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Urban Land Markets in Sub-Saharan Africa:
A Quantitative Study of Accra Ghana.

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Napier University

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Abstract
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The existing body of knowledge attributes to informal land transactions in sub-Saharan African cities observed problems in city neighbourhoods. However, the dearth of empirically insightful studies of how this eventuates continues to leave a vacuum in terms of practical solutions. But it is commonly held that bureaucratic intervention offers a way out. Substantial resources, often backed by donor agencies, are therefore being spent in revamping bureaux and governmental bodies in a bid to solving the problems.

This thesis sets as its central aim to identify and establish the costs to agents of the real causes of the problems. It also aims to assess the economic impact of formal policy measures on agents and recommends feasible approaches to market regulations. To address the objectives insights from property rights, transactions costs and public choice economics are brought to bear. Based on a survey of market participants of sampled informal neighbourhoods in Accra, the capital city of Ghana, it employs regression and discriminant analyses to analyse the data generated. In the process helpful insights are gained. It has been possible to put some figures to the extent of costs that lead agents to operate in ways that eventually translate into the problems commonly witnessed. The study finds that actual costs to market participants of government activities are too high to be of any benefit. These costs mainly derive from rent-seeking behaviour which extensive bureaucratic intervention of transactions in urban residential lands bring about.

On the basis of the results of the regression analysis, arguments implying inefficiency of informal land markets, specifically relating to the arbitrary nature of prices, are refuted. The futility of the use of compulsory purchase powers to create residential neighbourhoods also emerges from the results of the discriminant analysis. Similarly, 'efficiency' enhancing bureaucratic interventions in the informal market lead to the diversion of real resources into wasteful rent-seeking expenditures. The sum of these wasteful diversions of resources explains a great deal of the haphazard developments that have come to characterise many neighbourhoods of cities in Sub-Saharan Africa.

Market led regulation emerges as the needed focus of future land policy and management strategy. But to work the study calls for the removal of unwarranted market interventions extant at the present moment and the reorganisation of bureaux to be responsible in ways that would induce them to operate efficiently.
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Chapter 1:  Introduction

1.0. The Problems of Access to Urban Land
The issue of stimulating economic development in sub-Saharan Africa (henceforth SSA) has engaged the attention of bodies like the International Monetary Fund and the World Bank in recent times. The past two decades, for example, have witnessed the introduction of economic adjustment programmes to re-structure SSA economies and allow efficient utilisation of private capital, leaving central government resources available to finance areas like education and health. In practice, this has implied fiscal restructuring and the reorganisation of the relationship between government and economic agents aimed at attracting capital from the private sector to underpin economic development.

Against this backdrop the question about access to and/or ownership of land and their impacts on fostering economic development has attained a pivotal stage, especially in the urban areas. Land provides the spatial dimension of economic activities. It also provides the space for housing urban residents. In developing economies it provides a more attractive form of investment because alternative investment vehicles are few and subject to great risks. Therefore the mechanisms through which land is allocated between competing and, often, conflicting claims go a long way to determining the achievement of economic success. Particularly in urban areas the concentration of human activities in relatively limited space calls for a need for systems that balance all the land needs of all aspects of the society. When these systems do not exist, one witnesses imbalances and allocative problems of land resources. Such imbalances are being observed in the functioning of cities of many countries of the developing world. In SSA, urban settlements are dominated by problems of unauthorised developments, lack of infrastructure, poor sanitation, health hazards, fire hazard, crime, and generally appalling neighbourhood conditions. At the same time low-density high standard neighbourhoods are observed. Urbanisation as a concept here is therefore synonymous with the co-existence of shanty towns depicting squalor, fire hazards and disease on the one hand, and estates of high value residences on the other hand: often separated from each other by just the width of a highway.

In some parts of the developing world this problem has been attributed to invasion and other illegal occupation of urban fringe land. In Lima, Peru, for example, De
Soto (1989) finds land invasion and illegal occupation as the route to the creation of squatter settlement and shanty towns. This is a result of concentration of urban land in the hands of few landlords or central government and the slow moving government bureaucracies. In SSA the position is different (see chapter 2). Konadu-Agyemang (1991) and van Western (1990), to cite two studies, assure us that there is no such thing as squatter settlements, in the technical sense of illegal occupation of land. Behind neighbourhoods plagued by sub-standard housing, fire hazards and haphazard developments lie voluntary exchange of interests in land. But elaborate governmental provisions, ranging from prescriptions of tradable interests in land, to absolute prohibition of these voluntary exchanges, render these transactions illegal (Chapter 2 elaborates on this). This difference in the central cause of the problem is important for it determines which policy options are likely to produce desirable results. While in the Latin American scenario, solutions may lie in finding equitable means of releasing government held urban lands and/or some form of intervention that will provide incentives for large landowners to dispose of lands, in the SSA scenario, it might involve removing the prohibitions, prescriptions and the burgeoning bureaucracies to allow smooth operation of exchanges. To identify correctly which prohibitions and bureaucracies to remove or alter, however, calls for detailed understanding of how the exchanges described are effected and what exactly lies behind the observed problems. Such understanding, at the moment, simply does not exist.

In SSA, land allocative failures have been blamed on the existence of customary tenurial systems. Typically they are said to be inefficient, do not allow private ownership of interests in land, do not permit modern management of land, in short, are not amenable to coping with the demands of modern sophisticated economies. This is odd considering that many other economic activities of agents involved in these transactions – informal sector participants – have been found to be relatively efficient (Becker, 1994; p. 15). However, very little has actually been recorded about how these informal exchanges of interests in land work. The need for empirically based studies that explain the decision processes of the parties involved is clear. It is towards providing some of this knowledge that this study is undertaken. It investigates traditional customary exchanges of interests in land which has been estimated to be behind some 87% (Larbi, 1996; p. 213) of neighbourhoods in Accra, Ghana and provides insights that can be generalised across SSA.
1.1. The Problem in Urban Ghana

The urban land and housing problem is that of a fundamental economic nature compounded by the complex, uneasy interrelationship of formal and informal institutional framework of land ownership which determines and rectifies accessibility to urban residential land. There are a series of issues that require to be addressed. Issues pertaining to the 'right' land market regulative regime, the strategy of land policy implementation, security of title to land and the means by which these are to be achieved, are only some examples from the land market perspective. There are macro economic issues as well, ranging from increasing the productivity of urban land, attracting private investment funds into urban housing, achieving an equitable and efficient distribution of land resources, creating an environment that enables capital locked up in land to be easily traded and improving economic performance of the city and country at large.

In the Ghanaian urban land market, a few studies, Acquaye and Associates (1989), Asiama (1984), Brobby (1992), have focused on discussing the origins and suitability of the laws relating to land delivery and generally recommend the introduction of further (presumably better) legislation. Central Government response to these studies is reflected in the number of laws, legislative instruments and the number of institutions and bodies set up to regulate the land market. Even basic land market data compilation functions such as the recording and dissemination of land ownership information have been operated in a manner to have the practical effect of market intervention. The combined effects of such regulation on urban land markets are now emerging. For example, in a study of effects of urban land policies on delivery of developable land, Larbi (1994; p. 14) observes;

“state intervention in proprietary rights in land in Ghana is far deeper, presents more complex problems in the development process and has far more reaching consequences than is usually envisaged”.

But despite decades of such intervention one still observes many problems that result from households’ access to urban land; title security, apparently unclear property rights in land and haphazard development of land among them.

Studies that attempt to answer the question whether traditional institutions of land ownership, in their current state or developed further, can support advanced market economies (e. g Larbi, 1994) are emerging. Yet other studies demonstrate, with
evidence from the traditional land markets, the flexibility of these institutions in adapting to socio-economic circumstances of the population and suggest they should be incorporated in formal land management structures (Antwi 1995, Larbi, 1994, Kasanga et al, 1996). But empirically based studies that seek insights on the economics of the problem are notably absent. Indeed, as mentioned above, although nearly 87% of Accra’s neighbourhoods are created through these informal transactions, little attention has been focused on the economic forces behind them. This is surprising given the substantial effort devoted to official bureaucracies to handle land registration, administration of traditional lands and legal dimensions of urban land. The present study aims at contributing to addressing this imbalance.

1.2. The Study
The main proposition of this study is that, allowed to operate in appropriate settings, the informal customary land allocative mechanism offers the most optimum and equitable route to achieving efficient allocation of land resources in Ghana and SSA in general. Land aspects of urban problems in SSA can be solved only after bureaucratic obstacles of accessibility to urban land has been removed.

The research has been occasioned by calls for regulatory bodies and government intervention based on flawed arguments. For example, as Larbi (1994) has rightly observed, there is a notion popular in Ghana that customary land ownership forms and tenure systems are the cause of access to urban land problems that eventually translate into urban housing problems. Yet besides inability to substantiate with any credible empirical evidence, the reasoning behind some of the arguments on which the notion is based is misconceived. About the traditional land market in Ghana, for example, Asiama (1990) writes:

“In the traditional sector, acquisition of land for housing, and for any other purpose is controlled by the traditional authorities. Frequently, they determine who is to receive land grants, how much is to be charged for the land, and how much land is to be offered for sale. The choice of recipients of land grants may not only depend upon a person’s ability to pay the purchase price but also on his social and political influence in the society. Land prices are high and are often not directly determined by purely market conditions..................” (Asiama, 1990, p. 243)

It is difficult, if not impossible, to imagine conditions under which the state of affairs so described would eventuate. Elementary economics informs us that even if lands
in a given urban area, say Accra, are supplied by one traditional owner -- a monopolist – he/she can do one of two things but not both. He/she can either choose the price at which to sell plots while purchasers determine the quantity of plots they buy at the given price, or he/she can determine the number of plots released to the market and take the price which competing purchasers bid for the plots (see Chapter 6 for an exposition on the operations of monopolists). It is impossible, even for monopolists, to control price, quantity, and purchasers as described! In the presence of more than one supplier, which is the reality one confronts in the cities, the ability of these landowners to control the market is further curtailed. Thus unless the acquisition of land in urban Ghana does not follow basic laws of economics, one finds it impossible to agree with the arguments. Indeed just because one observes what one considers as high land prices or imperfections in a particular market does not in itself warrant a call for government intervention of any form. The principal economic forces at play need to be ascertained in order to be sure that intervention could produce better outcomes. The motivation of this research derives from the need to address such misconceptions. Consequently the study attempts to address the need for economic insights of transactions in traditional customary lands and lay bear the main causes of observed spatial problems in cities of SSA.

1. 1. Focus of The Study

The main focus of the work is an attempt to design and calibrate quantitative indicators of urban unrecorded land transactions. It attempts to extend, to the unrecorded land sector, studies that have attempted quantitative inquiries into the formal land sector (Asabere, 1981a & b; Asabere et al., 1982). By providing a systematically designed empirical dimension to studies that find evidence that the unrecorded sector operates in economically predictable ways ( e.g. Larbi, 1994 and Kasanga et al, 1996), it builds on and extends the understanding of the workings of the market. Questions like who is selling what land, who is buying, at what prices, why those transactions are not formally recorded, and does government intervention have any chance of improving the situation, therefore engage the attention of the study. In more specific terms, the study addresses the issue of transaction costs, particularly to the extent that these are imposed on agents by government intervention, and provides explanations to observed inefficiencies and problems emanating from them. Thus the main aims and objectives of the research are as set out below.
1.2.2. Aims and Objectives

The essence of this study is to provide a better understanding of how the unrecorded land allocative mechanism of Accra operates. This is to be achieved through an investigation of the agents involved. Some specific objectives towards achieving the aim are:

1. To demonstrate the fundamental flaws of the basis of current institutional framework and strategy of formal land administration.
2. Attempt a calibration of quantitative indicators of main drivers of the unrecorded urban land market.
3. Provide an assessment of economic impact of formal policy measures on agents.
4. Establish the extent to which transactions in the urban land market reflect economic relationships between landowners and land users rather than social, tribal or ethnic relationships.
5. Investigate the important factors behind household residential land purchasing decisions.
6. Recommend a feasible approach to regulation of the market.

1.2.3. Importance of the Study

The study is important in that it will inform policy makers and donor agencies in SSA of the appropriate regulatory systems that would lead to a recorded urban land market. Also an understanding of the market that brings traditional land suppliers and purchasers together should provide those concerned in the provision of social housing and other equity oriented ventures the information for selecting feasible approaches in achieving the goals. To city planners such an understanding of the economic realities facing those they are regulating is needed in order to design physical planning programmes that stand any chance of succeeding. And, above all, an understanding of reasons behind the persistent irreconcilable calls for further government intervention, at the same time that complaints of inadequately resourced bureaucracies are being made, should convince those not yet convinced that approaching the urban problems in a much more market oriented way may not provide perfect outcomes but appears to be the best among all the imperfect options available.

1.2.4. Scope and Choice of Research Study

While the study attempts to draw general guiding principles for efficient and economically sustainable urban land management strategy in SSA, it focuses on
Ghana and relies on evidence from the capital city, Accra. Primary data generated from surveys conducted in the city provides the main empirical basis of the study. The choice of Accra as a case study has been predicated by the following reasons: (1) Accra typifies SSA cities with affluent, low-density, planned neighbourhoods abutting slum and unplanned neighbourhoods. (2) Unlike many of the cities in the sub-region, informal customary transactions in land are not illegal \textit{ab initio}. However, regulations and constitutional stipulations render them illegal for all practical transaction purposes putting them in the same position as in many of the cities where transactions are explicitly illegal. (3) Two years working experience in the Lands Commission Secretariat in Accra exposed fundamental weaknesses in the Ghana Government's attempts to regulate the traditional land market. The information so acquired encouraged a broader and more systematic investigation of the issue. Naturally this could be effectively undertaken with Accra as the focus.

1.3. Definitions

In the study, use is made of the concept of Stool and Family lands. These equate to customary or traditional lands. Stools (Skins among some tribes in the North of Ghana) represent the traditional political authority in which is vested all lands owned by subjects owing allegiance to the Stool. In Accra certain extended families (Families) equate to Stools in that lands are vested in the family not a Stool. The origins and how these traditional concepts operate are widely discussed. Chapter 2 provides a summary of some of these studies.

Title registration is used to refer to either or both of the two formal land ownership documentation systems operating in Ghana. These are (1) the deeds registration system by the Deeds Registry which incorporates documentation of deeds through the Lands Commission and, (2) the land title registration system by the Land Title Registry which is compulsory in Accra and, in principle, certifies and guarantees title to land.

Land markets and property markets are used interchangeably and loosely to refer to the market for bare land as well as the market for land with structures or a fully completed house on it.

SSA is defined to comprise all the countries in Africa south of the Sahara desert – thus excluding the Islamic countries to the north -- but excludes South Africa to the south. This definition roughly equates to that of Tropical Africa adopted in O'Connor
(1991) and comprises the countries in between, from Mauritania in the north-west to Mozambique in the south-east. These countries have much more in common and at least some generalisations can be made that apply to them all (O'Connor 1991; p.2).

1.4. Structure of The Thesis
As has been explained above some misconceptions form the basis on which certain policy options have been called for and indeed implemented. Specifically, misconceptions on what constitutes the best land tenurial structure, property rights transacted in the market, determinants of prices, players in the market, and, most important, the mechanics of government intervention to supplant markets are being touted in some academic work. The central aim of providing a fuller understanding of the workings of the market could not therefore be adequately fulfilled without clarifying these concepts. The structure of the thesis is therefore designed to deal with these misconceptions and provide a context for the empirical tests. The chapter breakdown is as follows:

Following from the current chapter, Chapter 2 reviews the literature on urban land markets in SSA. It summarises the literature on the general problems of urbanisation in the sub region. A critical examination of theories and evidence presented by existing work on SSA urban land allocation systems is then undertaken. A critique from which broad research questions are framed concludes the chapter.

Chapter 3 presents the research approach and design. Data characteristics, sampling method and background information of the survey undertaken are presented. An explanation of techniques employed in analysing the data is provided. The chapter concludes with some comments on methodology to provide the limits and context of findings of the study.

Chapter 4 examines the theory of property rights. It enters into a discussion of the economic forces driving the attainment of efficient property rights. The discussion is then applied to government intervention in land markets in the guise of land administration. This opens up the broader question of government intervention in markets. Chapter 5 addresses this question.

Chapter 5 starts the discussion with an explanation of the concept of the market and conditions under which markets thrive. Limiting conditions of markets that present
governments with the excuse to intervene are discussed and related to land markets in SSA. It is argued that often such government interventions create monopolies leading to resource waste. An understanding of how this eventuates is therefore necessary and provided in Chapter 6.

The discussion in Chapter 6 brings to bear insights from the concept of rent-seeking to explain and identify the sources and main causes of resource waste that are brought about by bureaucratic intervention in markets. These insights are then applied to formal land management in Accra. Insights developed through the various chapters up to this stage set the scene for a discussion of the empirical analysis.

Chapter 7 presents the first part of the empirical analysis. This is achieved through an explanation of the background of some computations applied to the results of the survey. A test of four of the five main hypotheses of the study (stated in Chapter 2) is then provided leaving the fifth to be pursued in Chapter 8.

Multivariate analysis of the data to test the fifth hypothesis is the subject of Chapter 8. Multiple regression and discriminant analyses are employed here to gain insights into which variables account for changes in price levels in the unrecorded land market of Accra and investigate the market on other aspects of transactions beyond price.

Chapter 9 presents the conclusions of the research. It begins with useful theoretical insights that explain the prevalence of land market interventions. A discussion of specific findings of the empirical survey is undertaken to support the main conclusions. From these policy recommendations are offered. The Chapter concludes by highlighting limitations of the study and suggesting areas that further research is needed.
2.0. Introduction
Urbanisation is presenting a problem in SSA. The concentration of human population and firms in constrained geographical space demands mechanisms to ensure high levels of employment, efficient utilisation and management of land and other resources, and achievement of social order. Urban areas are, therefore, potentially more likely than rural areas to have high levels of unemployment and associated poverty problems. When these exist their effects are felt in the spatial geography of the urban environment. This chapter examines the literature on the spatial dimensions of SSA urbanisation. The chapter is organised in three broad sections. Section 2.1 summarises the literature on the general problems of urbanisation in the SSA. Section 2.2 focuses on theory presented by existing work on SSA urban land allocation systems and examines the evidence more critically. A critique from which broad research questions are framed is undertaken in section 2.4.

2.1. The Problems of Urbanisation
The difficult aspect of urbanisation and its problems in SSA is that very little is actually known and understood of the phenomena. It is now beyond dispute that a very substantial part of the urban economy operates in unrecorded environments – the so-called informal sector – on which practically no statistics exist (Mabogunje, 1990a; pp. 121-22; Doebele, 1994; p. 52; Wekwete, 1994; p. 17; Stren, 1992). The quest to understanding the process has also not been helped by the lack of any interaction between researchers from the Anglophonic (former British colonies) and Francophonic (former French colonies) countries. Some (Amis, 1990; p. 5) consider this as a deplorable factor that has prevented a fuller understanding.

The following though are clear. First, there is rapid growth of urbanisation in SSA. The problem with this is that this rapid rate of urban growth appears to exceed the capacity of the countries to cope (Devas and Rakodi, 1993; p. 6). Compared to other parts of the world, Africa still contains many of the least urbanised nations (United Nations, 1988: p. 176; Becker et al, 1994; p. 32; Findley, 1993; McAuslan, 1985; Findley, 1993; p. 3). But SSA is urbanising fast. Urbanisation is increasing in this region at a faster rate than probably anywhere else in the world as indicated by various reports. Estimates of growth rates vary between studies but annual rates in
the region of between 5% to 11% are typically indicated (World Bank 1989b; 224-25; Findley, 1993; p. 6; UNDP and World Bank, 1992; Devas and Rakodi, 1993). Indeed SSA's urban population is doubling every twelve years (UNDP and World Bank, 1992). Much of this growth is attributed to net migration from rural areas (van Western, 1990; p. 83; Zacharia and Conde, 1981, Kelly, 1991). Explanations as to why this is occurring have been offered through neo-classically based models such as that of Harris and Todaro (1970); gravity models (Foot and Milne, 1984; Yap 1977) and Lipton's (1979) urban bias thesis (Killick, 1978; Kasanga, 1984 and 1988, Kasanga and Avis, 1988; Kasarda and Parnell, 1993; p. xi). Also this rate of growth is not expected to change in the near future despite attempts to remove urban bias through structural adjustment of many of the economies. Becker et al, (1994) provide a full discussion of why this will be the case.

The second problem is the presence of acute inequality of incomes, welfare and urban neighbourhood amenities in cities. Isolated pockets of low density, well-planned and officially documented, affluent residences with subsidised amenities exist in cities where vast parts are occupied by neighbourhoods of unplanned, unrecorded, unorganised substandard housing, lacking any form of amenities and infrastructure (Larbi, 1994, Wekwete, 1994; Stren, 1992, van Westen, 1990; Durand-Lasserve, 1990 & 1994; Stren and White, 1989). Many aspects of housing, most importantly land for housing in this sector, is organised outside of and in spite of government bureaucracy (Larbi, 1994, Durand-Lasserve, 1990 & 1994). High urban housing and neighbourhood standards that are impossible for a majority of the urban population to achieve (Dowall, 1992; p. 16) has led to what has been described variously as 'squatter settlements' or 'spontaneous housing' (Gugler and Flanagan, 1978; p. 45). For example, as many as 30 percent of the population of Dakar and about 50 percent of that of Abidjan are estimated to live in such unauthorised buildings (World Bank, 1972; p. 82). Consequently no formal evidence exists of titles to land and the nature of land relationships between landowners and purchasers as well as landlords and tenants. These 'squatter' or 'spontaneous' housing have been seen as a problem by city authorities (Gugler and Flanagan, 1978; p. 45) who have attempted, unsuccessfully to date, to find a solution (Stren, 1990). For a fuller view on spontaneous housing in the various countries in SSA see Marris (1961), McAuslan (1985; p. 20), Aina (1990; pp. 88-93), Campbell (1990), Durand-Lasserve (1990), Okoye (1990), Konadu-Agyeman (1991) O’connor (1991), Brennan (1993, p. 89).
The problems above are further compounded by the extent of poverty and the awareness of the grim fact that solutions may have to be found within present income level constraints since improvements in incomes and welfare are not to be realised for some time to come (O'Connor, 1991; p. 5; see also Stren 1992; p. 535; Riddell, 1997; p. 1304; Binns, 1993; George, 1988, 1992; Hutchful, 1995, Ravenhill, 1993). From the perspective of the spatial dimension, these problems have their root cause in the nature of accessibility to land for urban housing. Hence the importance of an effective mechanism for land allocation to meet the growing needs of the rapid urban population. A review of the literature on this is the focus of the following section.

2.2. The Urban Land Allocation Question
An important and essential factor in the provision of housing is land. In urban SSA the conventional argument is that uncertain and fluid titles to land (Firmin-Sellers, 1997) is one reason why housing investment has been so inadequate (O'Connor, 1983; Becker et al., 1994). Land markets are not developed. Where they exist they tend to be disorganised, with conflicting, often unrecorded ownership claims and unclear boundaries (Becker et al., 1994; p. 44). This state of affairs is easily attributed to the prevalence of customary land tenurial systems. But the literature is not wholly convincing on whether or not observed housing and urban land allocation problems result from the customary tenurial systems. Conclusions to this effect are made without any direct inquiry into the debate. Bower (1993; p. 23) may be right in observing that "doctrine and opinion appear to have become embodied in the literature almost as facts". What then has been written about urban land tenure in SSA?

2.2.1. Urban Land Tenure
As an economic good ownership of land is conceived as ownership of a bundle of rights associated with the use of land. Indeed such conceptualisation has been advocated by Coase (1960) for the economic analysis of all goods (see Chapter 4 for a full discussion). The legal and institutional parameters within which bundles of land rights evolve, are exercised, exchanged, and passed on to future generations are contained within the land tenurial system. Land tenure is, Payne (1997) notes,

"the mode by which land is held or owned, or the set of relationships among people concerning the use of land and its products" (Payne 1997; p. 3).
Particular bundles of rights capable of ownership may differ from society to society, reflecting various geographical, economic, demographic, religious and historical factors. Consequently, tenurial systems are bound to vary over time to reflect changes in these factors. In this process of evolution trade-offs are made. All systems of land tenure thus involve trade-offs and none is either ideal or likely to be universally most advantageous (Doebele, 1983; p. 106).

A feature of urbanisation in SSA is that cities grow mainly by incremental accretion of existing rural settlements (Larbi, 1996; p. 198; Balbo, 1993). When this occurs the tenurial system of the hitherto rural society becomes embedded in that of the now urban system: hence the concept of urban customary land tenure system. The United Nation's definition of customary land tenurial systems is said to be as follows:

"rights to use or to dispose of use-rights over land which rest neither on the exercise of brute force nor on the evidence of rights guaranteed by government statute but on the fact that those rights are recognised as legitimate by the community the rules governing the acquisition and transmission of these rights being usually explicit and generally known though not normally recorded in writing" (United Nations, 1986; p. 165; cited in Acquaye and Associates, 1989; p. 3; see also Payne, 1997; p. 3).

In its pure form, the urban customary tenure system is, in effect, the rural tenure system immediately preceding urbanisation. It is imperative therefore that a review of urban land tenure begins with an examination of the rural ones.

However approached, the best part of the literature on land tenure in SSA concentrates on rural tenurial systems. Studies have pursed the debate whether indigenous African tenurial systems are a constraint to agricultural development. The contention that static traditional tenurial systems are a constraint to agricultural development (Dorner, 1972, World Bank 1974, Harrison 1987) has been contested (Cohen 1980; Noronha, 1985; Boserup, 1981; Bruce, 1988) on the basis that indigenous tenurial arrangements are dynamic in nature and evolve in response to changes in factor prices. More recently empirical studies covering Ghana, Kenya and Rwanda, confirm that African land tenure systems spontaneously evolve in response to increases in commercialisation (Migot-Adholla et al, 1991). Of particular relevance to the debate, Migot-Adholla et al, (1994; p.107), found no effect in Ghana
of type of tenure on land improvement. They suggest that this is because those without [formal]¹ title already in fact enjoy the same security as those with title.

The contention that African tenurial systems are a constraint to investment in land derives from various notions of the African's relationship and concepts of land ownership. Familiar ones include:

(a) The notion that private or individual interest in land is a concept alien to the African. Thus Chief Justice Maxwell ruling on a Kenyan land case, in 1919, was to avow with "absolute certainty" that "the theory of individual ownership of land is absolutely foreign to the mind of any African until he has begun to absorb the ideas of an alien civilisation" (Kenya Land Commission, 1934: p. 32 quoted in Berry, 1992; p. 342).

(b) The notion that the African idea of ownership of interests in land is something that transcends the physical realm into the spiritual, for land belongs to a vast family of whom many are dead, few are living and countless lots are still unborn (Ollenu, 1961: see also Payne, 1997; p. 3; Acquaye and Asiama, 1986; p. 129). Lands cannot therefore be sold by the living since they are only joint owners with others who are dead or yet unborn!

(c) The notion that since rights to the use of land derived from membership in the political community and, traditionally no cash payment was made (Payne, 1997:p. 4), land had no value in the economic sense to households or individual members of a community.

(d) The notion that there is no security of title since rights are not formally recorded (Becker, et al, 1994; Firmin-Sellers, 1997).

Much as indications of many aspects of these and similar notions have been found in SSA, it would appear that too much have been read into them than the contemporary evidence would support.

It is rather difficult to characterise the nature of the customary systems that cover the whole sub-region. As Migot-Adholla et al, (1991) have found, many varieties exist within and between the various countries reflecting a variety of ecological conditions, cultural systems, and political structures. However there is a degree of similarity in land tenure across comparable agro-climatic zones (Ensminger, 1997; p. 168; see also Migot-Adholla and Bruce, 1994, p. 5; Shipton, 1994). Ensminger's (1997) attempt of a characterisation is as follows:

¹ My addition
“The major types of land tenure in Africa can be crudely lumped into common property (managed either by all members of the ethnic group or some recognised large subset), lineage controlled, and chief-controlled. Typically one finds common property where land is used by hunters and gatherers or pastoralists. Such areas are generally arid and have low population density, representing more restrictive control costly due to the high transaction costs” (Ensminger, 1997; p. 169).

Of course this is a very simplified and broad view of land tenure in SSA and cannot articulate the subtleties of exclusive private use rights that have been observed within community ownership. However, the emphasis of transaction costs as an important factor brings this view closer to the realities and embraces the dynamics of tenurial systems in Africa. In rural SSA, rights to a particular area of land may have multiple claims upon them, both group and individual, and can include rights to water, fuel, grazing, and cultivation plots, which in turn may vary according to season, species, or intended usage (Campbell, 1993; Fortmann and Bruce, 1988; Peters, 1994; Neumann, 1997; de Zeeuw, 1997). These more positive views of African tenurial systems are rather recent. Misconceptions of static traditional notions of communal land rights -- the absence of the concept of private interests in land, and absence of land sales for instance -- have been imputed to African land tenure perhaps rather unjustifiably. In the words of Berry (1997) such misconceptions:

“.........are encouraged by scholarship which refuses to acknowledge the processes of negotiation and contest that help to constitute African political and economic realities, and clings to the colonial administrator's conviction that ambiguity and indeterminacy are obstacles to progress” (Berry, 1997; p. 1237).

The consensus in the emerging contemporary literature appear to be that land has value within the African customary establishment. Far from being conservatively timeless and unable to change, indigenous systems were dynamic and responded in quite predictable ways to the forces of demographic and economic change (Ensminger, 1997; p 170). Feder and Noronha (1987; p. 154) report of the existence of a private land market in Ghana prior to colonial rule, and in Nigeria in 1861. Similar evidence have been found in Kenya (Leakey, 1977; Muriuki, 1974. p. 70;

“There is no doubt that, even before the arrival of the European, private appropriation and sales of land parcels could occur in areas where population was heavily concentrated, and where land was scarce and subject to intensive farming practices. However, during the expansion period, when large areas of cultivable lands became available again, less clear-cut and more unstable land relations re-emerged. Those fluctuations were more the effect of pragmatic adjustments to evolving environmental conditions than manifestations of profound changes in the people’s cultural patterns” (Raynaut, 1976).

As will be explicated later in Chapter 4, such evidence is perfectly consistent with predictions of property rights theory and in line with similar findings among the Indians in North America.

