIT stopped providing housing and infrastructure over a decade ago. SSNIT's withdrawal from direct provision of houses has further worsened the housing situation in urban areas and has drawn teachers, nurses and civil servants into 'housing poverty'. Despite a brief involvement in the development of rental housing, SSNIT is now more focused upon land servicing for private sector development and joint partnership for major housing construction (as part of the government's National Shelter Strategy).

1.2.9 Ghana's Habitat Committee

Ghana's Habitat Committee is located in the MoWH, but is currently funded entirely by MLGRD. The Committee seeks to act as the country's habitat focal point by bringing together the range of Ministries and other agencies involved, and to monitor progress in achieving the Habitat Agenda. To this end it is attempting to formalise an inter-ministerial forum (involving the Local Government, Housing and Environment Ministries) through a Memorandum of Understanding (MOU). The Habitat Committee also hopes this may enable it to obtain funding from all three ministries. In addition, the Committee intends to create a directory of what these and other Ministries are doing in the field of human settlements, drawing in for example the Ministry of Woman's and Children's Affairs and the Ministry of Manpower and Development. At present, there are no plans to extend the forum to local government or civil society.

In general however, the Committee has relatively little influence or resource base. It has been limited to a relatively isolated project-by-project approach, few of which have scaled-up due to lack of local government funds following the pilot phase. In future it aims to back and promote UN-Habitat's Good Governance Campaign within Ghana, but plans so far are limited to workshops explaining what the campaign is about.

1.2.10 Involvement of private sector developers in housing delivery

Despite government's commitment to low-income housing delivery through the private sector, private developers themselves argue that they face structural impediments to achieving this. As Manet Housing Ltd's Vice President William Dotse pointed out in 2002, despite its aims to produced affordable quality homes to both low- and middle-income groups, the Group has been frustrated by:

- Confusing legislation and parallel institutions for land title registrations

- Absence of infrastructure (and obligations placed on private developers to provide it, plus high material costs)
- High costs of borrowing, and few opportunities for long-term borrowing

In the face of these obstacles "*you end with houses that only the urban rich can afford*" (Dotse 2002).

1.2.11 Snapshot – current bilateral donor priorities for housing and infrastructure development

In addition to particular projects and programmes, of which the significant historical and current schemes are described in section 2.1, some bilateral agencies have developed strategies to guide their interventions in Ghana. Although not exhaustive, this section outlines some of the main trends in key agencies.

Both DFID's Country Strategy Paper (CSP – 1998) and DFID's Country Assistance Plan (CAP – 2003) make consistent references to public sector constraints, weak planning capacity and a lack of civil society capacity to hold government to account. Both emphasise a consequent need for "*...partnerships between the Ghanaian Government and...non-governmental groups and individual citizens*" (CSP, p6) and "*the participation of civil society...in dialogue with the Government on GPRS [Ghana Poverty Reduction Strategy], promoting greater accountability and transparency in the planning and provision of services, and in enhancing the voice of poor people in decisions which affect their lives*" (CAP, p16). The papers also emphasise the importance of decentralisation in Ghana, but note that there is limited capacity to realise this aim. The CSP (p6) is particularly clear that "*Poverty in Ghana will only be tackled by mainstreaming measures [to reduce poverty] through the budgetary and government processes, and [by] providing citizens with the voice to respond to, and affect, service delivery.*" Both papers identify water, sanitation and pollution as priority areas for development, including in urban areas, but also highlight the problem of corruption in relation to infrastructure development.

USAID has recently put together its strategy for work in Ghana between 2004 and 2010, based around a focus on governance. At national level USAID will provide legislative support, promote democracy and decentralisation, and support the development of relevant national bodies such as the judiciary. At local level USAID is providing support to District Assemblies (DAs) in all ten regions, and has helped civil society groups and communities to make demands of DAs – although not in Accra.

1.2.12 Significant donor supported initiative – The Korle Ecological Restoration Project (KLERP)

The Government of Ghana and Accra Metropolitan Assembly (AMA) designed an environmental improvement plan for Accra's Korle lagoon in the late 1990s. The KLERP aims to dredge the lagoon, introduce sanitation control and flood control measures, and to 'upgrade' the lagoon's surroundings. KLERP began in 1999 with US\$23.5 million from the Kuwait Fund for Arab Economic Development, US\$12 million from the Arab Bank for Economic Development in Africa and US\$10.1 million from the Organisation of Petroleum and Oil Exporting

Countries (OPEC). A further US\$37.1 million was secured through a 'Belgian Government Supported Export Credit', whilst the Government of Ghana has more recently secured a loan from the Standard Chartered Bank of London for almost US\$10.8 million to finance additional works. The Agence Francaise de Developpment (the French government's agency for international development) is also supporting the second phase of the scheme, which involves 'upgrading' the surrounding area including the relocation of the Old Fadama community (see below).

KLERP is deemed important for two main reasons. Firstly, following from the strategic importance and location of the Korle Lagoon in the control and flow of storm water in the whole Accra metropolis, any serious attempt at improving upon the drainage system in Accra must necessarily include, if not start from the Korle Lagoon. The Korle is the largest drainage basin in Accra, and also the principal outlet of water from all other drainage basins in the city. Generally, because of the poor drainage system in the whole of Accra, flooding is a serious problem during and after heavy rains. This is especially true for communities living in low-lying areas (one of which is the Korle area itself). Out of the 183,978 people who were affected by flooding in 1991, 40% lived in the Korle catchment (Biney & Amuzi, 1995). Secondly, the lagoon has become badly polluted by localised waste dumping (see below) and by the city's industrial pollution, with significant health and environmental implications.

Approximately 58% of Accra's residents live within the catchment area of the lagoon, significant numbers of whom reside in poor quality settlements with sub-standard environmental conditions. One of largest and most densely populated informal settlements, is situated on the edge of the lagoon. Old Fadama, derogatively known as 'Sodom and Gomorrah', is home to about 30,000 people, but the existing infrastructural facilities are woefully inadequate and the overall environmental and living conditions are very poor. There are no proper drains (leading to frequent flooding), negligible facilities for solid or liquid waste collection (leaving dumping as the only garbage disposal option) and over 98% of the houses are wooden structures (leading to frequent outbreaks of fire). According to the EMA (1989), overcrowding and lack of space prevents the installation of central refuse collection containers, whilst lack of access hampers the Waste Management Department in both door to door collection. As a result of KLERP plans, the entire community is under threat of forced eviction without adequate alternative land or accommodation.

The first phase of KLERP (dredging and removing sullage) has been completed. The second phase ('upgrading') has been delayed by court-cases concerning the relocation of the Old Fadama community. At present the KLERP makes inadequate provision for a well-integrated or community-managed relocation or upgrading strategy. Although many regard the overall objectives of the KLERP favourably, there is concern that the needs of the poor in Old Fadama are being largely ignored. The KLERP-Old Fadama situation has polarised the institutions involved in urban upgrading in Accra, pitting the AMA and government against many other important stakeholders. This potentially has implications for broader institutional relationships in planning city-wide

upgrading strategies, but Old Fadama may also provide opportunities to act as a flagship for win-win upgrading solutions. Discussions are underway to devise win-win alternatives to forced evictions (see section 3.2).

1.3 KEY ELEMENTS OF THE LEGAL AND REGULATORY FRAMEWORK GOVERNING NGO AND CBO OPERATIONS IN INFRASTRUCTURE AND HOUSING DEVELOPMENT

1.3.1 General NGO and CBO registration laws and regulations

Under Ghanaian laws, a Non-Governmental Organisation (NGO) or Community-Based Organisation (CBO) is firstly required to register as a Company Limited by Guarantee with the Registrar Generals Department under The Companies Code (1963, Act 179), before it can commence lawful business. Later, it is required to register with the Department of Social Welfare as a Non-Governmental Organisation before it can be officially awarded the NGO status. Additionally, such NGO and CBOs need to register with the local or municipal authority in which it seeks to operate for greater recognition.

Act 179 of the Companies Code is the principal legal document governing the registration, operations and termination of all NGO/CBOs in Ghana. The regulations set out the name, objectives, powers of subscribers, powers of executive council, and accounting/auditing requirements of the named NGO/CBO. The NGO/CBO must also develop a Constitution, which fleshes out the broad provisions demanded under the regulations governing a company limited by guarantee.

1.3.2 NGO and CBO operations in infrastructure and housing development

Few NGOs and CBOs are directly engaged in the provision of infrastructure and housing developments in Ghana. There are no separate laws governing the operations of CBOs and Ghana in infrastructure and housing development. Those that exist are the general legal and regulatory framework for regulating the planning and development of towns and land controls. Generally, for the sake of coordination and to prevent duplication of functions and activities by the numerous bodies involved in development activities, District Assemblies are by law required to monitor and supervise the operation and development initiative within their districts. Additionally, District Assemblies have sub-committees for infrastructure and/or social services.

NGOs and CBOs like other development actors are required to operate within the confines of the following Laws and regulations that govern the development of housing and infrastructure in towns.

- Local Government Act, 1993 (Act 462)
- Town And Country Planning Laws
- Other Legislations

1.3.3 Local Government Act, 1993 (Act 462)

Sections of the Local Government Act 462 regulate the provision of housing and infrastructure development in Ghana, particularly Section 48 (compliance with district development plans), Section 49 (Permit required to carry out physical development), and Section 62 (compliance with National/District Building bye-laws).

1.3.4 Town and Country Planning Laws

Town and country Planning ordinance/laws and other physical development laws or regulations all exist to control the development of housing and infrastructure in the country. These laws deal with general as well specific issues around sanitation, land development, provision of water, drainage, building regulations and human settlements.

