



# Housing policy-making in Africa: Ten common assumptions



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## ABSTRACT

Ten constant assumptions seem to rule policy-making on housing in Sub-Saharan Africa. They are:

1. Urban land and housing are expensive and more unaffordable than in the past.
2. Rents are too high and skyrocketing.
3. The solution to the housing problem is to build housing more cheaply.
4. Mortgages for more/poorer households are a large part of the solution.
5. Affordable housing is possible through formal sector private investments.
6. Establishment of a National Housing Trust Fund will help many households own their own home.
7. Housing affordability depends upon household income.
8. Land registration is the solution to non-bankable land.
9. New supply policy should be based on single household villas on serviced plots.
10. Every household should become an owner of housing.

From recent experience in seven countries in the region, this paper argues that these are generally untrue and work against the effective provision of appropriate housing affordable by the majority of households in Sub-Saharan Africa.

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## 1. Introduction

Following work as the international consultant on five African National Urban Housing Profiles (Malawi, Ghana, Zambia, Liberia and Lesotho) and some work in Sierra Leone and Ethiopia, there are some constant assumptions which seem to rule policy-making but might be far from true. In light of data from these countries, this paper examines some of these.

They spring in part from several shared circumstances.

- There is little housing data and relatively little interest within government in having data suitable for housing policy-making. When the round of discussions about census design comes up, housing specialists seem not to become involved. Thus, many censuses do not collect or generate data on persons per room or rooms per household; the expenditure category that includes housing, also tends to include payments for water, sanitation and fuel.

- Government officials tend to regard themselves as governing people like themselves and so refer to the lower echelons of the middle class when referring to low-income people.
- Governments seem to regard the majority of people and their housing supply system as something other than the real city and outside their attention. If they become involved with the poor majority, they tend to harass them or punish them for causing trouble in their city-beautiful.
- The relatively well-off section of the population who own and occupy the largest plots, consume the most water, have the most sophisticated sanitation, use private cars (often 4 × 4 s), and dictate city policy, tend not to pay appropriate property taxes to finance the city and its infrastructure. They are what economists call 'free-riders'.

In these circumstances, the ten assumptions which follow are very unhelpful to housing policy-making that might benefit the majority.

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## 2. Assumption 1: urban land and housing are expensive and more unaffordable than in the past

Urban land and housing are thought to be expensive and more unaffordable than in the past. The cost of land can be said to be expensive if it constitutes a large proportion of the whole development cost of building a house. Its price can be also seen as a cost per square metre, so expensive land would lead to smaller plots now than in the past. Although policy-makers think that urban land is expensive in Malawi, Zambia, Ghana (UN-HABITAT, 2010, 2012a, 2012b) and Sierra Leone, (but not in Liberia) (UN-HABITAT, in press-b), it usually constitutes a very small percentage of the total cost of the development (about one twentieth in Area 43, the highest-cost neighbourhood in urban Malawi). In addition, plots are huge – at least 1 ha in Area 43, a minimum of 350 square metres in Ghana. Furthermore, there is no such thing as price per square metre in Ghana as land is not for sale, it is only subject to a transfer of right of user title through a payment of ‘drink money’ and this is unrelated to its size. Table 1 shows minimum plot sizes for high, medium and low-cost housing in several countries.

**Table 1**  
Minimum plot sizes (m<sup>2</sup>).

	Ghana <sup>a</sup>	Liberia	Malawi	Zambia	Lesotho
Low density/High cost	1880	1012	5–6000	1350	1000
Medium density/Medium cost		506	1–2000	540	
High density/Low cost	350	253	225 <sup>b</sup>	288	375

<sup>a</sup> Low density plots in Tesano CFC estate and the minimum legal plot size.

<sup>b</sup> Minimum in Traditional Housing Areas, Malawi’s very successful version of ‘sites and services’ neighbourhoods.

Sources: (UN-HABITAT, 2010, 2012a, 2012b; UN-HABITAT, in press-b, in press-a)

The cost of the land and the structure of the dwelling together constitute the cost of housing; most people develop with almost no infrastructure, at least at first. While formal sector housing solutions cost too much for most households to afford, the local informal sector solutions are often quite affordable. They may constitute a large sum in local monetary terms but, more often than seems to be assumed, the cost is not actually much compared to household expenditure. Few households build a whole dwelling at once and, many that do, do not use it all for themselves but rent out rooms which bring in some income. The housing cost to household expenditure ratios in Tipple, Korboe, Garrod, and Willis (1999)’s study for the amount of the house occupied by the owner were only 2.23 to one in Kumasi and 3.1 to one in Berekom. Expensive housing would be at least above five and could approach ten to one.