At the centre of the debate of inefficiencies inherent in SSA tenurial systems is the argument that a lack of formal documented titles imply title insecurity which is a deterrence to investment in land (Cleaver and Schreiber, 1994; Wells and Brandon, 1992; see also Becker, et al, 1994; p. 44). The test of the efficacy of this assertion has been conducted in Kenya where a comprehensive nation-wide title registration system has been embarked upon since the 1950s, based on 1925 English land law (Okoth-Ogendo, 1986, p. 79). Ensminger (1997; p. 178-179) summarises findings of the effects of this exercise in Kenya and elsewhere in SSA. No relationship between title and investment in land has been found in Kenya as well as in seven other SSA countries – Burkina Faso, Ghana, Rwanda, Senegal, Somalia, and Uganda (Bruce and Migot-Adholla, 1994; see also Dewees, 1995 for land titling effect on rights to trees for households with relatively weak cultivation rights within communities). In Somalia titling had no statistically significant effects on investments in agriculture (Roth et al 1994, p. 224) nor the use of agricultural imputes (Bruce et al., 1994 p. 255). Pace and Hazell, (1993, pp. 16-18) analyses the Ghanaian, Kenyan, and Rwandan data sets and find that land rights were not significantly related to whether farmers made land-improving investments or used yield-enhancing inputs. Basset (1993) argues that a World Bank project to construct a map of rural land holdings in northern Cote d’Ivoire distorted realities of local land tenure the result of which was to make tenure rights less secure. In Tanzania where village land titling has been underway since the late 1980s, land conflicts are reported to be increasing rather
than decreasing (Coldham, 1995; van Donge, 1993). Berry (1997; p. 1237) provides an extended account of these and similar evidence. See also Platteau (1992; p. 123).

These findings are particularly relevant in the urban context since formal title registration has been advocated as essential for improved security that will engender higher housing investments. Housing standards are presently low, it is contended, partly because informal access to land does not convey high enough security of tenure to induce households into making the required investments in their houses (Brennan, 1993; pp. 78-80; World Bank, 1989a; Jimenez, 1983). Rather surprisingly there are, as yet, no systematic studies investigating these contentions. If anything the evidence suggests the obverse scenario. The use of cement blocks and the construction of housing with permanent materials (relatively higher investments) have been found to be used as “the most effective means of securing the right to one’s land, and the major tool in the appropriation of urban land” (Canel, et al 1990, pp. 162-163). That is to say the causality appears to be from level of investment to security of title, not the other way round. Nonetheless this very assumption forms the pivot of land administration with its emphasis on title registration and regularisation of irregular informal urban plots. As Doebele (1994; p. 52) has challenged, the assumption that markets that are ‘formal’ or ‘regularized’ are more efficient and productive is not yet proven.

It is indeed surprising that there is an absence of studies attempting inquiries into the customary tenurial systems’ effects on the efficiency of urban land allocation given the central place such inquiry takes in the rural tenurial system studies. Studies such as Asiama (1980) completely avoid the efficiency and underlying equity debate and yet recommend government actions that have the potential of reorganising (for better or worse) the entire urban tenurial system. O’Connor (1983) blames the prevalence of customary land law in Accra, Ghana, for impeding the expansion of the central business district and for discouraging construction investments across the city (see also Becker et al, 1994). However, how exactly this is achieved is not entirely clear. Some recent studies in the city appear to be suggesting the opposite: customary systems in the city appear dynamic and responsive to urban land demand (Larbi, 1994; Antwi, 1995; Kassanga et al, 1996; p. 67).
As already mentioned, it is very difficult to characterise precisely customary land tenure systems in the entire sub-region. This difficulty becomes magnified at the urban level. Despite this Baross (1983), Gilbert and Ward (1985), Mabogunje (1990b), Payne (1997; pp. 6-10) have attempted some classification. In general whatever classification one adopts, procedures, laws and norms, shaping SSA urbanites’s relationship with land – the urban land tenure systems -- can be broadly grouped into two: those originating from the state on the one hand; and those originating from the indigenous societies. A dual tenurial system is the literature’s description of urban land tenure in SSA: formal tenurial systems with the governmental bureaucracy at its epicentre operates along side customary tenurial systems (Plateau, 1992; Larbi, 1994; Payne, 1997; van Westen, 1990). The contentious aspect of this state of affairs is the relationship between the customary tenurial systems and the government guaranteed formal systems. What constitutes the contemporary urban customary system depends on (1) what is imputed to it and the extent to which they are recognised by formal laws and (2) the degree, extent and vigour with which land relationship of the urban population is organised through it with or without the acquiescence of the formal system. Recent studies are finding that some attributes of the contemporary customary law fully recognised by formal law are indeed widespread abuse of interpretation that suited well-placed and articulate interest groups (see Firmin-Sellers, 1996 on the Ga and Akyem Abuakwa of Ghana; see also, Berry, 1997 p. 1228; Ensminger, 1997; Hobsbawm and Ranger, 1983).

It would appear that assumptions of inefficiency of indigenous traditional systems similar to those made in the rural agrarian context shaped and continue to shape formal urban land policy and state willingness or otherwise to accept customary systems. Planning policies, land title legislation and entire land administration bureaucracies have been established without any consultation or reference to the customary systems (Mattingly 1993; Larbi, 1996). The political-economy of post-independence state control of economic activities – housing and infrastructure provision especially -- augmented this approach. State monopoly of interests in and/or management of urban land is the dominant policy of land administration (Kasanga et al, 1996; Durand-Lasserve, 1994; p. 58). But for the resilience of customary tenurial systems and/or the sheer impracticality of formal laws, there would practically exist no urban customary land tenure in SSA.
In most of the French former colonies, all interests in land are supposed to be held by the state and individual private rights are granted upon application. Yet much of urban land transactions take place and are organised through informal customary systems. These transactions are therefore technically illegal (Attahi, 1994; Durand-Lasserve, 1994; van Western, 1990; Platteau, 1992). In many of the former British colonies (Nigeria being a notable exception where full control of all interests in urban land is vested in the government under the Land Use Decree) customary tenure systems are allowed even though they are substantially constrained through elaborate formal approval impositions (Larbi, 1994; 1995; Kasanga et al, 1996). But here again it is the customary system that dominates land transactions (Larbi, 1994, 1996: Becker et al, 1994) ignoring or flouting the state impositions. Illegality results not so much because the transactions themselves are illegal but because certain state stipulations are not complied with. It is this uncomfortable co-existence of customary and formal tenure systems which is at the centre of title (in)security commonly asserted (Firmin-Sellers 1996, Becker et al, 1994).

That there is an uncomfortable co-existence of tenurial systems in SSA is born out by the evidence. In almost all cases, despite the formal tenurial system’s attempts to eliminate or supplant informal, unrecorded (customary) transactions, the latter dominate. Becker, et al, (1994; p. 44) provide a handy summary of this evidence. In Kinshasa, Zaire, only 10 percent of the parcels are officially registered, while the rest have been acquired informally. In Cameroon new titles issued each year represent less than 10 percent of the demand. In Kampala, Uganda, about 20 per cent of transactions are officially recorded and fully documented while about 80 per cent take the form of verbal agreements, all technically illegal. In Dakar, Senegal, despite the state vesting all interests in urban land in itself, the land tenure status of about 60 per cent of urban dwellings is unclear. In Accra, as much as 87 percent of land are customary land (Larbi, 1996; p. 213) many transactions of which are not registered despite the existence of a compulsory land title registration law. Less than 20 per cent of plots affecting transfers of only 2 percent of stock annually in Conakry are registered (Durand-Lasserve, 1994; p. 61). It is in this context of land tenure problems that urban land markets operate in SSA.

2.2. Urban Land Markets.
To the economist, a market is any mechanism that allows the allocation of goods among competing claims through balancing demand against supply. The interplay of the forces of demand and supply determines the price of the good. Whoever can
afford and is prepared to pay the resultant price gets the good. For a market to work efficiently there should be, among other things, free flow of information about transactions. A land market is therefore one in which access to parcels of land (or, more appropriately, interests in land) is organised impersonally through a mechanism that balances demand for against supply of those rights and accord ownership to those participants that can afford and are prepared to pay the relevant price. Chapter 5 provides a fuller discussion of markets and circumstances when they fail.

In urban SSA, any discussion of land markets is fraught with difficulty. Government intervention in the allocation of urban space is so much entrenched as to present a paradox of a complete absence of land markets (see Payne, 1997; Mabogunje, 1990b). For reasons that are mainly practical economics, such government imposition is open to challenge (Gilbert, 1990; p. 25). In fact land transactions in direct contravention of government regulations are the norm in SSA (Durand-Lasserve, 1990 and 1994; Larbi, 1996; Kasanga, et al, 1996; van Western, 1990; Gugler and Flanagan, 1978; Kaitilla, 1987; Gilbert, 1990). These contentious dimensions of the resultant urban land allocative mechanism serve to transform the appearance of the market so much so that one may be led to doubt the very existence of any allocative mechanism(s). Indeed if a land market is conceived as an efficient mechanism that allocates land among the competing claims with complete transparency without any tensions then the simple conclusion would be that there are practically no land markets in most cities of SSA. Many a researcher have made such a conclusion. In Ghana, for example, the World Bank observes that “there is no effective market for land” (see Becker et al, 1994).

However evidence of active land markets are reported throughout the cities of SSA. In the cities of Accra (Asiama, 1980; Asabere, 1981; Larbi, 1994, 1996; Kasanga et al 1996), Conakry, Bamako, Brazzaville, Nouakchott, Tilabery, Ouagadougou, (Durand-Lasserve, 1994), Lagos (Agbola, 1987; Okoye, 1993; Aina, 1990), Dar es Salam (Kaitilla, 1987), studies indicate an active urban land market irrespective of the particular legislative regime. Much of the land for housing outside the meagre government sponsored housing schemes is obtained through unrecorded voluntary transactions. The conclusion which clearly emerges from these studies is that a different picture from that depicted in Latin America and elsewhere in LDC cities where land for spontaneous housing is obtained through organised land invasions.
(de Soto, 1989), prevail in SSA (see O’Connor, 1991; van Westen, 1990; Konadu-Agyemang, 1991). Nor is access to land based chiefly on traditional customary ties as some have been made to believe (Soares and Stussi, 1990; p. 243). The so-called spontaneous housing in urban SSA takes place on lands which are obtained through negotiation with the active consent and involvement of legitimately recognised parties within recognised traditional institutional set-ups. Writing about the situation in Bamako, Mali, van Westen, (1990) encapsulates the state of land markets in SSA in the following words:

“By definition all tenure practices in Bamako’s spontaneous settlements are illegal. This does not mean, that land rights are not observed in this area. Actually, customary ideas about tenure are usually scrupulously complied with. In principle, all aspirant house owners in the spontaneous settlements will proceed according to customary rules. Before construction starts, permission for use of the plot is ensured with the customary master of the land, that is, either the chief of the (former) village where the land traditionally belongs or the head of the family that exerts traditional use-rights to the land.” (van Westen, 1990; p. 97)

Similar observations of rational economic behaviour within traditional institutional parameters are reported across the region. See for example Larbi (1994 and 1996), Kasanga et al (1996), Durand-Lasserve (1990, and 1994), van Westen, (1990). As in other LDC cities (e.g. Bombay or Calcutta) a clear trend of land markets with land prices responding to high rates of urban growth is taking root irrespective of whatever the formal rules are (Payne, 1997; p.7).

Further evidence show that prices of parcels are determined by the interaction of demand and supply of the particular rights being conveyed (see Larbi, 1994; Durand-Lasserve, 1994; van Western, 1990; Payne, 1997). Assertions that prices in customary land transactions are based on non-economic factors (Asiama, 1984 & 1990; p. 243) are rather difficult to justify and fly in the face of the evidence. What appears to be true about this market is that government agencies have no record on them. Consequently government activities are organised as if these markets do not exist. Studies relying on government land agencies would, naturally, conclude that there is an absence of land markets.
But these markets operate rather inefficiently. Becker et al (1994) indicate observed inefficiencies of the market as follows:

“Property transfers are fraught with long-term risks. Transactions are time-consuming and may involve payments to several purported owners. ... ...The lack of clear ownership of urban land has created a number of problems........ It has prevented development of any effective system of mortgages, inhibited land sales and building construction, discouraged improvement and maintenance of existing structures, and undermined the establishment of effective real estate taxation” (Becker et al, 1994; p. 34).

What causes these markets to operate in such inefficient ways is a question that has not been adequately answered so far. It has however been used as justification for the governments to intervene even further. Despite the often laudable, if sometimes rather pious (Amitabh, 1997; p. 13), objectives of government involvement in land matters in SSA (Payne, 1997), such involvement should be taken for what they are -- the creation of state monopolies -- and analysed accordingly.

2. 2. 3. The Role of Governments in Land Market Operations
There are sound theoretical reasons why governments may intervene in urban land markets. The need for intervention may include: to provide public amenities, such as open spaces, which are unlikely to be privately provided. Another is to increase efficiency: for example, by guiding development and redevelopment of land to more desirable purposes, limiting urban sprawl and unnecessary encroachment on agricultural land, and achieving economies of scale and least-cost production of public services (Courtnery, 1983; Whitehead, 1983; Rivkin, 1983). Some argue for government intervention on equity grounds: the poor can only have easy access to urban land if the government intervenes to limit price escalation (Asiama, 1980). Others find it tempting to suggest that the urban land market in African cities is approaching an ‘urban nexus’ which can only be solved by state intervention (Amis, 1990 p. 26; see also Scott, 1980 and Lojkine, 1976). The evidence in SSA of government intervention, however, appears to be suggesting anything but the achievement of these goals (see for example, Kasanga et al, 1996; Payne, 1997; Mattingly, 1993; Larbi, 1994 & 1995). Moreover government intervention has its own
costs. Evidence of corruption, bureaucratic inertia, high cost operations\textsuperscript{2} and general allocative inefficiencies have been found to characterise government intervention in the land market in SSA (van Western, 1990; Mattingly 1993; Kasanga et al, 1996; Wekwete, 1994). These are costs to society. Other costs, perhaps the most important ones, are in the nature of costs private agents (land owners and purchasers) are compelled to incur in order to comply with or protect their land rights against interventions. Private land owners' costly attempts to prevent compulsory acquisition of their lands is a case in point here. Such costs may be large and have to be set against any benefits before a call for government intervention is made (Chapter 5 provides a full discussion) A systematic framework for predicting, \textit{ex ante}, the costs and benefits of government intervention vis à vis customary land market operations needs to be established. Such frameworks can be designed when fuller insights of the forces behind economic decisions of agents in the customary land markets are well understood. Studies offering such insights are notably absent in the literature. In Accra, studies have concentrated on issues of specific government land administration.

\textbf{2. 3. The Case of Accra}

Accra in every respect is a classic case of an SSA city struggling to function under rapid growth of its population and spatial boundaries. Housing or entire neighbourhoods without governmental sanction (spontaneous, slum, squatter housing, as the conventional literature is wont to call them) is the order in Accra. Much of the growth is by gradual accretion of existing peripheral villages (see Larbi, 1996) with practically no records of their entire economies or spatial dimensions. Through a plethora of laws, decrees, ministerial policies, the Ghana government have attempted to gain control of urban land and housing markets (for a concise discussion on this see, Larbi, 1994). Customary institutions of land holding therefore sit uncomfortably with formal land policies based on the English land administration bureaucracy. State land agencies are at a continuos struggle with traditional institutions to control the land market (Larbi, 1994, 1995, 1996; Kasanga et al, 1996) with the traditional institutions by far winning this struggle. Land and housing markets, predictably, have mutated in response to these struggles and operate in somewhat unconventional ways. So much so that it has been concluded by the World Bank that there is practically no land market in the city (see Becker, \textit{et al}

\textsuperscript{2} It is reported, for example, that in Malawi cadastral survey costs alone could be as much as five times the value of the plot! (Mattingly, 1993; p. 111).
A brief discussion of policies that have led to this state of affairs in Accra is appropriate at this stage.

2. 3. 1. **The Context of Land Market Intervention in Accra.**

In Accra, as in Ghana in general, legislation empowering Central and Local Governments to intervene, regulate and/or manage traditional land markets dates back to colonial times. Various pieces of legislation existed before 1957 (the year of independence from Britain) that allowed, for example, the compulsory acquisition of native land by Central Government (Public Lands Ordnance 1876; Public Lands (Leasehold) Ordnance 1950). There were others such as Local Government Ordnance 1952 and Housing Scheme (acquisition of land) Ordnance, 1945 empowering agencies of government to interfere with the use and ownership of native land resources. Legislation expressing the need for transactions concerning land to be in writing had also been established in the form of Land Registry Ordnance, 1895 and the Concessions Ordnance, 1900. However, the use of these instruments had been approached with extreme caution (Colonial Reports, 1927-28; p. 38: Meek, 1946; p 172: see also Larbi, 1994). Serious incursions in private land matters by Central Government in Ghana really took effect after independence in 1957 (Larbi, 1994; Chapter 4). The details of the legislation empowering interventions are summarised in Larbi (1995).

As a result the government of Ghana currently possesses powers which it has used extensively in Accra to intervene in the market. Various pieces of legislation ensure that, in addition to lands which the government claims absolute ownership of through the use of compulsory acquisition legislation, practically all transactions in land in the city are subject to some form of government intervention. There is legislation for the management of urban land which covers almost every aspect of transactions in interest in land. Laws have been enacted to effect the State and its related institutions' control over the creation of proprietary rights in land without taking land; for example, the management of stool land under the Administration of Lands Act 1962 (Act 123); the prohibition of freehold grants of stool lands under Article 190(4) of the Third Republic Constitution, 1979 and Article 267(5) of the Fourth Republic Constitution, 1992. Other laws allow control over the creation of proprietary rights by taking land; as for example, the compulsory acquisition of land and the payment of compensation under the State Lands Act, 1962 (Act 125); compulsory acquisition of land by local authorities especially under Local Government Law, 1988 (PNDCL 207) and more recently the Local Government Act, 1993 (Act 462). There are yet other
laws and policies that allow control of development of land, such as the requirement for planning permission and building permits before undertaking any construction of structures on land; and policies that affect returns from ownership of interests in land.

Elaborate laws provide the framework for recording transactions in land. From the need for transactions affecting land to be in writing, (Conveyancing Decree, 1973 (NRCD 175)) to the framework for recording transactions affecting land under the Land Registry Act, 1962 (Act 122) and the Land Title Registration Law, 1986, (PNDCL 152). Indeed using powers under PNDCL 152, Accra has been classified as an area where registration of interests in land is compulsory. To effect the market intervention allowed under the pieces of legislation, various agencies have been established. The relevant agencies, as far as objectives of this study are concerned, include:

- The Lands Commission and its Secretariat;
- The Land Valuation Board;
- Office of the Administrator of Stool Lands;
- The Various Planning Authorities;
- Authorities for Issuing Building Permits;
- Deeds Registry and;
- Land Title Registry.

Aspects of intervention introduced by the operation of these agencies and their market impacts are analysed at appropriate stages of the thesis.

2.3.2 Land Market Research in Accra

Research of spatial aspects of urbanisation in Accra is a perfect fit of the description that urban research concentrates on specific issues and lacks broader economic studies of structures and forces behind the evidence. Of a longer history are studies detailing the legal dimensions of customary land tenure in the city through formal case law. Ollenu's (1961) work is the main authority of customary land tenure systems in Accra. Similar studies cover the subject; some relating it to particular regions or tribal areas of the country (Sarbah, 1904; Danquah, 1928; Busia, 1958; Bentsi-Enchill, 1964; Kludze, 1973; Asante, 1975). They dwell mainly on legal aspects and do not incorporate economic dimensions. Being of legal complexion, aspects of the tenurial system are discussed as set in stone. These (Ollenu, 1961
and the other studies) do not pretend to have any economic allocative mechanism in mind.

A few studies of relatively recent origin have attempted to throw some lights on some aspects of land markets and urban land administration in the city. Here Asabere's work is significant. In Asabere (1981) an empirical investigation into the determinants of land prices in the city was conducted though the data employed restricts the study to the documented sector of the market. As has been discussed earlier the extent of undocumented, informal land markets and the different dynamics of these markets limits the usefulness of any insights gained in such studies. In any case this study does not attempt to explain the fundamental forces belying tenurial conflicts. However, some of the findings serve as pointers to the direction deeper enquiries should take, as for example, the finding that a land market exists in the city, if rather imperfect, and stool lands sell at a discount to government lands (Asabere, 1981; p. 395). Asabere et al, (1982) is focused on the intensity of residential land use in Accra and attempts to estimate the elasticity of substitution between non-land and land imputes. By their nature, such studies take land prices as given and concern themselves with the optimum combination of land and other imputes given available technology. Issues of political economy of urban land management and administration are completely ignored.

Other studies concentrate on specific aspects of the problem: Brobby (1991) on the issue of compensation payments when customary lands are acquired by government; Aquaye and Associates (1989) investigate some institutional and legal problems associated with land delivery in Accra and, among other things, point out some problems to do with the customary land holding systems and government land bureaucracies in the city, particularly in relation to their implementation of land legislation. Antwi (1995) examines economic implications of land policy implementation and views much of urban land problems as originating from the way policy is practically implemented; while Kufogbe (1996) reviews the changing patterns of land use in peripheral Accra. Kasanga et al (1996) have examined the interplay of government agencies and customary tenurial systems and shown some contradictions in the approach of government intervention in the land market. Some of their findings attest to the existence of dynamic customary land markets. They identify state monopolisation of interests in land as a major contradiction and recommend the liberalisation of the land market; a review of existing state

Asiama (1980) has analysed the direction of social change in a traditional society of Labadi, an Accra suburb, and found that urbanisation has significantly altered traditional social relations and the land tenure system. Hence a reform of the land tenure system would not cause social upheavals. The economic aspects of such a conclusion, the study agrees, will have to be thoroughly researched (Asiama, 1980; p. 264). Larbi’s (1994, 1995, 1996) studies concentrate on evaluating effect of formal land policies on the land delivery mechanism and present exhaustive evidence (especially Larbi, 1994) that show the dynamism of the customary tenurial systems in the city. Between them these studies reflect a damning indictment of the failure of land administration in general and spatial planning in particular (see for example, Larbi, 1996 p. 213). They touch on some issues of political-economy and specific matters of allocative inefficiencies of state involvement in the land delivery system. But they do not provide a general framework for analysing the urban land allocative mechanism. Concentration on formal land administration policies leave unanswered the question as to whether or not urban land allocation between competing claims in the city is the most efficient attainable. Also unanswered is the question of the extent to which land allocation mechanism in the city is driven by and informs the economic decision process of agents be they formal or informal.

2. 4.  A Critique
There is a general dearth of studies attempting to explain structures and forces behind the apparent evidence of land tenurial confusion and the resulting state of urban land and housing markets. That urban land and housing markets operate unconventionally in SSA and may be exacting costs to households and firms may be beyond dispute. However, much of the existing work has tended to be predicated on assumptions about the customary tenurial systems which are still not proven. The assumption that unrecorded property rights conveyed through customary institutions are insecure (Becker et al, 1994, O’connor, 1983; Firmin-Sellers, 1996) is yet to be proven. The same goes for the assumption that such rights are uncertain. The evidence from rural SSA, at least, suggests that such assumptions need to be proved before policies based on them are implemented.

Tenure security and certainty of titles, for example, have been equated to government sponsored land titling or cadastral systems. From an analytical
perspective there is no automatic reasons why this should be the case. Certainty of title to land relates to the clarity, to transacting agents, of the nature and extent of bundle of rights conveyed. Security of title imply the degree of confidence such agents place on the enforceability of those rights against all those they are purported to be enforced against for the agreed duration. These conditions can prevail whether or not the bundles of rights genuinely conveyed are recorded. What is important is the credibility and legitimacy, in the conception of the actors, of the institutions conferring those rights. This legitimacy relates to the institutions' ability to help defend property rights conveyed, as it is to their power to exact costs on actors purporting to derive their rights from other sources. It is perfectly possible for recorded bundles of rights in land to be insecure in much the same way as unrecorded rights would be if actors do not view the institutions conferring those rights as legitimate and credible. Legitimacy of the institutions from whom such titles emanate is thus very important. Whether any tenurial system would convey certain and secure titles is therefore more of an empirical matter.

Governments, with their advantage of monopoly over the use of coercion, might be the most appropriate institution to guarantee security and certainty of title in land. But this is not to assume it will, in fact, be so in all cases. The state may be too weak and/or too remote to influence local relations with land even if it wants to (Bardhan 1989; p. 14). In the circumstances as persist in urban areas of SSA with dual tenurial systems, governments become competitors with informal tenurial institutions for the provision of clear and secure titles. Which institution wins depends on how sensitive they are to agents' requirements, expectations and aspirations. If, in fact, unrecorded customary rights are certain and secure, government sponsored title documentation and registration are but only a statistical exercise no different from population censuses. To the extent that population censuses only count but not create number of persons, title documentation under these circumstances does not create property rights in land. Any artificial ascription of security and certainty of tenure for the sake of title registration is likely to produce unpredictable outcomes depending largely on the degree of security and certainty that, in fact, exist in unrecorded forms and the extent to which the documentation exercise reflects them. Implications for who pays and how much to charge for the exercise may require a rethink of many on-going land titling projects in SSA. So does any attempts of nationalisation of interests in land. A great deal of harm may have been done by ignoring the credibility and legitimacy – and the cost implications emanating from
them -- that traditional institutions command among the players in the market. Their perceived ability to help enforce property rights and impose costs on transactions -- in an environment where poverty is so pervasive that marginal increases in transaction costs may prevent transactions from taking place -- will determine which property rights are considered secure. Agbola (1987), for example, details how local customary land owners have to be contacted and paid the relevant market price for land allocated by government (military) officials before one can occupy land in urban Nigeria even though the Land Use Decree renders any interests held by such customary institutions null and void. De Zeeuw (1997) investigating the relationship between security of tenure and sustainable land use in Burkina Faso has commented:

"...it can be concluded that land tenure issues are part of wider social and political relationships and that the concept of 'security of tenure' as used in discourses on sustainable land use may be perceived differently by local procedures. If land tenure issues are considered in isolation of the wider social-political context and if the specific nature of security of tenure is neglected, even those legal interventions which obviously aim to increase security of tenure and to create favourable conditions for sustainable land use may have the opposite effects" (De Zeeuw, 1997; p. 594).

As some of the studies have rightly observed (Kasanga et al, 1996; Durand-Lasserve, 1994), government intervention in the urban land allocative system lead to the creation of state monopolies in certain (or all) bundles of land rights. The analytical framework for predicting the outcome of such monopolies is well established in economics. An application of these insights to urban land title registration, planning, nationalisation and other government activities affecting the land market is needed. Such an analysis is absent in the literature. Evidence of positive and negative outcomes of government intervention are advanced in the literature but none provide systematic analysis of the issue in the framework suggested.

There is, as yet, no study that views these problems as part of a broader economic allocative problem. Technical work has sometimes avoided economics though the economics would be appropriate (Stren, 1994; Pugh, 1997; p. 1561). To be sure, explanations of aspects of the problem from an economic perspective have been offered by some earlier studies. Simpson (1976), for example, challenged the view
that customary law prohibited the sale of land in the face of empirical evidence to the contrary and explained what might be the true position in a typical evolution of property rights paradigm. Acquaye and Associates (1989) disagree with such an explanation and go as far as to suggest the inappropriateness of analysing the problem in an economic framework. To this effect they wrote:

"It would be more safe to leave Adam Smith and the early Britons out of this completely alien and different social context" (Acquaye and Associates, 1989; p. 5).

Can one really leave Adam Smith out of something which is basically an allocative problem? Spatial problems of urbanisation in SSA result from fundamental issues of rapid growth in demand for urban land in the context of acute poverty and suppliers bounded by traditional customary institutions. Like any good, income levels of urban population is the primary factor that determines the level of housing, infrastructure and services that are affordable to various sections of the population. An unfettered market, within the parameters of existing institutions, would allocate land rights and other resources to achieve an equilibrium where households and firms meet their accommodation requirements according to their ability to pay. Granted, governments everywhere intervene in housing markets to prevent what they perceive as unwanted aspects of the market mechanism. Minimum standards for housing and neighbourhood amenities are set to prevent levels of housing and city neighbourhoods which are deemed unacceptable. For those who genuinely cannot achieve these standards, subsidies are sometimes provided. The issue of subsidised housing -- housing the poor, or social housing -- is thus a universal concept. However in western industrialised countries, where subsidisation of some housing has been achieved, standards of housing and amenities are generally allowed to be driven by income levels of the majority of the population. Subsidisation of housing and associated services is restricted to a relatively small section of the population for whom what may be affordable through the market mechanism is generally considered inadequate and, probably, inhumane. A trade-off is being achieved between some level of efficiency and equity.

In SSA, housing the 'urban poor' is a different issue altogether. Poverty is so entrenched that in relation to existing minimum standards of housing and state policies on land transactions, even the notion of urban poor is meaningless. It is far more meaningful to speak of the very small groups who are not poor, and the even
tinier minority who can be considered rich (O’Connor 1991; p. 166; Riddell, 1997; p. 1304). To recommend subsidisation of urban land and housing for ‘the poor’ imply recommending the subsidisation of practically the entire market. In poor agrarian economies such as those in SSA the evidence reveal the futility of such attempts (see for example, Mayo and Gross, 1985). In so far as actual subsidies affordable fall short of what is structurally required, allocation has to be rationed administratively. A choice has to be made between what sections of ‘the poor’ gets the subsidies and what sections lose out. In this state of affairs those in relevant positions would effect selection procedures that benefit themselves in one form or another to the detriment of ‘the poor’ (Chapter 6 deals with these aspects through the concept of rent-seeking). The evidence from SSA that projects with equitable intentions benefit the relatively well-off (O’connor, 1991; McAuslan, 1985; Amis 1990; Campbell, 1990; Mattingly, 1993; Brobby, 1991; Larbi, 1994: Antwi, 1995) is not just a mere coincidence. It reflects a fundamental flaw of the approach to the problem. In an environment where standards are beyond the reach of even the very bureaucrats responsible for administering subsidies, attempts of supplanting the market on equity grounds present opportunities for the relatively better-off to allocate the benefits to themselves and their cronies. Equity in SSA, in this sense, is really not equitable. Studies of housing the “urban poor” through some state subsidies or monopolies of one kind or the other in the name of equity helps to divert research attention from the real issues.

Asiama’s (1980) study needs special attention here. On the basis of a finding that urbanisation has significantly changed the social relations of a land owning traditional institution in Accra, this study advocates for state monopoly of urban land rights since:

"The escalation of land prices would be checked, at least in the initial stages, because the state would be the sole determinant of the price of land allocated to would-be users and the state can ensure that the rules of equity would determine accessibility and price and not the market mechanism, as is currently the practice with publicly owned land" (Asiama, 1980; p. 257).

Analytical flaws of such an argument is preserved for later chapters (Chapter 5). For the moment it is enough to point out that such a recommendation assumes the ‘state’ is a competent, neutral, benevolent entity equipped with information necessary
to do the job. The evidence of governments around the world, and SSA
governments in particular, would suggest otherwise. On this Doebele (1987) states:

".....the record of governments, particularly in the developing countries, in the
effective management of land has been a discouraging one. Every piece of
land is unique. It does not lend itself to the uniform procedures of
bureaucracies. Its special value and scarcity have opened the door to political
favouritism and corruption. It is a subtle asset to administer, and most
governments are simply not very good at it" (Doebele, 1987; p. 7).