1.3.5 Other laws and legislation

Ghana's housing policy encourages the non-state sector to become involved in the provision of housing. The 2004 budget statement of Ghana makes room for private developers, CBOs and other bodies like cooperatives to go into housing and infrastructure provision, which they must do within the Governments overall legal and regulatory framework in the areas of housing and infrastructure development. Likewise, the EAP also promotes the involvement of NGOs and CBOs in addressing urban environmental challenges.

1.4 KEY ELEMENTS OF THE LEGAL AND REGULATORY FRAMEWORK GOVERNING BANKING, MICRO-FINANCE, AND HOUSING FINANCE AGENCIES

Ghana's Banking Law (1989, PNDCL 225) regulates and governs the operations of all Banks in Ghana. It deals with the Licensing of Banks, loan transactions, supervision and monitoring of Banks, issuing of Banking rules and policy directives.

The Mortgage Decree (1972) together with the Home Mortgages Finance Law (1993, PNDCL 329) deal with all the laws relating to mortgages and the appropriate use of landed property as security or collateral in loan acquisition. The Mortgage Decree defines the mortgage transaction and specifies the rights and obligations of parties. Section (1) of the Home Mortgages Finance Law deals with the establishment of home mortgage financing Scheme, Section 2 (a) provides for "*mortgage financing for the purchase of dwelling houses by private individuals and institutions including the financing of the completion of uncompleted houses*" and Section 6 deals with "*Mortgagees remedies*".

1.5 EXISTING INTERNATIONAL/DOMESTIC FINANCING MECHANISMS FOR URBAN DEVELOPMENT INITIATIVES, HOUSING AND INFRASTRUCTURE

1.5.1 District Assemblies' Common Fund (DACF)

The District Assemblies Common Fund was introduced in 1994, to back up administrative decentralisation with fiscal decentralisation. At present the DACF is allocated 5% of Ghana's total national revenues, and is estimated to make up 20% of the national development budget (MLGRD, 2003). It is argued that District Assemblies' discretion over use of DACF is limited, as around half of the fund must be used in line with central government's priority spending areas (mainly capital projects). The other half has often been used to match donor funding (World Bank, 2003a). The counter argument stands that central 'earmarking' is required to maintain national policy coherence, for example in implementing the GPRS. District Assemblies have been criticised for over-reliance on centrally provided DACF funding, but in many cases have limited options or capacity to generate local revenue.

Housing was nominally earmarked for 5% of DACF funds by central government, but in reality this has never transpired (personal communication, 2004). District Assemblies have generally found that food, water and education have been more pressing, and shelter has slipped off the agenda.

In combination, the above-mentioned issues have affected the use and impact of the DACF in relation to urban development initiatives, housing and infrastructure. The tendency to match donor project funding has not developed sustained funding or new financing mechanisms for urban development initiatives, and many donor-initiated projects have fizzled out despite expectations that DACF financing would continue (see examples in section 2.1).

1.5.2 Social Investment Fund (SIF)⁵

SIF was established in 1998 as a fund to help reduce rural and urban poverty in Ghana, capitalised initially by the African Development Fund, UNDP and the Government of Ghana. It is an autonomous company limited by guarantee under the auspices of the National Development Planning Commission (NDPC), with Board members from NDPC itself, the Ministry of Finance, the Ministry of Local Government and Rural Development, the national Council on Women and Development, MFIs, the private sector and SIF's Executive Director. There are also two representatives of District Assemblies (DAs) on the Board, one from a rural DA and one from an urban DA. A Fund Management Unit, dealing with 45 districts structured into five zones, manages project implementation. Each zone also has its own Review and Approval Committees.

⁵ Basic information also drawn from Government of Ghana website –

http://www.planning.gov.gh/gov_details.cfm?GovCorpID=7&EmpID=21 downloaded 20th February 2002.

The Fund has three specific objectives:

- To facilitate access by the poor to basic economic and social infrastructure and services.
- To enhance the access of the poor to financial services by increasing the availability of micro-finance and the capacity of financing institutions
- To strengthen community-based organisations (CBOs), non-governmental organisations (NGOs), indigenous micro-finance institutions (MFIs) and local government administrations in support of the overall goal of poverty reduction

The Fund aims to provide targeted assistance to poor/deprived communities in Ghana in partnership with local government, civil society (CBOs & NGOs) and donors. It was designed as a demand-driven, flexible mechanism to respond to projects articulated by communities, based on the principles of accountability, transparency and sustainability. Communities are trained to open bank accounts and to keep simple records. There is also a strong focus on gender sensitivity.

SIF has so far supported initiatives in various districts across all ten of Ghana's regions. The Fund has made significant contributions towards skill development, income generation activities, agriculture, education and micro-enterprise development but the same cannot be said in the areas of housing and infrastructure development. Much of the intervention in infrastructure has been focused on building health centres/childcare centres and renovating classroom blocks. Although SIF has supported the provision of potable water and the building of living quarters for workers, these have been at a limited scale. The first phase of the operations of SIF ends in Ghana 2004, but it is hoped that the second phase will commence soon after.

SIF's Executive Director admits in SIF's own publication (SIF News, July 2003, p4) that more needs to be done to achieve the Fund's stated objectives. The Newsletter outlined several obstacles to SIF's successful operation, namely:

- Low capacity at community level to design and implement sub-projects.
- Delays in getting support from intermediary NGOs/CBOs.
- Limited District Assembly capacity.
- Complex procedures to draw down loans.

In addition, District Assemblies and beneficiary CBOs are required to contribute 15% and 10% respectively towards projects to be implemented. In many cases these contributions have not been forthcoming or have been delayed, thereby delaying the pace of project implementation.

SIF's policy requirement that CBOs lead development projects has been abandoned. Most projects are now planned and implemented by technical personnel, either from within government or as hired contractors, rather than developing and building the important skills and capacities needed by CBOs. As a consequence, SIF-supported projects have had far less impact upon local capacity building. Benefits, in terms of real community

ownership and subsequent options for sustainable community management of assets created, have therefore been lost.

1.5.3 HIPC funds

Debt relief through HIPC is conditional upon the production of a national poverty reduction strategy and, although the Ghana Poverty Reduction Strategy (GPRS) makes no specific reference to HIPC, it does advocate the reduction of public debt to help macro-economic stability for poverty reduction and growth. However, the GPRS does not suggest any specific mechanisms to ensure that HIPC generated funds will be effectively used to tackle poverty. The World Bank's only recommendation in this regard, as part of its analysis of HIPC in Ghana at macro level (2001), was to channel funds through the existing District Assembly Common Fund mechanism, and indeed more than a quarter of HIPC funds disbursed have been to District Assemblies (GoG, 2004). Most of the remaining HIPC funds have been used on central government programmes.

Broadly in line with the GPRS, HIPC funds have been used to cancel existing domestic debt, for a variety of sectoral programmes⁶, and for some small-scale projects outside the main sectors. There is no explicit intention to use HIPC funds for urban development initiatives, housing or urban infrastructure, although Ghana's Department of Rural Housing has recently been asked to prepare a case for using HIPC funds on housing in Ghana (personal communication, 2004). The President of Ghana has also asked Accra's sub-metro authorities to prepare a fast track sanitation improvement programme for the city, and has promised HIPC funds for this purpose (GoG, 2004).

1.5.4 Land banking

In Accra, the Department of Rural Housing is working with MoWH to develop land banking strategies, primarily to promote provision of utilities. Some ideas may provoke controversy – suggested schemes may involve relocating residents from central Accra to high-rise/high-density housing developments on the outskirts of the city to free up valuable land – but the strategy is still in its early stages.

1.5.5 Housing finance – Bond scheme (Ministry of Works and Housing with NTHC Ghana Ltd)

The National Trust Holding Company (NTHC) Limited offers financial services including stock exchange brokerage, asset management and as a registrar. It also has a real estate arm. The MoWH is currently working with NTHC to raise US\$200 million worth of domestic and foreign capital through a Housing Bond Scheme. The plan is to sell 5 year Bonds on the international market, but international regulations require the Government to have a local 'co-arranger' in place, hence NTHC's involvement. Historically it has only been possible to raise

⁶ In health, education, agricultural development, export product promotion, water supply (primarily rural), roads and tourism.

about US\$5 million through domestic Bonds in Ghana, so this scheme aims to generate at least 70% of the funds from international sources (mainly from the UK and US).

Funds raised will be used for *"the provision of low-income, safe and affordable housing for all workers in Ghana"* (GoG, 2004). This indicates however that the priority remains the provision of housing for people who are formally employed rather than the urban poor who often survive on informal and/or irregular incomes.

1.5.6 Housing finance – The State Housing Company (SHC)

SHC used to focus mainly on houses for rent and for 'hire-purchase', but increasing costs have meant that these became unprofitable and they began to sell many outright. Gradually they have moved into high-rise construction as well as 'low-income' housing, defined as those employed as nurses, teachers and lower ranking civil servants rather than the urban poor. As a commercial organisation (albeit with only the Government as a shareholder) they cannot provide genuinely low-income housing. For example, one-roomed houses cost them around US\$16,000 and two-roomed around US\$24,000 to build.

SHC's experience has been that there is little medium or long-term lending available for housing. SHC's clients, in common with those Ghanaians able to obtain houses, have generally found housing finance from three main sources:

- Lending from HFC (see next section), and occasionally from other banks.
- Contributions from employers (see section 1.5.8).
- Contributions from family or from personal savings.