Expensive housing would be shown up by large percentages of household expenditure going on housing payments. In Ghana, however, government’s own figures show that mean spending on housing is 2.2 per cent of household expenditure. Comparable figures in Liberia is 12 per cent on the combination of housing, water, electricity, gas and other fuels (from the CPI) (UN-HABITAT, in press-b). Furthermore, one of the few studies on housing supply in Africa (Tipple et al., 1999) showed that, in 1994, developers of housing were no better off than owners of existing housing. Thus, it did not seem to be becoming more expensive.

When house prices and rents are compared with Consumer Prices, through the Consumer Price Index (CPI) the assumption that prices are skyrocketing is shown to be completely false. In the Ghana Profile (UN-HABITAT, 2012a), there was a slightly higher rate of price inflation for housing-related goods, including water, electricity, gas and other fuel (8.21), than for all other commodities (6.63) between 2000 and 2010. In Liberia, the general index in 2012 was 194 (2006 = 100) while housing, water, electricity, gas and other fuel had an index of only 132 (UN-HABITAT, in press-b).

## 3. Assumption 2: rents are too high and skyrocketing

Rents can be assessed in several ways. If they are too high, they will, firstly, constitute a large proportion of household expenditure, say above 33 per cent. In Liberia, ‘Housing, water, electricity, gas and other fuels’ constitute 12 per cent of the CPI (UN-HABITAT, in press-b). In Lesotho and Ghana, the same category consumes 10 and 9 per cent of household expenditure respectively (UN-HABITAT, 2012a; UN-HABITAT, in press-a).

Secondly, they will pay off the cost of constructing the room quite quickly, say, in less than twelve years. In Tipple et al. (1999)’s study of Ghana, rents took 66 years to pay off the cost of rooms.

If they are ‘skyrocketing’, they will have risen considerably more than the CPI. In Lesotho, the index for rents was 106 in 2013; lower than the index of 117 overall (UN-HABITAT, in press-a). In Liberia, in May 2013, CPI on “housing, water, electricity, gas and other fuels” was only 132 compared with the overall CPI of 194 (2005 = 100) (UN-HABITAT, in press-b).

It is undoubtedly true that there are hotspots of high rents, in many capitals and at the top of the market where there is a high demand from expatriates (e.g., in Monrovia). The assumption cannot be used across the board, however, and should not be used for policy until it has been examined against build cost and CPI.

## 4. Assumption 3: the solution to the housing problem is to build housing more cheaply

This seems to be so obvious that it hardly needs to be examined. Cheaper housing is the focus of much research in our field and not a few technological solutions involving new ways to use earth and new materials such as foam polystyrene, interlocking stabilized soil blocks, new cementitious materials, and several other technologies and ways of utilising them to bring down the cost of a dwelling. Reports such as that by McKinsey (Woetzel, Ram, Mischke, Garemo, & Sankhe, 2014) demonstrate that there are savings to be made in overheads, wastage, design, etc., but these probably only affect the narrow top end that is the formal supply. Unfortunately, in many respects, the housing occupied by the majority is almost as cheap as it will go. When developers are proposing formal dwellings costing under \$20,000, this is cheap housing. It is almost as cheap as what is being developed in the local informal sector already. So the main battle in building cheaply has been won; it is unlikely that additional major inroads can follow.

In addition, ways of further lowering cost often mean building smaller. This would be fine if very small dwellings could represent starter homes from which households will move when they need and can afford more room. But this assumes an active market in housing (see assumption 10 below). The other option is to extend (see Tipple, 2000) but this is often regarded as illegal and undesirable by planning authorities having fixed ideas of what the city should look like.

The main issue is, however, not that housing in Anglophone Sub-Saharan Africa is too expensive; it is that incomes are too low. Therefore, more progress is likely by increasing productivity and incomes than in continuing to pare the odd few percentage points from the cost of building a dwelling.

## 5. Assumption 4: mortgages for more/poorer households are a large part of the solution

Many of the trusted stakeholders talking to government policy-makers about housing are bankers. It is quite common not only for the commercial bankers to be involved in mortgage markets but also for bankers to be heading up the main housing agencies, particularly the local equivalent of a National Housing Authority or a State Housing

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