In fact Asiama's (1980) recommendation is made in the context of the study's own
findings of allocative inefficiencies and political favouritism of the state (Asiama,
Kasanga et al, 1996). As if to emphasise the belief in the equitable credentials of
state intervention, in a subsequent paper (Acquaye and Asiama, 1986; p. 141) a
recommendation is made for African governments to establish commissions and
boards staffed by knowledgeable experts from the ministries, the universities, and
private enterprise to aid the poor in acquiring urban housing. There are strong
theoretical reasons why regulatory bodies would not achieve any better outcomes
(see Stigler, 1971; Posner, 1974). As to empirical evidence, SSA has served as a
laboratory for testing the outcomes of government land agencies and regulatory
bodies. For evidence of inefficient outcomes see many of the studies referred to
earlier (e.g. Mattingly, 1993 p. 117; Larbi, 1994; Antwi, 1995; Kasanga et al, 1996).

There are a lot of unanswered questions that massive government intervention of
urban land allocation in the name of equity triggers off. Who exactly constitutes the
'urban poor'? What is their level of income? How far are these income levels below
what would enable them achieve accepted standards of housing? What is the size
of subsidy required? Are those subsidies affordable? What mechanisms are in
place (or to be designed) to ensure that those who qualify for subsidies actually
receive them when provided? Answers to these and many related questions need to
engage the attention of any researcher recommending state intervention in the urban
land market for the benefit of the 'urban poor'. Though some studies are pointing
out the inferior outcomes of government land market regulatory bodies in SSA
(Mattingly, 1993; Larbi, 1994; Antwi, 1995; Kasanga et al, 1996), these government
intrusions in urban land market operations have been analysed less intensely than
the evidence would require. Further empirically based research is needed. It is time
a study moved beyond documenting and lamenting over evidence of inefficient, costly and corrupt practices of government intervention in urban land markets and provide more insightful analysis of such behaviour. The evidence appears to be pointing to fundamental pertinent issues that need to be investigated. For example, are inefficient outcomes of government land agencies due to the African public official’s incompetence and ignorance of market effects of policies? Or are they a result of factors more fundamental to government and regulatory bodies’ intervention in land markets or markets in general?

2.4.1. Research Questions
The task of achieving improved functionality of SSA cities should begin by an acceptance that standards need to be driven by income and affordability levels. There is no point legislating standards that less than 50 percent of the urban population can afford (Dowall, 1992; p. 23). The relevant question to be asked therefore is what level of standards can people afford, not what is the ‘right’ standard (Dowall, 1992; p. 25). Once such a floatation of standards, as it were, has been accepted, the real issue becomes attempts to improve observed level of standards (of urban housing and neighbourhoods) achieved through existing allocative mechanism(s). Theoretically, there are two main ways of improving existing standards. One is to find a way of increasing income levels. This will increase levels of standards affordable. The other is to increase the efficiency of the allocative mechanism. Increased efficiency will reduce transaction costs, increase gains from trade and hence increase levels of standards affordable.

Increasing income levels in SSA has engaged the attention of development economists and has proved intractable so far. This suggests that, at least in the short to medium term, existing low income levels are not going to improve. For urban land economists and city planners concerned with achieving functional cities, attention needs to be focused on achieving efficiency of urban land markets through minimisation of actual (as against assumed!) transaction costs. These costs are defined broadly to include conventional trading costs and all costs imposed on agents as a result of the complex and continuous feuding between formal and informal land tenure institutions.

The main research question to be asked in this regard is therefore: how to improve the efficiency of existing allocative mechanisms for land and resources for housing in the entire urban area. To adequately answer this question one needs to first
identify the land allocative mechanism(s). These include the informal traditional routes – both legal and illegal – and the formal government bureaucratic routes. The next step is to identify and ascribe transaction costs and benefits of the various routes. That is to say identifying the nature of transaction costs associated with each route for given levels of benefits; establish joint and common costs and pinpoint those imposed on either route by the other(s). The final step will be to attempt to eliminate those costs that can be eliminated without sacrificing efficiency and minimise those that need to be met. Improving efficiency through minimisation of costs is based on findings that agents are rational and will not take on any extra costs without compensatory benefits (See Ault and Rutman, 1979). For studies on rationality of peasants in poor agrarian economies generally see Bardhan (1989) and Stiglitz (1989). One also needs to point out that analysis of the type being developed here is set within a market framework. Following these steps by itself will lead to a fuller understanding of the system than is presently available. For to engage in such an enquiry demands analytical tools that enable testable predictions to be made about the costs/benefits and allocative outcomes of the various mechanisms. Such a tool can be designed based on application of insights gained from relevant persuasions of economics – neo-classical, property rights, public choice, and the new institutional economics schools. This is the approach adopted in this study.

Specifically, the study states and tests the following related hypotheses:

1. Urban land in SSA is principally allocated through markets characterised by rational agents whose economic decisions are shaped by constraints of formal and informal institutions of land holding.

2. Apparent irrational and illegal behaviour of agents is optimal given the constraints imposed by formal and informal land institutions.

3. Current activities of formal institutions limit the efficiency attainable by informal institutions and agents, hence reducing gains from trade.

4. Without interference of government land agencies, property rights under customary institutions are clear and secure.

5. Holding incomes constant, improvements in allocative efficiency remains the only equitable way of improving urban housing and neighbourhood standards.

The inquiry necessitated by a research designed to test these hypotheses is expected to provide much more fuller insights that are urgently needed to inform
policy planners. What remains is a concise account of the research design. That is the task of the next chapter.
3.0. Introduction
Having established the main research questions to be addressed in the previous Chapter, this Chapter discusses the research approach adopted. To serve as a recap, the five central hypotheses of the study are:

(a) urban land in SSA is principally allocated through markets characterised by rational agents whose economic decisions are shaped by constraints of formal and informal institutions of land holding;
(b) apparent irrational and illegal behaviour of agents is optimal given the constraints imposed by formal and informal land institutions;
(c) current activities of formal institutions limit the efficiency attainable by informal institutions and agents, hence reducing gains from trade;
(d) without interference of government land agencies, property rights under customary institutions are clear and secure and;
(e) holding incomes constant, improvements in allocative efficiency remains the only equitable way of improving urban housing and neighbourhood standards.

The discussion in the chapter is organised around: Research Approach (3.1); Research Design (3.2); Sampling (3.3); Sample Characteristics (3.4); Data Collection Procedures (3.5); Data Analysis (3.6); Comments on Methodology (3.7).

3.1. Research Approach
The study depended heavily on the quantitative (positivist) approach and adopted standardised questionnaire surveys as the main approach of enquiry. As distinct from the qualitative paradigm which perceives research as exploratory, evolving as the project develops and capable of influencing and being influenced by outcomes, the quantitative, inductive or positivist paradigm perceives truth to exist and capable of objective measurement (Creswell, 1994). Research in this tradition is therefore designed to test given effects or outcomes of factors of interest under controlled environments. In the social sciences two variants of quantitative research are adopted: experiments and surveys. In experiments subjects under study are arranged in a laboratory setting and the factors of interest applied in a desired manner while outcomes are monitored and documented. Surveys involve designing theoretical constructs and selecting samples from a population to test real life
responses to these constructs. Responses are then analysed and inferences applied to the population. Major conclusions of the research are therefore empirically based, induced from analysis of the data collected. The influencing factors for adopting this approach are fully explained below.

3.2. Research Design
The rationale underpinning the research design is schematically presented in Figure 3.1. The site for the study was Accra, the capital of Ghana. Accra typifies an SSA major city where majority of neighbourhoods have been described as unplanned, spontaneous and informal (see Chapter 2). Analysis of data generated from survey of samples of market participants from these neighbourhoods is to be generalised for the entire city – statistical generalisation. As a typical SSA city (case study), these generalised conclusions are then applied to other cities of SSA → analytical generalisation (see Yin, 1994).

Figure 3.1: Rationale of Research Design

For reasons fully explained in chapters 1 and 2 viz.: (a) the predominance of unrecorded urban land/property transactions; (b) questionable and/or inappropriate and/or dearth of secondary data from government agencies and; (c) existing work typically based on casual empiricism; the research needed to rely heavily on extensive systematic primary data generation. Data collection was conducted between 6 July and 10 September 1999. It covered housing land purchasing households (demand side); customary landowners (supply side) and real estate consultants (market intermediaries). These were augmented by secondary data from official sources to provide the appropriate context where necessary.
Extra care had to be taken in the design to achieve reliability and validity of research instruments. Reliability of a measurement is the extent to which it produces consistent results; measuring the same characteristic or situation repeatedly should yield the same results. Validity is the extent to which a measure actually corresponds with what the researcher is trying to measure. Full discussions on tests of reliability and validity of research instruments and measurements can be found in Fowler (1993 and 1995) and Fowler and Mangione (1990).

3.2.1. Questionnaire Design.

Fully structured standardised questionnaires were adopted as the appropriate research instrument (Appendices 1-3 contain copies of the questionnaires). That is to say all questionnaires comprised mainly of a set of pre-prepared questions with a domain of answers from which respondents were to choose an answer. An advantage of this approach lies in achieving reliability of measurements (see above): restricted domain of responses ensures that consistent responses are obtained over all respondents. Another is its amenability to making statistical inferences and generalisations from data collected. Since responses have to lie in given domains, one can apply formal statistical techniques in the analysis. Another advantage is the assurance of standardisation when, as in this case, interviewers other than the designer of the research are to be utilised (see 3.5 below).

A disadvantage however lies in the undue emphasis placed on the researcher’s ability to predict *a priori*, the appropriate items to include and their response domain. In this sense the researcher imposes constraints on responses. This disadvantage can, however, be minimised with experience and knowledge of the field under investigation as well as extensive literature review. Given the experience in this particular field through both practical involvement and the literature, it was considered that the gains from employing this approach far outweighed the losses. Creswell (1994 & 1998), Fowler (1993 & 1995) and Fowler and Mangione (1990) informed ideas on questionnaire design. The pertinent factors to investigate were informed by and adapted from Asiama (1980) and Larbi (1994).

A set of questions sought factual and quantitative information. Others sought to measure perspectives and attitudes of respondents. For these an adaptation of the Likert (1932) scale approach commonly used by social science researchers was adopted. It was felt that the “strongly agree, agree, not sure, disagree, strongly
disagree" format of Likert-type questions could not adequately measure respondents' true attitudes and perceptions of aspects of the market. An adaptation to measure degrees of perceptions and attitudes of land market transactions using jargons employed in the market was more appropriate. Items 4.d; and 4.i on household interview schedule (Appendix 1A) exemplify this adaptation. For a full set of these questions and the context of how they were employed in the analysis see Chapter 7. Given that some of the information sought was sensitive, respondents were given the liberty to refrain from answering any questions they did not wish to answer. Also, the use of field assistants and the need for translation into vernacular, required that questionnaires were designed to allow internal consistency checks. This took the form of asking for similar information using different questions. The downside of this is the length of questionnaires employed, which limited the number of interviews per interviewer in a given time.

The demand side questionnaire sought to generate data on seven main independent variables expected to inform household housing land/property purchase decisions. The variables in question are: (i) land acquisition; (ii) market price information; (iii) interest in property; (iv) post registration expenses; (v) physical development of property; (vi) litigation; (vii) government land squatters (see Appendix 1A).

The supply side questionnaire sought to generate data on nine main independent variables of the management and decision to sell lands comprising of: (i) title; (ii) physical delineation and protection of land; (iii) management strategies; (iv) cost of administration; (v) circumstances of plot sales; (vi) determinants of price of plot; (vii) litigation; (viii) government prescriptions on land sales; (ix) compulsory acquisition/vesting (see Appendix 2A).

The questionnaire for market intermediaries sought to generate data on four main variables of consultants' practice. These were: (i) background company information; (ii) land price information; (iii) market problems; (iv) title documentation (see Appendix 3A).

3.3. Sampling
In all 305 market participants were surveyed comprising of, 286 housing land purchasing households, 9 customary landowners and 10 real estate consultants. The sampling strategy adopted for each main group of respondents was as follows:
3. 3. 1. Household Survey (demand side data)

A two stage sampling process was employed. First, neighbourhoods for study were selected based on their age. Recent and developing neighbourhoods were preferred to ensure that (a) information requested for the survey are as recent as possible in the minds of respondents given the prevalence of unrecorded transactions and, (b) the survey captures any recent trends in transactions. This meant that neighbourhoods in the periphery of the city satisfied this criterion. A second level consideration was to select neighbourhoods to reflect the eastern, western and northern orientation of the city. One neighbourhood, Sports Complex, was selected for survey mainly to gain insight into 'illegal transactions' on government acquired lands. In all five neighbourhoods (broadly defined) were selected for survey as shown in Table 3.1.

The second stage sampling process involved sampling of respondents in the selected neighbourhoods. This was done on a purely random basis. Interviewers were to pick the first property encountered walking from the main lorry station ('tro-tro' station) of the neighbourhood. From then on each other property was to be selected. In the event that there was no qualified respondent for any property selected by this randomisation process the one immediately following was selected. This happened a number of times for a series of reasons such as, uncompleted structure, resident is only a caretaker, resident is only a relative of owner and was not involved in the purchase of the land (see front of household survey questionnaire, Appendix 1A, for who constitutes qualified respondents).
<table>
<thead>
<tr>
<th>Neighbourhood</th>
<th>Respondents</th>
<th>Choice Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Santa Maria</td>
<td>45</td>
<td>West</td>
</tr>
<tr>
<td>2. Awoshie/Anyaa</td>
<td>36</td>
<td>West</td>
</tr>
<tr>
<td>3. Sraha Ashaley Botwe</td>
<td>89</td>
<td>East</td>
</tr>
<tr>
<td>4 Mallam/Gbawe</td>
<td>36</td>
<td>North</td>
</tr>
<tr>
<td>5. Sports Complex</td>
<td></td>
<td>Generally West</td>
</tr>
<tr>
<td>Chantan</td>
<td>19</td>
<td>Government Acquired Land</td>
</tr>
<tr>
<td>Abeka Lapaz</td>
<td>23</td>
<td>Developed by private individuals without Government approval</td>
</tr>
<tr>
<td>Abeka Race Course Area</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Abeka Sports Complex</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Kwashebu</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>KATA Hotel Back</td>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>286</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. 3. 2. Customary Land Owners Survey (Supply side data)

There is no comprehensive list of customary landowners in Accra. To survey a sample therefore required making enquiries in the manner that households interested in purchasing housing land would. The procedure is as follows. First, a neighbourhood of interest has to be identified and enquires made as to the Stool or Family who sells those lands. The residences of accredited stool/family representatives that sell land are then located. Negotiations for the transaction then ensue. In practice enquiries from Land Commission Secretariat reveals staff who serve as front men for various Stools/Families. These staffs were used to locate nine landowners that were interviewed.

3. 3. 3. Survey of property consultants (Data on market intermediaries)

The Ghana Institute of Surveyors, the professional body of surveyors in Ghana, publishes the list of all qualified surveyors annually. This list for 1999 was used to sample out all firms in Accra that practise as General Practice Surveyors, the appropriate professional surveying division that advise on purchasing, sale, finance and related aspects of land/property dealings. This yielded 25 firms. A postal survey was undertaken to cover the entire population. 10 responses (40% response rate) were returned.

Many of the non-respondents were actually visited and showed interest in the survey and promised to return the questionnaire. However it would appear that sheer pressures of work ensured that they just did not get round to completing and returning them. There is no specific reason to suspect
3.4. Sample Characteristics

278 out of the 286 household respondents provided answers to items requesting information on age group, gender, employment and educational status. This information is summarised in Table 3.2, at page 43. From the table it is clear that out of the 278 land purchasing respondents providing answers for these particular items the majority, 79 (28.4%), were male, between the ages of 40 and 49 years. Between both sexes purchasers tended to be over 40 years. This is more apparent among females where only about 1.8% of all respondents were under 40 compared to around 9% for males. Indeed, unlike the males, the dominant age group among female respondents was 50 to 59 years, contributing 9% of respondents. On the whole, 77.7% of all respondent purchasers were male and 22.3% female.

By Ghanaian standards, with 64.5% of adults over 15 years estimated to be able to read and write (CIA, 1999), land purchasers in the study are well educated. As much as 92.8% have had some form of formal education (can read and write). Of the total respondents, 52.3% (146) have had education beyond elementary school level (i.e. secondary, commercial, technical, teacher training college level). 15.8% (44) had university level education. Also, land purchasers in the study tended to be predominantly self-employed. As much as 112, constituting 40.1% of all responding purchasers, are self-employed. This is followed by, in descending order of predominance, those who described themselves as white collar employees, 79 (28.3%), blue collar employees, 46 (16.5%) and those with no specific employment 42 (15.1%).

The nine landowners surveyed have been involved in the land market as suppliers for varying number of years, ranging from a minimum of two years to a maximum of 28 years. Among them they have been operating for an average of 12.33 years. Compared to land purchasers, land suppliers have lower standards of education. A majority of them (44.4%) have only up to elementary school education while 3 (33.3%) have a post elementary education qualification. Only one (11%) had a university level education. The same number (1) had no formal education.

that the response of these firms would have been significantly different from those returned.
Table 3.2: Characteristics of Respondent Land Purchasers

<table>
<thead>
<tr>
<th>Age</th>
<th>Sex</th>
<th>Highest Educational Attainment</th>
<th>Employment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>None</td>
<td>Elementary</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>&lt; 30</td>
<td>1 (0.4)</td>
<td>1 (0.4)</td>
<td>2 (0.7)</td>
</tr>
<tr>
<td>30-39</td>
<td>24 (8.6)</td>
<td>4 (1.4)</td>
<td>28 (10.1)</td>
</tr>
<tr>
<td>40-49</td>
<td>79 (28.4)</td>
<td>24 (8.6)</td>
<td>103 (37.1)</td>
</tr>
<tr>
<td>50-59</td>
<td>73 (26.3)</td>
<td>25 (9.0)</td>
<td>98 (35.3)</td>
</tr>
<tr>
<td>&gt;60</td>
<td>39 (14.0)</td>
<td>8 (2.9)</td>
<td>47 (16.9)</td>
</tr>
<tr>
<td>Total</td>
<td>216 (77.7)</td>
<td>62 (22.3)</td>
<td>278 (100)</td>
</tr>
</tbody>
</table>

§Figures in parenthesis represent percentage of total respondents

Table 3.3: Characteristics of Respondent Firms

<table>
<thead>
<tr>
<th>Years of Practice</th>
<th>Number of Employees</th>
<th>Professionally Qualified Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 5</td>
<td>5 - 10</td>
</tr>
<tr>
<td>&lt; 3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3 - 5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5.5 - 10</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>10.5 - 15</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>&gt; 15</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>
The characteristics of the ten real estate consulting firms from whom responses were obtained are shown in Table 3.3 at page 43. Of the ten firms, 5 have been practising in that capacity for over 15 years while, 4 (40%) have been operating for between 5½-10 years. These are small firms with the majority (6 firms) employing between 5 and 10 staff. 6 firms employ between 2 and 4 professionally qualified surveying staff while 3 employ between 5 and 7 qualified staff. All firms employ at least one qualified surveying staff.

3.5. Data Collection Procedures
By far the most comprehensive of the data collected was on the demand side, viz. the household survey that required field assistants. Five graduates were recruited for the purpose. This introduced the need for training to minimise interviewer-related errors particularly pertaining to when interviewers fail to be standardised⁴ (Fowler and Mangione, 1990: p. 11). Interviewer training covered three days and was mainly to ensure interviewers (a) read questions as worded, (b) probe inadequate answers non-directively, (c) record answers accurately and (d) be interpersonally neutral in the interviewing process (Fowler and Mangione, 1990; Creswell, 1994 & 1998). A mock interview was organised on the second day where the researcher posed as a difficult land/property owner to be interviewed and each interviewer took turns to conduct the interview. The third day of training was in the field at one of the sampled sites, Sports Complex. All five interviewers accompanied to undertake real field interviews. The researcher conducted the interviews while they observed. Four interviews in all were conducted. After leaving a property we discussed the practical problems encountered and my reasoning behind dealing with them the way I did. This turned out to be very productive because it prepared the interviewers for what they were to meet when left on their own. As to choice of Sports Complex as the training site, it was the most difficult neighbourhood expected of all the sampled sites in view of the 'illegal nature' of property ownership. If respondents were to pose a problem for interviewers it was likely to be encountered on this site.

Once interviewers were left on their own on the various sites to pursue the work, checks to detect interviewer error were made by paying random visits on sites and observing interviewers. After the first four days of detecting and discussing bad

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⁴ Fowler and Mangione (1990) explain that without training to ensure the adoption of a standard approach interviewer related errors can emerge from differences among interviewers regarding, reading questions, probing inadequate answers recording answers, being interpersonally neutral to the interviewing process.
practice detected of two interviewers, there were no detectable signs of bad practice during subsequent random visits.

The main criteria for selecting interviewers were; (a) they should be graduates to ensure proficiency in English and (b) they should speak at least Twi and Ga Ghanaian languages to be able to interpret questions when necessary. All five interviewers selected spoke Twi and Ga. One spoke Ewe in addition, another spoke Hausa in addition.

The interview itself involved an interviewer reading the questions and domain responses and ticking off the response on an accompanying response sheet.

Supply side data was collected solely by the researcher. It took the form of visiting the accredited land allocating committee of the identified stool or family. The interview process involved the researcher reading questions and the domain of answers to respondents. Selected answers were then ticked off on the questionnaire. In some instances there was the need for an interpreter since the researcher does not speak Ga, the language of landowners in Accra.

Market intermediaries (real estate consultants) data was generated through a postal survey. All 25 qualifying practices were posted questionnaires. Follow-up telephone reminders were made to all firms from whom responses had not been received after a month of posting questionnaires. Given the very disappointing response rate (8 respondents at the end of the research period) reminders were sent from the UK in September enclosing fresh questionnaires for those from whom responses had not been received at the end of the survey period. This yielded an additional two responses.

3.6. Data Analysis
Data entry and initial computations were undertaken using Excel. Initial computations were needed to convert multiple responses obtained from the adapted Likert-type questions (see page 38). This was in the form of calculating intensity scores. For questions requesting consultants to rank items, rank scores were computed. Details of these initial calculations are provided in Chapter 7. The main analysis of the data was undertaken using SPSS 9.0. This consisted of deriving

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5 For comments concerning possible response bias see footnote 3 at page 41.
descriptive statistics (frequency tables) to test the first four hypotheses of the study. Chapter 7 discusses this aspect of the analysis. The test of the fifth hypothesis demanded the utilisation of multivariate analysis. Multiple regression and discriminant analysis were employed to achieve this. This is discussed in Chapter 8.

3. 7. Comments on Methodology
It should be mentioned that the absence of systematically recorded data presented problems that possess the potential to impact adversely on the results reported in the study. As discussed in section 3. 2 attempts have been made in the research design to counter this. However some important problems are worth mentioning if only to provide a context of limitations of the findings. These include:

- The unrecorded nature of transactions meant that respondents needed to recall historic answers. This introduced a high potential of error pertaining to the extent to which such recollections are accurate reflections of the actual events. On prices, for instance, it imposes limitations on the reliability and applicability of the findings relating to land price appreciation.

- Concerning purchasers of lands in government acquired neighbourhoods in particular, is the danger that agents would provide responses which they perceive not likely to compromise them in the event confidentiality of the survey is breached. Responses might therefore reflect different circumstances from their actual actions, decisions or behaviours. Similarly there is the chance that landowners reported what they deemed right (and legal) rather than their actual actions. Attempts to convince respondents that their responses are not to be used in anyway to their detriment were to counter this6.

- The disappointing response rate of consultants imposed limits on inferences that could be made from results of their survey. This however is compensated for by the extended survey of households.

- Allowing respondents to refrain from answering any question they did not wish to meant that for some variables, the number of applicable cases was so few as to create degrees of freedom problems in the multivariate analyses.

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6 Evidence from the general comments of many of the respondents show that the attempt to counter this through explicit assurances, both orally and in the introductory letter (which they were allowed to keep), before the interview commenced, paid off. From the comments, respondents were so reassured that in some cases they were prepared to discuss illegal activities of some government officials and even mention names.
In order to place the results of the data analysis in context and to properly address the hypotheses presented earlier, it is first necessary to understand the economics of property rights, market failure and rent-seeking behaviour. This is done in the following three chapters.
Chapter 4: Some Theory and Economics of Property Rights

4.0. Introduction

As discussed in Chapter 2, the debate about the causes of spatial aspects of urban problems in SSA raises issues relating to property rights in land. In the bid to achieve effective management of urban lands tools like neighbourhood zoning, planning regulations, among others, are employed. In the main, these tools define or redefine property rights in urban land. An understanding of the concept of property rights is therefore essential for a comprehensive analysis of urban land policy and management, the effects on property markets and conditions of the urban built environment. This chapter provides an economic analysis of property rights. Section 4.1 examines the concept of property rights. This is followed by a discussion of the economics in section 4.2. Section 4.3 concludes the chapter with a general discussion of government regulations and property rights.

4.1. The Concept of Property Rights.

The concept of property rights concerns constraints and classes of permissible action within and among members of a society. Property rights are therefore defined and made up of all the acceptable rules and conventions in a society which conditions the manner, mode and nature of "doing things". The concept of property rights has grown out of the law of property. "The law of property is concerned with conferring on us legal powers in relation to a thing" (Lawson and Rudden, 1982). From the perspective of property law, the content of ownership is the sum of all that can be done with it. Lawson and Rudden (1982) list the main elements of what can be done to a 'thing' as: (a) the right to make physical use of a thing; (b) the right to the income from it, in money, in kind, or in services; and (c) the power of management, including that of alienation. The concept that ownership of a thing is, in principle, ownership of right(s) in relation to that thing is brought home more forcefully when dealing with land or real property.

In view of the immovability of land it would be rather difficult for it to form the basis of economic transactions in a modern economy. Ownership would only be possible through physical possession and use. The law invented the idea of ownership of a bundle of rights. This means that ownership of landed property relates to ownership of a set of rights impinging on the use of the land. Thus when one is said to own a piece of land or a house, strictly speaking, this means one owns some bundle of
rights over the said piece of land to the exclusion of other members of the society. In essence a pure private good. These rights may include the right to use, to receive income, to disinherit and, to dispose of the land. In effect, ownership of immovable property means ownership of a bundle of rights that allows the owner to make decisions about utilization of the resource.

With such an invention, trading of immovable property is made possible. Physically possessing property is not necessary when ownership is in terms of rights. The rights can be traded like any commodity. Furthermore, the bundle of rights is capable of re-packaging so that different subsets could be owned by different parties at the same time. It is possible, for instance, for one agent to own the right to occupy a house for a specified period, while another owns the right to receive income from the house, and the right to decide the mode of use of the house after the specified period. Such simultaneous ownership of different sets of rights by different agents is typically observed in landlord and tenant relationships. Both are owners of the house in their own right; they own some right(s) that exclude any other person from exercising that specific right on the house. The tenant owns the right to occupy and use the house for an agreed period of time, whilst the landlord owns the right to receive the rent, re-let the house after the agreed period, or dispose of it. It is also possible for a group of persons (indeed a whole community) to own the same set of rights over some immovable property concurrently. In such instances the exercise of the right by one member of the group does not exclude the exercise of the same right by another member. Common ownership of public parks, public footpaths -- public goods -- are examples. Further rights-packaging possibilities enable the concurrent ownership of exclusive rights held by individual(s) to exist with common ownership of other rights by the whole community in a particular piece of landed property. One can think of the existence of public right of ways over farm lands owned exclusively by some individual or household as an example.

While the concept has been essential in obviating the immovability problem of landed assets in trading, immovability is not a necessary condition for extension of the concept to other goods. In fact ownership of all economic goods could be easily conceptualised as ownership of rights over the use of the good. Ownership of a car, for example, is in reality ownership of the right to drive it, the right to park it in non-prohibited areas, the right to re-paint it and many other rights which ownership of a car confers. These rights are subject to constraints set by other individuals' rights.
That such conceptualisation had not been fundamental to economic analysis has been cited by Coase (1960) as the reason for the failure [at the time] to develop a theory adequate to handle the problem of harmful effects. An important point worth emphasising, particularly because it exposes misconceptions of land management practices in SSA, is that property rights are defined by both formal and informal rules, customs, and regulations of a society. Whilst formal state and municipal rules and regulations may prescribe which actions are legal and which are not; which actions of one individual are preferred against those of another, for instance.; certain informal norms of society determine aspects of actions that may or may not be acceptable. The way we dress, speak and conduct ourselves in public conform to certain unwritten rules most of which are principally informal but well known and generally adhered to. The law of tort and nuisance have emerged to set the limits to which the exercise of one individual's right can interfere with another individual's. Formal legislation defines acceptable behaviour which is enforced by state power. Add together these formal and informal rules and we define a system of property rights. Thus a system of property rights implies a method of assigning to particular individuals the authority to select, for specific goods, any use from a non-prohibited class of uses. It follows from this that property rights determine which individuals or groups of individuals in a society, at any given time, have the right to decide how a specific resource is to be employed. It also follows that property rights determine the nature of rewards and sanctions (cost-rewards system) associated with such resource employment decisions. De Alessi (1980) sums it up very nicely as follows:

"The system of property rights specifies the nature of the rights which an individual may hold to the use of resources, to the income generated from those resources, and to the transferability of those resources to other individuals. The system of property rights thus determines, via actual or imputed prices, how the benefits and the harms resulting from a decision will be allocated between the decision maker and other individuals, thereby specifying the expectations which an individual can hold in his dealings with other members of the society" (De Alessi, 1980; p. 3).

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7A full discussion of Coase's contribution is provided below under, Economics of Property Rights, Page 53
It should also be noted that a system of property rights appears to prevail in a society not so much because the state or other dominant force in the society prefers it but because individuals prefer to be ruled and organised in the chosen system, at least for a vast, overwhelming majority of people (Alchian, 1965: p. 817). As evidence from the field survey of this study will demonstrate in Chapter 7, the Ghana Government's attempt to prohibit the sale of freehold interests in customary lands is having no effect on the prevalence of the sale of perpetual interests precisely because an overwhelming majority of agents prefer to transact in freehold interests. So, what types or nature of property rights system may prevail.

4. 1. 1. Private and Public Property Rights
It has become customary to discuss property rights in the context of private and public rights. Private property rights are found in societies where the acceptable means of 'doing things' allow individuals to act in particular ways provided those actions do not interfere, in some pre-defined manner, with that of others in the society. An owner of private property rights possesses the consent of fellowmen to allow him to act in particular ways. An owner expects the community to prevent others from interfering with his actions, provided that these actions are not prohibited in the specifications of his rights (Demsetz, 1967). In terms of resource allocation, a system of private property rights assigns decisions concerning the employment of resources, to a large extent, to individual economic agents. Private property rights mean that an individual's rights to the use of the resources he owns are exclusive and voluntarily transferable. That is, the owner has the exclusive authority to choose how the resources he owns will be used, as long as the selection does not affect the physical attributes of goods owned by others. Moreover, he has the exclusive right to receive the income generated from the use of his resources and to exchange his property rights with those of other individuals at mutually agreeable prices (De Alessi, 1980).