1.5.7 Private sector housing finance and mortgage lending

The Ghana Building Society was established in the 1950s, after which the Ghanaian government subsidised interest rates (and building materials). However, these subsidies never reached the poor. The Ghanaian government's current overarching housing development strategy, enshrined in various documents and policies, aims to provide an "enabling environment for private sector financing". It is closely linked to the country's broader economic strategy, outlined in the 'Ghana Vision 2020' document, in which the central 'Gateway Programme' component sees the country positioning itself as the business gateway to the West African Region. The strategy includes the acquiring and servicing land (e.g. through SSNIT) for real estate developers, who build houses with construction loans from the Bank for Housing and Construction. Secondary mortgage lending is therefore required for would-be home owners. The Home Finance Company (HFC) now provides such mortgage finance.

HFC was established in 1990 as a private limited liability company, converted to a public limited liability company in 1994, and became a licensed Ghanaian bank in November 2003. HFC was originally established as the implementing agency for the housing finance pilot scheme, a component of the International Development Association-funded *Urban II* project. HFC developed into a *"sustainable and unsubsidised housing finance*

system' (World Bank, 2000), through operating and managing a fund for the provision of long term resources for home mortgage financing, issuing and dealing in bonds and other financial instruments, and delivering housing finance. HFC has released four corporate bond issues to finance its growing mortgage portfolio, and has added standard banking to its range of services since November 2003. HFC has also raised and released mortgage financing (for individuals) as part of the Government's 'Uncompleted Housing Scheme', as well as the 'Non-Resident Ghanaian' and 'Home Improvement' schemes.

HFC's 'Home Purchase Scheme' offers standard mortgage arrangements including the following requirements.

An applicant must:

- 1) Have operated an account satisfactorily with HFC for a minimum period of 6 months, with a minimum initial deposit of ₵1,000,000 (approx US\$ 115).
- 2) Complete an application for an 'Instalment Deduction Authorization'.
- 3) Provide an Employers Certificate of Income.
- 4) Provide an 'Offer Letter' from the vendor.
- 5) Provide a personal reference.
- 6) Provide the down-payment to HFC – a minimum of 20% of the total cost of the property.

The implications of some of these requirements present problems for the urban poor. The first requirement implies that a potential borrower has to have been gainfully employed for not less than 6 months, whilst the third requirement restricts this employment to the formal sector. The last requirement clearly presents obstacles, given the difficulty of putting forward a 20% deposit, which in most cases runs into tens of millions of cedis (more than US\$2,000). Some informal sector traders and women working in market areas have been able to access home loans and an adapted mortgage scheme, having built up a savings history with HFC (see section 2.3.1). However, these mostly represent the higher earning, established groups in the informal sector.

The Standard Chartered Bank in Ghana also offers mortgage loans to Ghanaians living and working in the country. They offer loans of between ₵45 million and ₵900 million (US\$ 5,000 – US\$ 100,000) repayable over 20 years, but an applicant must have a minimum monthly salary of ₵3 million (US\$ 340). Again the barriers facing the urban poor are obvious, and indeed many formally employed Ghanaians cannot meet the wage criterion.

1.5.8 Hidden providers of housing finance – corporate employers

Given the dearth of affordable housing in Ghana (see above), many companies have effectively been forced to address housing as a basic need of their employees. Mortgages, allowances and concessionary loans have been offered as perks to employees, sometimes linked to long-service benefits. There is no clear data on the extent to which this impacts on the housing sector, but in any event this does not help those working in the informal sector nor those surviving on other (often temporary) sources of income.

2 PRIOR EXPERIENCE IN COMMUNITY-LED HOUSING AND INFRASTRUCTURE DEVELOPMENT

2.1 SLUM UPGRADING INITIATIVES PRIOR TO 2000

The World Bank has provided support for urban development in Ghana through several projects since 1985. As part of the Accra Rehabilitation Project, basic infrastructure (such as roads, footpaths, drainage, water supply points and communal pit latrines) was provided to 19,000 people in the East Maamobi community. This pilot upgrading scheme was designed, planned and managed by the Technical Services Centre of MoWH with consulting assistance, but without involvement of local government or the community (World Bank, 2002). Subsequently, in 1988 and 1996, four separate community upgrading initiatives were carried out in Tema, Accra, Tamale and Kumasi within the Priority Works and Urban II projects. Little attention was paid to future operation and maintenance, on the assumption that responsible agencies would simply take over after upgrading was carried out, and community involvement was again minimal (Ibid.). The World Bank-funded Ghana Urban Housing Project was also completed in 1999, some three years later than originally planned. As well as infrastructure upgrading schemes, the project's main lasting impact was to initiate establishment of the Home Finance Company (HFC – see section 1.5.7 and 2.3.1).

In 1997 the World Bank began the Urban Environmental Sanitation Project, including a Community Infrastructure Upgrading Project (CIUP) component. Three communities from Accra, two from Kumasi and two from Sekondi-Takoradi benefited from improvements to roads, water supplies and street lighting plus provision of solid waste containers and rehabilitation of existing public toilet facilities. Local governments were responsible for managing implementation – the first time that World Bank supported projects had decentralised this responsibility. Although the CIUP *"embraced community participation and sustainable maintenance arrangements focusing on a 'bottom-up' approach"* (Ibid.), participation consisted of consultation *"at key stages in deciding their priorities, within project limits"* and being *"parties to the Facilities and Management Plans produced for each community in conjunction with the planning and design consultants."* (Ibid.) Communities were selected by the project team based on infrastructure deficiency, whilst infrastructure was planned and designed by local consultants and constructed by local contractors.

One of the biggest omissions, according to the World Bank's (2003, p12) own analysis, is that *"successive upgrading projects have not attempted to address land tenure issues"* but they conclude that *"Land issues are such that they need to be addressed at a wider national and sub-national level not through upgrading projects."* In this regard, World Bank initiatives have recently aimed to build government's regional survey capacity through mapping exercises, the production of digital and printed base maps, and training, drawing in funds from the

Nordic Development Fund and Agence Francaise de Developpment.⁷ Experiences across the SDI network have clearly shown that land issues do indeed need to be tackled at national and sub-national levels (be it city-level or state-level), but have also shown that upgrading projects, led by networks of the communities involved, are well placed to address tensions involved in land allocation issues as part of settlement upgrading. Evidence from SDI's experience also indicates that support for community-led mapping and enumeration can play an important and effective role in understanding existing land ownership in particular areas and suggesting workable alternative tenure arrangements that benefit the poor.

In terms of financing, all projects have involved World Bank loans to central government, plus some additional funds from national government (and later local government). By the time funds have been provided at local level, they have effectively become grants for particular area improvements, or at least appear as such. Plans for sustainability and up-scaling of infrastructure development have assumed that finance could be raised by more effective local taxation or from centrally provided District Assembly Common Funds and administered by district assemblies, but in practice this has rarely materialised. The lack of a more sophisticated financing mechanism in Ghana, such as a CLIFF, seems to have limited the potential for scaling-up infrastructure development initiatives because additional sources of finance have not been drawn in or sustained. Although individuals/households have committed resources to individual structure improvements following infrastructure upgrading, none of the projects appears to have enabled communities to generate (or leverage) their own collective resources (both financial and non-financial) towards settlement upgrading.

The Danish International Development Agency (DANIDA) began its water sector programme in 1992 with the Volta Water Project. In 1998, Water Sector Programme Support then enlarged to cover two more regions, including Greater Accra. The programme provided support for capacity building amongst district assemblies, but included support for private sector supply and construction and the development of village water committees. A 'small-towns' component was added in 2002. Between 2004 and 2008, DANIDA's phase II initiative will provide US\$ 62 million for water supply installation in rural areas and small towns, again including the Greater Accra region. The programme will also include the improvement of public and school latrines, health education, environmental sanitation in selected small towns as well as infrastructure for use of available water resources for productive purposes in selected communities in the 43 districts. The programme also includes support for national government's policy development and enabling frameworks.⁸ The programme's focus continues to be emphatically rural, primarily government-focussed with civil society's role limited to involvement in planning and

⁷ From <http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P050624> downloaded 5th March 2004.

⁸ From <http://www.danishembassy-ghana.dk/water.htm> downloaded 4th March 2004

monitoring the tender process "*achieved through transparent procedures that will make public the vouchers and contracts between districts and contractors.*"⁹

Ghana's Habitat Committee has supported and/or taken over several low-income housing and related development projects over the last decade. In the Western Region they implemented a 'house-for-a-house' scheme, which focused primarily on training people in construction skills, encouraging use of local materials, and technology. In an attempt to maintain a level of affordability and hence ensure completion of housing, funds for material purchased were indexed to inflation.¹⁰

The Habitat Committee was also involved in the Accra Sustainable City Programme, which began in 1994 and aimed to tackle priorities for city improvement identified by working groups mainly made up of district assembly representatives and communities. The intention was to generate proposals and projects for which both government and communities would find funds. The programme itself was funded by UNDP (till 2000), UN-Habitat (till 1998) and DANIDA (until 1999). Activities fizzled out soon after the programme ended, as the assumption that district assemblies would carry on the activities proved false due to a lack of any real sense of ownership.

2.2 PRIOR LOCAL NGO/CBO EXPERIENCE IN LENDING FOR/FINANCING HOUSING AND INFRASTRUCTURE FOR POOR AND INFORMAL COMMUNITIES

There are relatively few NGOs/CBOs with experience either in housing and infrastructure development, or in lending for/financing such activities. Traditional savings systems have focused upon consumption, and/or traditional microfinance as opposed to managing collective finance for collective development activities. In terms of infrastructure, programmes that do exist have tended to focus on the development of particular types of infrastructure (e.g. water), and in the case of housing activities have focused on individual structures with relatively simple individual financing arrangements. Most NGO housing and infrastructure programmes concentrate on rural areas.