This contrasts with public property rights which are normally held by members of a society or a group in such forms or manner that no one individual or groups of individuals can exclude other members from exercising the right. There are, in reality, few 'public' goods which hold the characteristic of pure non-excludability, for example, defence and the law. In some form, common owners possess the concurrent right to exploit the resource. The proceeds of such exploitation then becomes the private property of the individual. Ownership of fishing rights allowing

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Feuhold in Scotland
every member the right to fish is a typical example. Fish caught by any individual becomes their private property. In other forms, common ownership implies the requirement of the consent of all members of the owning group in the employment of the resource. A typical example of this can be found in cases where landed property is bequeathed to members of a family to be owned in common. The consent of all members is required, in these circumstances, to effect a disposal of the property.

While this distinction is normally drawn between societies based on private property rights (e.g. Western industrialised nations) and those based on common ownership rights (e.g. the former Soviet bloc of nations), in reality, we observe traits of both private and public property rights in all societies. In Western industrialised economies where private property rights dominate, there are still some economic activities that are organised through public ownership. Economists have long established that the provision of facilities like roads, street lights and the like are of a nature that creating private property rights in them to enable voluntary trading of rights is not the most economically efficient way. At the other extreme, despite strong ideological persuasions of the advantages of public ownership of productive resources, Communist nations exhibited evidence of private property rights in some goods. Individuals in the former Soviet Union had their exclusive private rights to their cars and flats, for example.

Effectively private and public property rights are the extreme ends of a continuum of systems of property rights. One society may prefer a system of property rights that may comprise combinations of private and public rights in a way that sways it towards one extreme, while another society prefers a combination biasing the property rights system to the opposite extreme. From our observations of both the West and the former Soviet Union, ideology alone does not seem to fully explain why one combination prevails against all other possible combinations. What factors determine the preference for one system of property rights against another by a given society is an interesting enquiry to pursue. In order to undertake such enquiry it is necessary to understand how a system of property rights affects or is affected by the economic system. To what extent a given system of property rights affects prices, economic activity and economic behaviour is therefore a key question to be dealt with. The economics of property rights offers some insights into this.
4.2. Economics of Property Rights

4.2.1. Transaction Costs
The introduction of the idea of systems of property rights as essential to economic analysis has been attributed to a seminal paper by Coase (1960) who highlighted the importance of costs arising from the existing system of property rights in resource allocation. Following this work, various studies have contributed in making the subject an important area in economic analysis today. A compilation of some of these studies is provided by Madama (1995). Coase (1960) recommended the need to conceptualise resource ownership as ownership of rights. Such a conceptualisation is helpful in economic analysis for, as has been examined above, the forms and kinds of property rights sanctioned in a society define or identify the kinds of competition, discrimination or behaviour characteristic of that society (Alchian, 1965). In a neo-classical economic framework, resources eventually move to their optimum use. Through the processes of income and/or utility maximisation of individual economic agents and profit maximisation by firms, resources are traded to the point where marginal costs of resource utilization are equal to marginal revenues. In equilibrium, efficiency is achieved through optimum employment of resources. The nature of the ownership structure of resources, that is to say, how the costs and rewards of resource utilization impinge on those making the decisions are structured (the existing system of property rights) has been given secondary importance in this framework.

"The traditional neo-classical model assumes an (unspecified) ideal property rights structure that enables producers to choose from all known sets of contractual relations or organisations. In reality, production functions and the value of rights to production functions depend on the structure of property rights, just as they depend on the state of technology" (Eggertsson, 1990; p. 451).

The re-allocation of resources to achieve efficient utilization implies a re-allocation of property rights. Given that the system of property rights conditions the nature of doing things, it determines the form of economic organisation. The movement of economic resources from one form of production to another, which is fundamental to achieving efficiency in a neo-classical model, is constrained by the existing property rights system. That is to say, the nature of exchange and trade fundamental to resource allocation and re-allocation, is determined by the existing property rights
system. In a real world where costs are associated with these transactions, it implies that the cost profile of factor mobility is a function of the existing property rights. Therefore achievement of efficiency through optimum employment of resources would only be attained if the costs introduced by resource re-allocation do not exceed the gains resulting from such re-allocation.

Coase (1960) demonstrates that resources would move to their efficient use irrespective of the initial delimitation of property rights in the absence of transaction costs. However in the real world, transaction costs are positive. To the extent that these costs are not considered, the analysis is incomplete. Indeed Coase (1960) observes that the concept of a factor of production, in particular, is faulty to the extent:

"It is usually thought of as a physical entity which the businessman acquires and uses (an acre of land, a ton of fertiliser) instead of as a right to perform certain (physical) actions" (Coase, 1960; p. 43).

Once the costs of carrying out market transactions are taken into account it is clear that such a rearrangement of rights will only be undertaken when the increase in the value of production consequent upon the rearrangement is greater than the costs which would be involved in bringing it about. In these conditions the initial delimitation of property rights does have an effect on the efficiency with which the economic system operates. One arrangement of rights may bring about a greater value of production than any other. But unless this is the arrangement of rights established by the system of property rights, the costs of reaching the same result by altering and combining rights through the market may be so great that this optimal arrangement of rights, and the greater value of production which it would bring, may never be achieved (Coase, 1960). The ideas of property rights and transaction costs in economic analysis are known as the Coase theorem. In a later article, Coase (1992; p. 717) describes his view of the work in the following words:

"...I regard the Coase theorem as a stepping stone on the way to an analysis of an economy with positive transaction costs".

The following deductions can be made. There exists a system of property rights which may bring about a greater value of production than any other. Call this the optimum system of property rights. This optimum rights system is the one
associated with the minimum transaction costs profile resulting from resource reallocation. Given what we understand from basic economics, one would expect the presence of some internal forces working to push any society to designing the optimum property rights system. Are there any such forces at work? If there are, would there be different forces for different circumstances or at different levels of economic development? Why do we observe different systems among different societies? Why, again, do we sometimes observe, in a given society, the existence of a different system from the predominant property rights system in the organisation of certain resources? For example, what is it that makes citizens of Western industrialised nations prefer public property rights in certain resources in view of the dominance of private property rights in these societies? The quest for answers to questions of this nature instructs us to investigate why a given system of property rights prevail against all other possible combinations.

4. 2. 2. Systems of Property Rights -- Forces at Work.
It has been established above that property rights exist to organise competing claims of individual members of a society. Individual claims tend to compete because there is always a finite stock of resources to satisfy all claims. In effect property rights exist because resources are scarce relative to competing claims; it is because resources are scarce that we need to define a system that stipulates who has the authority to exercise rights that lead to the utilization of given resources at any given time. In the absence of scarcity there would be no need for property rights. Some even argue that the whole question of economics is actually a question of property rights. Alchian (1967; p. 370) makes the following observation:

"Without scarce resources there is no point to property rights. The allocation of scarce resources in a society is the assignment of rights to uses of resources in a society. So the question of economics or of how prices should be set is the question of how property rights should be defined and exchanged and on what terms".

If property rights exist to allocate scarce resources then the nature and condition of available resources ought to influence the type of property rights system that would exist. In other words, whilst the existing system of property rights conditions the level of efficiency attainable in resource utilization, the form of property rights system itself would have emerged as a result of the particular allocative needs of the available resources and the level of economic organisation (see Libecap, 1978).
The informal way in which agents prefer to transact urban residential land in SSA may be conveying information about the availability and level of economic organisation of urban land resources rather than about agents' ignorance or cultural backwardness concerning modern documentation of titles to land. All things being equal, the internal forces of costs against gains would push a society to achieving the optimum rights system, given available resources. From this perspective alone, one may conclude that at any given time the system of property rights we observe in a given society may be the optimal one or, at worst, the 'second best' outcome.

It is to be remembered that systems of property rights observed in various societies typically comprise of many combinations of private and public rights (see page 52). It seems to be the case that these combinations occur because the cost/benefit functions associated with property rights differ for different resources. In general a system of private property rights engenders a more efficient use of resources. The cost of transaction under private property rights should be less than costs under any communal or public ownership rights system. It would be less costly to obtain information on a private owner willing to trade; to draw contracts of trade, to enforce contracts, than it would with many co-owners. Furthermore, the stronger are private property rights the closer is the relationship between the welfare of an individual owner and the economic consequences of his decisions. As a result, the greater is his incentive to take account of the benefits and harms that his decisions visit on other individuals (De Alessi, 1980).

"In controlling that resource, private property rights have the characteristic that it is easier (cheaper) to exchange the rights for other forms of marketable (money) than for rights that are less private......In publicly owned property it is not legally possible for one person to sell his rights to public goods to some other people. The rights are not marketable individually as is corporate stock ownership" (Alchian 1967 p. 374).

Under public ownership the costs of any decision or choice are less fully thrust upon the selector than under private property (Alchian, 1965). Superior (cost effective) resource utilization decisions are therefore expected to be employed under private property rights than under public ownership systems. In the absence of any constraining factors, systems of private property rights should replace other inferior systems.
However, costs arising from the nature of contracts to be drawn and costs of enforcing such contracts, set against gains to be made by establishing private property rights may mean, for some resources, that common ownership rights prevail. It might be possible, for example, to partition the common ownership of footpaths among members of a community in a way that allows each member the exclusive right of use at particular times. If trading of rights is then allowed, efficiency in the use of the footpath could be achieved. Individuals who value the right to walk at certain times less than others would seek to exchange their right of use at one time for another. Some may completely relinquish their right to use the footpath by exchanging it for rights in other resources because they value those rights higher. Through trade, congestion on certain parts of public footpaths at certain times and the irresponsibility which generally characterises the use of public facilities could be eliminated. This could lead to efficiency gains in the use of public facilities. But to establish private property rights in these facilities might mean the setting up of expensive enforcement systems to prevent the use of one individual’s rights interfering with other’s. The overall costs of locating and compiling a list of all owners, setting up an elaborate partitioning system and enforcing them, may far outweigh any gains that might arise through trading of rights. Under these conditions, public ownership may prevail. In other circumstances (what, in fact, amounts to the same cost/benefit issue), a resource may be so abundant, and of such small value at the margin, that it does not pay to incur the costs of establishing and enforcing private property rights (De Alessi, 1980).

Economic efficiency alone, of course, is not the only force guiding societies in choosing specific property rights systems. Political, historical and cultural circumstances have a part to play. Thus common ownership may prevail not because the realignment of specific rights are costlier but because, for some political, historical or cultural reasons, such realignments may simply be prohibited. This implies that resource rights are inhibited from flowing to those individuals with a comparative advantage in their use, and output is smaller. Nevertheless, seemingly inefficient organisational structures are established and survive either because they are preferred to other forms, and members of the society are willing to forego other goods in exchange, or because they work to the benefit of groups with a comparative advantage in the exercise of political power, or because they suit other constraints. That is, the establishment and enforcement of a specific system of property rights depends not only upon considerations of economic efficiency, but also upon
individual preferences and political realities within a community (see De Alessi, 1980; p.4; and De Alessi and Staaf, 1989; p. 179).

Like any equilibrium in economics, the optimum system of property rights is not a static phenomenon. As changes occur, the emergence of new property rights takes place. For instance, in circumstances where a resource is so abundant that it does not pay to establish private property rights, a change in relative prices or technology may change the situation. An increase in the marginal value of the resource, perhaps due to an increase in demand for the final product or to a decrease in the costs of enforcing private rights, may change matters drastically. A change in the relative prices changes the cost-reward profile. New property rights emerge in response to the desires of the interacting persons for adjustment to new benefit-cost possibilities (Demsetz, 1967; p. 350). In the main, this results from changes in economic values, changes which stem from the development of new technology and the opening of new markets, changes to which old property rights are poorly attuned. Thus, given a community’s tastes in regard of systems of property rights, the emergence of new private or state-owned property rights will be in response to changes in technology and relative prices. It is precisely for this reason that ideas of SSA concepts of ownership of land developed from observations made many years ago and attempts to frame formal land management policies on them may be flawed.

"It is the possibility of profits that cannot be captured within the existing arrangemental structure that leads to the formation of new (or the mutation of old) institutional arrangements" (Davis and North, 1971).

It is useful to summarise the important arguments so far:

- Through transaction costs, a system of property rights conditions the level of efficiency attainable in an economy.

- All things being equal, a system of private property rights is expected to lead to a more efficient utilization of resources than other public ownership rights. Under private rights, incentives for efficient employment of resources are stronger because the cost-reward possibilities of decisions are fully thrust upon the selector than under public ownership.

- The resource stock and level of economic organisation influences the form of systems of property rights that may emerge.
• Within constraints of political, historical and cultural factors, observed property rights systems may be the optimal one.

• Property rights are dynamic: with changes in any of the constraining factors, new property rights may emerge to replace old ones.

There is some empirical evidence in support of most of these arguments. Libecap (1978) has found evidence to support the view that the evolution of American institutions reflected the costs and benefits of defining and enforcing various kinds of property rights. Investigating the timing and emergence of particular legal institutions in mineral rights in the American West, it was found that private property rights law did not evolve autonomously, but rather was continually shaped by external economic forces.

“This leads to the conclusion that the pattern of legal change in Nevada from the mining camp through the state government was largely determined by efficiency needs -- the need to reduce ownership uncertainty as competition for mine income grew” (Libecap, 1978; p.361).

On the emergence of new property rights to cater for transactions for which old property rights are poorly attuned, Demsetz (1967) quotes studies which together establish a close relationship, both historically and geographically, between the development of private rights in land among the American and Canadian Indians and the development of the commercial fur trade. For example the introduction of the commercial fur trade in Canada increased the value of beaver furs to the Indians and led to increased hunting; within fifty years Indian communities evolved private property rights (Demsetz, 1967; p.351-357). The introduction of barbed wire lowered the cost of enforcing exclusivity and encouraged the development of private rights in American Western lands (Anderson and Hill, 1975). These findings are in tune with those found in SSA where population increases relative to availability of fertile lands led to the establishment of private property rights before European colonisation (Raynaut, 1976: see Chapter 2). On the question of which property rights systems engender the most efficient utilisation of resources, De Alessi’s (1980) review offers some answers. This work reviews studies that show differences in economic efficiency under various types of property rights systems and demonstrate the superiority of private property rights in economic organisation. For instance,
evidence by Nicols (1967 & 1972 also reviewed in De Alessi, 1980) suggests that mutual entities incur larger expenses than their counterparts floated in the stock market. Mutual managers follow more conservative business practices, including lower-risk investments and slower growth, than managers of stock associations. Moreover, managers of mutuals hire more staff, including more relatives, and engage in other practices that will ease their workload and increase their utility (see De Alessi, 1980).

In all these circumstances, the existence of government institutions in promoting or attenuating private property rights introduces an important dimension to the discussion: that of government intervention in the economic system.

4.3. Governments and Property Rights

Modern societies are characterised by an active involvement of government in the day to day activities of their citizens. Government interference in the economic system ranges from taxation, through regulation of economic activity, to prescribing standards. All these activities define or redefine property rights. Neo-classical economic analysis justifies government intervention in the market under circumstances when markets fail. Such circumstances are said to include: imperfect competition, problems of externalities, equity issues and missing markets.

Such economic justification of government intervention in the market dates back to Pigou (1932) who had argued that under conditions when

"One person A, in the course of rendering some service, for which payment is made, to a second person B, incidentally also renders services or disservices to other persons (not producers of like services), of such a sort that payment cannot be exacted from the benefited parties or compensation enforced on behalf of the injured parties,"

it would be appropriate for government intervention to rectify the apparent failure of the market. These conditions have been known as a divergence between private and social costs and benefits and lead to problems of externalities. Pigou (1932) argued that government intervention to remove this apparent failure of the market will lead to efficient use of resources and increased welfare. In The problem of Social Cost, Coase (1960) demonstrated the shortfalls of such an approach and
highlighted the importance of property rights in deciding the appropriate action to take. Indeed Coase's contribution to the concept of property rights resulted from this treatment of the externality problem and the appropriateness of government intervention in solving the problem. Since economic activity is, in reality, rights over use of resources, in the absence of transaction costs, Coase (1960) argues, trading of rights would take place to internalise the externalities leading to the achievement of efficient utilization of resources, irrespective of the initial delimitation of property rights. However in the real world, costs associated with trading of rights may prevent the achievement of the optimum use of resources. But just because an inefficiency appears to exist in the way the market may be operating in these circumstances does not mean government intervention to remove the externality will yield any better results. Government intervention in the economy leads to an altering of existing property rights. Since there are costs associated with these property rights re-ordering, the aim of such regulation should not be to eliminate the externality but rather to secure the optimum amount, considering the costs and benefits arising from the re-ordering of rights. The following quotation from Coase (1960) defines the analytic framework that should guide policy makers.

"But in choosing between social arrangements within the context of which individual decisions are made, we have to bear in mind that a change in the existing system which will lead to an improvement in some decisions may well lead to a worsening of others. Furthermore we have to take into account the costs involved in operating the various social arrangements (whether it be the working of a market or of a government department), as well as the costs involved in moving to a new system. In devising and choosing between social arrangements we should have regard for the total effect" (Coase, 1960; p. 44).

The implications of having to focus on the costs and benefits (net-benefits) of government intervention has led many studies to investigate the operations and outcomes of government intervention in various aspects of economic life. What incentives and hence economic behaviour expectations are presented by governments' running of economic activity (More, 1970; Davis, 1971 & 1977; Crain and Zardkoohi, 1978), and government regulation of firms (Stigler, 1971; Hilton, 1972; Jordan, 1972; De Alessi, 1974; Borcherding, 1977) are some aspects which have attracted the attention of researchers. Most of the findings and implications of these studies are interesting reading. In general, the nature of the cost-reward

9 A discussion of markets and market failure is the subject of Chapter 5
impact on individual decision makers (the system of property rights) under government firms, leads to higher costs in government operations and regulations. Relative to private firms, government firms have higher operating costs, engage in less-wealth maximising, price discrimination, change prices less frequently and in response to larger changes in economic determinants, adopt cost-reducing innovations less readily, maintain managers in office longer and exhibit greater variation in rates of return (See De Alessi, 1980 for a full review of the literature). Government regulation of business firms reduces the bundle of rights held by their owners (for example, it may restrict the right to set prices), attenuating owners' private property rights and thereby reducing their ability to capture the benefits of improved management and their incentive to monitor managers.

"Among other things, this analysis implies that private firms are more likely than comparable political firms to introduce cost-reducing innovations, adopt cost-minimising input combinations, cater to consumer wants, and respond more quickly and fully to changes in economic circumstances" (De Alessi and Staaf, 1989; p. 182).

In effect, government interventions or regulations of the economic system come with costs. These are costs which result from the re-organisation of property rights, costs which originate from inefficient decisions stemming from the distortions of incentives presented to decision makers. Therefore, it should not be assumed

"...in those instances where the market place is inferior in certain respects to, say, public ownership or government control, that we ought to switch from the private property market to the government. The presence of one kind of relative deficiency does not justify a switch to another agency -- which has other kinds of deficiencies" (Alchian, 1966).

These implications provide strong analytical tools for analysing the administration of urban neighbourhoods (which is, in effect, government regulation of private property rights in urban land) that is the overall concern of this study. Some brief discussion of this application is provided in the following section. Fuller analyses and empirical tests of some of the implications in the Accra land market is undertaken in Chapters 6 and 7.
4. 3. 1. Property Rights and Urban Land Administration

As has been explained in section 4. 1, ownership of no other economic product enables an easy conceptualisation of the concept of property rights than ownership of land and landed property. The *in situ* nature of land brings home more clearly the idea that ownership of the product is, in fact, ownership of some rights to determine the type and timing of use, disposal, and re-development. Land provides the spatial dimension of most economic activities. In this sense, demand for property rights in land is derived from the demand for the satisfaction of various needs like, residential and recreational needs of the population, space for industries, and space for infrastructure. By virtue of the fact that urbanisation implies a greater concentration of different economic activities, competing claims for space is more acute in urban areas than in rural areas. All things being equal, an urban land market (specifically, a market for property rights in urban land), emerges to allocate land resources among these competing, in most cases, conflicting needs. Forces of the demand for and supply of rights in property should lead, in equilibrium, to an efficient utilization of land resources. Generally speaking, the market mechanism is a fundamental factor determining the structural form of many cities. Theories of urban land use explain how cities are structured with activities that offer higher prices for land use in city centres, followed by the next highest bidding activity and so on until activities with the least bids are found at the outskirts of cities -- bid-rent theory. In these models, each parcel of land in the urban environment, is eventually employed in its highest and best use. See, for example, the model by von Thunen (1826), and later developments by Alonso (1964), and some empirical tests by Yeates (1965). For some view of these ideas and models see Balchin, et al (1995).

But this is only part of the story behind urban structure. In reality, government intervention in urban land allocation is well entrenched in almost every city of every society. So entrenched, in fact, that interventions of government agencies in the urban land market, manifested in the form of planning legislation, zoning, special rules and legislation for trading urban land, and urban land administration in general, are taken for granted. They are justified on the grounds that certain needs for urban land are such that the market, left alone to allocate all land resources, would not allocate land for their provision. Examples of these needs include public parks, play grounds, spaces for waste treatment and land uses of this nature. These uses of land are essential for the overall benefit of the urban society, the argument goes, but because of the difficulty in establishing private property rights in them, they would not be provided under a competitive market. The market fails. Here again we are
thrown into the argument of a diversion between social and private costs in an urban land use context. Because the market is inefficient in dealing with the problem, government intervention is necessary to improve the situation.

But all these interventions are actually an attenuation of private property rights in land. From the discussions above, it is clear that the existence of the apparent inefficiency in the market alone does not justify government intervention which is itself riddled with other forms of inefficiencies. On this Coase (1960; p. 18) has this to say:

"But the governmental administrative machine is not itself costless. It can, in fact, on occasion be extremely costly. Furthermore, there is no reason to suppose that the restrictive and zoning regulations, made by a fallible administration subject to political pressures and operating without any competitive check, will necessarily always be those which increase the efficiency with which the economic system operates. Furthermore, such general regulations which must apply to a wide variety of cases will be enforced in some cases in which they are clearly inappropriate."

The problem clearly is not that of removing an inefficiency in the market through government intervention, but that of devising practical arrangements which will correct defects in one part of the system without introducing more serious harm in other parts. This point of government intervention possessing the potential of introducing other costs is pursued in detail in the next Chapter where the activities of politicians and bureaucrats are subjected to rigorous economic analysis.
Chapter 5: Market Failure and Government Intervention

5.0. Introduction

In keeping with the overall aim of the study – the identification of the fundamental causes of observed problems in the Accra urban land market – it has been essential to enquire into the nature of rights that can be held in urban land. Chapter 4 therefore established the forces behind the attainment of appropriate property rights systems in given urban areas. Armed with those insights, it is now appropriate to investigate the mechanisms that determine how property rights in urban land are allocated between competing needs. As will be explained in detail in the discussion, whether the allocation and exchange of rights in land are effected through free market competition or Government administrative agencies, is important in predicting the possible problems associated with the outcomes. Such an investigation should provide further insights that will be needed in the evaluation of land/property markets in Accra later in the study.

The discussion of the economics of property rights raised an issue about the intervention of governments in the management of interests in urban land resources. Government or state involvement in dealings relating to urban land; planning restrictions and regulation of land use, special regulative requirements for contracts relating to land and landed property, are examples of governments' attenuation of property rights in urban land. In practice an indication of the overwhelming involvement in this aspect of economic activity is provided by the plethora of government agencies an individual has to deal with in property transactions. Most private transactions in land in Accra, for example, are required to be 'formalised' by an extensive government bureaucracy (see Chapter 6 for a full discussion). In view of the consensus from the property rights literature that private property rights are likely to produce superior outcomes than central control, why is this the position? Implicit in general responses to this question is that urban housing and landed property may possess social attributes which the market may fail to allocate equitably and/or efficiently (see for example, Courtnery, 1983; Whitehead, 1983; Rivkin, 1983; Asiama, 1980). However, critically viewed, the issue this question raises comes down to a debate about the most efficient way of organising societies' scarce resources — the debate about governments or markets -- a debate that is better informed by economic insights.
This Chapter seeks to examine the issues of the debate as they relate to land markets employing analytical insights developed from economics. The main focus of the Chapter is a critical analysis of the market failure paradigm as it relates to urban land in Accra and the chances government agencies have in addressing market failure. As Beckerman (1986) has aptly observed;

"while it is not within the scope of economic science to provide precise scientific estimates of the socially optimal size and functions of government, it can replace vague waffle or rhetoric with a clear statement of what positive information is required and what value-judgements may be important" (Beckerman, 1986; p. 90-1).

The Chapter is organised as follows. Section 5.1 starts the discussion with an explanation of the concept of the market and conditions under which markets thrive. Limiting conditions of markets - market failure -- are examined in section 5.2 where government intervention to 'correct' market failure is discussed and related to land markets in SSA. A summary of the Chapter is then provided in section 5.3.

5.1. Markets

Roper and Snowdon (1987: p. 9) have observed that in each economic system the way in which decisions are made will differ, but each society must devise some mechanism for solving three unavoidable problems namely: (a) which goods and services to produce and in what quantities and quality; (b) the most economically efficient way of producing the desired goods and services; (c) an acceptable method of deciding who is to receive the goods. Options available for the resolution of these basic problems span between two polar extremes. These are: (i) through planning, under which some powerful body emerges to prescribe details and directions for how available resources are to be utilised and; (ii) through a free for all competition for resources to satisfy individual needs.

When one talks of markets, in principle, one is talking about the second of the above extremes of economic organisation. That is to say, the organisation of economic activities via the freedom to compete for resources. Implied in the freedom to compete for scarce resources, is the need for exchange of resources. To be sure that scarce resources are not wasted while needs of members of society are left unsatisfied, what is required is a mechanism that informs owners of idle resources
which have the potential for exchange. Mechanisms need to arise to enable and render effective exchanges. Within institutional set-ups with powers of enforcing contracts and property rights, markets emerge as the mechanism which enables the competition for satisfaction of needs.

Markets today are indeed complex mechanisms that enable exchange of various levels of economic goods; from consumer goods through intermediate goods to factors of production. Markets enable, for example, remote owners of property over their immediate occupational needs to let to tenants who require space to carry out their business. Indeed without access to markets most of us would perish, since we don't typically produce the things that we need to survive (Sen, 1985; p. 1). The designs and pursuit of self interest by different people in a given society are coordinated and achieved by the market (see Begg et al, 1997; p. 8). What then are the main characteristics of markets?

5. 1. 1. The ‘Marvel’ of The Market
Since Adam Smith's (1776) publication of the Wealth of Nations, economists have recounted the marvel of markets (the Invisible Hand) in the way they ensure achievement of efficient allocation of resources. When free exchange is allowed, and there is free flow of information, individuals' actions to satisfy their selfish needs lead to an overall efficient allocation of resources. Through the decisions of self-interest economic agents (who, it must be pointed out, have no interest whatsoever of ensuring an overall efficient utilisation of the society's resources but the satisfaction of their own immediate needs), markets make sure that goods that are produced and consumed, are the most optimal, given tastes, income and resource constraints. As well put in Adam Smith's (1776) classic inquiry into the wealth of nations, it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interests. Therefore when markets prevail: a) there is no necessity to specify, a priori, preferences for resource utilisation; b) no need to ensure that individual agents behave consistently with any prior specifications, thus eliminating any need for (and costs associated with) supervision; and c) no need for economic agents to be benevolent, honest or possess any normative ambitions towards enhancing the welfare of society in general. This feat is achieved through the price mechanism.

Prices of goods signal their relative ability to satisfy needs and trigger off two opposing forces: (1) consumers use the price system as a guide to choosing goods
that maximise their utility within constraints of limited budgets. Achieving this aim implies paying the minimum possible price to obtain any good. (2) Producers on the other hand use the price system to guide them as to which goods to produce, how to produce and when to produce. These two opposing forces ensure that eventually the right goods will be produced at the right time, by employing the least cost factors of production and least cost production processes. But this is a characterisation of the market which prevails only in ideal circumstances.

The problem is, it is next to impossible in the real world to get to a state of affairs where perfect competition and all that goes with it prevails. Yet the achievement of efficiency that entails in the market mechanism is conditional on the existence of perfect competition. The real world comprises individual economic agents who frequently behave in apparently irrational ways. Historical, cultural and geographical barriers more often than not work against the emergence of competition that lead to perfect operation of markets. Social welfare implications of certain goods may be considered too important for their allocation to be left to the Invisible Hand. The extent and absolute nature of poverty in urban areas of less developed countries (LDCs), for instance, is argued to be enough reason why governments should intervene in urban land markets (see, for example, Asiama, 1984). Thus when the right conditions are absent markets may fail to operate as efficiently as one would expect. The idea of markets failing — the market failure paradigm — has therefore attracted a lot of attention by economists.

5.2 Market Failure

As implied above, market failure describes the prevalence of circumstances which prevent the market from working effectively (and efficiently). Market failure has been defined as circumstances which lead to the questioning of the allocation of resources that a pure market system brings about. It means that the best attainable outcome has not been achieved: it does not mean that nothing good has happened (Lipsey and Harbury, 1992; Lipsey and Chrystal, 1995).

"Market failure describes the circumstances in which distortions prevent the Invisible Hand from allocating resources efficiently" (Begg et al, 1997; p 248).

There are three main sources of market distortions: imperfect competition (failure to set price equal to marginal cost), externalities (divergence between private and social costs or benefits), and other 'missing' markets in connection with future goods,
risky goods, public goods or other informational problems (Begg et al., 1997; p. 248). These have been classified as technical market failure (Middleton, 1996). There are other circumstances under which the market may be working perfectly well within its given constraints, but does not measure up to some normative standards of society. These factors have been called social market failure (Middleton, 1996). The remainder of this section discusses, in broad terms, these possible sources of market failure.

A natural stating point in a discussion of market failure is the case of imperfect competition. It is well established that markets work best under perfect competition. Under imperfect competition, producers set marginal cost equal to marginal revenue, which is less than the price at which the last unit is sold. Since consumers equate price to marginal benefits derived from the last unit, in general marginal benefit will exceed marginal cost in imperfectly competitive industries. Such industries will tend to produce too little. Efficient allocation of resources would not be achieved because there is room for additional production of goods. (Chapter 6 provides a detailed discussion of the total loss to society resulting from imperfect competition).

There are many examples of circumstances that may prevent competition from taking place. Consider an industry facing decreasing costs or increasing returns. Under conditions of decreasing costs, the lowest cost mode of production would be achieved by a single producer. Consequently, a free market will result in monopoly. Assuming that the monopolist cannot discriminate in the prices charged to different buyers, and hence a single price prevails in the market, the outcome will be inefficient, in both static and dynamic terms. In static terms, the outcome will be inefficient because the quantity produced will be lower, and the profit-maximising price charged by the monopolist will be higher, than warranted by the costs of production. In terms of dynamic efficiency, the outcome will also leave something to be desired because incentives for innovation by a secure and unchallenged monopolist will be weaker than would likely prevail under a more competitive regime (Wolf, 1988; pp. 23-24). And, as will be elucidated in Chapter 6, the attempts to protect the monopoly position induce diversion of real resources into wasteful rent-seeking activities.

Another area where markets have been observed to fail is when conditions result in 'missing' markets. A good example is the provision of public goods. Public goods
are goods the consumption of which cannot be precluded for particular consumers. Once they are produced, it is difficult to restrain members of the society from consumption.

"A pure public good has two salient properties: one person's consumption of the good does not reduce another person's ability to enjoy it; and once the good is produced there exists no principled or efficient way of excluding anyone from consuming it" (Coleman, 1985; p. 79).

National defence and public parks are public goods. These features of public goods create what is called free-rider problems. Free-rider problems result because it is in the interest of the individual utility maximiser not to pay for the production of the good knowing that when available he/she cannot be easily prevented from its consumption: he/she can ride free on the back of those paying. Under these circumstances, the free market is expected to fail because producers do not have the incentive to produce the good if they cannot effectively charge consumers.

In other circumstances, solely relying on the market to allocate resources sometimes results in the production of externalities which cannot be overcome. Externalities result when one person, in the course of rendering some service, for which payment is made, to a second person, incidentally also renders services or disservices to other persons, of such a sort that payment cannot be exacted from the benefited parties or compensation enforced on behalf of the injured parties (Pigou, 1932). Externalities include pollution, noise, congestion, and other environmental 'loads'. They are the costs or benefits of a transaction that are incurred or received by other members of the society but not taken into account by the parties to the transaction. Common to the list of externalities is the fact that one person's actions have direct costs or benefits for other people which the individual does not take into account (Lipsey and Chrystal, 1995). An externality arises whenever an individual's production or consumption decision directly affects those of others other than through market prices. This is described technically as a divergence between private and social cost and benefits. Distortions occur whenever free market equilibrium does not equate marginal social cost and marginal social benefit. These distortions lead to inefficiency or market failure.

Yet another source of market failure relates to asymmetry of information. Incomplete information may lead to private choices which do not represent the best
interests of individuals or society as a whole. The case is commonly made that the lack of adequate information or the technical sophistication of the information if available may prevent private individuals’ ability to make the right choices. Regulations for health quality, safety at work, building standards and density of housing developments are designed both to provide information and to express society’s value judgements about intangibles such as life itself. Other ‘missing’ markets like future goods, risk, and information present particular cases under which markets are observed to fail.

One powerful argument that has been advanced for the need to interfere with the operation of markets is the market’s inability to achieve social priorities such as equity. In achieving efficient allocation of resources, the market may produce outcomes which may not be socially ideal. The competition to satisfy needs that is fundamental to the workings of the market also means that individual members who possess the right kind of resources, skill, and training that may be in high demand have the potential, through trade, to gain control of what may be considered, an ‘unfair’ share of available resources. The ‘fair’ distribution of incomes and wealth (whatever that means) among members of a society is one thing that the free competitive market, left on its own, cannot achieve. In a society where the distribution of resources are skewed in favour of a minority but dominant group, the market may achieve efficiency within this constraint but questions may remain as to whether this state of affairs is ideal.

As stated earlier, these examples of market failure are normally analysed at two levels: technical market failure, that is problems of allocational inefficiency, such as monopoly, which are inherent to the system; and social market failure, where technically efficient markets may produce results that are not accepted by a smaller or larger proportion of the population (Middleton, 1996).

5.2.1. Technical Market Failure
Under technical market failure are classified sources of market failure like: market power (monopolies), where there has occurred a concentration of production, or where there are geographical or natural factors favouring the emergence of monopolies which undermine the assumptions of the competitive model. The effects of imperfect competition and the powers of monopolies in ensuring sub-optimal allocation of resources has been demonstrated by Robinson (1933) and Chamberlain (1933). Galbraith (1967 & 1974) examines the use of market power to
undermine the free market case. Also classified under technical market failure are externalities, where market failure results from the market's inability, at equilibrium, to achieve efficient allocation of resources due to a divergence between private and social cost and benefits; Pigou (1932); Coase (1960). Market failure resulting from the market's inability to produce public goods is also classified as technical market failure. It is difficult to achieve efficient production of goods of these nature under free market competitive conditions precisely because the price system, the information transmitting mechanism, fails because of the inability of pricing consumption resulting from the non preclusive nature of consumption of the good.

Another area where markets are technically said to fail relates to problems with the concept of general equilibrium. Many economists express doubts about the extension of neo-classical analysis of market forces and their equilibrating tendencies to the economy as a whole. Three major problems have been expressed with this analysis: (1) whether there exists a general equilibrium in which all actors and all markets are in simultaneous equilibrium; (2) whether there is equilibrium as against multiple equilibria; and (3) whether if an initial equilibrium position is disturbed, market forces are capable of restoring the system to its general equilibrium. Developing these questions to apply to the real world case, Clower (1965) and Leijonhufvud (1968) demonstrate that even in the absence of wage and price rigidities the market would not automatically produce a general equilibrium solution without involuntary unemployment due to the market's failure to provide the right signals. Indeed the macro-economic dimension of market failure is central to what has become known as 'Keynesian economics'. Between various works (in particular, Keynes (1930; & 1936) Keynes developed the case for

"state action to overcome the free market's inherent tendency to provide insufficient co-ordination for the automatic achievement of full employment"
(Middleton, 1996 p 61).

Problems with the general equilibrium paradigm have been extended to embrace the problem of disparities between economies of regions. For example, Myrdal's (1957) theory of cumulative causation formalised by Kaldor (1970), explains that;

"if things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and indeed, almost all those economic activities which in a developing economy tend to
give a bigger than average return and, in addition, science, art, literature, education and higher culture generally — would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater" (Myrdal, 1957; p. 26).

See also Thirlwall (1981 and 1982) for application of this analysis to the issue of de-industrialisation. For more on technical market failure see Middleton (1996; p. 54) and also Lehner and Widmaier (1983).

5. 2. 2. Social Market Failure.
Social market failure stems from the efficiency-equity trade-off. Recall that the strong points of markets are their ability to ensure that in equilibrium resources are employed at their optimum level leading to an overall efficient allocation of resources in the economy. Under perfect competition therefore markets lead to a Pareto-optimum state of affairs where no member of the society’s welfare can be improved without damaging the welfare of other members. But we may have some normative judgement about the Pareto-optimum state concerning equity or fairness. Indeed

"if the utility of the deprived cannot be raised without cutting into the utility of the rich, the situation can be Pareto optimal but truly awful" (Sen, 1985; p.10).

Often the goal of a more equitable distribution conflicts with the goal of a more efficient economy. Thus even if the price system allocated goods and services with complete efficiency, members of a society might not wish to rely solely on the market since they have other goals that they wish to achieve.

"Moreover, considerations of Pareto-optimality cannot distinguish between societies characterised by widespread slavery or starvation and affluent, democratic ones, just so long as, in each case, no one can be advantaged without disadvantaging someone" (Rosenberg, 1985; p. 49).

5. 2. 3. Miscellaneous Failings of The Market.
In addition to technical and social market failure, there are sources that may lead to the market failing to achieve acceptable goals which do not fit neatly into the two classifications. One can classify these (following Middleton, 1996; p. 63) as miscellaneous market failures. These may include the following situations:

1. Improvidence: the contention that the market system has an inherent deficiency in respect of its capacity to take account of the consequences of some important
decisions taken within its institutional framework, thereby imbuing the market with a short-term horizon and bias towards proceeding by piecemeal decisions.

2. Limited time horizon: a special case of improvidence in which, in the absence of supervision, exhaustible natural resources are considered a free good by the production sector with prices failing to reflect their long-run scarcity and there being insufficient protection against environmental degradation.

3. The tyranny of small decisions: this category refers to the characteristic of the market system that its guidance function scans only a narrow range of marginal alternatives and considers each marginal adjustment in isolation, thereby ignoring the interdependence of isolated choices and posing the possibility of unexpected and undesired global outcomes (see Kahn, 1966).

4. Option demand: a special case of the market's provision of insurance services against risks, but in this case the market may not provide for goods and services, from which consumers may gain utility (for example, national parks) but choose not to enforce their option to consume, the income received from actual users being insufficient to cover the costs of market provision.

5. Pricing practices: here the existence of business practices such as advertising and cross-subsidisation distorts relative cost structures and undermines the function of competition to reveal deliberate instances in which pricing is divorced from costs, thereby lessening consumer sovereignty (see also, Kaldor, 1950, Galbraith 1967).

6. Information database: This encompasses many phenomena, an important one of which concerns the longer time horizons for innovation and product cycles characteristic of technologically advanced economies which generate increased uncertainty about future demand. Government intervention may thus be necessary, through compensation for risk and support for research and development.

7. Complementary markets: where, without government intervention individual economic agents may not decide to market a good or service because the demand for it requires complementary provision from other economic agents. This has a particular application to large-scale development projects which may require the state to co-ordinate private actors.

8. Information failures: market efficiency requires that information be freely disseminated, but frequently in practice the market communicates incomplete or distorted information and it is argued that government action to rectify these failures is Pareto-improving.
One can identify most of these failures in the land and property market. The problem of information, the need for complementary provision of costly infrastructure which is beyond the means of individual private owners but necessary for efficient functioning of cities and the domination of few landowners which can serve to undermine the efficient working of urban land markets are only some few examples. How can these failures be avoided? One is always tempted to provide a prompt answer to this question in the following manner. The state must intervene to prevent the failures that occur from the free market system. In fact a lot of state activities in the developing world, the former socialist countries, and, indeed, the major market oriented industrialised nations are premised simply on this very basis. The evidence of market failure has been taken as good enough justification for government intervention.

5.2.4. Governments in Correcting Market Failure
The main sets of tools available to governments in dealing with market failure are rules, public ownership, expenditure, and taxation. At the operational level, governments employ these tools through bureaucracies. Here lies a fundamental difference between governments and markets. Whereas markets co-ordinate activities and behaviour of self-seeking individuals through the invisible hand, governments attempt the same feat through visible hands of bureaucracies. To succeed, bureaucracies ought to be comprised of staff interested solely in the achievement of objectives forming the raison d'être of government intervention. Whether or not governments succeed in replacing or correcting markets is therefore dependent on this very condition. But, like technical market failure which eventuates because conditions set for the perfect operation of markets are too stringent to be satisfied in the real world; governments fail because their success is premised on too stringent assumptions about the political process, and the behaviour of the bureaucracy. For example, contrary to implied assumptions of benevolence underlying arguments for governments’ taxing to redistribute income for the benefit of the disadvantaged and the provision of public goods, evidence in real life indicate that all too often such policies tend to be undertaken for the benefit of certain interest groups. Actual outcomes of government interventionist policies in the presence of such tendencies, may turn out to be something completely different (generally perverse) from the intended outcomes: governments fail to correct market failure.
Stiglitz (1988, pp. 5-6, and also 1989) identifies four sources of government failure as: the limited information of government, which makes the consequences of many of its actions both complicated and difficult to foresee; the limited control of government over market responses to its actions; government's limited control over the bureaucracy; and the limitations imposed by the political process. Consequently, a great deal of research into government intervention in the market has focused on two fronts. One strand of research, following Niskanen (1971), has investigated the behaviour of government bureaucracies. A related branch has focused on the workings of politicians and the political process (see works by Tullock and Buchanan, in particular, Buchanan and Tullock, 1962). Linking up with the property rights question (see Chapter 4) this growing literature has provided some very helpful insights. Details of some of these works may be found in, for example, Alchian (1966), Niskanen (1971; 1975; 1994), De Alessi (1980), Ostrom (1984 & 1987), Wolf (1988), and De Alessi and Staaf (1989). A brief summary of the main insights are as follows:

In the bid to maximise votes, politicians have strong incentives to pursue the agenda of vote winning interest groups. Consequently, better organised and articulate groups are able to get governments to legislate and spend tax revenues on economic activities which may not be in the interest of society as a whole (Tullock, 1976; Wagner, 1996 p. 27-31). Related to this is the log-rolling tendency of politicians characterised by Tullock (1976 p. 41) as "I agree to vote for something you want in return for your agreeing to vote for something I want". The efforts to maximise votes lead to deal-making so that policies and activities which a politician (or a political party) is originally not in favour of would be allowed in order to secure the support of other politicians in pushing through parliament some policies which are judged to be of high vote winning potential in the constituency of the said politician. As a result society, more often than not, ends up with excessive legislation and the provision of excessive or inappropriate goods and services, precisely because of log-rolling (Pennock, 1959; Buchanan and Tullock, 1962; Tullock, 1976; Wolf, 1986, p. 36 & 1988; Stiglitz, 1988; Boardman and Aidan, 1989; Foldvary, 1994; Middleton 1996; Wagner, 1996).

The behaviour of bureaucrats presents even more interesting insights in the way it impinges on economic activities of governments. They posses these two characteristics; a) the owners and employees of these organisations do not

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appropriate any part of the difference between revenues and costs as personal income. b) some part of the recurring revenues of the organisation derive from other than the sale of output at a per-unit rate (Niskanen, 1973; p. 8; 1994; p. 15). Given these conditions, a self-seeking bureaucrat may only maximise their personal utility rather indirectly. First, a lot of effort is employed in activities that lead to promotion and additional perquisites of office which may, indirectly, increase income and comfort. In this regard, working practices adopted, for example, may be ones that prevent the discovery of shirking among key agency members: in general, people (bureaucrats not excepted) do not like hard work! Other objectives may include, efforts to increase power, influence and public respect. These indirect utility maximands are achievable the bigger the size of the bureaucracy and the larger the budget. Thus the over-riding motive of the bureaucrat is to maximise the size of the bureaucracy which means increasing the size of the budget. Instead of cost minimisation, it is in the interest of the bureaucrat to employ higher cost methods in undertaking a given activity — employing more staff for example (see Tullock, 1976; p. 29).

The following implications for governments’ attempts to correct market failure emerge. The bureaucracy, in particular, is bound to exaggerate market failure in the bid to maximise budgets. But if what is perceived as market failure is indeed the optimal outcome given the circumstances; as, for example, the market’s failure to provide flood control in an area subject to flooding reflecting not market failure but a recognition that the cost of preventing flooding exceeds the benefit (Wagner, 1996; p. 14), government intervention to provide flood control will be a failure ab initio. Note the implications for governments’ attempt to regulate standards for housing and land transactions which may not be achievable given the level of household incomes.

On the equity justifications, a ground broad and vague enough to be invoked to justify almost any government intervention, it has been shown that much of government redistributive activities results in distributional inequities. Stiglitz (1989; p. 61) provides a telling insight in these words:

Concerns about equity are pervasive in the public sector. We have seen how they affect both employment and expenditure policy. We have also seen that while they often provide the ‘rationale’ for government policy, the redistributions are not those which would accord with generally accepted principles of equity; rather they are the consequences of special interest
groups using the powers of the state to reap private gains at the expense of the general public. These redistributions are not only inequitable, but also inefficient. They are not only inefficient because of the rent-seeking expenditures that the special interest groups make in the quest for the special treatment; they are also inefficient because the equity constraint results in government programs that are ill-suited to any 'rational objective'. (Stiglitz, 1989, p 61)

Government economic activities tend to employ high cost methods producing inefficient results because of the budget maximisation tendency of bureaucrats. As already explained, this is directly a result of the incentive structure — the property rights system — facing staff of government agencies. Unlike in a market environment, the costs/benefits of decisions do not bear directly on the decision maker. For an expansion on this follow the property rights literature, beginning with Coase (1960) and later refinements, especially on incentives of bureaucrats (e.g. More, 1970; Davis, 1971 & 1977; Crain and Zardkoohi, 1978), and government regulation of firms (Stigler, 1971; Hilton, 1972; Jordan, 1972; De Alessi, 1974 & 1980; Borcherding, 1977).

Armed with these insights it is possible to briefly examine government activities in SSA urban land and property markets concentrating particularly on that of Accra.

5.2.5. Governments and Sub-Saharan Urban Property Markets.
The discussion above leads to the following predictions. To indirectly maximise their income and comfort through maximising budgets, bureaucrats involved in the regulation of urban land markets in Accra and SSA cities in general are expected to argue for greater government intervention in the market. This will be justified on many grounds which, *prima facie*, aim towards equity in the allocation of urban land resources. However, much of any benefits of government intervention would, in fact, accrue to articulate interest groups, not the general public. One finds some evidence of these in SSA.

There is a great deal of involvement of governments in the allocation of urban land resources in SSA. In about 50% of the countries in the region, absolute and full control of all property rights in land are held by the various governments. Payne (1997; p. 11) citing Mabogunje (1990) states that 20 out of the 40 countries in the region have nationalised all lands and extinguished private freehold ownership. Of the remaining 50% (of which Ghana is part) where land is not completely
nationalised, the story is no different in reality. The need for clearance from government agencies in all private transactions and the control and regulation of many rights lead to excessive control of the market. Payne (1997; p. 11) offers four reasons for such interventions to include, a belief that governments in intervening are carrying on a traditional African practice, in which ownership of land resided in the community and not in the individual (e.g. Lesotho); a continuation of the French colonial position of refusing to recognise customary land tenure (e.g. Mali, Senegal, Congo); improving the efficiency of land allocation for both public and private use (e.g. Nigeria, Sudan); and finally socialist ideology (Angola, Benin, Ethiopia Zambia). It is interesting to observe that out of the four reasons, only one, that of improving efficiency of allocation, is, at least on the face of it, on an efficiency criterion. But even in these cases outcomes have been perverse. Bureaucratic corruption, political interference and interest group lobbying have ensured that in Nigeria, for example, 20% of the rich adult population of Lagos obtain 92% of the land and housing resources in Apapa, Victoria Island and Ikoyi. Government intervention in the name of ensuring efficient and equitable distribution of urban land resources in practice, allows the rich to obtain virtually all available land resources at less than market price (see Agbola, 1987).

Much as lands in Accra are not nationalised, government control and regulation of rights in property lead to similar perverse results. These activities are justified on various grounds including, prevention of fraudulent sales, ensuring developments conform to city plans, health and safety reasons, and enabling the poor to have easier access to urban land than the market would otherwise allow. Outcomes appear to be anything but these objectives. One area where political power, bureaucratic behaviour and interest group lobbying have been combined to a devastating effect is the use of compulsory purchase powers to acquire all property rights in some urban land in the city (in the public interest!) to effect government redistributive activities. Far from benefiting the poor, Brobby (1991) and Larbi (1994), find that the main beneficiaries of the ‘acquire and redistribute’ land policies are the rich and influential, including bureaucrats in other government agencies (see also Antwi, 1995). A full discussion of this and other aspects of land market intervention in Accra is provided in the next Chapter (Chapter 6).

5.3 Summary
This Chapter has attempted an exposition of the fundamental factors that need to be grasped and balanced in deciding whether governments should intervene in
markets. It has shown that though markets work efficiently under ideal circumstances they have their shortfalls. They may, under certain circumstances, produce inefficient and/or socially unacceptable outcomes. But just because markets sometimes fail does not imply government intervention will always salvage the situation. It is true that governments have some comparative advantages, particularly in circumstances when social issues are concerned. In the context of urban planning and management for example, they can (and do) regulate to prevent exploitation of purchasers that may result in a market with limited information such as urban land markets in SSA. But they can also fail. By their very nature, governments' economic activities are hampered by the political and administrative framework. They are "essentially a political process characterised by lags, bottlenecks, coalitions, logrolling, and other fuzzy attributes of political behaviour" (Wolf, 1988; p. 62). Therefore in the decision to intervene or not, it is very important to note this observation by Stiglitz (1989; p. 20): More generally, all transactions between parties other than the State are voluntary. From this, some strong inferences can be made: for instance, that the transaction must have made both parties better off. This is not true for transactions between the government and any individual: any individual may be worse off as a result, precisely because the transaction may not be voluntary.

In the context of urban land markets in Accra this observation about government intervention forcing individuals to enter into involuntary transactions with the state is a pertinent one in view of the extensive use of compulsory acquisition and similar powers as tools of land management in the city. Given that landowners are involuntary parties to compulsory acquisitions, they would be prepared to spend resources to counter such moves by government. Such resources diverted from productive activities into wasteful ones may explain a lot of the behaviour of agents that cause problems observed in the Accra land market. The issue of resources wasted by economic agents in circumstances like this is therefore an important one to pursue. The next Chapter (Chapter 6) therefore discusses 'rent-seeking', an economic concept which throws lights on resource wastes that some government actions may bring about and applies it to land market intervention in Accra.
Chapter 6: Rent-Seeking and Urban Land Policies

6.0. Introduction

In the previous chapter an attempt was made to discover the real reasons why governments intervene in markets and the likely outcomes when they do. A major insight from this economic analysis of governmental activities relates to the mis-allocation of resources associated with special interest-group activities in the political system. Another is the behaviour of politicians and bureaucrats in the resource allocation process. More specifically, politicians aim at maximising votes. To achieve this, they pursue policies of articulate interest-groups. Bureaucrats aim to maximise budgets and therefore undertake high cost sub-optimal production techniques. Interest groups influence the political process to redistribute resources for the benefit of their members. The link between activities of these political agents and the mechanism via which resources are wasted is provided by the rent-seeking concept. This chapter deals with the relatively new concept of rent-seeking and applies it to resource waste associated with government intervention in the Accra land market.

In general the interaction of the activities of politicians, interest groups and bureaucrats manifests itself in the economy as monopoly earnings. For instance the main activity of a producers' interest-group may be to lobby politicians to introduce protectionist legislation which is bureaucratically administered in a way that increases the monopoly earnings of their members. That such monopolies in given industries or whole economies lead to Pareto-inferior outcomes and introduce costs to society has long been established (see for example Robinson, 1933). Though theoretically unambiguous, the empirical magnitude of the monopolist's (deadweight) cost to society has been traditionally held to be very small. Noted studies in this regard are Harberger's (1954 and 1959) works which suggested that the cost of monopolies was probably of the order of 1% of the United States GNP (see, Tullock, 1996). The rent-seeking concept suggests that there is far higher resource waste associated with monopolies than deadweight costs studies suggest. As will be apparent shortly, the opportunity to gain artificially contrived rents are governmentally created and assigned. Rational self-seeking agents would therefore expend resources in a competition to improve their chances of winning these opportunities. Resources
spent in such competition are a loss which, added to the deadweight loss, constitute the total loss to society.

The nature and extent of the welfare loss resulting from lobbying governments into creating monopoly powers which are then exploited by agents is of immediate concern to this study. It has been explained in earlier chapters how much of urban land policy administration and planning involves state intervention in a market for property rights in urban land (see Chapter 5). These interventions create structural problems in the workings of the market. They create monopoly rents through the erection of artificial entry barriers in the form of minimum standards of construction and upper-limits to development density, to mention only two examples. In the particular case of the developing world, urban planning and land resource administration may involve government subsidies through the provision of infrastructural facilities in limited neighbourhoods of cities and the bureaucratic rationing of access to lands in such neighbourhoods. In general monopoly rents are conferred on beneficiaries of these policies since supply is artificially constrained.

At least in theory, mis-allocation of property rights in urban land resources are bound to result from such government activities. Quite apart from this mis-allocation, resources spent by households in preventing the impact of government intervention and the parallel government expenditure in asserting authority, constitute a significant source of waste to society. In order to make any recommendations for policy reforms, it is imperative to investigate the fundamental sources, extent and form of such resource mis-allocation. Such an attempt is made in this chapter through an examination of the concept of rent seeking as it relates to urban land policies in Accra. The discussion is in three main sections. To provide a context for the rent-seeking concept, a brief analysis of the loss to societies as a result of monopolisation is provided in the next section. This is followed in section 6.2 by a detailed discussion of the rent-seeking concept covering the extent of resource waste (6.2.1), and the rent-seeking environment (6.2.3). Section 6.3 applies the concept to land management in Accra and relates it to the use of compulsory purchase powers (6.3.1) and activities of government land agencies in general (6.4).

6.1 The Social Cost of Monopoly

Under competitive environments, individual firms cannot influence the market price of their products. Firms under these conditions are price takers. Profit maximisation
decisions therefore involve choosing the optimal level of production (MC = MR). At this output level marginal cost equals average revenue or market demand. This level of output and consumption contains welfare gains to society comprising of producers' and consumers' surpluses. The question to be investigated is; what happens if a single firm emerges in this market and operates as a multi-plant monopolist? Given the general rule that more goods can only be sold at reduced prices, it can decide to influence the market price of its product by choosing given levels of production. Thus unlike under perfect competition, the monopolist faces a downward sloping marginal revenue curve. Costs imposed on society by such a monopolist can be explored with the aid of Figure 6.1 below.

Figure 6.1: Market Behaviour of Monopolist

Consider a monopolist in an industry characterised by constant long run average and marginal costs (LAC, LMC) as represented in Figure 6.1. MR is the monopolist's downward sloping marginal revenue curve. To maximise profits, the monopolist will produce Q₁ quantities of the good and sell at a unit price of P₁: LMC = MR at this level. This is however lower than the socially desirable output Q₀ which would be produced and consumed under perfect competition. The important implications for resource allocation can be traced along the following lines. At the monopolist's level of production, part of the consumer surplus enjoyed under perfect competition is lost. The total loss to consumers is given by the area bounded by P₁abP₀. Part of this loss, however, is a mere transfer to the monopolist. Specifically, the area P₁acP₀ is
transferred from consumers to the monopolist in the form of excess monopoly profits. But notice that the area \( \text{abc} \) is completely lost to society. Ignoring income distribution implications, the total loss to society as a result of monopolisation, is therefore the triangle \( \text{abc} \). Thus the emergence of the monopolist in an otherwise competitive industry imposes a cost to society given by the triangle \( \text{abc} \).

Traditional efforts to provide empirical estimates of the social costs of monopolies have therefore concentrated on the size of the triangle. Notable among these is the study by Harberger (1954) which has resulted in the characterisation of the triangle as the Harberger triangle. Harberger's (1954) study estimated the total loss to the United States resulting from monopolies to be rather small; in the order of some 1% of GNP (see Tullock 1996; p. 3). For similar results from other countries see Johnson (1958), Wemelsfelder (1960) and Schwartzman (1960). Given systematic observation of delays, ineptitude of staff and shirking that tend to characterise single firm industries, these findings were rather surprising. Obvious questions remained as to whether it is economically worthwhile preventing monopolies. There existed a paradox where some observations and intuitive feelings about monopolies suggested they waste a significant proportion of society's resources. However, empirical estimates of this waste produced insignificant results.

The concept of rent-seeking unravels some of the secrets behind this paradox. The real costs of monopolies are indeed larger than the Harberger triangle. Real world monopolies do not normally emerge through natural advantages possessed by firms over their competitors or through accidents of the market. They tend to result from concerted efforts of lobbyists in persuading governments to erect entry barriers. Certainly in urban land markets, the earning of monopoly rents by some landowners eventuates as a result of planning and other government regulatory restrictions. Even when they result through accidents of events, monopolists are not expected to be passive. They will spend resources to guide their monopoly position. Since resources are spent in lobbying and protecting monopoly positions, loss to society comprises the traditional triangle and resources so spent. To bring home the force of the argument of rent-seeking, consider the 'acquire and redistribute' policy employed in Accra (Chapter 5). Since redistributing serviced lands confers huge profits on beneficiaries, resources would be spent by prospective beneficiaries to influence their chances of obtaining lands. In addition, customary landowners from whom lands are acquired would spend resources in preventing this activity of
government (more on this at 6.3.1). This expenditure of resources has nothing to
do with the employment of the land resource. They are therefore wasted. This is
the main insight of the rent-seeking literature. The following sections deal with the
concept in some detail.

6.2. The Concept of Rent-Seeking

Monopoly powers, be they natural or created through legislation, generate rents.
Self-seeking agents are therefore expected to compete for these rents. Additionally,
once monopoly powers are achieved, existing monopolies will allocate resources to
defend this position. On their part, losing groups, like consumers, will seek the
reform of existing monopolies. When well organised, they may even attempt to
influence policy to prevent monopolies from emerging in the first place. As a general
rule, therefore, the existence or the potential for monopoly profits is expected to spin
off the expenditure of real resources in a zero-sum struggle. These are spent not in
increasing wealth, but in attempts to transfer or resist transfer of wealth (Tullock,
1967; p. 228).

Rent-seeking as a concept and an insight into society's waste of resources was
brought to the fore in economic analysis by Krueger (1974). In this paper Krueger
provided, through theoretical and some tentative empirical estimates, the extent of
resources wasted through activities to secure the benefits of licenses created
through tariff regimes in India and Turkey. To be sure, Tullock's (1967) paper had
shown similar insights, albeit, with no reference to the term rent-seeking. Bhagwati
(1982) characterised these activities as directly unproductive profit (DUP) seeking to
reflect the wider activities of resource waste inherent in governmental policies of rent
creation and capture (see also, Bhagwati et al., 1984). The basic concept has been
extended and applied to many aspects of government intervention by various
researchers. Tollison (1982) provides a survey of the literature. The following
sample of the literature provides a more up to date view of the concept: Tullock
Posner (1975), Buchanan (1980a & b), Congleton (1980), Corcoran (1984), Higgins
(1993), McNutt (1996). A convenient compilation of many of these works has been

Rent-seeking activities cover the whole range of expenditure of resources to secure
redistributive policies in favour of agents undertaking the activities. These could be
in the form of employing professional lobbyists to influence parliamentarians and party contributions. Included too are resources expended in most activities by interest groups, bureaucrats and politicians. In some cases competition for rents occurs through choice of location -- locating the firm in the capital, or expenditure of resources upon travel. In other cases, government officials themselves receive part of the rents – bribery, hiring relatives of officials or employing the officials themselves upon retirement (Krueger, 1974 p. 291).

6. 2. 1. The Extent of Resource Waste
To render the arguments more transparent Figure 6.1 is reproduced as Figure 6.11 below removing the marginal revenue curve for clarity of exposition (see Tullock 1967).

Figure 6.11: The Extent of Rent-Seeking

In the diagram H, the Harberger triangle, represents the traditional deadweight cost of the monopolist. T is traditionally considered to be a direct transfer to the monopolist. The whole point of the rent-seeking concept is that the potential to earn T will entice many firms to compete for such rent. Faced with the possibility of earning T, a firm’s rational behaviour is to expend resources to improve their own probability of winning. How much resources it is rational to spend, from an individual firm’s point of view, depends on the size of T, the rent to be earned. A firm will expend any amount up to T to gain the monopoly power (Tullock, 1967). By definition, there is only one successful winner. The winner captures all the rents. The total loss to society resulting from the creation of this state of affairs is therefore
H plus the sum of any fractions of T expended by both the winner and losers in the competition for T. The loss to society is therefore always greater than H. Under assumptions of perfect competition for the rent, the winner is expected to spend up to T to out-compete competitors. Under such conditions, there is complete dissipation of the rents and the loss to society of the monopolist may be even greater than \( H + T \), counting the loss of all losers in addition. The following clarifies the possible loss to society that might result. The loss (\( L \)) can be written as:

\[
L = H + \alpha T + \sum_{i=1}^{N} \beta_i T
\]

where:
\( \alpha_i = \) fraction of T expended by winner, \( i \),
\( \beta_i = \) fraction of T expended by loser

Eq. 6.1 conveys helpful information. For instance it informs that if \( \alpha = 1 \), this is the case where the winner dissipates all T to gain the rents;

Eq. 6.2
\[
L > (H + T).
\]
\( (\text{for } \alpha = 1) \)

Also the mean expenditure of the losers can be obtained as:

Eq. 6.3
\[
\overline{T_i} = \frac{\sum_{i=1}^{N} \beta_i T}{N}
\]
\( (0 < \beta < 1) \)

Furthermore, the size of T and H depend on the elasticity of demand for the product in question. Moving from a case where the monopoly is introduced into a hitherto fairly competitive market represented by Figure 6.III, to one where monopoly power is introduced into one characterised by an extremely inelastic demand, Figure 6.IV, the size of T increases while that of H diminishes. But a movement to the other extreme where demand is infinitely elastic, Figure 6.V, leads to both T and H diminishing. Thus the more inelastic the demand for the product (the smaller the absolute value of elasticity, \( e \)), the bigger is T, the amount of rent available to be competed for. Conversely the more elastic the demand (the more competitive the
market) the smaller are both \( H \) and \( T \). Specifically, as \( e \to 0, T \to \infty, H \to 0 \); and as \( e \to \infty, T \to 0, H \to 0 \). Several factors, including the availability or otherwise of substitute goods, and the relative power to coerce consumers and producers to conform with the regulation, in the case of bureaucratic monopolies, may combine to determine the elasticity of demand and hence the level of monopoly power.