2.2.1 Informal community savings systems

The susu scheme is a traditional form of savings deposit made mostly by petty traders, housewives and women working in the market. The savings are usually for specific purposes. The susu collector is usually someone with some education who collects savings deposits from people at their convenience in their homes or workplaces. The customer decides on a fixed amount to be paid daily for 31 days. The deposit for the 31st day becomes the

⁹ From <http://www.danishembassy-ghana.dk/documents/WSSPSII.pdf> downloaded 4th March 2004

¹⁰ The results of this initiative, in terms of numbers of houses built etc, were unavailable to these authors.

commission for the collector – in effect, the charges for using the system. The susu system has several advantages:

- Convenience
- Small amounts accepted
- Eliminates the trouble of walking to Banks – transactions take place in your own house or workplace

However, the susu system also has several risks, the most significant of which is the possibility of the susu collectors running away with the entire savings pot.

There is another form of traditional savings that might best be called 'Rotational Savings'. It has some similarities to the susu system but differs in terms of the amounts to be saved and collected. In this type of savings, a group of people, mostly friends or peers, contribute specified (usually equal) amounts of savings over a specified period of time decided by the group (daily, weekly, monthly or some other specified period). At the end of the agreed period, the total savings accumulated will be given to one member of the group. New savings cycles then continue, involving a different collector each period, until everybody in the savings group has received her/his lump sum. Members can then choose either to start a new series of savings cycle or pull out. In the Rotational Savings system, people in both formal and informal employment participate. It has the advantage of pooling resources together and hence enables members to collect a larger sum than they would receive if they saved individually through the standard susu system. The Rotational Savings system, if well managed, reduces the risk of losing all savings due to the collector running away, because collectors have the incentive to participate until the end of the series. Like the susu system, money is not put to a collective use as every member of the group decides what to do with her/his lump sum.

In recent times, some traditional Banks and formal financial institutions have borrowed the method of providing banking services at markets and also going to markets to collect daily savings from market women – see section 2.3.1, below.

2.2.2 Lending in informal settlements – 'Initiative Development' in Ghana

In Old Fadama, one of Accra's informal settlements, an organisation called 'Initiative Development (ID)' offers conventional micro-finance loans to individuals. Residents of Old Fadama explained that they borrowed a given amount and repaid over approximately six months through a weekly repayments of a set amount. At the end of the loan period, borrowers have repaid the principal and interest plus some additional amount, which in effect becomes their own savings. Brief analysis suggested that ID's interest rates equate to over 50% per annum, or 3.5% - 4.5% per month. Control of central funds collected remains with 'Initiative Development', as does control of lending terms and eligibility criteria.

2.2.3 NGO housing and infrastructure programmes

Since HfH Ghana was formed in 1987, 29 affiliates have been developed in the country. Local affiliates build more than 400 houses a year; in 2001, HfH Ghana celebrated the dedication of its 2,000th house¹¹. HfH Ghana houses are very simple and designed to be affordable to low-income families. The standard policy encourages mainly a chamber and hall house with a detached utility block of toilet, bathroom and kitchen, constructed using pressed blocks or baked bricks and aluminium sheeting. Homeowner families contribute the labour to build their own homes and assist other homeowner families to build theirs, and may also donate money and materials. However the main source of 'financing' is provided by HfH Ghana through a no profit, no interest loan in the form of building materials. A family selection committee chooses homeowners based on their level of need, their willingness to become partners in the programme, and their ability to repay the loan. The homeowner's monthly mortgage payment, paid over a 15-year period, goes to a Revolving Fund that is used to build more houses in the community.

Plan Ghana runs a Habitat Programme focusing mainly on rural areas. As a result, the main activities focus on small-scale water provision through the construction of bore wells.

2.2.4 NGO 'governance' programmes

Ibis West Africa focuses on 'education for development' including organisational development, leadership development and local capacity building. In Ghana, its 'Public participation in local governance programme' focuses on public participation in local governance, understood as the interface between local government and civil society, communities and citizens. The programme operates at national and district/sub-district level (presently one urban and two rural Districts) in partnership with national NGOs, local NGOs, CBOs and District Assembly and substructures. The approach intends to support and advocate for new concepts and models for increased participation, accountability and transparency in local governance.¹²

2.3 STATE OF INTERMEDIATION BETWEEN FORMAL AND INFORMAL FINANCE SYSTEMS

Homeless International's research into *Bridging the finance gap in housing and infrastructure* concluded that banks' willingness to lend for slum upgrading depended on more than analysis of financial viability, although this of course played a part (McLeod, 2004). Of greater importance was the development of an elusive 'comfort factor', related to understanding of the borrower, of the borrower's proposed scheme and of course the borrower's strategy for repayment. Initially, however, strategies are required to enhance the linkages between formal and informal finance systems.

¹¹ From <http://www2.habitat.org/intl/countryprofiles.fm> downloaded 20th February, 2004

¹² From <http://www.ibisghana.com/about/history-of-ibis.htm> downloaded 20th February 2004

Several banks in Ghana have sought to engage with economically active segments of the informal economy. In particular, banks have sought to polish up traditional susu systems of daily saving, by encouraging groups to deposit in savings accounts.

2.3.1 Home Finance Company (HFC) Bank Ltd

HFC Bank is one such example. HFC has taken an innovative approach to savings mobilisation through the establishment of the HFC Unit Trust – a high interest yielding account into which individuals' aggregated savings are placed. As part of building upon traditional susu systems of saving, HFC branches have people employed specifically to train informal sector workers in basic accounts, with the express aim of linking them with the formal sector and indeed providing opportunities to obtain loans. For example, HFC helped women leaders from amongst market traders to organise together and place group savings in a sub-account of the Unit Trust. Together these initiatives has drawn in over 5,000 new customers to the Bank, primarily from amongst low-income groups, who are building credit history and an increased understanding of how to manage money. The formalised susu system has clearly been successful in promoting the habit of saving in Banks, destigmatising the concept of saving and borrowing from the formal sector and hence enabling informal groups to earn interest on their savings, compared to the traditional method of keeping savings 'under the pillow'. However, it is not so clear how, or if, susu groups using the Bank have decided to circulate money within their informal sector groups through loans or similar.

In addition to polishing up the traditional susu system, HFC has taken it a step further by offering loans to those who have built up a credit history with them. Home loans and mortgages are included in the services offered. This mortgage scheme sets a minimum savings threshold to qualify for a loan, invariably limiting access to a few of the higher earning, well established individuals working in the informal sector. HFC's mortgage arrangements are described in more detail in section 1.5.7 (above).

2.3.2 A note about land title and lending

There is a commonly held view that secure and clear land title will provide the necessary collateral to encourage banks to lend to individuals. Irrespective of the fact that widespread, clear land title appears unlikely in Ghana in the foreseeable future, most banks in the country have sufficient alternative business meaning they consider lending for housing, particularly for the poor, to be relatively unattractive and unnecessary (personal communication, 2004).

Based on evidence from several countries across Africa and Asia, McLeod (2004) points out a number of other factors placing a barrier between the poor (in informal settlements and/or the informal economy) and the formal financial sector:

- It has been amply demonstrated that the poor invest in permanent housing when they perceive their tenure to be secure *de facto* not necessarily *de jure*.

- The costs of obtaining clear land title can equal or exceed the costs of housing construction making such an approach unaffordable for the poor.
- Banks frequently refuse credit to households with clear land title where households depend on uncertified incomes generated in the informal economy.
- Credit applications from households living in informal settlements considered “no-go” areas by banks are refused, even where they have clear land title, because foreclosure in the case of default is considered either politically impossible or legally tortuous and expensive.

Anecdotal evidence already suggests that these trends are also apparent in the Ghanaian context.

2.4 CONSTRAINTS GOVERNING ACCESS BY ORGANISATIONS OF THE POOR TO DEVELOPMENT CAPITAL

McLeod (2002, 2004) has shown that the urban poor face numerous obstacles in securing access to capital for slum upgrading, resettlement and infrastructure provision. In Ghana, the initial constraint is the lack of widespread community organisation and capacity to demand development capital, and/or a lack of recognition by other agencies of the capacity that does exist. Secondly, there is simply a lack of capital available for slum upgrading and related activities, which makes questions of how organisations of the poor can access it largely academic.

The case of SIF is therefore illustrative in that it is the one public mechanism through which capital is nominally available for community development activities potentially including slum upgrading. There have been several reported reasons why communities have been unable to access capital funds. These are worthy of note:

- Low community capacity.
- Delays in getting support from intermediary CBOs/NGOs.
- Limited District Assembly capacity.
- Complex procedures to draw down loans.
- Inability to meet, or delays in meeting, match funding requirements

To this list could be added fragmented institutional relationships and responsibilities, particularly in the area of slum upgrading. As a result, District/Municipal Authorities have fallen back upon their previous approaches, providing capital to contractors to implement schemes in communities. This seems to indicate that communities' access to capital is also limited by traditional mindsets, attitudes and ideas within local government about how development should take place. In particular it reflects a belief that contractors can 'implement' a project quicker and more easily than through partnerships with communities.

Local financial markets in Ghana are relatively underdeveloped and medium and long-term financing for slum upgrading, housing and infrastructure developments is not yet being offered or really considered by banks and formal financial institutions. In part this reflects that it has not been demanded by CBOs, NGOs or other

agencies, nor have these agencies put forward suggestions or catalysed discussions. In both cases this reflects that the capacity to demand and/or articulate are not yet developed.