**Figure 6.III: Fairly Elastic Demand**

**Figure 6.V: Very Elastic Demand**

**Figure 6.IV: Very Inelastic Demand**
To be sure, there is an unresolved debate at the operational level as to the measurement of rent-seeking costs particularly in relation to the proportion of \( T \) that is dissipated. For the various views and experiments see, Posner (1975); Buchanan (1980a & b); Rogerson (1982); Hillman and Katz (1984); Higgins, Shughart, and Tollison (1985); Congleton (1988); Higgins and Tollison (1988); Murphy et al (1991); and Laband and Sophocleus (1992). It should be pointed out also that only the winner of this game gets the chance to earn the rents. Resources spent by firms who fail to win are not recoupable. They are sunk costs. Any reform of this state of affairs may restore competition but may never recoup sunk costs. The economy is therefore left permanently poorer (McCormick et al., 1984; p. 1075).

6.2.2. Identifying Rent-Seeking Activities.

A clearer definition of rent-seeking is in order at this stage. The concept of rent-seeking is to be distinguished from that implied in say, economic rent or quasi rents. Unlike rent-seeking, these senses of rent are fundamental to the effective functioning of the competitive market process. The existence of rents in the sense that factors of production, at some given point in time, earn returns in excess of their opportunity costs is the driving force behind factor movements in competitive environments. Factors move to gain the advantage of earning rents. This is normally achieved through improved production techniques or the identification and meeting of a hitherto unmet demand. Thus in a competitive market like the customary land market in Accra, it is possible, for example, to observe a landowner earning some rents above what might be the supply price as a result of the introduction of, say, some innovative way of parcelling the land for sale. The important point here is, the enjoyment of such rents attracts more factors into the industry: innovations get copied; other firms learn of new opportunities; and old production techniques get up-dated to stay competitive. As a result, over time, any rents are completely eliminated. Factors then earn just enough to bring them into production. Efficient allocation of resources is achieved. This leads to lower prices and/or improved product quality. Consumer surplus is increased. The process is therefore welfare-enhancing.

On the contrary, rents in the rent-seeking sense are artificially contrived. The distinguishing feature is that rents here are earned through the employment of resources in lobbying governments to create artificial barriers for entry or exit. Such resources which are employed to seek contrived rents (or to create rents) are not
employed in increasing production. Nor are they employed in improving product quality or production techniques. They are a waste to society in the sense that these resources could have been employed more productively in the economy. Rent-seeking theory is exclusively directed at contrived rents as distinct from the natural rents arising from profit seeking. The theory is also concerned with the use of interest group power to manipulate government (McNutt, 1996; p. 139). In other words, rent-seeking implies the competition for rents when resources are invested to do something for which the net effect will actually lower the national product, rather than, raise it (Tullock, 1996; p. 179).

Thus rent seeking activities include the employment of real resources to undertake both legal and illegal activities that will influence the expected allocation of rents resulting from government redistributive policies. Normally, the concept of rent seeking is applied to cases where governmental intervention in the economy leads to the creation of artificial or contrived rents. But it is not restricted to governmentally contrived rents. It is quite possible to conceive of rent-seeking as taking place in a non-governmental setting (Tollison, 1995 p. xii). Adopting a less optimistic view of the world, Olson (1982) suggests that there often will not be competitive markets even if the government does not intervene. His observation is that the government is by no means the only source of coercion or social pressure in society. There will be cartelization of many markets even if the government does not help (Olson, 1982; p. 177). Indeed in Tullock's (1967) paper, theft was used to advance the rent-seeking concept. In a traditional analysis, theft is posited as having no dead-weight cost to society at large. Much as some households may suffer losses as a result, their loss is a direct transfer to the thieves. From the point of view of society therefore, there is no real loss: what happens in the process is a mere redistribution of society's resources. Tullock (1967) argues that this is a wrong view. Thieves spend real resources in specialising as well as acquiring tools of their trade. Owners of assets that are potentially in danger of being stolen spend resources to counter the efforts of thieves. For example, to improve their chances of breaking into people's homes, thieves spend resources to acquire door breaking tools. Homeowners on the other hand, spend resources on advanced locking systems, insurance, burglar alarms and so on to minimise the chance of break-ins. On a broader scale, society spends tax revenues on police forces to minimise the incidence of the activities of thieves. To the extent that these resources are diverted from the economy and do not contribute
to production, it is waste to society. Theft, apart from being morally undesirable, imposes welfare losses on society as well.

Nevertheless, rent-seeking waste resulting from the manipulation of the political system is significantly more serious than those that may arise in private markets. As the next section makes clear, the attributes of the environment in which rent-seeking thrives are better provided by government intervention.

6. 2. 3. The Rent-Seeking Environment
One should remember that rent-seeking activities result from the self-seeking behaviour of economic agents; the very behaviour which, under an appropriate institutional framework, yields welfare-enhancing results. Adam Smith (1776) drew attention to the proposition that the behaviour of persons in trying to maximise returns on their own capacities or opportunities can be socially beneficial in an ordered market structure. Buchanan (1980a) describes this behaviour as profit seeking. It is this same behaviour, under a different set of institutions, that produces socially perverse consequences. Thus:

"The unintended results of individual efforts at maximising returns on opportunities may be "bad" rather than "good". The term rent seeking is designed to describe behaviour in institutional settings where individual efforts to maximise value generate social waste rather than social surplus. ..........at the level of the individual decision makers, the behaviour, as such, is not different from that of profit seeking in market interactions. The unintended consequences of individual value maximisation shift from those that may be classified as "good" to those that seem clearly to be "bad," not because individuals become different moral beings and modify their actions accordingly, but because institutional structure changes. The setting within which individual choices are made is transformed. As institutions have moved away from ordered markets toward the near chaos of direct political allocation, rent seeking has emerged as a significant social phenomenon" (Buchanan, 1980a; p. 4).

A helpful way of thinking about the issue is therefore to distinguish rent-seeking, the wasteful employment of resources to gain rents, from profit-seeking, the welfare-enhancing employment of resources in order to increase resource earnings which underlies competition in an ordered market. The important point here for anyone calling for government intervention in the Accra land market to note is as follows.
Competition which leads to welfare enhancing benefits to society under ordered market conditions, leads to waste of resources under institutional set-ups where government controls dominate. To the extent that these policies create environments where monopoly rents accrue to factor owners, resources would be spent in a wasteful competition in the attempt to capture or defend those rents. In the words of Mueller (1989):

"The iron law of rent-seeking is that wherever a rent is to be found, a rent-seeker will be there trying to get it" (Mueller 1989; p. 241).

The main problem with redistributive activities, it should be stressed, is not that they directly inflict welfare losses (though they may), but that they lead people to employ resources in attempting to obtain or prevent such transfers (Tullock, 1967; p. 231). Chapter 7 provides evidence of how landowners are compelled to spend resources in wasteful activities to counter any threat of compulsory acquisition of their lands. Rent-seeking activities when dominant and most rewarding, attracts the most innovative in an economy. The payment of bribes, like theft, though not a social waste at the first instance – they involve only a direct transfer – constitutes a social waste to the extent that they shift resources into training and development of skills that enables bureaucrats to compete for the promotion that places them in the position to receive the bribes (Krueger, 1974; Mueller 1989; Murphy et al, 1991; McCormick et al, 1984; p. 1078). An attempt to acquire and redistribute urban land without prompt and adequate compensation of owners will inspire landowners to initiate hasty demarcation and sale to households capable of undertaking immediate, and unauthorised housing development which may trigger off expensive demolition activities on the part of government or lead to downgrading of entire neighbourhoods. These are its social costs, and they can be sizeable.

Some crude attempts at measuring rent-seeking costs come out with figures which are significant enough to warrant the attention of policy makers. Krueger's (1974) paper calculates that 7% of GNP in India and 15% in Turkey is wasted through wasteful expenditures to secure licenses created by tariffs. Laband and Sophocleus (1988; p. 269) estimate that rent-seeking costs the United States economy some 22.6% of GNP. Mohammad and Whalley (1984) indicate that redistributive activity might consume as much as 24-40% of Indian GNP. Ross (1984) finds that rent seeking accounts for approximately 38% of the gross domestic product in Kenya (see Magee, Brock and Young, 1989; p. 217). And, as discussed in section 6.4.1
below, the entire market price of land in the Accra market is potentially available to be wasted through rent-seeking competition. These proportions of resources wasted through rent-seeking are large enough to warrant reform.

How does all this relate to land management in Accra? Government intervention is as prevalent in the urban land market in Accra more than in other markets of the country. Can we identify any perverse rent-seeking outcomes?

6. 3. Application to Urban Land Management in Accra.

It has been established that intervention in the land market is an attenuation of property rights in urban land (Chapter 4). To the extent that they set artificial limits on the supply of officially sanctioned property rights, monopoly rents will be conferred on owners of land with those rights. Under such an allocative mechanism, rent-seeking theory predicts that rational agents will expend resources in a continuous competition to influence their chances of obtaining rent conferring lands. Beside the traditional loss of consumer surplus, probably, in the form of high land prices and limited choice of rights in developable land that these policies bring about, there may be losses resulting from the use of real resources by rational agents in competing for and defending monopoly rents. Additionally there may be loss to the land sector emanating from second level costs of rent-seeking such as the diversion of talents into value-reducing administrative practices and so on. The total loss to the urban built environment may therefore be sizeable. Are there any indications of these in the Accra land market?

6. 3. 1. The Use of Compulsory Acquisition Powers

Consider the use of compulsory purchase powers in Accra. In the main this power has been used to acquire land from customary landowners without prompt and adequate compensation (Brobby, 1991), and redistribute at highly subsidised prices (Larbi, 1995; Antwi 1995; Kasanga et al, 1996). Thus the losers from this policy are the indigenous urban society whose lands are acquired without adequate compensation while the main beneficiaries are the educated elite, military officers and politicians (Asiama, 1984; Brobby, 1991; Larbi, 1994; Antwi, 1995). In the absence of similar serviced plots in the market, beneficiaries of this policy gain immediate monopoly profits by selling in the open market. Antwi (1995) provides an indication of levels of nominal profits gained in these transactions. An adapted version of the figures, discounted at 37.58% p. a (the estimated annual rate of land price appreciation in the unrecorded market, see Chapter 8) to reflect 1987 land
prices, is shown as Table 6.1. As can be seen from the table, profits in the order of up to £16 million could be made by a beneficiary who made no improvements on the land but sold it over in the open market in the same year as it was allocated to him/her.  

Table 6.1: Some Indication of Contrived Rents

<table>
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<td>1987</td>
<td>16.00</td>
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<td>11.30</td>
<td>9.37</td>
<td>8.04</td>
<td>6.51</td>
</tr>
<tr>
<td>1989</td>
<td>-</td>
<td>-</td>
<td>11.24</td>
<td>9.32</td>
<td>8.00</td>
<td>6.49</td>
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<tr>
<td>1990</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.32</td>
<td>8.00</td>
<td>6.49</td>
</tr>
<tr>
<td>1991</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7.90</td>
<td>6.41</td>
</tr>
<tr>
<td>1992</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.36</td>
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In the presence of such phenomenal artificially created profits, rent-seeking theory would predict the following: agents would expend real resources to influence their chance of obtaining plots; bureaucrats would compete to occupy the rent conferring positions; allocation of resources within the bureaucracy would be biased in favour of this activity to the exclusion of (economically) more efficient but not so rewarding (to the bureaucrat) aspects of land administration; customary landowners and non-elite consumers of housing land would spend real resources to counter the impacts of the policy. Does the evidence confirm any of these predictions?

Against the background of the very elusive nature of rent-seeking activities, it is difficult to provide evidence based on systematic analysis. Nonetheless anecdotal indications of costly rent-seeking activities induced by this policy abound. In the Lands Commission Secretariat (LCS) where a substantial part of the processes involved in the acquisition and allocation of government lands is located, it could be said, for example, that officers directly involved in the allocation of government land are in a more privileged position than their counterparts in the same department assigned to the overseeing of non-controversial customary land (market) transactions. At the time of the field survey for this study virtually all the land officers in the Accra office of the LCS had been transferred to other regions of Ghana by a

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1. It must be stated that covenants in the lease prevents the sale of these lands until they are substantially developed, but as expected, sales go ahead. The competition for appropriation of rents that these "illegal" sales generate only pushes the rent-seeking argument to another level.

2. First hand knowledge gained from working in the department.
newly appointed boss. Apparently this was to minimise rent-seeking activities which have emanated precisely because of the contrived rents created by this and similar land administrative policies. More tellingly, there has been competition between the Lands Commission Secretariat and the Land Valuation Board (a sister body responsible for advice on the valuation of government landed property), concerning which body should be responsible for the assessment of ground rents to be assigned under government leases created from the use of this policy. In the light of perpetual complaints concerning shortage of trained staff and work loads (see Larbi, 1994), it is hard, on the face of things, to understand why there should be competition for extra work. Such behaviour is however rational in the rent seeking framework; the presence of rents lead to bureaucratic competition to occupy rent conferring positions. Once successful, bureaucrats, or at least some key members, hope to get the chance of privately appropriating some of the rents created.

It is also true that incentives presented by the allocation of government plots and activities incidental to this process have led to an inefficient concentration of qualified personnel time in this activity to the exclusion of certain fundamental estate management functions in the LCS. For example, the revision and collection of rents reserved under leases are left not attended to. In 1994, Larbi (1994) found that rent reviews did not form part of the normal routine of the estate management staff of the secretariat and that since 1990 no rents had been reviewed. Neither were rents due collected. In fact there was effectively no system in place in the entire secretariat to see to rent reviews and collection. Discussions with officers in the secretariat during the field survey of this study (July-September 1999) revealed that not much has changed since Larbi (1994) made those observations. The aggregate loss of income resulting is enormous. Larbi (1994; Chapter 8) estimated that some 78 million cedis (about £78,000 at 1994 exchange rates) was owed in rent arrears in just three of the many industrial and residential estates in Accra. He (Larbi, 1994) attributes the inability to review and collect rents to the shortage of professional staff and increased work load! However, it is not hard to identify the real cause of this behaviour, considering that activities relating to acquisition and allocation of government land and the granting of consent/concurrence on stool land transactions, for example, attract far more professional attention than this direct income generation activity. Given the nature of incentives presented to the bureaucrat, the potential private benefits in the review and collection of rents is far below those
offered by the allocation of government plots. It is in the interest of the bureaucrat therefore to allocate personnel resources in this way.

Evidence that the policy induces customary landowners to (indirectly) undertake costly activities to defend their lands, like hastily selling off illegal\textsuperscript{12} plots of land, can be found in post-independence government acquisitions in Accra. Furthermore, the absence of formal recognition induces landowners to protect and enforce property rights through costly employment of, what has become known as, 'land guards' in Accra. See for example a front page article in the Daily Graphic (Ghanaian newspaper) of 15 July 1999 where it was reported that 55 guards have been guarding land which was initially acquired for the state on behalf of the Weija stool. These constitute waste of resources.

Individuals who buy these lands hastily construct buildings to defeat the governmental process. As noted above, occasionally government land agencies spend resources in demolishing some of these constructions to assert their authority over the lands. Of particular relevance to the attainment of a recorded urban land market, all properties in the neighbourhood are prevented from being recorded precisely because the government actions render them illegal (see the evidence in Chapter 7). There is a loss to house owners from this in that unrecorded titles are not accepted as security in formal transactions. The loss to households if their houses are demolished is direct. A further loss to the tax payer is the expenditure on staff and equipment in the attempt to ensure the termination of construction works; expenditure on demolishing works and inscriptions on construction works. The sum of these household costs, those of landowners and those of government land agencies, constitute a diversion of real resources into directly unproductive activities (Bhagwati, 1982).

An example that epitomises all these is the acquisition of 1,161.45 ha of land in 1975 in Accra for a national sports stadium complex. No compensation was paid, the project could not be implemented and the land retained by government. The customary landowners sold developable plots to prospective developers. At the time of the field survey the entire area had been fully built up. Yet only one respondent

\textsuperscript{12} Illegal only in the sense that the Government claims legal ownership through compulsory acquisition whether or not compensation (a requirement for the acquisition to be legally effective) has been paid to the customary owners.

96
out of a total of 80 surveyed in this neighbourhood obtained the land through a government agency. None of the owners had formal title documents on their property rights in the land. All transactions in the entire neighbourhood have to be undertaken in the unrecorded market. And, as some of the households interviewed commented, “one cannot use one’s own property to secure a loan” (more on this in the discriminant analysis in Chapter 8).

6.4. Activities of Government Land Agencies in General

At the risk of overstating the case, it may be nearer the truth to state that a great deal of activities of government land agencies persist precisely because of rent-seeking. Their behaviour depicts all the theoretical predictions. The processing for formal documentation of customary land transactions demonstrates how rent-seeking tendencies operate to devastating effects in the market.

6.4.1. Documentation of customary land transactions

Two areas under this heading demand attention. One is the insistence on the requirement for the concurrence of the Lands Commission before stool land transactions in land are formalised. The other is the assessment and management of ground rents that are brought about by the constitutional stipulation that all stool land transactions must be restricted to leases for 50 years or 99 years depending on whether the lessee is a foreigner or Ghanaian respectively. Under the Office of the Administrator of Stool Lands Act, 1994, (Act 481) the Administrator of Stool lands is charged to receive rents from Stool land transactions and distribute as follows:

- 10 per cent of the gross revenue to the Administrator of Stool Lands for administrative expenses; and of the remainder;
- 25 per cent to the stool through the traditional authority,
- 20 per cent to the traditional authority,
- 55 per cent to the District Assembly.

By complying with this Act the supplier of the land, the stool, is to effectively receive 22.5% (25% of 90%) of the market price of the transaction. There is a clear incentive for suppliers not to comply. Rent-seeking waste of resources that emerge in avoiding compliance is discussed below.

The household survey conducted shows that agents’ behaviour have rendered these requirements irrelevant as far as the land transactions of the majority of households
are concerned. As much as 76.9% of all households surveyed have not attempted to seek formal documentation of their title to allow the authorities to ensure compliance of these regulations (see section 7.3.1, Chapter 7). There is therefore no way that the concurrence procedure can achieve its goal: orderly management of lands. The fact that bureaucrats still insist on this can only be explained in the context of rent-seeking. With the aid of Figure 6.VI below, a fuller insight of this and other behaviour of players in the market can be gained.

**Figure 6.VI: Analysis of Stool Land Transactions**

![Figure 6.VI: Analysis of Stool Land Transactions](image)

Figure 6.VI can be viewed as a superimposition of two rent-seeking competition scenarios triggered off by the consent and concurrence requirement. One competition is between landowners and bureaucrats resulting from the artificial restriction of the price of *de facto* interest in land below the market clearing price; the other is between land purchasing households and bureaucrats resulting from contrived rents brought about by formal registration of *de facto* interests. For landowners the requirement creates a rent, $T_2$, for which they compete against bureaucrats to appropriate. $T_1$ is the corresponding rent available for purchasers and bureaucrats to compete for. Similarly, $H_2$ and $H_1$ represent corresponding associated dead-weight losses. These losses result from, for example, the limitation of consumer choice emerging from the restriction of permissible interests in land. On the supply side they relate to losses emerging from the prevention of landowners from employing efficient sales tactics precisely because their activities are illegal. The following clarifies these points.
In the diagram $P_0$ represents the market clearing price at which stools *convey de facto* rights. Keep in mind that enforcement of the constitutional provision restricting transactions to leases is effected only if transactions are presented to be recorded in government books. The sale of perpetual property rights in plots of lands that grant physical possession to purchasers but with no formal governmental recognition can (and overwhelmingly does) take place. The market for this bundle of property rights clears at $P_0$. Since the receipt of this price is illegal by virtue of the constitutional stipulation, it is referred to only as ‘drink money’\(^{13}\) and goes unreported in government books (see analysis in Chapter 8). At this price a total of $Q_0$ plots are willingly supplied and purchased. $P_2$ represents the price (ground rents, $GR$, to be apportioned to the stool, capitalised at $i$, the capitalisation rate, into perpetuity) stools would receive if they were to comply fully with government regulations. At this price stools would be willing to supply only $Q_1$ plots of land while purchasers would demand $Q_2$ plots. Given this shortfall between demand for and supply of plots, some purchasers would be prepared to pay up to $P_1$ to obtain the $Q_1$ plots available. By implication, the $Q_1$ plots supplied would be acceptable for formal documentation because the transactions meet the government requirements. $P_1$ therefore corresponds to the price of stool lands with formally registered documents and can be estimated by adding the price of unrecorded lands to the actual total cost of achieving complete registration. It is important to point out that under normal market circumstances $P_1$ would induce the supply of $Q_3$ plots of land as shown in dotted lines in Figure 6.VI. But this set of circumstances is not attainable in this case since to supply $Q_3$ landowners would have to flout the government regulation the observance of which restricts supply to $Q_1$ which triggered the payment of $P_1$ in the first place. That is to say the payment of $P_1$ is conditional on the supply of up to $Q_1$ quantities of plots and no more. Landowners can obtain prices above $P_2$ and supply any quantities $> Q_1$ only through rent-seeking behaviour. Once purchasers buy ‘de facto’ interests from stools (at $P_0$), they can only obtain formal recognition of the transaction by expending additional real resources which takes the effective price of the land to $P_1$. Herein lies the origin of the rent-seeking activities of players in the land market in Accra. The entire difference between the government stipulated price, $P_2$, and the price some consumers will be prepared to pay if supply is restricted to $Q_1$ as a result ($P_1 - P_2$), constitutes contrived rents available to be

\(^{13}\) Drink money in Ghanaian custom is only a token gesture to a stool to show ones respect and acknowledge appreciation of a paternal service rendered. This is not illegal, yet!
competed for. As shown in Figure 6.VI this rent, \( T = Q_1(P_1 - P_2) \), can be decomposed into that available for competition between household purchasers and bureaucrats, \( T_1 = Q_1(P_1 - P_0) \), and that between bureaucrats and landowners \( T_2 = Q_1(P_0 - P_2) \).

From the field survey it is possible to put some figures on these theoretical prices. Table 7.3 in Chapter 7 presents estimates of prices and registration costs provided by consultants surveyed for the study. From this table the minimum average price of Stool/family lands where rent-seeking activities by market players is at the maximum (problem areas [column 4]) is \( \pm 3.8 \) million. Thus \( P_0 = \pm 3.8 \) million. Figures compiled from the Lands Commission Secretariat (LCS) (see Table 6.2) show that a purchaser of stool land from Ashalley Botwe Stool is charged a \( \pm 1,000 \) ground rent for a typical plot. Using the annual land appreciation rate of the market, 37.58% (estimated in Chapter 8), as the discount rate to capitalise the ground rent into perpetuity\(^{14} \), \( P_2 = 0.225(1,000) \div 0.3758 = \pm 599 \). Again from Table 7.3 (Chapter 7) the average registration cost through the Lands Commission is \( \pm 1.6 \) million. Hence \( P_1 = P_0 + P_2 + \) Registration Cost = \( \pm 3,800,000 + \pm 599 + \pm 1,600,000 = \pm 5,400,599 \). Based on these estimates, for a given stool land transaction to be formally documented the total rent available to be competed for \( (P_1 - P_2) \) is \( \pm 5,400,599 - \pm 599 = \pm 5,400,000 \). For the 285 of the 286 households surveyed who do not possess formal documents on their lands \( (Q_1 = 285) \), the rent available for competition, \( T = Q_1(P_1 - P_2) = 285 \times \pm 5,400,000 = \pm 1,539,000,000 \). This can be decomposed into that available for households and bureaucrats to compete for, \( T_1 = Q_1(P_1 - P_0) = 285 \times (\pm 5,400,599 - \pm 3,800,000) = \pm 456,170,715 \) and that available for competition between landowners and bureaucrats, \( T_2 = Q_1(P_0 - P_2) = 285 \times (\pm 3,800,000 - 599) = \pm 1,082,829,285 \). These levels of resource waste added to losses due to loss of consumer choice (dead-weight losses) constitute the waste brought to bear by the regulations.

Observe that \( T_2 \) would be part of the supply price and received by landowners in the absence of the constitutional stipulation. Thus the constitutional requirement transforms a significant proportion of the price that landowners would have obtained under normal market conditions into rents for which they now have to undertake rent-seeking activities to obtain and/or protect. Clearly any costs they incur to obtain and protect this rent therefore constitute resource waste to the land sector brought to
bear by the policy. Costs incurred to hire land guards to physically protect the lands fall under this heading.

Table 6.2: Evidence of Ground Rents from LCS

<table>
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<th>Size (Acre)</th>
<th>Ground Rent</th>
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</thead>
<tbody>
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<td>31/07/97</td>
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<td>1,000.00</td>
</tr>
<tr>
<td>AR1940/97</td>
<td>07/01/96</td>
<td>0.23</td>
<td>1,000.00</td>
</tr>
<tr>
<td>AR2302/96</td>
<td>22/05/95</td>
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<td>1,000.00</td>
</tr>
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<tr>
<td>AR2301/96</td>
<td>21/04/95</td>
<td>0.23</td>
<td>1,000.00</td>
</tr>
<tr>
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<td>AR1288/96</td>
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<td>0.23</td>
<td>1,000.00</td>
</tr>
</tbody>
</table>

Source: Compiled from LCS during field survey (6 July- 10 September 1999)

In general what proportion of the rent that is transferred directly to bureaucrats, what proportion kept by purchasers and landowners and what proportion is dissipated in the process (rent-seeking costs) all depend on the demand and supply forces in the market as explored in section 6.2.1(Figure 6.III -- Figure 6.V). The extent of waste of resources depends on how much of the rent at stake needed to be dissipated through the competition. It is impossible to estimate this aspect from the data available.

These insights help to explain some observed behaviour of parties in the Accra land market. First, it explains why practically all the households surveyed do not possess formal documents on their property ownership. Furthermore, it explains a strange behaviour in the market where purchasers go to the extent of spending resources to get lease documents prepared for the signature of landowners when as much as 58.5% believe that the interest they have purchased is perpetual.

The insights also explain why customary land suppliers spend resources in ensuring that transactions are documented as leases even though they have no intention, indeed no structures in place, to see to rent collection let alone compliance of other lease provisions. All 100% of land suppliers surveyed had never collected or received any ground rent for leases they had granted. Indeed not a single one of...

14 In property valuation practice it is standard practice to capitalise any interest of more than 40 years as if it is a perpetual interest. See, for example, Baum and Mackmin (1989; p.115)
them even bothers to keep copies of leases granted. Also, as Chapter 7 will show, instead of relying on registered documents to protect their lands, they undertake costly activities like regular visits and employment of land guards to protect their lands. These are rational but wasteful expenditure that results precisely because of the artificial rents created by the particular nature of government regulation.

On waste of resources resulting from bureaucrats' attempt to gain rents, evidence of inefficient but complicated procedures (Larbi, 1994: pp. 286-88) that lead to extensive delays has been found to be employed by agency officials. Conclusions from consultants interviewed for this study suggests that it can take as much as five years to get one's documents formally processed. The expenditure of effort and resources on the part of government agencies (staff, equipment etc.) to design complicated procedures and practices; the cost associated with bureaucrats' wasteful behaviour to devise mechanisms of attracting and hiding bribes and so on constitute waste. These are resources that could be better employed, not least, in efficiency enhancing land regulation.

In addition, since rent-seeking behaviour results in true market prices going unreported, the efficiency functions of open market prices (see chapter 5, section 5.1.1) are lost. More on this in Chapter 8. In the context of the neo-classical sense of markets where reported prices are the result of demand and supply interacting and serving to inform suppliers and demanders, the World Bank is probably right in observing that there is no effective market for land in Ghana (see Becker et al, 1994; p. 227). But this state of affairs persists because of (not in spite of) the particular blend of land market regulation in Accra. If a market in property rights in urban land is defined as one which equates demand for and supply of de facto rights, there is a dynamic market in Accra on which relevant information abounds outside government records. Chapter 7 discusses this in some detail.

6.4.2 Measuring the Costs
The loss to the land sector and to the whole economy as a result of rent-seeking activities generated by government intervention may be large indeed. The examples above are by no means the only evidence of wasteful activities in the competition for contrived profits in the urban land market of Accra. The resources wasted by bureaucrats in lobbying to occupy rent conferring positions are a waste of resources. So are resources involved in designing ways of extracting and hiding illegal income (bribes). They are resources taken away from productive sectors of the economy.
without producing any output. But it is difficult to measure the full extent of this resource waste. As Tullock (1967) points out, the problem of identifying and measuring these resources is a difficult one, partly because the activity of bribery is illegal. Lengthy negotiations and visits to the land agencies to identify and pay bribes to relevant front persons to expedite action may be in real terms very expensive, but one cannot provide direct measures of their cost. Similarly, the whole system of allotting government plots or processing documents on stool land transactions are possibly designed not for maximum efficiency but to induce transfer of rents in the form of bribes (Tullock, 1967; Rose-Ackerman, 1978, p. 184). Again, no measure is possible. As a further problem, probably much of the cost is spread through households that have not benefited from government land or officially approved written documents on their private land transactions but have gambled resources on the hopes of one. It may be almost impossible to measure these costs. Construction works by households that got completely demolished by government agencies in an attempt to assert authority are physically untraceable. They represent costs to those households and society but are incapable of measurement. Much of the costs may also be hidden in the diminution of land and property values that haphazard developments triggered by these activities produce. There seems to be no way of measuring most of these costs. They however indicate the likely avenues and causes of inefficiency in the market. The empirical analysis of these issues in the Accra land market pursues further the attempts to find evidence of more aspects of these costs. This is undertaken in the next two chapters through the test of the five stated hypotheses of the study.
Chapter 7: Discussion and Test of Hypotheses

7.0. Introduction
Having developed the theoretical foundations of the study in the preceding chapters and indicated some resource waste brought to bear as a result of government intervention in the customary land market in Accra (Chapter 6), the present Chapter discusses the main findings of the survey on which conclusions of this study are based. This is achieved in this Chapter by explaining the background of some computations applied to the results of the survey in the section immediately following (7.1). Section 7.2 provides a summary picture of the workings of the market. A test of four of the five main hypotheses of the study is provided in section 7.3. The chapter is concluded with a summary (section 7.4).