3 CONCLUSIONS

3.1 SUMMARY – THE PICTURE IN GHANA SO FAR

A summary of the preceding sections reveals six main conclusions about the situation regarding slum upgrading in Ghana so far:

- There is a need to tackle urban poverty – There are informal settlements in Ghana's towns and cities where poor families suffer from insecure tenure, poor housing, overcrowding and insanitary conditions. Investment in housing and infrastructure has not matched the demands of urbanisation, which is causing and exacerbating urban poverty. Upgrading is clearly required.
- Urban poverty is not well recognised or well understood – Mitlin (2004) concludes that the GPRS, in common with many other PRSPs, reflects that, "*the underlying theme is that urban poverty needs to be recognised and understood. A second point is that the approaches to measuring poverty that have been developed do not appear to adequately acknowledge the context of the urban poor and many of the factors that contribute to their poverty.*" (p17)
- No previous programmes to tackle urban poverty reduction have so far scaled-up – No large-scale, sustainable, community-led slum upgrading initiatives have taken place to date in Ghana, with most limited to a particular locality and many reliant on district assemblies' fiscal decisions with regard to longer-term financial support. Little attention has been paid to the development of 'social infrastructure' within communities to create effective demand for, and the capacity to participate meaningfully in, scaled-up development initiatives. The World Bank (2002) concluded from lessons learned in previous schemes, that upgrading processes require comprehensive planning, that there was a need for the generation of broad baseline data and the development of ongoing monitoring systems.
- Elements of slum upgrading included in policies, but no comprehensive strategy to tackle settlement upgrading – Ghana has no integrated strategy for slum upgrading, and slum upgrading issues are neglected in the country's key policy document, the GPRS. The lack of attention to urban poverty is illustrated by the lack of any reference to MDG Target 11 (to improve the lives of slum dwellers) in Ghana's recent Millennium Development Report.
- Only basic, small-scale approaches to financing slum upgrading have been used so far – Housing finance in Ghana is, and has been, envisaged in terms of individual households, either through private-sector development and mortgage refinancing or simple microcredit. Infrastructure development has been financed mainly on a project-by-project basis, through a mixture of grants and loans. Banks have not been involved in lending for slum upgrading. There is therefore a clear need for a mechanism to support collective development for, and by, the urban poor in Ghana.
- No financial mechanisms have succeeded in supporting community-led slum upgrading on a sustained, long-term basis – Existing financial mechanisms either do not support slum upgrading

programmes, do not claim to support community-led developments, or do not in practice support community-led processes. SIF has come closest, but has fallen back upon traditional government and contractor-led processes which have rarely met the need either in scale, sustainability or local appropriateness.

In general, Ghana's size, population, its relatively small number of urban centres and its relative institutional simplicity (compared to mega-cities such as Mumbai, Nairobi and Bangkok where large-scale developments have gone ahead through community-city partnerships) suggest opportunities for community partnerships with local and national government, for promoting community-led approaches to urban development and for exploring new financial mechanisms. The lack of city-wide impact or workable country-wide strategies emerging from previous urban development projects and programmes also suggests that a new approach would be valuable.

3.2 CBO/NGO CAPACITY TO SCALE UP URBAN INFRASTRUCTURE AND HOUSING INITIATIVES

3.2.1 Capacity to manage money and build community organisation

Experiences in numerous cities across Africa have clearly shown that communities' organisational capacity and ability to manage money collectively can provide the backbone for community-led urban development at significant scale (Mitlin & Satterthwaite, 2003; Jack & Hughes, 2004). Federations of the urban poor have particularly identified the importance of community-based savings and loan groups as a means of building these capacities, based upon the 'trust' relationships which collective money management helps build:

"The most important element of the savings regimen is that it is a powerful instrument for the creation of trust, and this trust forms the basis of all future 'collateral' that the Federation process brings to the table. It is a collateral of a very special type, for once it is generated at community level, it begins to replicate 'outwards' and 'upwards', creating ever broader circles of trust and co-operation... from a developmental value the basic equity inherent in savings is the cohesion, understanding, trust and confidence generated through Federation type community savings and loans." (SDI, 2004)

There is clearly already an ability amongst some groups and individuals to organise and manage money, and to save daily through visits to people's homes and places of work. The susu system of saving is particularly obvious amongst those who are active in the informal economy, and some groups have been able to link up with formal financial sector institutions like HFC Bank. There may well be potential to harness this experience to promote informal savings and credit activities within other low-income communities in Ghana; this has happened within the Kenyan Federation for example, where the Toi Market group in Nairobi have become the hub of savings and credit experience and teaching. However, there are several challenges inherent in going beyond individual savings and traditional microfinance towards collective money management and collective development activity.

One challenge will be to promote community management of savings and loans rather than rely on a single collector as in the susu system. Another challenge will be to encourage groups to save and lend on a continuous basis, rather than beginning new cycles after a given period as in the 'Rotational Saving' system.

Beyond savings groups specifically, other loose informal-sector networks and leadership exist (particularly in market areas and frequently involving women). In Accra for example, woman head carriers help newcomers find work, accommodation and transfer money back to rural areas – all through informal means. Such networks sometimes organise around people's regional backgrounds (e.g. Head carriers from Ashanti region work closely together). There are also examples of loose organisational arrangements within informal settlements, focussed mainly on the provision of basic infrastructure such as toilets, water and washing facilities (sometimes acting as intermediaries with formal service providers). Individual families tend to run such facilities, charging user fees on a pay-and-use basis. Groups of families also link together to upgrade clusters of houses, such as concreting a shared yard and flooring, but primarily on an ad-hoc basis.

Following initial exchanges with Slum/Shack Dwellers International (SDI) since 2002, savings groups have begun to develop in Ghana. The first savings groups were established in September 2003, since when 55 savings groups have been formed in four of Ghana's ten regions, involving more than 5,000 households. This number is growing rapidly. The average size of each group is about 80 people, and a total of over US\$5,600 dollars (approx £3,100) had been saved by July 2004. The oldest, and largest, savings group is in Old Fadama, where residents are under threat of eviction and forced relocation as part of KLERP (see section 1.2.12). Many other low-income communities, both in Accra and in other regions, have requested help from existing savings groups to establish their own savings schemes.

Women are leading the process of establishing savings groups. Many are taking on the roles of treasurers, collectors, and agents of change in their communities – it is significant to note that about 97% of those involved in the savings network are women. As a result, new leaders, mainly women, are also emerging in communities.

3.2.2 Broader organisational capacity – networking and experience sharing through exchanges

Linking groups together into local, city, regional and national networks is also considered vital, as this promotes mutual learning, support and accountability. Community-based savings and credit groups in Ghana are gradually linking together to form networks, through local community-to-community exchanges and larger-scale network meetings. Exchanges are taking place on almost a daily basis in Accra and the surrounding region, in which women leaders from one low-income community explain the concepts of savings, the 'federation' (e.g. the network of community-based savings groups) to women in other settlements. Groups are also discussing ideas to tackle poverty in their settlements. There is already a taskforce of about 40 members (including 34 women) drawn from all groups in the Greater Accra Region, who plan their own activities for every quarter. These

activities are important in generating solidarity, mutual support, shared learning and 'bottom-up' accountability within the growing network of community groups.

The rich, diverse and growing experience within the national affiliates of SDI provides a valuable source of learning from which communities in Ghana can gain. A bond already exists with South African and Zimbabwean slum and shack dwellers who have previously visited their counterparts in Ghana, and a Ghanaian community team participated in an exchange outside of Ghana for the first time earlier in 2004 (see box below). However, ongoing linkages and exchanges will be required to ensure peer learning from more experienced Federation movements continues to take place. SDI is committed to sending an international team every two months to Ghana to support and strengthen the emerging Ghanaian federation, but will require further resources to ensure sustained support.

Impacts from participation of Ghanaian community team in an international exchange

Three community members from informal settlements in Ghana (including two from the Old Fadama settlement threatened with eviction – see section 1.1.12) participated in an international exchange. This was the first time a team from the emerging Ghanaian 'Federation' had visited another country to experience the work of another national Federation of the urban poor. The team had the opportunity to deepen their knowledge about community-led development and to learn about the importance of local to global connections in supporting slum upgrading in Ghana. Benefits of the exposure have already started showing in the commitment levels and confidence of the community members involved. It has challenged and provoked them to rediscover their capabilities and also to have faith in what they seek to solve in their respective communities. Generally, their position now is that "*since others have done it, they can also do it*". The visit represents a milestone in the growth and development of the emerging Federation of the urban poor in Ghana.

The emerging Federation is continuing to expand its operations and community mobilisation in Ghana – evidence on the ground so far suggest that the next twelve months will see the establishment of new groups, strengthening of groups already established, and continued sharing of experiences and information on homelessness and housing between communities. As a result, the network is reaching the point where the 'what next' question becomes critical, and a real demand for tangible pilot housing and infrastructure schemes emerges.

3.2.3 Developing a community-managed information base

Experience across SDI has clearly demonstrated the power of information, both in terms of the value of the data generated and in terms of the capacity built by communities through the process of collecting and analysing information. In Ghana's major urban centres, inclusion of a diverse migrant and semi-migrant population in this process and subsequent strategies will present new challenges to communities. Ghana's first community-led enumeration exercise is planned to take place in the Old Fadama settlement, as a first step in attempting to negotiate an alternative to forced relocation. To this end, a Ghanaian team will also participate in an enumeration exercise to be carried out in Cape Town, South Africa later in 2004. This event will give the participating Ghana

team an idea of how enumerations are conducted and demonstrate their roles as an “enumeration team” to support communities carrying out similar exercises in Ghana.

3.2.4 Ability to demonstrate alternative, community-led housing and infrastructure solutions

The ability to plan, design, implement and showcase community-led alternatives to conventional housing, infrastructure and settlement developments is a key part of community capacity. Some experience in the development and management of physical infrastructure clearly already exists – entrepreneurs within some informal settlements have built and managed pay-and-use toilets, water supplies and bathing facilities – so the challenge will partly lie in drawing on this experience as part of collectively managed, community ‘owned’ development schemes. However, there is not yet a capacity amongst domestic CBOs to plan, manage and implement larger-scale collective developments for broader settlement upgrading. Nevertheless, given the rapid mobilisation taking place already in several towns and cities, People’s Dialogue Ghana (PDG, a support NGO, see 3.1.5 below) and the emerging federation are already considering how to support savings groups to undertake pilot schemes, as a basis for potential up-scaling and replication.