7.1. Background Computations
Before proceeding to use the survey results to test the hypotheses, it is necessary to explain some basic computations applied to the data collected. All three survey instruments used are provided in Appendices 1-3. An inspection of the household and supplier’s questionnaire (Appendix 1A & 2A) shows that, apart from questions seeking factual information, they comprise of two main types of questions: (a) categorical questions seeking to group respondents into appropriate categories; and (b) multiple response questions intending to estimate how intense respondents feel about a phenomena of the market. Answers to factual questions are in the form that can be readily applied in analysis of the market. Analysis of responses of the categorical questions was straightforward: frequency tables were constructed and inferences based on the results. Analysis of the multiple response questions required intensity scores to be computed. This is explained in 7.1.1. Part of the postal survey of consultants utilised questions which ask respondents to rank aspects of the market on a scale. Computation of these responses is discussed in 7.1.2.

7.1.1. Computation of Intensity Scores
As explained in Chapter 3, an innovation introduced in this study is an adaptation of the Likert (1932) scale that enables measurement of degrees of perceptions and attitudes of land market transactions using jargons employed in the market. The reasoning behind this adaptation is simple: the more intense a respondent perceives an aspect of the market the more of the answers in the domain he/she is likely to agree with. Hence the need, at the analysis stage, to deal with multiple responses. Based on answers given therefore, intensity scores, designed to measure how
intense a respondent's attitude or perception is toward phenomena of the market being measured, was computed for each multiple response question. Using Question 3.g (reproduced below) of the household survey to illustrate, the computation of intensity scores is achieved as follows:

### 3.g What was your main source of finance for acquiring the plot or property?

<table>
<thead>
<tr>
<th>Response</th>
<th>Assigned Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bank loan</td>
<td>4</td>
</tr>
<tr>
<td>2. Money from relative abroad</td>
<td>-1</td>
</tr>
<tr>
<td>3. Earnings from abroad</td>
<td>-2</td>
</tr>
<tr>
<td>4. Loan from relative/friend</td>
<td>-4</td>
</tr>
<tr>
<td>5. Personal gradual savings</td>
<td>-3</td>
</tr>
<tr>
<td>6. Other (please state)</td>
<td>0</td>
</tr>
</tbody>
</table>

First, a carefully considered weight \((-4 \leq \omega \leq 4)\), reflecting the degree and direction (sign) of impact of a particular answer to the aspect being measured is assigned to each answer. In the question 3.g example, "Bank loan" is assigned a weight of 4 because this answer conveys the maximum positive information about the impact of banks in the market. If a respondent relied on a bank loan then banks are having full impact in the market. At the opposite end, "Loan from relative/friend" is assigned -4 because it conveys the maximum negative impact that banks can have in the market: a respondent's reliance on this source of finance demonstrates the existence of demand for loans which, for whatever reason, is not being supplied by existing banks. "Personal gradual savings" is assigned a weight of -3 on the following basis. It demonstrates existence of demand for loans which is not being supplied by banks (-sign) but to a lesser degree than that conveyed by "Loan from relative/friend" in the sense that since the purchaser in this case is prepared to postpone the purchase until enough savings are accumulated, the demand is not as immediate though availability of efficient and reliable financial source could have persuaded him/her to bring forward the purchase. In the same sense, though "Earnings from abroad" signifies the fact that local banks are not meeting the finance needs of households (-sign), it conveys a lesser information of banks' impact since many factors behind why a significant number of Ghanaians find it necessary to travel abroad to earn before considering to enter the property market is outside the sole control of banks. Relying on "Money from relative abroad", principally a gift, indicates the absence of bank finance (-sign) but to an even lesser degree.
Similar reasoning is behind the weights assigned to answers in all the relevant questions. Depending on whether the relative impacts of answers in the domain are considered equal or not in particular questions, equal weights and the same signs can be assigned to all answers. Question 3.d of the household survey is an example where equal positive weights is assigned to all answers in the domain while 8.c of the same survey is an example of equal negative weights. Appendices 1B and 2B provide weights assigned to answers of all the relevant questions for both the household and suppliers' survey.

After assigning weights as described, raw intensity scores, \( S_i \), are computed for each respondent's response to each of these questions as the sum of weights of their selected answers. For example, for 3.g, a respondent who relied on (a) a bank loan, (b) accumulated savings and (c) money from relative abroad, to buy his/her property, \( S_n = 4 + (-3) + (-1) = 0 \). Banks' impact on the market from this respondent's perspective is neutral. It should be pointed out that the way the weights have been assigned – relative to each other's impact within a given answer domain – means that the \( S_n \) so calculated has meaning only as far as the particular question is concerned and comparison is being made between different respondents on that particular question. Direct comparisons cannot be made between different sets of questions based on these raw intensity scores.

To allow such comparisons across variables, the raw intensity scores are converted into standardised intensity scores \( (I_{st}) \) with a range of 10. This is achieved as follows:

1. Possible maximum \( (S_{max}) \) and minimum \( (S_{min}) \) raw intensity scores are calculated for each question. From these the range of raw intensity score is derived as \( S_{max} - S_{min} \). For question 3g, for example, the possible maximum raw intensity score is 4 (a purchaser relying only on bank loan) and the possible minimum is -10, (a purchaser relying on money from relative abroad, earnings from abroad, loan from relative/friend and personal gradual savings). The range of raw intensity score is thus: \( S_{max} - S_{min} = 4 - (-10) = 14 \)

2. A given raw intensity score is converted to a standardised intensity score with a maximum range of 10 employing Eq. 7.1.
Eq. 7.1

\[ I_{sd} = \frac{S}{S_{\text{max}} - S_{\text{min}}} \times 10. \]

As an example, for question 3g, the minimum \((S = -10)\) and maximum \((S = 4)\) raw intensity scores are converted into the standardised version respectively employing Eq. 7.1 as follows:

\[ I_{sa} = \frac{-10}{4-(-10)} \times 10 = -7.14 \quad \text{and} \quad I_{sd} = \frac{4}{4-(-10)} \times 10 = 2.86. \]

The range of the standardised intensity score thus \((-7.14) - 2.86 = 10\) (these results are highlighted in Table 7.4).

Table 7.4 at page 132 provides a list of maximum and minimum raw and standardised intensity scores of the relevant questions for households. That for customary landowners is provided in Table 7.5 (page 132). The standardised intensity score provides a perception measure on a scale starting from \(-10\), through 0 (the origin) to +10. The questions for which intensity scores are calculated divide into three groups: (1) those measuring negative perceptions -- radiate from zero towards \(-10\); (2) those measuring perception through the origin -- radiate from the negative end through the origin towards the positive end; and (3) those measuring positive perceptions -- radiate from the origin towards +10.

The \(I_{sd}\) calculated are used to compile frequency tables for households (details in Table 7.6, page 133) and suppliers (Table 7.7, page 137). Some variables so obtained are also included in multivariate analysis (Chapter 8) to test the fifth hypothesis.

One could flaw the intensity scores calculation on the subjective nature of the weight assignment strategy employed. But since the subjectivity is consistently applied, any inherent bias is evened out. The system uses consistent dimensionality in the measurement of perceptions. A completely different system of weightings does indeed produce exactly the same outcomes.\(^{15}\)

**7.1.2. Computation of Rank Scores**

Questions 1.e, 1.h, 2.d, 3.a, and 3.b of the consultants' postal survey (Appendix 3A) asked respondents to rank aspects of the market. These responses were converted
into scores which are later plotted to provide a summary view of the market. Assigning weight 1, 2, 3, \ldots, m, to corresponding rank \( R_1, R_2, R_3, \ldots, R_m \), where \( m \) is the maximum ranking, the total score for an item, \( k \), was computed as follows:

\[
\text{Eq. 7.2}
\]

\[
\text{Score } k = \sum_{i=1}^{m} n_i \cdot i,
\]

where:

\[n_i = \text{total number of respondents assigning rank } R_i \text{ to item } k.\]

As an illustration, consider question 3.b of the consultants survey which asks respondents to rank problems of the market from 1, the least serious to 10, the most serious. Details of this question and a table (Table 7.1) of the rankings provided by the consultant respondents are provided at page 109 below. From the table, the item, “Problems caused by general interference of government departments in land transactions” is rated as R1 by 1 respondent, R2 by 4 respondents, R3 by 1 respondent, R4 by 2 respondents, R5 by 0 respondent, R6 by 0 respondent, R7 by 0 respondent, R8 by 0 respondent, R9 by 0 respondent and R10 by 1 respondent. Thus for R1, \( n_1 = 1 \); R2, \( n_2 = 4 \); R3, \( n_3 = 1 \); R4, \( n_4 = 2 \); R5, \( n_5 = 0 \); R6, \( n_6 = 0 \); R7, \( n_7 = 0 \); R8, \( n_8 = 0 \); R9, \( n_9 = 0 \); and R10, \( n_{10} = 1 \). From Eq. 7.2, the score for this item

\[
\sum_{i=1}^{10} n_i \cdot i = (1 \cdot 1) + (2 \cdot 4) + (3 \cdot 1) + (4 \cdot 2) + (5 \cdot 0) + (6 \cdot 0) + (7 \cdot 0) + (8 \cdot 0) + (9 \cdot 0) + (10 \cdot 1) = 30.
\]

Figure 7.1 (page 112) and Figure 7.11 (page 128) are graphs created from these scores. At the appropriate stage of the discussion they are combined with frequency tables of intensity scores of households and landowners to test the research questions.

Throughout the discussion references are made to the question number and the particular questionnaire from which inference is being made to allow ease of cross checking. Cross checking of questions for which intensity scores were computed can be achieved using Table 7.6 at page 133 for households and Table 7.7 at page 137 for land suppliers. A summary picture of the market under investigation is provided below.

\[\text{\textsuperscript{15} Several weighting strategies tested produced similar results.}\]
3.b The following problems are generally associated with the land/property market in Accra. Rank them from least serious (1) to most serious problem (10).

- Problems caused by general interference of government departments in land transactions.
- Problems caused by the customary land system which does not allow private individual ownership of land.
- Problems resulting from double sales of lands by traditional owners
- Problems resulting from documentation and registration systems.
- Problems resulting from the absence of easily accessible database on land/property ownership.
- Problems concerning the lack of clarity of title resulting from the segmentation of the market into stool/family and government lands.
- Problems resulting from the general lack of formally registered documents on lands/properties available in the market.
- Problems of unresolved title disputes between stools, families and government.
- Problems resulting from the ineffectiveness of courts in resolving land disputes
- Other problems

<table>
<thead>
<tr>
<th>Item (k)</th>
<th>Number assigning rank ((n_i))</th>
<th>R1</th>
<th>R2</th>
<th>R3</th>
<th>R4</th>
<th>R5</th>
<th>R6</th>
<th>R7</th>
<th>R8</th>
<th>R9</th>
<th>R10</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problems caused by general interference of government departments in land transactions.</td>
<td>1 4 1 2 0 0 0 0 0 1</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems caused by the customary land system which does not allow private individual ownership of land.</td>
<td>2 4 2 0 0 0 0 0 0 0</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems resulting from double sales of lands by traditional owners</td>
<td>0 0 0 1 0 3 0 1 0 5</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems resulting from documentation and registration systems.</td>
<td>0 0 1 1 2 1 0 1 3 1</td>
<td>68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems resulting from the absence of easily accessible database on land/property ownership.</td>
<td>0 0 0 0 4 0 3 0 1 2</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems concerning the lack of clarity of title resulting from the segmentation of the market into stool/family and government lands.</td>
<td>0 2 0 4 0 1 0 1 1 1</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems resulting from the general lack of formally registered documents on lands/properties available in the market.</td>
<td>0 0 2 0 0 0 2 3 1 2</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems of unresolved title disputes between stools, families and government.</td>
<td>0 0 0 0 1 1 3 2 1 2</td>
<td>77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problems resulting from the ineffectiveness of courts in resolving land disputes</td>
<td>0 0 1 0 1 2 2 1 2 1</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other problems</td>
<td>3 0 0 0 0 0 1 0 1 2</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.2. Nature of the Market

The unrecorded property market is predominantly that of the purchase of bare land on which a residential structure is subsequently developed. From the responses to question 2.a (household questionnaire) as much as 237 (84.6%) of a total of 280 who answered this question acquired a plot of land and developed from scratch. 22 (7.9%) acquired an uncompleted structure and developed. Thus as much as 92.5% of respondents acquired a site and developed their house. Only 10 respondents, constituting 3.5% of all respondents, bought a fully developed house. This confirms assertions in the literature that there is almost no market for completed houses (see, for example, Tipple et al, 1998) in Accra.

From household responses to question 2.c, the market is predominantly supplied by traditional land owners. As much as 209 (75.2%) of the 282 who answered this question bought their land directly from a customary stool or family. Second level transactions, that is lands bought from a purchaser who had earlier bought from a stool is trivial. Only 66 (23.4%) bought from a private person. Government as a supplier of housing land is virtually non-existent even in neighbourhoods purported to have been acquired by government. Only 1 purchaser out of the entire 282 respondents reported to have obtained the land from a government agency. On flow of information in the market household responses to question 3.a makes it clear that this is by word of mouth through close relations. When asked how purchasers came to know of the availability of the plot for sale, 223 (77.4%) said they obtained the information solely through friends, colleagues or relatives. Added to another 10 who obtained the information from this source as well as other sources like advice from a professional or approached by the owner, a total of 233 (80.9%) obtained the information from a somewhat informal source. Only 13 (4.5%) bought the plot as a sole result of advice by a professional and 19 (6.6%) as a sole result of an approach by the vendor. Buying a property as a result of information gained from an advertisement was the case for only 6 (2.1%) purchasers.

Once a traditional landowner has been approached, it takes a rather short time to agree the terms of transaction and gain access to the plot purchased. Responses obtained for question 2.d show that 180 out of 270 purchasers who replied (66.7%) gained access to their land within a period of under three months from the day they approached the landowner. 21.1% (57 respondents) gained access within 3-6 months. As much as 87.8% gained access to their land within 6 months of
approaching the landowner. This evidence contradicts the conventional notion that informal land transactions are time consuming (see Becker, et al 1994; p. 34)

Finance for property purchase is predominantly through long term personal savings (3.g). As many as 176 of the 288 respondents (61.1%) relied solely on gradual personal savings to fund the plot purchase. Only 7 (2.4%) relied on a bank loan to fully fund the purchase. There are others who relied on a bank loan to fund part of the purchase after obtaining funding from other sources. Thus, only 12 respondents (4.0%) relied either fully or partially on bank loans to finance the purchase of their residential plot. Money from relatives abroad is the second most important source of finance for plot purchase; 32 (11.1%) of respondents relied on this source.

Prices paid for plots of land (question 3.b) vary as widely as the date of purchase (2.b). Indeed the date of purchase appears to be the single most important factor explaining price paid (see multivariate analysis in Chapter 8). A minimum nominal price of ₴3 (₵ is the sign for cedi the local currency) paid in 1974, and a maximum of ₴48 million, paid in 1997, were reported (₵4,000 -₵4,300 = £1 at time of survey). Reported prices in the sampled neighbourhoods had a modal nominal price of ₴20,000, a median of ₴150,000 and a mean of ₴1,103,958. Date of purchase spans a period of 60 years with the earliest purchase in the sample made in 1938 and the most recent, (as at date of survey July-September 1999) made in 1998. One is likely to have a distorted picture of the prices if government sources are relied upon. The majority of consultants surveyed think that government sources give lower versions of market prices. Out of nine who responded to Q2.f of the consultants' questionnaire, 7 (77.8%) think that prices documented by the Lands Commission Secretariat and the Land Valuation Board are at least some 50% below actual prices in the market.

Information from suppliers (question 4.e, Appendix 2A) indicates that plots on sale, on average, measure about 100 feet by 70 feet (7,000 sq. ft).

There are some major problems in the way the market works. Figure 7.1 is a graph showing the rank scores (computed as explained in 7.1.1) attributed to the ten most important problems by consultants surveyed. Out of the ten problems, the most important one is the sale of the same piece of land to more than one purchaser by some unscrupulous landowners (double allocations). The next four important
problems are (a) unresolved title disputes between stools and government; (b) the
general lack of registered documents in the market; (c) the absence of reliable
database of ownership and (d) the ineffectiveness of courts in resolving land
disputes. It is against such a background that hypotheses about the rationality of
agents, constraints faced, efficiency aspects of the market and the impacts of
bureaucratic intervention are tested below.

Figure 7.1: Score of Market Problems (Created From Consultants’ Rankings,
Q.3.b; Appendix 3A)\textsuperscript{16}

7.3. Testing the Hypotheses
It should be recalled that the central questions of the study revolve around five
related hypotheses itemised in Chapter 2. These are:

1. Urban land in SSA is principally allocated through markets characterised by
rational agents whose economic decisions are shaped by constraints of formal and
informal institutions of land holding.

2. Apparent irrational and illegal behaviour of agents is optimal given the
constraints imposed by formal and informal land institutions.

\textsuperscript{16} See Table 7.1, page 109
Current activities of formal institutions limit the efficiency attainable by informal institutions and agents, hence reducing gains from trade.

Without interference of government land agencies, property rights under customary institutions are clear and secure.

Holding incomes constant, improvements in allocative efficiency remains the only equitable way of improving urban housing and neighbourhood standards.

Operational versions of these hypotheses are tested in the order listed using findings from the survey combined into frequency tables in Table 7.6 page 133 for households and Table 7.7 page 137 for suppliers. A hypothesis is considered as supported if the sign and magnitude of the standardised intensity score of the majority of respondents agrees with it.

7.3.1. Hypothesis 1.

This hypothesis states that urban land in SSA is principally allocated through markets characterised by rational agents whose economic decisions are shaped by constraints of formal and informal institutions of land holding. The test is in two parts. First there is the need to show that agents are rational. Second, the need to demonstrate any institutional constraints. On the first part, the best candidate for investigating rationality of agents’ property dealings is price. Economic rationality implies that respondent purchasers would consider the price paid to be the minimum to pay for the land, ceteris paribus. Also purchasers are expected to demonstrate rational behaviour concerning investigation of the market before settling on the particular property bought. On the other hand respondent suppliers would want to achieve the highest possible price for a particular land, all things equal, if they were rational. A test of this is through investigation of suppliers behaviour relating to; their price fixing processes, factors they consider in fixing price, maximisation of sales through advertising and consumer incentives. Note that references to question numbers are to corresponding questions in Appendix 1A for households, 2A for suppliers and 3A for consultants.

Question 3.h of the household survey investigated the demand side through a straight forward Likert type question. It asks whether in comparison with market price of comparable plots the purchaser considers the price paid for his/her plot a fair market price. The responses were converted to standardised intensity scores with a range of -5 to +5 (-5 indicating unfair market price and +5 fair: 0 unsure). As can be inferred from Table 7.6, the majority (77.8%) of the 261 valid responses recorded a
positive score meaning that they considered the price paid to be the best (fair) achievable. Only 15 (5.7%) considered the price not to be a fair market price, while 43 (16.5%) were not sure about the fairness of price (0 score). To investigate the economic rationality of price further, Q. 3.i investigated the assertion by Asiama (1984 and 1990) that land price is not based purely on an economic basis. Here a negative score implies that a purchaser considers the price to reflect non-economic attributes like ethnic origin and social status of the purchaser. Only 13% of the 262 respondents scored a negative. In fact the average and modal score was 2.86. Purchasers therefore consider price paid to reflect mainly the economic attributes of land. Furthermore, if purchasers are rational one would expect them to conduct some sort of search or investigate a number of the commodity before settling on the one eventually purchased. Q. 2.e tried to investigate this. Based on responses achieved, many respondents do not demonstrate economic rationality on this count. Less than half (109 = 38.7% of 270) of respondents actually considered another plot before eventually purchasing the one they did, leaving 161 (57.1%) who did not. But the behaviour of those who did not investigate other properties might not be irrational if they have reason to believe that such investigation yields no significant improvement on prices achieved. There is some proof that this is the case. The regression analysis in Chapter 8 employed to model the decision process of agents revealed that undertaking a search of the market does not lead to any statistically significant reduction in price. Even though not investigated in this study, one expects some costs to associate with searching the market. In this state of affairs it is perfectly rational to minimise cost of purchase by not undertaking any extensive search. All those who considered another property scored a positive on Q. 2.f implying that there was some rational reason why they selected the one they did. The bigger the score the more intense the economic rationality of purchaser's selection criteria.

Another area where purchasers demonstrate rational behaviour concerns government plots. Considering that government plots are, in theory, virtually free to all Ghanaians of the appropriate age, one would expect a purchaser to have considered obtaining government plots. When purchasers were asked whether or not they had ever applied for government plots (2.g), 253 (92.7%) had in fact never applied for a government plot. Their reasons for not doing so is indicated by their intensity score on question 2.j. Here a negative score indicates the respondent has negative perception of government plots as being impossible to obtain without the
right "connections", available for only "big" people, having to pay a lot of money to obtain and so on. A score of 0 means the respondent is not aware of government plots. As expected as much as 63.7% of the 256 valid responses scored negative with the remaining 35.9% scoring 0 (There was 1 [0.4%] inconsistent response). Purchasers demonstrate a rational behaviour by not applying for government plots given their perception of the low probability and/or relatively high cost of obtaining one.

Suppliers of land also exhibit economically rational behaviour. Respondents were questioned on various aspects of price as an indicator of their land sale decisions. Question 7.b (Appendix 2A) investigated the processes through which respondent vendors arrive at the price of land for sale (the supply side corollary of Q. 3.i of the household survey to test the non-economic basis assertion by Asiama (1984 and 1990). A positive intensity score implies the price of plots is determined through a process that is conditioned by market factors such as bargaining with purchasers. Negative implies price is set arbitrarily. All 9 suppliers interviewed scored a positive 3.3 (Table 7.7 page 137). This result is reinforced by scores obtained for Q.7.c which investigates the specific factors respondents take into consideration in arriving at price per plot. Once again a positive score implies an economically rational approach in setting price All 9 scored positive with a mean score (intensity level) of 3.06 and a mode of 2.5.

Rationality demands that a supplier maximises profits by maximising sales at market determined prices. Q. 6.c provides an investigation of this. Asked whether they would not sell to a given purchaser on some non-economic reasons like ethnic group and so on, all nine suppliers obtained a positive score meaning that they would sell to anyone prepared to pay the appropriate price to ensure maximum sales. Scores to Q6.f which specifically asks whether there are instances when a purchaser prepared to pay the appropriate price would be turned away on some non-economic reason, reinforces the earlier finding. Only 1 scored negative with 7 scoring 3.3 the maximum possible for this question. A further investigation of suppliers' behaviour was on advertising (6.e). When asked, all nine respondents do not advertise because they considered advertisement was not necessary since purchasers "somehow came to know" about their plots eventually. This demonstrates how aware landowners are of the market they are serving in the light of the finding above that only 2.1% of purchasers sampled bought their land through advertisements. It
also further confirms the rationality argument of suppliers. Also, 44.4% of them would sell as many plots as a purchaser would want to take at the appropriate market determined price, the same as the percentage who sell only 2 plots maximum to a single purchaser (6.g). A mean intensity score of 6.45 on 7.e concerning allowing purchasers flexible mode of payments go further to show that landowners operate as one would expect any economically rational supplier in a market.

What constraints do institutions impose on market participants? An activity is considered an institutional constraint if parties to a transaction are compelled by a formal or informal institution governing land transactions to undertake or refrain from undertaking it. Further, that activity is a constraint if market participants, left on their own, would either (a) not undertake the said activity or (b) undertake it differently. The enquiry was conducted around market participants' behaviour resulting from formal land administration such as, documentation of interests, planning, building permits and permissible property rights. For purchasers, a test of institutional constraint of their operations was conducted first by investigating the registration process. Given that registration allows the use of formal institutions to defend one's property rights, all things being equal, a purchaser enhances the security of their property rights in lands purchased by formally registering them. Responses to questions under "INTEREST IN PROPERTY" in the household survey (Appendix 1A) combine to provide some insights into this.

From scores on Q 4.b, 4.d, 4.i the following can be deduced. As much as 76.9% of those questioned had not registered their interest in the property (scored 0 on 4.b). The remainder either (i) have their documents still lodged with the government department for registration (in the ‘process’); or (ii) don't know there is the need to register. 44.6% have not registered because they consider the registration process to be either too expensive, cumbersome, time consuming, too much trouble or just simply not necessary (negative score on 4.i). And there is some evidence to support their claim. Of 27 whose documents are ‘in the process’, 22 (81.5%) have been waiting for more than a year and 13 (48.2%) over 5 years to get the papers registered (4.h). The Lands Commission brochure “Concurrence Procedure For Stool Lands Grants” states that it takes 20-30 working days for documents to be "processed and ready for collection" (see Appendix 3B1). Respondents' experience show how far off the official line is from reality.
From the score on 4.f, 59.7% (40 out of 67) of those who have submitted documents have a negative score implying that they had to influence the system somewhat by paying regular visits to the offices to 'tip' officers; or paid a worker at the office to follow the document. Only one respondent in the entire sample of 286 purchasers could report having conclusive formal documents on his/her property interest. By their actions land purchasers in the sample demonstrate that the formal registration process is a constraint and they are doing everything to avoid it.

The next aspect of institutional constraint investigated concerns permissible property rights. Land transactions between stools and non-Stool subject Ghanaians are limited by formal policy to 99 year leases. An indication of whether this constitutes an institutional constraint is offered through question 4.a of the household survey schedule. The contention here is that if purchasers consider this to be a constraint, they would demonstrate it by acting explicitly or implicitly to avoid it. Purchasers were quizzed on what interest they think they posses in the property. Out of the total of 272 valid responses to this question, 159 or 58.5% consider purchasing perpetual property rights in the land. Only 80 respondents (29.4%) perceived the interest as a 99 year lease. But even these respondents appear to say so merely because they are aware that documents prepared on the transaction stipulates a 99 year lease. For all practical purposes they operate as if they have entered into a transaction of an outright purchase of perpetual property rights in the land. This can be inferred from responses to Q5.a. If transactions are true leases, purchasers should be paying periodic ground rents to the appropriate body stipulated by formal policy. When asked, only 15 out of the 272 pay ground rents. Thus as much as 65 out of the 80 (81.3%) respondents who perceive their interest to be a 99 year lease in practice possess property rights of a somewhat different nature to the extent that no periodic rent is paid. The simple conclusion is that the policy restriction of transactions to leases is demonstrated to be a constraint in the market and is being avoided by agents.

This conclusion is reinforced by responses to the question why purchasers do not pay ground rents (Q5.d). Only a little over half (177 respondents out of 282) answered this question, presumably because it is meaningless to purchasers who deem their interest as perpetual (freehold). On the intensity score, where a negative score implies that the purchaser: (a) does not know there is the need to pay ground rent and/or (b) nobody asks for it and/or (c) does not know where to pay it and/or (d)
ignores demand notices; as much as 99.4% of those responding scored a negative. Indeed 14.7% scored -10 (the possible minimum score is -11). Purchasers’ behaviour clearly demonstrate the constraint this stipulation poses and their willingness and ability to avoid it.

Other requirements of formal institutions that constitute constraints to households in their property dealings are to do with permits relating to development of the land, in terms of the cost involved and the delays. Questions under “Physical Development” on the household questionnaire (Appendix 1A) investigated this. Between responses to Q. 6a and 6b it can be inferred that some 162 (57.4%) of 243 respondents did not have building permits (6.a). 60 out of 220 (27.3%) are still waiting for the outcome of their application and 25 (11.4%) had their application refused (6.b). Of those who had building permits, 17 had to wait for more than a year to obtain it. On the whole only 46 (13% of 245) respondents were requested by the city authorities, at some stage of constructing their buildings, to stop work (6.c), but as much as 44 of them (88.6%) either ignored it or ‘tipped’ the inspector and continued development. On this evidence households consider building permits as a constraint and do their best to avoid it especially in the context of low level of enforcement.

Land suppliers were also questioned on their behaviour concerning restriction of transactions to 99 year leases. When asked how they comply with this requirement (Q.9.a), 7 (77.8%) answered. Of these all scored a negative intensity score signifying that they view the requirement as a constraint. In particular, the negative score implies that they took actions such as, not providing documents for lands sold and/or evidenced lands sold as leases to satisfy the formal policy prescription even though full market price for a direct sale was received. This is confirmed by the intensity score on 9.e with 6 respondents considering the prescription a constraint (negative intensity score) while the remaining 3 were indifferent (0 score).

Thus on very important aspects of the unrecorded market it can be concluded, based on this evidence, that agents generally behave rationally given constraints imposed by formal institutional requirements. Property rights economics teaches that rational agents evolve cost effective ways of undertaking economic activities within constraints imposed by institutional frameworks in which they operate. The evidence discussed so far is a testimony to this. Indeed given the constraints imposed,
rationality might imply behaving illegally, a hypothesis which is investigated further below.

7. 3. 2. Hypothesis 2.

This hypothesis contends that apparent irrational and illegal behaviour of agents is optimal given constraints imposed by formal and informal land institutions. Insights from the behaviour of politicians and bureaucrats suggest that it is possible for governments to prescribe particular ways of undertaking transactions and sometimes make it illegal to do otherwise. Private agents however may design ways around such regulations and, indeed, flout them if the costs relative to the benefits of complying are too high. The hypothesis tests the existence of such behaviour in the Accra land market. For the test it is necessary to show apparently irrational and/or illegal behaviour of market players and then demonstrate how such behaviour is, in fact, rational and optimal given the circumstances created by formal and informal institutions governing land transactions.

A convenient starting point is to use the evidence on registration of property interests. For purchasers it is, prima facie, irrational (if not illegal) not to take advantage of formal registration mechanism to secure their property rights. As has been shown above, as much as 206 (76.3%) of the 270 respondents had not registered their interests (4.b). The irrational nature of this behaviour is worsened if they proceed to develop the land without first formally securing title to land. But this is exactly what 76.3% of respondents achieving a negative intensity score on 4.c did. In fact as much as 68.2 % (182 of 267 valid responses) had finished and occupied the property but had not even bothered to submit papers on the property to the appropriate institution for registration.

Another behaviour of households which is both irrational and illegal is that of constructing a house without building permits. Question 6.b investigated the extent to which properties are developed without the necessary permits. As has been discussed above, of the 220 who responded only 78 (35.5%) reported they have permits. 60 (27.3%) have their application in the process. The rest just do not have any permits to develop the property which they occupy as their homes. Another direct illegal activity relates to the purchase from stools of land that the government claims to have compulsorily acquired. This activity was investigated through Q8.a. and applied to respondents sampled from Sports Complex. When asked, not a single purchaser from Sports Complex obtained the land from any agent of
government. Indeed all 75 who were prepared to answer this question gave a 'no' answer to 8.a. 73 of them answered Q8.b relating to whether they knew that the government claims ownership before they bought the land. Of these 65 (89%) reported that they did not know the government claims ownership of the land when they were buying it. Only 27 answered 8.c which asked for reasons why they bought the land from someone other than an arm of the government when they knew the government claimed ownership of the lands. 25 (92.6%) of these stated that the stool/vendor was known by everyone to be the one selling lands in the area. In effect though they knew the government claimed ownership, they were confident in the Stools’ ability to convey to them the rights entailed in taking possession and occupying the land.