3.2.5 NGO capacity to support emerging networks of community savings groups

As outlined in section 2.2, Ghanaian NGOs involved in housing and infrastructure development have primarily focussed on rural areas, supporting the development of individual housing structures (through individual grants and loans of various kinds) and small-scale infrastructure provision.

However, People’s Dialogue Ghana (PDG) was formed in 2003 by a community activist with whom Homeless International and SDI came into contact during exploratory visits in 2002 and 2003. PDG is registered as a Company Limited by Guarantee and is in the process of registering formally as a NGO. Its sole function is to provide support to the emerging Ghanaian Federation. Like the emerging Ghanaian Federation, PDG has benefited from support and exposure to community-led development experiences within the SDI network, which has *“reshaped PDG’s understanding of homelessness, landlessness and poverty and how to solve all of these... And also, it has equipped me with the requisite professional knowledge and tools needed to support and build federations of the urban poor communities to deal with their own problems”*¹³. Further organisational development and strengthening will however be required if PDG is to further establish itself as an effective support institution (see 4.2).

In summary, there appears to a fast growing social movement in Ghana with clear and regular support committed by SDI. A support NGO already exists, although further strengthening is required.

¹³ Farouk Braimah in a discussion between the authors.

3.3 POTENTIAL FOR LOCAL AUTHORITY-CBO/NGO PARTNERSHIPS

In terms of the broad political environment in Ghana, the drive for decentralisation of responsibilities for housing and infrastructure development provides real opportunities for NGOs/CBOs to negotiate working partnerships with local government. Furthermore, support for further community capacity building and demonstration development schemes could aid the decentralisation process and encourage 'good local governance' by showcasing appropriate development roles for both government bodies and communities. In a context where local government's technical capacity is relatively weak (see 1.2.7), the potential benefits of, and opportunities for, promoting local government as an 'enabler' and communities as 'managers and implementers' with support from NGOs, are significant.

The policy environment, as defined by the GPRS, other strategy documents and specific policies, is also ostensibly conducive to CBO/NGO partnerships with local authorities. The GPRS for example identifies the importance of strengthening the human resource base in Ghana, makes reference to the need for a slum upgrading programme through participatory methods and has an underlying objective to strengthen civil society. The National Shelter Strategy suggests the need for an integrated approach to housing development and the country's housing policy encourages CBOs to become involved in housing and infrastructure provision. However, it is not clear whether there is a genuine commitment to put these ideas into practice.

Prior experiences in donor-funded initiatives (section 2.1) and SIF (section 1.5.2) have highlighted that practice is frequently at odds with well-founded policy intentions. SIF in particular highlights that even where government's commitment to community development is stipulated, focus can be lost and dropped as those implementing policies fall back to 'business-as-usual'. More than anything these experiences have revealed that the absence of strong community organisations/networks both limits capacity to demand community involvement where it is promised and/or limits the likelihood of capitalising on willingness to work collaboratively where it does emerge within local government.

There appears to be a willingness amongst individuals and small groups within local authorities to explore new relationships through which to develop housing, infrastructure and settlements. PDG and the emerging federation have started discussions with the Ashiedu-Keteki sub-metro of the Accra Metropolitan Assembly around the eviction facing the Old Fadama community and how to find alternatives or relocation. SDI, PDG and residents of Old Fadama are committed to supporting the city government to find such alternatives. There is for example initial commitment from the sub-metro to work with SDI, PDG and Old Fadama's residents to undertake an enumeration in the coming months.

PDG has also had discussions with the Kumasi Metropolitan Assembly (KMA). The KMA Director appears to understand and support the community-led approach advocated by PDG, SDI and the emerging Federation, and has expressed interest in exploring work in partnership with them. KMA is currently preparing a City

Development Strategy (CDS) having received preparatory support from Cities Alliance (personal communication, 2004; Cities Alliance, 2004), and has requested input from PDG and SDI as part of this process. However, KMA will require sponsorship from a donor institution to further implement the CDS plans. Savings groups have begun in Kumasi to take advantage of KMA's interest in genuine partnership approaches.

In Ashiaman, Ghana's fourth largest urban locality, a New Development Plan makes provision for land-sharing involving options for current tenants and squatters. Together with savings groups in the town, PDG and SDI have met local councillors to discuss land availability, land purchase options and strategies for housing development. Ongoing negotiations involving councillors and Stool land-owners, squatters and tenants are planned.

The critical issue for PDG and the emerging federation of Ghana's poor would be how to support these groups to undertake large scale housing and infrastructure developments in their respective communities in partnership with local government. This is a key component in promoting replication of such projects in other communities on much larger scales.

3.4 POTENTIAL FOR FUTURE PUBLIC AND PRIVATE SECTOR FINANCING

3.4.1 Public sector financing for community-led slum upgrading

There appear to be some opportunities for catalysing public expenditure, or improving the targeting and utilisation of existing public expenditure, in housing and infrastructure development in Ghana, but at present public expenditure is not well geared towards this. District and municipal assemblies have limited freedom with, or volume of, funds for activities like slum upgrading. They have not raised funds through the Bond market, although analysts believe that there is potential for larger municipal authorities to do so (see box).

The potential for municipal borrowing through the bond market

The following information comes from a Bank of Ghana paper entitled 'The Bond market in Ghana'. The full report can be downloaded at www.bog.gov.gh/rpapers/rpaper4.htm.

"The functions that district/municipal assemblies have been mandated to perform require that they should be able to borrow money to continuously fund these development programme. The major constraint they face in borrowing funds is that of collateral. For the assemblies to be successful in borrowing from the investing community will require Government guarantee. Thus a framework could be put in place to use the District Assembly Common Fund (DA CF) as collateral to enable the assemblies to issue bonds and notes.

The potential exists for at least 3 metropolitan/municipal authorities, namely Accra Metropolitan Authority, Kumasi Metropolitan Authority and Tema Municipal Authority, to issue bonds to fund their medium and long term financing needs. The 3 metropolitan/municipal authorities were selected on the basis of their budget sizes. Currently, these authorities finance their operations from the DA CF, taxes and rates levied on property etc. Any of these authorities could issue bonds with a value not exceeding the authority's allocation from the DA CF for the previous year, secured by the authority's allocation from the DA CF in the current year. This will enable the authorities to fund their projects continuously so that whenever it receives allocation from the DA CF, it could be used to redeem the securities floated.

However, the principles of the Social Investment Fund (SIF) fit well with the community-led approaches espoused by SDI and the CLIFF 'model', potentially offering opportunities to draw down SIF funds for specific initiatives, for match-funding community or other resources, or for seeding some form of collaboratively managed local capital funds. Likewise HIPC funds could provide an opportunity for developing innovative financial mechanisms to channel funds into community-led housing and settlement development schemes.

A form of 'Urban Poor Fund' or 'Community Development Fund' could make a major difference in improving targeting, draw-down and re-circulation of SIF, HIPC or other public sector funds. Experience across SDI has shown that supporting pilot schemes through such mechanisms can have multiple impacts upon slum upgrading processes (ACHR, 2003). These include:

- Capacities built (amongst the poor as individuals and within community organisations), e.g. Through:
 - Building individuals' confidence in negotiating with local officials, because actual initiatives provide access to such officials.
 - Catalysing learning (technical skills and 'soft' skills), encouraging mentoring and creating role models within communities, and convincing other communities that they can also carry out such schemes.
 - Further strengthening communities' ability to manage and leverage money.
 - Creating space for community discussions about development priorities and strategic planning, including the most appropriate use for scarce finances.
- Building working relationships, changing attitudes and improving governance structures e.g. Through:
 - Demonstrating cost-effective, locally appropriate and quality community development solutions, and showing how physical assets will be sustainably managed in future.
 - Creating fora in which communities and officials meet face-to-face.
 - Drawing in government resources to support communities (e.g. land, technical assistance).
 - Reducing corruption and improving quality by closely monitoring all work and refusing to pay bribes (whereas bribes are often inbuilt to large-scale physical developments by contractors).
 - Demonstrating that communities are credible development partners capable of initiating, executing and controlling settlement development, and legitimating their approaches.
- Influencing policies and practice that enable the poor to realise their rights, e.g. Through:
 - Enabling communities to realise de-facto security of tenure when infrastructure development has been approved, as a step in achieving legal tenure security.
 - Testing and refining policies to make them affordable, effective and workable in practice – *"Experience of some Ghanaians working in large metropolitan centres also suggests the need to change and adapt government policies and regulations while working on specific project."* (Patel & Bapat, 2003).

All of these factors are important in setting a basis for larger scale development, and indeed represent important steps towards implementing a CLIFF.

In particular, given the capacity limitations within Ghana's local government institutions, a collaboratively managed Fund mechanism would have significant potential to leverage community-developed assets and capacity (as described above), and hence encourage government to play more of an enabling role (e.g. through making land available, providing focused technical support when requested or re-orienting standards and regulations that are prohibitively expensive at present). The collaboratively managed Urban Poor Development Fund in Phnom Penh, Cambodia, provides an excellent example of an effective development mechanism functioning in an extremely weak institution policy and institutional environment (UPDF, 2003 & ACHR, 2003a¹⁴).

Given that some informal settlements in Accra and Kumasi lie on public land, particularly near railways, land-sharing and/or subsidised purchase are important options to explore in terms of public sector financing for slum upgrading.

3.4.2 Private sector financing for community-led slum upgrading

Although many of the national policy documents emphasise the need for private sector financing for housing, infrastructure and settlement developments, there are mixed possibilities for its achievement and mixed attitudes to the concept. It seems unrealistic to expect that private-sector financing will solve all housing and infrastructure deficits, particularly those faced by the poor, but there may be sufficient interest in becoming involved in these areas to yield opportunities for some forms of private sector involvement if new approaches can be developed (e.g. with the help of a CLIFF combined with scaleable community-led development schemes). These may include for example:

- Privatised infrastructure providers – Service providers are already financing the provision of electricity and water to the edges of, and often into, informal settlements even where eviction is threatened. This demonstrates that for services like these, there is interest in investing in bulk infrastructure in areas where new market opportunities present themselves.
- Discounts on goods and services – Experiences within SDI in many countries suggests that providers of goods and services can be convinced to offer discounts given the market opportunities created when communities catalyse settlement development activities at increasing scale.
- Sale of commercial/residential space – lack of housing supply and likely interest in commercial space may make cross-subsidies through 'for-sale' components a possibility in Ghana.

Other options for private-sector involvement which need further exploration include the following:

¹⁴ For more information, see <http://www.achr.net/updf.htm>.

- Land-sharing agreements – experiences in Mumbai (India) and Phnom Penh (Cambodia) suggest that in cases where an informal settlement exists on private land, then land-owners can in some cases be convinced to give-up a portion of that land free or cheaply for settlement development in return for clearance of the remaining portion of land for their own development purposes. The pattern of land ownership where informal settlements currently exist in Ghana suggests that similar options could be explored with Stools although these are likely to involve complicated negotiations in the search for mutually acceptable solutions (e.g. as seems to be the case in Ashiaman – see box below). People living around railway lines in Kumasi, where some land is owned privately, may also be in a position to negotiate land-sharing options – there appears to be willingness to explore such arrangements on the part of some land owners.
- Contractor pre-financing – In cases where larger-scale slum development schemes can be shown to be financially viable (as has happened in Mumbai), large contractors can potentially be persuaded to provide pre-finance. It is difficult to gauge at this stage whether there are possibilities for a similar approach in Ghana.

Complicated negotiations for land sharing in Ashiaman

Ashiaman, located in the Greater Accra Region, is the fourth largest urban locality in Ghana. A new area development plan has been developed, which proposes land-sharing between traditional land owners (the Stool), landlords, tenants and squatters. The Stool presently owns most of the land, but they have agreed to sell some plots of land to recognised current tenants. However, some recognised tenants are also *de-facto* landlords, in that they on-let some portion of accommodation to other unrecognised tenants. The proposed demarcation formula will mean that recognised tenants can only buy plots smaller than they currently have, and hence that they will not be able to accommodate as many unrecognised tenants as presently. There is no current provision to make land available to unrecognised tenants or squatters. However, there also appears to be some additional land for which no development plans have been made, yielding an opportunity for unrecognised tenants and squatters to negotiate with the Stool and Ashiaman Zonal Council for access to such land. PDG and SDI have already begun to support the development of community savings groups in Ashiaman, and to facilitate their involvement in negotiations with the Council and the Stool.

3.4.3 Private sector financing for housing

The key factor with regard to housing development is the current lack of supply in Ghana – not just for the poor, but also faced by many lower- and middle-income groups. Purely commercial development of individual housing units, subsequently sold on the market and re-financed by individual mortgages taken out by those who can both afford them and convince banks to lend to them, may or may not satisfy some of the demand amongst middle-income groups. However, these arrangements are not meeting current demand for housing and seem unlikely to

do so in the foreseeable future. Neither will this private-sector financing approach (even with government support or subsidies for land and/or infrastructure development) provide affordable housing for the urban poor, as it is simply too expensive and unviable to do so on a purely commercial basis. Private developers also tend to demand large down payments (50% in some cases), a pattern of financing that also excludes many people, including large numbers of those in formal employment. At the same time, there are sufficient lending opportunities for other activities within Ghana, meaning that banks have no current interest in expanding their lending for housing. As one discussant from the private-sector summed up during interviews in Ghana, "*The whole private-sector approach to housing – it's not realistic.*" (personal communication, 2004). Nevertheless, demand for housing reveals a latent market for banks and other formal financial institutions interested in lending for this.

In urban areas in particular, where land is either scarce and/or often expensive, collective housing development schemes may contribute to alleviating the housing shortage, although the same caveats about purely private sector financing apply. In this situation there may be space for new financing options involving the private sector, through cross-subsidies from sales of commercial and residential units within developments. This is particularly true of markets areas, whilst the drive to attract business through Accra and Ghana's positioning as the 'Gateway' to West Africa may increase such opportunities, particularly in Accra (although this will also increase pressure on land and land prices).

CLIFF experiences in Mumbai, India (which is similarly commercially vibrant) have shown that banks can be convinced to lend for collective housing schemes, although it often takes time to convince them that providing bridge finance for low-income housing schemes (especially those developed by organisations of the poor) can be sufficiently low-risk, or perceived as such, and profitable. However, the Ghanaian banking sector is not yet equipped to deal with complex project financing of this kind. For all these reasons, banks and bankers will require exposure to the possibilities of lending for community-led slum upgrading schemes.

Guarantco is a facility initiated by the Private Infrastructure Development Group, comprising European bilateral aid agencies (from Sweden, the Netherlands, Switzerland and the UK) and the World Bank. The facility has begun to offer guarantees for the mobilisation of local funding for private and municipal infrastructure projects. Twenty per cent of Guarantco guarantees are to be allocated to urban regeneration and development with a focus on poverty elimination. Guarantco could potentially support the bond floatation planned by the Ministry of Works and Housing through NTHC Ghana, perhaps through underwriting the floatation or by providing technical support.

3.5 COULD A CLIFF HELP?

Assuming the ongoing development of community capacity, NGO support and relationships between communities, local government and other stakeholders (for which recommendations are made in section 4), a

CLIFF or similar mechanism could catalyse genuine scaling-up of community-led slum upgrading in Ghana.

CLIFF could potentially help in the following ways:

- Access to working capital – CLIFF could provide bridge financing and pre-financing at a scale where larger-scale collective developments could take place, controlled by communities. This does not currently exist in Ghana. The lack of such capital, in a form that can be accessed easily and effectively by communities, has been identified as a major impediment to large-scale slum upgrading (McLeod, 2004).
- Channelling large-scale funds to multiple local, community-led development schemes – CLIFF could provide a mechanism to channel bi-lateral/multi-lateral donor funds, government funds, HIPC funds and others directly to numerous local-level schemes, managed by local communities. SIF, the only mechanism in Ghana that seeks to do something like this, has drifted in practice from its original community focus, and has not drawn in funds from multiple sources. This may help in promoting donor consistency, co-ordination and pro-poor focus, which is currently lacking in some cases (see example of KLERP in section 1.2.12).
- Testing new financial mixes, leveraging other resources and exploring options for refinancing – CLIFF could provide a mechanism to explore new options for cross-subsidies (e.g. from for-sale commercial/residential components), project loans from financial institutions, direct local/national government subsidies, in-kind subsidies (e.g. land), private-sector resources, donor finance and community contributions to produce affordable upgrading solutions for effective city-wide development. Ghana's intended positioning as the 'gateway to Africa' may help in creating an environment conducive to cross-subsidies in particular.
- Sharing risks – at present the poor and the organisations with whom they work shoulder disproportionate risks in developing and implementing upgrading solutions (McLeod, 2002). CLIFF could help by providing a mechanism to share risks between stakeholders from government, local government and the private sector (including banks) and taking some of the risk away from the most vulnerable and most important stakeholders – the poor themselves.
- Engaging banks – CLIFF could provide a forum through which banks could explore project lending for slum-upgrading and/or mortgage re-financing in the longer term. Apart from HFC's links with individual informal traders, no bank in Ghana has explored the opportunities in lending to the poor for community development schemes.
- Spreading engagement and promoting 'good' governance through practical activities – CLIFF could showcase appropriate roles for technical professionals, local authorities, communities and other stakeholders in scaled-up development schemes, such that communities play the lead role in planning, management and implementation. Community participation in previous development schemes has been sketchy, or has focused upon the implementation of a particular project scheme rather than a broader, ongoing process of poverty reduction.

- Sharing knowledge – CLIFF is not just a financial mechanism. CLIFF could promote learning within and amongst communities, government and private sector stakeholders, both within Ghana and drawing from experiences where CLIFF is already in operation. Shared learning is vital in catalysing replication and up-scaling. CLIFF could help complement, and/or share experiences with, the SIF mechanism, agencies involved in HIPC and others.
- Enabling government to deliver on existing housing and infrastructure commitments, and to highlight where commitments are currently lacking or missing – CLIFF could provide an effective mechanism for stakeholders in Ghana to work together in delivering upon commitments arising from the GPRS, the Constitution, the National Shelter Strategy and other relevant policies.
- Assisting the development of co-ordinated city-wide, region-wide or country-wide upgrading strategies – experience in India has shown that community-government relations, built through large-scale pilot upgrading schemes (supported by CLIFF), can promote greater openness and joint planning for city-wide and state-wide development planning. Given Ghana's size and relative institutional simplicity, there may be opportunities at the national level through CLIFF support for relationship building and pilots.

4 RECOMMENDATIONS – STEPS NECESSARY PRIOR TO THE INTRODUCTION OF A LOCAL CLIFF IN GHANA

4.1 GRANT FUNDING TO FURTHER DEVELOP ‘SOCIAL INFRASTRUCTURE’

Experiences in numerous cities across Africa have clearly shown that communities’ organisational capacity and ability to manage money collectively can provide the backbone for community-led urban development at significant scale (Mitlin & Satterthwaite, 2003; Jack & Hughes, 2004). Much of the basic community mobilisation is already underway, which could help build the required capacity to plan and manage. However, there is a critical need for grant funding to sustain the momentum and match the demands for support expressed by communities. Resources will be required to support core capacity building activities including the development of savings and loans groups, community-led settlement mapping and enumeration, community-to-community exchanges, network meetings, and house/toilet modelling. It is also worth noting that there is a well-recognised need for improved mapping and documentation of land ownership and use in Ghana’s major urban centres. This yields an important opening for community-led mapping and enumeration activities that could a) build community capacity at the same time as b) developing a local capacity that does not exist in any agency in Ghana, thus creating a space to demand inclusion in broader city development planning.

Given the cash-based economy that dominates urban environments, it is also likely that income generating schemes will be required, built on (and further enhancing) the organisational structures and money-management capacity developing within communities.

There is no set pattern or hierarchy or order in which the above-mentioned activities will develop. Different communities facing different risks/opportunities are likely to focus on particular issues at particular times, but the underlying theme of broad-based community capacity building will be crucial. Leadership development, particularly involving women, will also need to be placed at the heart of the community capacity building process.

4.2 GRANT FUNDING FOR NGO DEVELOPMENT

SDI’s experiences in supporting fledgling Federation movements, particularly in Uganda, have highlighted the importance of establishing a support NGO. A support NGO can play valuable roles in grant administration, documentation and facilitating initial community engagement with government. PDG will require further support to establish itself to play this role in Ghana. As the Federation continues to grow, staffing, administrative and documentation capacities will need to be developed further.

Secondly PDG will need to enhance its technical capacity to work with communities, banks, government and other institutions in financing community-led development schemes. There appear to be four possibilities in this regard:

- To work with the Federation to seed a financial/project management arm to support community-led development schemes (similar to the SPARC-NIRMAN model in India – see CLIFF Annual Review 2003).
- To establish a Community Development Fund mechanism jointly managed by communities, government and PDG (similar to the UPDF model in Cambodia) – see section 3.3.
- To work with the Federation to enhance the existing SIF mechanism such that it becomes an effective vehicle to support community-led housing and infrastructure schemes (some similarities with CODI in Thailand).
- A hybrid of the above options.

4.3 LEARNING GRANTS FOR LOCAL/NATIONAL GOVERNMENT EXPOSURE

As illustrated in section 3.2, there is a willingness amongst some local authorities to explore new approaches to city development and urban poverty reduction, but that there is a lack of capacity (1.2.7) and/or strategies to effectively catalyse large-scale slum upgrading. To capitalise upon, and expand, government buy-in to partnership approaches to upgrading, and to increase understanding of key issues and successful strategies, learning grants for government participation in SDI exposure visits would be of enormous benefit.

4.4 SEED CAPITAL FOR PILOT SCHEMES AND AN INSTITUTIONAL MECHANISM FOR THIS

As described in section 3.1.4 and 3.3, seed capital for precedent-setting pilot schemes, in tandem with the development of an institutional framework to promote partnerships for upgrading, will be an important step towards CLIFF development in Ghana.

As described above in section 4.2, there appear to be several options for developing a suitable Community Development Fund mechanism in Ghana. In the light of local government's currently limited capacity to deliver land, housing and infrastructure solutions, a jointly managed capital fund (similar to the UPDF in Phnom Penh) might well have the advantage of enabling local government to contribute meaningfully (financially or otherwise) on the back of community-led initiatives. This would represent a significant change in comparison to previous attempts to draw local government into financing upgrading, as it would provide an mechanism to institutionalise their participation and a space for communities to hold them accountable for such contributions. However, the exact mechanism developed will inevitably depend on the outcome of further discussions between PDG, communities and government stakeholders.

As described in section 3.3, there appear to be some potential sources of capital that should be explored. A proposal to channel HIPC funds towards slum upgrading and the development of housing and infrastructure should be taken forward, ideally proposed jointly by the Government of Ghana, CBOs and local government.

Furthermore, a proposal to utilise SIF funds, either through the existing SIF mechanism or by linking the SIF mechanism to a Community Development Fund, should be developed.

It should however be noted that it seems unrealistic to expect that precedent-setting projects will develop in a way that enables full cost recovery. Whilst an element of cost recovery is desirable in that it would represent successful initial leverage of additional finance and/or other resources, it must be recognised that precedent-setting entails risk-taking, inevitable delays and other 'Research & Development' costs.

Finally, exposure for key stakeholders (NGO/CBO and government) to lessons and experiences from CLIFF in India, CODI in Thailand, UPDF in Cambodia and other urban poor funds in Africa will be vital in developing a suitable mechanism in Ghana.

4.5 ENGAGING BANKS

If banks are to become involved in lending for slum upgrading in Ghana, then several steps should be considered:

- Ask them to become involved in learning and exploration as communities test upgrading solutions.
- Invest in their learning and exposure – both to growing community experience in Ghana and to successful experiences elsewhere.
- Consider financial guarantees – in the longer term, when upgrading solutions have reached a stage where cost-recovery is considered likely by communities/NGOs, but banks require some further 'comfort'.

As revealed by its previous activities and by discussions with the Executive Director, HFC has a clear interest in exploring options for both affordable housing development and bridging the gap between formal and informal credit systems. At the micro-level, HFC has already pledged to provide support to community savings groups as they develop their credit systems. This should provide a useful starting point for further learning and exploration in Ghana – it is important to capitalise on this initial interest.

4.6 IDENTIFY, AND INVEST IN, POTENTIAL CLIFF CHAMPIONS

Individuals, for whatever professional or personal reasons, have played key roles in exploring and taking forward new ideas with communities and Federations in every country where SDI affiliates are involved. CLIFF is no different, and future options in Ghana will inevitably require such individuals. Some have been tentatively identified so far, including:

- Two staff from the Department of Rural Housing in Accra (which also has an institutional commitment to community-led approaches.
- The Director of Kumasi Metropolitan Assembly
- Two staff within the Ministry of Works and Housing.

- HFC's Executive Director
- The National Programme Director of the Ghana Habitat Committee

4.7 INVESTMENT IN DATA COLLECTION

There is a lack of adequate data detailing urban poverty and the quality, depth and extent of urban poverty consequently remains obscure. This is particularly important with respect to the integration of urban poverty into the GPRS, and the development of a co-ordinated strategy to tackle slum upgrading.

There is substantial evidence in many countries where SDI affiliates are active that communities, with appropriate support, are well placed to carry out effective planning based upon comprehensive information generated and verified by communities. Incorporation of community-led local data collection in broader information collection processes could have a similar impact in Ghana. National systems of data collection also need to be geared towards analysis of urban poverty.

4.8 TRACKING LAND POLICY DEVELOPMENT

In the light of the complex dual land registration arrangements in Ghana, and the presence of formal and informal land transaction mechanisms (see section 1.2.5), it will be important to track the evolution of land policies and practice. This could potentially involve testing how the procedures and institutional arrangements work in practice through pilot development schemes (see 4.4).

4.9 RESEARCH INTO RURAL-URBAN LINKAGES IN INFORMAL SETTLEMENTS

The mixture of seasonal, semi-permanent (e.g. planning to stay for a period of years) and permanent residents apparently living in Ghana's informal urban settlements, plus the mix between land/structure owners and renters, demands further exploration. Action research could usefully test and document the following:

- How Federation 'rituals' such as daily savings and loans and mapping/enumeration can be tailored to work in this context.
- How the needs of these groups can be factored effectively into design solutions for comprehensive settlement upgrading.
- What financing schemes can be developed to support these solutions that are acceptable to such diverse communities.

4.10 START THINKING ABOUT MONITORING

Plans for effective 360 degree M&E for CLIFF in India have identified, amongst other things, the value in taking a longitudinal look at how particular development schemes have emerged over time, and what has affected and contributed to breakthroughs and blockages. In part this reflects an understanding that community-led development processes take place over a longer period of time than particular grant or programme periods. To set the basis for such longitudinal analysis, to assist in ongoing monitoring and lesson learning, and to avoid the problems of unearthing historical information in the future, it is recommended that milestones and key events are recorded in a useful way on an ongoing basis, and that appropriate documentation is produced to ensure a useful record of developments in Ghana.

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LIST OF INFORMANTS

The authors wish to extend their sincere thanks to all who assisted in this study, and particularly the following people who found time in their busy schedules to discuss their work in Ghana. Apologies to those for whom we did not manage to record full names.

| Name and/or position | Organisation |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Adolphine Asimah, National Programme Director | Ghana Habitat Committee |
| Deborah A Kuwornu, Regional Director Accra Region & Lansa | Department of Rural Housing |
| Nkrabeah Effah-Dartey, Deputy Minister | Ministry of Local Government & Rural Development, Government of Ghana |
| Director of Planning, Director of Projects and Accounts Manager (Projects) | State Housing Company |
| Dr Thomas Fokuo Agyapong, Director, Policy Planning, Budgeting Monitoring & Evaluation & Kofi | Ministry of Works & Housing, Government of Ghana |
| Farida Shaikh, Second Secretary, Environment & Human Rights | British High Commission |
| Kojo Graham & Raziel Obeng-Okon | NTHC Ltd |
| Residents of Agbogloboshie settlement, Accra | |
| Residents of Avenor settlement, Accra | |
| Sanatu and many other residents from Old Fadama settlement, Accra | |
| Stephanie Baeta Ansah, Managing Director | HFC Bank (Ghana) Ltd |
| Team meeting | Accra Metropolitan Assembly |
| Tracey Herbert | Democracy & Governance Program Officer, USAID |