Yet another aspect of behaviour of purchasers that may be deemed irrational or even illegal is the fact that most purchasers presume they possess property rights which are inconsistent with formal policy. As has already been explained above, purchasers behaviour concerning this policy relating to payment of ground rent and so on, lead to the conclusion that, for all practical purposes, almost all purchasers have acquired a perpetual interest (see page 117). This situation is a direct consequence of the feuding between formal and informal systems. Customary land suppliers are being forced to sell only leases but in practice they flout this by disposing of perpetual interests even though they may clothe this up as leases in documents provided.

On the supply side there are indications of illegal and irrational behaviour of customary landowners. The best indicator of this is customary owners’ behaviour towards compulsorily acquired lands. The score of landowners on question 10.g (Appendix 2A) explain this. The question applied to landowners who had some portions of their lands compulsorily acquired. A positive score implies the respondent undertook some action, including selling plots carved from the land to frustrate the acquisition. There were only three out of the nine respondents to which this question was applicable. All three scored positive. Question 10.h asked what landowners would do if their lands were to be acquired. Six out of the nine responded. Only 1 out of the six said they would do nothing. The rest would frustrate the acquisition with three of them stating that they would frustrate the acquisition by resorting to more than one of the actions provided which included;
What makes these activities economically rational and optimum, from the agents point of view? The case of registration can be used to explain the latter. This is inextricably linked with the issue of permissible property rights. All interests bought from stools are automatically converted to 99 year leases and periodic ground rents imposed by the government agency when they are registered. On the evidence above (see page 117), purchasers prefer and buy perpetual interests. Thus the 58.5% of respondents who perceive to have purchased perpetual property rights from stools would have their interests converted to 99 year leases and would have to pay ground rents. Ignoring registration costs, registration to these purchasers will lead to a loss of value to the extent that their preference for perpetual interests convey some utility value. Furthermore, with the exception of the 15 who claimed to pay ground rents when answering Q.5.a (see page 117), all respondents would be exposing themselves to paying periodic ground rents if they were to register their interests. This constitutes an additional cost to the transaction which is avoided by not formally registering interests. Worse still, the actual17 (land price invariant) cost of registration is prohibitive to the purchaser of city peripheral customary lands. As Table 7.3 (page 125) shows, consultants in the market estimate that, excluding stamp duty charges, it can cost an average of $1.6 - $1.68 million to formally register interests in land, depending on which of the two systems is used. This translates to between 42.11% - 44.15% of the mean estimate (also by consultants) of the purchase price of land for such purchasers. This level of actual cost of documentation is in tune with the levels reported in other SSA countries (see for example, Mattingly 1933; p. 11). And if a purchaser is unwilling to spend these order of amounts to 'follow up' (to use the market jargon), they may have to wait a long time to get the documents registered. Table 7.2 (page 125) shows the number of consultants against their estimate of the likely time it will take to get one's documents registered through the two formal systems available. As the Table shows, the majority of consultants estimate that it will take well over five years to get the documents registered in either of the two systems. It should be noted in passing that the official estimate is 20-30 working days for documents to be "processed and ready for collection" (see Appendix 3B1). Thus a purchaser saves this order of costs if he/she refrains from registering the interest.
Of course there is the possibility that by not registering their interests, purchasers might be sacrificing some benefits which might outweigh these costs. The evidence does not appear to support this view. In the context of the evidence above concerning the level of bank finance (page 111) and trivial second level transactions (page 110), the main post-transaction benefits that formally registered documents may bring to purchasers is the ability to invoke formal institutions to defend rights, in the event of any disputes. Questions under “Litigation” on the household questionnaire investigated this. From answers to Q.7a, litigation (defined in the survey to include any disagreement whatsoever with any party) concerning property holdings is not an important factor for a great majority of households to worry about. Only 25 out of 274 (9.1%) respondents have ever been involved in any kind of litigation concerning their interest in their property. But even if they did, they do not perceive any gains to be obtained by being able to rely on the governmental system to defend their property rights. Purchasers’ perception of the formal machinery (courts) for defending property rights in land is dismal. When asked to rate the governmental machinery in settling land disputes on a scale of 0 to 10, where 0 signifies the worst and 10 the most satisfactory view, as much as 85.8% of the 268 who responded rated it below 5, the halfway mark of the scale. 60.8% rated it up to 2. Indeed 20.9% (56 respondents) gave the minimum rating, that is to say they consider the performance of formal land dispute settlement machinery as the worst possible. On average, purchasers rated the formal land dispute settlement mechanism at 2.3 (mean rating) with the majority (modal rating) giving a rating of 1. On this evidence it is indeed rational and optimal not to incur the costs of formally registering one’s documents on one’s property interests.

The illegal behaviour of suppliers in selling lands that government claims to own by virtue of compulsory acquisition can be explained to be the rational and optimum thing to do in the context of how these acquisitions are made. The law enabling compulsory acquisition in Ghana (Act 125) requires that compensation, based on the estimated market value of the interests acquired, is to be paid to the owners. The issue of injustice and non-payment of compensation for such supposedly acquired lands is well known and debated in the literature (see, for example, Brobby, 1991). It is clear from these studies that any landowner whose interest in land has

\[17\text{ As against official fees quoted to be between } €40,000 \text{ and } €60,000 (\text{Appendix 3B2})\]
been subject to compulsory acquisition can expect no compensation for a long time, if at all. From the point of view of these suppliers therefore it is economically rational to sell the lands off if purchasers can be found. Indeed six out of the nine suppliers questioned said they would sell the lands to frustrate the acquisition if their lands were acquired. As to demand for such lands, the investigation of respondents from Sports Complex suggests that there will be purchasers prepared to buy such lands either because (a) they would not be aware of the purported acquisition, and/or (b) the stool is perceived to be the credible owner by everyone in the market (see the evidence at page 120). Furthermore, the analysis in Chapter 8 suggests that landowners can expect to obtain similar levels of prices that they would have obtained if the lands were not subjected to the compulsory acquisition order. On the other hand the ability of government agencies to exact costs on suppliers and purchasers alike through enforcement of the acquisition is almost non existent. The landowner thus maximises profits by selling those lands even though this action is illegal.

7.3.3. Hypothesis 3.
This hypothesis posits that current activities of formal institutions limit the efficiency attainable by informal institutions and agents, hence reducing gains from trade. It is derived from knowledge gained from analysis of rent-seeking behaviour. Bureaucrats in government land agencies are presented with incentives to intervene in the informal market. By so doing they expect to appropriate some rents which the intervention contrives. This activity however possesses the potential to lower output of the sector in question. The test of the hypothesis involves demonstrating aspects of government agencies which act to diminish the efficiency of land transactions or which could be improved to improve efficiency of land transactions. By efficiency in land transactions is meant the need to spend the minimum possible to achieve a transaction or, what amounts to the same thing, achieving the maximum amount of transactions at a given level of costs.

As has been explained in the previous chapter, rent-seeking activities resulting from the bureaucratic interference in aspects of the market constitute the main route via which efficiency is compromised. This point is further developed by picking on some specific activities of formal institutions that reduce efficiency. Consider the limitation of choice on property rights that could be transacted between customary owners and purchasers. The evidence above demonstrates that the main demand in the market is for perpetual rights in urban land for residential developments. Given this is not
allowed, parties to land transactions have a choice between either ignoring the requirement completely or undertaking some activities to present the transaction as required. Either choice entails costs which constitute a diversion of resources into unproductive activities and thus diminish efficiency (see the analysis in Chapter 6).
### Table 7.2: Consultants' Estimate of Time to Get Documents Registered without 'following up'

<table>
<thead>
<tr>
<th>Duration</th>
<th>Lands/Deeds Registry</th>
<th>Land Title Registry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of Consultants</td>
<td>No of Consultants</td>
</tr>
<tr>
<td>Can't tell, it is so variable</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>7-12 months</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2.5-3 years</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

Source: Survey of Consultants. July-September, 1999

### Table 7.3: Consultants’ Estimates of Land Prices and Cost of Registration (¢ '000,000)

<table>
<thead>
<tr>
<th>Consultant</th>
<th>Estimate of Prices of Plot</th>
<th>Cost of Registration at:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stool/Family Lands: Problem-Free Area</td>
<td>Stool/family Lands: Problem areas</td>
</tr>
<tr>
<td></td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
<td>150</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>15</td>
<td>100</td>
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<td>7</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>9</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

Mean:
- 7.70
- 42.10
- 3.80
- 17.20
- 47.25
- 75.00
- 1.60
- 1.68

Reg. @ Lands as % of:
- 20.78%
- 3.80%
- 42.11%
- 9.30%
- 3.39%
- 2.13%
- -
- -

Reg @ Land Title as % of:
- 21.79%
- 3.99%
- 44.15%
- 9.75%
- 3.55%
- 2.24%
- -
- -

Source: Survey of Consultants. July-September, 1999
At the transaction level purchasers incur costs of preparing documents which describe the transaction as leases. To those who do not proceed to have the transaction formally registered, these are costs which do not bring any benefits to the transaction. On those who attempt to and are able to register their interests, a periodic ground rent (= discounted periodic equivalent of the price) is imposed. But as responses to Q3.c show, of 265 purchasers who answered this question, 205 (77.4%) paid the price of land to the landowner. 59 of them paid it to someone other than the owner, presumably an agent. Only 1 paid to a government department as requested. Given that they would be made to pay periodic ground rents, these purchasers would be made to pay twice for the commodity purchased if they decided to formally register their interest. To be added to this is the estimated cost of registration much of which might be rent-seeking costs. In either case efficiency is diminished. As has been shown above, economically rational purchasers avoid these costs by not registering their documents, an action which also introduces another form of inefficiency at the land market level.

At the market level, efficiency could be enhanced if purchasers' interest could be costlessly registered as early as possible as they purchase them. As has been discussed above, the problem of double sale of land by unscrupulous customary land owners is rated the most important problem in the Accra market (Figure 7.1) by consultants' surveyed. The absence of a reliable database of ownership is rated the fourth most important. There is a direct link between the failure of purchasers to register their interests and the absence of credible sources of data on land ownership. The greater the number of transactions that are organised informally the more difficult it becomes for any central agency to compile records of ownership. This situation in turn makes it easier for unscrupulous landowners to exploit the market by selling the same plot to more than one purchaser. Combined with the evidence that over 77.4% of land purchasers obtain information about land they purchase by word of mouth, through friends, colleagues and relatives, it is apparent how an improvement in the formal registration process, to the extent that it could record and disseminate land ownership information, could improve efficiency with which the market operates. Thus the policies and activities of government agencies that tend to increase costs of registration and therefore render it irrational and sub-optimal for purchasers to register their interests in land (see above), lead to lowering the efficiency at which the market operates.
A related issue is to do with activities of government agencies involved in the granting of planning permission and building permits to ensure that buildings are constructed to meet prevailing standards. Purchasers estimate the cost of obtaining building permits, for instance, to be in the region of $300,000 max. At the same time enforcement is practically absent. As much as 66% of 244 respondents providing answers for Q 6.a did not have building permits. As to enforcement, Q.6.c and 6.d provides some insights. Only 46 (18.8%) respondents were asked at some stage of the development process to stop work by the city authorities because they did not possess building permits. Of these ten ignored the warning completely and continued building, 25 bribed the inspector ('tipped' the inspector) and continued the construction. Only 3 went to get a permit. From the household's point of view it is rational to avoid building permits since one saves the cost and time involved knowing that the chances of being made to pay for such avoidance is almost none. However, efficiency losses result for the following reasons. In principle planning and building permits, if properly operated, ensure that some public goods needed to enhance the performance of neighbourhoods (and cities) are provided. These are generally the kind of neighbourhood-wide facilities that no single household deems rational to provide simply because others cannot be excluded from using them once provided. To the extent that activities of the formal agencies concerned makes it economically irrational for purchasers to conform, much of these public goods are not provided in new neighbourhoods.

But when households eventually demand to have electricity, access roads, pipe water, and many such facilities as they are wont to (and it becomes politically rational to provide them because politicians become aware of the vote winning potential of doing so, see Chapter 5), it costs society more to supply these facilities. Some fence walls or even entire houses may have to be pulled down to provide or expand access roads, for example. Viewed from another stand point, purchasers of land in neighbourhoods where these facilities have been provided may be paying more for a given plot of residential land than they would if the activities of the agencies involved ensured that every neighbourhood in the city has those facilities. Figure 7.11 (page 128) is a plot of the scores placed by consultants surveyed on the most important factors that determine customary land prices in Accra. As can be seen, location and level of development aside, the three most important factors are access road availability, electricity, and pipe water, overtaking factors relating to security of title – litigation history, approved layout, or whether or not documents obtained can be
processed through the formal system. This is an indication that the general lack or inadequate level of these facilities in many neighbourhoods in Accra ensures that purchasers pay more than they would need to pay in the form of high land prices in neighbourhoods where the facilities are provided. To this extent the informal land market is not operating at its most efficient level.

Figure 7.11: Score of Price Determining Factors (Created From Consultants' Rankings, Q.2.d; Appendix 3A)\footnote{For computation of the scores see section 7.1.2, page 107}

The low perception of the government's machinery for settling land disputes exact costs on customary landowners. Objective and efficient dispute resolution machinery, quite apart from the gains they provide to litigating parties, have positive external benefits (Main and Peacock, 2000). Conscious of the power of courts to enforce contracts, parties enter and honour them. When this state of affairs does not exist opportunistic behaviour results. Enforcement of contracts and dispute resolution become a costly business. Landowners responses to Q3.c on the supplier's questionnaire provide some clues in this respect. All nine landowners interviewed scored a negative intensity score on Q3.c. A negative score means that because land suppliers do not trust the formal legal system in enforcing their
property rights, they resort to costly alternatives like employing land guards, paying regular visits or locating stool subjects on unoccupied lands rather than relying on registered title to protect their lands from encroachment. But these activities are costlier ways of enforcing property rights than would be the case if objective and reliable formal dispute resolution machinery was in place. To the extent that agents are pushed to undertaking these costs some level of efficiency is compromised.

7.3.4 Hypothesis 4.

It is contended in this hypothesis that without interference of government land agencies, property rights under customary institutions are clear and secure. From the property rights literature, one learns that what eventually evolves to constitute appropriate property rights systems are those rules and norms that, in fact, enable agents to make decisions they want to make about utilisation of their own resources. It is perfectly normal to find these rules to comprise mainly of informal norms. If this were the case it would be because those informal norms are better attuned to the level and nature of opportunities available to agents. Clear and secure property rights could therefore prevail in the absence of formal laws. This hypothesis therefore tests the assumption in the literature that informal property transactions convey insecure and unclear property rights. For the test, it is sufficient to show how it is the main tools of government intervention in the market that lead to observed insecurity of title.

Two main tools of bureaucratic intervention in the land market that impact on title are the restriction of stool land transactions to leases through the formal registration process and the use of compulsory purchase powers of the government. Considering first the restriction of stool land transactions to leases, results of the survey make it clear that this introduces ambiguities to the nature of property rights held by residential land purchasers in Accra. As discussed above (page 117) the majority of purchasers believe they hold perpetual interests in their land whereas formal policy has it that these purchasers hold 99 or 50 year leases depending on whether they are Ghanaians or foreigners. The transaction between customary owners and household purchasers is transparent and clear on both price and interests conveyed. Prices paid in customary land transactions are lump sum capital values of interests passed (implied by responses to Q5.a see page 117). Interests conveyed comprise of all the bundle of rights entailed in taking immediate possession, developing and occupying the land free from payment of any further monies to the vendor at any future date with no time limit. This conclusion can be
inferred from intensity scores on Q9.a (Table 7.7) where a negative score indicates that the supplier avoided the directive of the policy. Seven out of 9 respondents who answered scored a negative. Answers to 9.b and 9.d confirm this position. Five out of the nine interviewed answered these questions. They are aware that ground rents are to be paid to the Office of the Administrator of Stool Lands (9.b) but have not collected any ground rents from the said Office (9.d). Their transactions are organised as perpetual interests for which full payments are received at the level of the transaction. Documents prepared on these transactions which describe them as leases are done just to satisfy conditions for formal registration. Thus in the absence of the implications introduced by formal policy (government intervention), prices and property rights conveyed in these transactions are clear.

On security of title the evidence shows that in the absence of government intervention through the use of compulsory purchase powers purchasers' property rights are secure. An indication of this is provided by the level of litigation concerning property interests of households. If titles are insecure one should find evidence of this through the level of disputes and litigation. As has been shown above (page 122) the level of post purchase litigation concerning households' property interests is trivial in the sampled areas. This is the case even at Sports Complex, the area subject to a compulsory acquisition order. Out of the 80 valid respondents in Sports Complex 76 answered Q 2.c asking from whom they purchased their property. 43 (56.6%) bought it from a Stool or Family, 31 (40.8%) bought from a private person. Not a single respondent obtained the land from a government agency. But because of the compulsory acquisition order the title to land of these purchasers are rendered insecure because there is always the threat that government may demolish the properties. None of the purchasers can register their property interests even if they wanted to do so. Thus without the compulsory acquisition encumbrance, property rights of these purchasers are no different from purchasers of customary lands in other neighbourhoods. To the extent that it has been argued that those interests are clear and secure, the government intervention through compulsory purchase is causing insecurity of title.

7.4. Summary
In this chapter, the results of the field survey have been employed to answer four of the five main research questions that the study originally set out to pursue. Specifically, the findings confirm the contention that the unrecorded land/property market of Accra obeys conventional economic laws of demand and supply. It has
been shown that agents' behaviour follow patterns expected from economically rational ones whose decisions are bounded by institutions of the market. Though their behaviour might contravene formal land policies in the Country, the evidence demonstrates that such behaviour turns out to be the rational and economically optimum thing to do given transaction cost implications vis-à-vis enforcement levels of those policies. Yet in avoiding those costs, agents' behaviour leads to diversion of resources into wasteful activities which, in the end, diminish the level of efficiency at which the market can operate. Piecing these findings together in multivariate analysis will enable a test of the contention that improvements in allocative efficiency remains the only equitable way of improving urban housing and neighbourhood standards. That is the subject of the next Chapter.
### Table 7.4: Context of Intensity Score Calculation (Households)

<table>
<thead>
<tr>
<th>Item</th>
<th>Test</th>
<th>Raw Intensity Score</th>
<th>Standardised Intensity Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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| 6.00     | 3.00  | 55.56  | 55.56  | 66.67  |
| 8.00     | 4.00  | 83.33  | 83.33  | 100.00 |
| Total    | 9.00  | 100.00 |        |        |

| **8 B**  | Score | Frequency | % | Valid % | Cumulative % |
| -6.00    | 1.00  | 11.11  | 11.11  | 11.11  |
| -4.00    | 5.00  | 55.56  | 55.56  | 66.67  |
| -2.00    | 3.00  | 33.33  | 33.33  | 44.44  |
| 0.00     | 4.00  | 44.44  | 44.44  | 88.89  |
| 2.50     | 1.00  | 11.11  | 11.11  | 100.00 |
| Total    | 9.00  | 100.00 |        |        |

| **8 C'** | Score | Frequency | % | Valid % | Cumulative % |
| -7.50    | 1.00  | 11.11  | 11.11  | 11.11  |
| -5.00    | 3.00  | 33.33  | 33.33  | 44.44  |
| -2.50    | 5.00  | 55.56  | 55.56  | 100.00 |
| Total    | 9.00  | 100.00 |        |        |

| **8 D'** | Score | Frequency | % | Valid % | Cumulative % |
| -5.00    | 1.00  | 11.11  | 11.11  | 11.11  |
| 0.00     | 4.00  | 44.44  | 44.44  | 55.56  |
| 5.00     | 4.00  | 44.44  | 44.44  | 100.00 |
| Total    | 9.00  | 100.00 |        |        |

| **8 F'** | Score | Frequency | % | Valid % | Cumulative % |
| -3.33    | 8.00  | 88.89  | 88.89  | 88.89  |
| 1.67     | 1.00  | 11.11  | 11.11  | 100.00 |
| Total    | 9.00  | 100.00 |        |        |

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| -3.33    | 7.00  | 77.78  | 100.00 | 100.00 |
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| **9 E'** | Score | Frequency | % | Valid % | Cumulative % |
| -6.00    | 2.00  | 22.22  | 22.22  | 22.22  |
| -2.00    | 4.00  | 44.44  | 44.44  | 66.67  |
| 0.00     | 3.00  | 33.33  | 33.33  | 100.00 |
| Total    | 9.00  | 100.00 |        |        |

| **10 F'** | Score | Frequency | % | Valid % | Cumulative % |
| -6.67    | 5.00  | 55.56  | 62.50  | 62.50  |
| 6.67     | 3.00  | 33.33  | 37.50  | 100.00 |
| Total    | 8.00  | 88.89  |        |        |
| Missing  | 1.00  | 11.11  |        |        |
| Total    | 9.00  | 100.00 |        |        |

<p>| <strong>10 G</strong> | Score | Frequency | % | Valid % | Cumulative % |
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| 4.00     | 1.00  | 11.11  | 33.33  | 66.67  |
| 6.00     | 1.00  | 11.11  | 33.33  | 100.00 |</p>
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</table>
Chapter 8: Multivariate Analyses of The Survey Data

8.0. Introduction
To gain further insights, aspects of the findings in Chapter 7 are combined in multivariate analyses. The latter is used to test the fifth hypothesis that holding incomes constant, improvements in allocative efficiency remains the only equitable way of improving urban housing and neighbourhood standards. The two main statistical methods employed are (a) multiple regression analysis and (b) discriminant analysis. In section 8.1 multiple regression analysis is used to gain insights into which variables account for changes in price levels in the unrecorded land market of Accra, at the market level (section 8.1.1) and at the individual neighbourhood levels (section 8.1.4). Following this, discriminant analysis is used to further investigate the market on other aspects of transactions beyond price such as the sex; age; educational attainment; employment status; source of finance of purchasers (8.2). A brief summary of the findings is provided in section 8.2.2.

8.1. The Multiple Regression Analysis
Multiple regression analysis is employed to investigate, inter alia, some of the arguments in the literature concerning the importance of formal documentation of title, escalating land prices, and their effects on residential land prices and households’ housing investment decisions (see Chapter 2). The use of multiple regression analysis in enquiries of this nature is well established. In the urban property market literature, it is the analytical base of hedonic analysis of property data to investigate implicit prices of housing attributes. For more on this see, Antwi and Henneberry (1995), Arimah (1992), and Rosen (1974).

To begin the enquiry, Eq. 8.1 is posited. Drawing on the finding that agents are rational and their operations bounded by constraints of formal and informal institutions, the price of a plot is posited to depend on: the date of purchase (time), state of development of the land (pstate (2.a)), the neighbourhood within which the land is situated (nbhood), whether the land is obtained from government or customary land owners (vendor (2.c)), the extent of market search undertaken before buying (search (2.e)), source of finance for the purchase (finance (3.g)), source of market information (inf (3.a)), perception of property rights being purchased (prights(3.i)), and the cost of registration (creg 4.g)). Formally this is written as;
Eq. 8.1

\[ \text{Price} = f (\text{Time, pstate, nbhood, vendor, search, finance, inf, prights, creg}) \]

The equation was tested using the ordinary least squares (OLS) method. After many trials semi-log equations emerged as the best specification. The test of the equation was undertaken for the entire sample of households (pooled data) as well as for each of the five neighbourhoods. Preferred equations (for both pooled and neighbourhood data) revealed, at the outset, that \text{prights, inf, and vendor,} are not important variables in explaining price in the sample. Indeed including these variables resulted, in most cases, in an inability to derive efficient estimators due to violations of some of the OLS assumptions. These variables were therefore excluded.

One expects this outcome given the information conveyed by the intensity scores of these variables. Since practically all purchasers perceive to buy perpetual property rights, they do not face any choices in the selection of bundle of rights (zero variance). As a determinant of price, \text{prights} is thus not an important variable. The same explanation goes for \text{inf} and \text{vendor,} since all information about land to purchase is informally acquired (Chapter 7, section 7.7.2) hence, this should not be important in explaining land prices in this particular market. And since the government as a supplier of land is not an option available to purchasers, the variable does not explain land prices in this market (see section 7.2 of Chapter 7).

8.1.1. Pooled Data Regressions

For the pooled data the formulated semi-log equation (as explained above) using the remaining variables in Eq. 8.1 is;

Eq. 8.2

\[ \text{Price} = Ae^{(\beta_1 \text{time} + \beta_2 \text{pstate} + \beta_3 \text{nbhood} + \beta_4 \text{search} + \beta_5 \text{finance} + \beta_6 \text{creg} + \varepsilon)} \]

where

- \( \beta \) = parameters to be estimated;
- \( A \) = a constant conveying information about the price if all of the independent variables did not apply to a plot.
- \( \varepsilon \) = an error term which captures the effects of all other variables not included in the equation and the random error implicit in the observed data.
A linear transformation of Eq. 8.2 to allow OLS estimation is achieved by taking logs of both sides to yield.

Eq. 8.3
In \( \ln \text{price} = \alpha + \beta_1 \text{time} + \beta_2 \text{pstate} + \beta_3 \text{nbhood} + \beta_4 \text{search} + \beta_5 \text{finance} + \beta_6 \text{creg} + \varepsilon \)

where 
\( \alpha = \ln A \)

In this functional form the background to interpreting \( \beta_i \) is as follows. Letting \( X \) represent a given independent variable and \( Y \) the dependent variable, Berry and Feldman (1985; p. 64) explain that for any two values of \( X \), say, \( X' \) and \( X'' \), that are a fixed distance apart the ratio of the associated expected values of \( Y - E(Y') \) and \( E(Y'') \) equals a constant value. In particular if \( X' \) and \( X'' \) are a unit distance apart \( (X'-X''=1 \), i.e. a unit change in \( X \)), then:

Eq. 8.4
\[
\frac{E(Y')}{E(Y'')} = e^\beta.
\]
Thus for the dichotomous neighbourhood variables, a change in price resulting from the presence of a given neighbourhood variable over the excluded (standard) variable is \( e^\beta \).

Since by definition \( E(Y') = E(Y'') + \Delta Y \), the change in \( Y \) as a result of the unit change in \( X \), Eq. 8.4 can be rewritten as:

\[
\frac{E(Y'') + \Delta Y}{E(Y'')} = e^\beta
\]

\[
\Delta Y \left( \frac{1}{E(Y'')} + 1 \right) = e^\beta
\]

\[
\therefore \quad \frac{\Delta Y}{E(Y'')} = e^\beta - 1.
\]
Thus for continuous variables, a unit change leads to \( (e^\beta - 1) \times 100 \) percent change in price, the dependent variable. For some more details of interpreting and using regression specifications see Achen (1982) and Berry and Feldman (1985).
Before proceeding to discuss the results of the tests the following explanation of the variables is in order:

1. The variable, *time*, is derived from the year of purchase. Though reported year of purchase spans between 1938 and 1998 (60 year period) only 4.55% (13) of all the transactions were achieved before 1970. To avoid distortions that this could cause in the analysis *time* is calculated to range between 0 (1970) to 28 (1998). All transactions achieved before 1970 are set to 0, that is, as if purchased in 1970. The *a priori* expectation of this variable is positive: land prices are expected to have been appreciating at a positive constant rate\(^{19}\) between the years.

2. *pstate* is categorical (3 valid groupings) increasing from 1, purchase of bare land, through 2, purchase of an uncompleted structure, to 3, purchase of fully completed house. It is expected to have a positive influence on price.

3. The *a priori* expectation of the impact on price of *search* -- dichotomous (yes [1] or no [0]) -- is negative: the more a purchaser searches the market before concluding a transaction the less the price he/she is expected to pay for the eventually selected land, *ceteris paribus*.

4. *creg* is continuous in cedis (¢) and expected to have a negative sign. Purchasers should pay less for a given land if they expect the cost of registration to be higher.

5. *finance*, derived via intensity score calculation (see Chapter 7; section 7.1 1) is continuous. Its *a priori* expectation is ambiguous: relying on a formal source of finance might lead to paying far more than one should, given the relative ease at which a purchaser can have access to the needed funds and the pressures imposed by the need to find suitable land in time to meet loan agreement deadlines. On the other hand the discipline introduced by formal finance through the need to justify to the bank manager that price paid is a fair market price, could lead a purchaser to bargain harder to achieve a lower price than would otherwise be the case.

6. For *nbhood*, five dichotomous dummy variables, SANTMR (for Santa Maria), AWOSHIE (for Awoshie), GBAWE (for Mallam/Gbawe), COMPLEX (for Sports complex), and BOTWE (for Sraha Ashalley Botwe) were derived to take the value 1, if a given property is in a neighbourhood of interest, and 0 if otherwise. For example a property in Sports Complex will assume the value 1 for the
variable COMPLEX and 0 for all the other neighbourhood variables, and so on. In the regression one of these dummy variables has to be excluded. The excluded variable becomes the ‘standard neighbourhood’ from which the contribution to price of the included neighbourhoods are measured.

In the first tests, BOTWE, on average the most recent among the sampled neighbourhoods (mean date of purchase is 1988 [= 1970+18] see Table 8.4, page 151), was excluded. Results of the three preferred equations are reported in panel (a) of Table 8.3 (page 147). Given the particular interest in COMPLEX, the neighbourhood where lands purchased are technically illegal by virtue of the government’s compulsory purchase order, tests excluding COMPLEX were run to permit direct interpretation of price effects of customary land trading in compulsorily acquired lands. It would also enable a test of the effects of a direct interventionist tool by government – compulsory acquisition. The results of these tests are reported in panel (b) of Table 8.3. Descriptive statistics are provided in Table 8.1. To identify and minimise unwarranted multicolinearity problems, a correlation matrix of the variables in the equation was constructed and reported in Table 8.2.

Table 8.1: Descriptive Statistics (Pooled Data)

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<th>Mean</th>
<th>StDev.</th>
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<td>2.5736</td>
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<td>time</td>
<td>13.8653</td>
<td>7.2504</td>
</tr>
<tr>
<td>pstate(2.a)</td>
<td>1.1673</td>
<td>0.4881</td>
</tr>
<tr>
<td>finance(3.g)</td>
<td>-0.277</td>
<td>2.2631</td>
</tr>
<tr>
<td>creg(4.g)</td>
<td>472203</td>
<td>988014.2802</td>
</tr>
</tbody>
</table>

The constant rate of change expectation results from the interpretation of the coefficient as explained above.
Table 8.2: Correlation Matrix of Variables in Equations

<table>
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<tr>
<th></th>
<th>Pstate(2.a)</th>
<th>Fince(3.g)</th>
<th>TIME</th>
<th>SANTMR</th>
<th>AWOSHIE</th>
<th>GBAWE</th>
<th>COMPLEX</th>
<th>BOTWE</th>
<th>Creg(4.g)</th>
</tr>
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<td><strong>Pstate(2.a)</strong></td>
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<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Pearson Correlation</td>
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<td>-0.15**</td>
<td>-0.08</td>
<td>-0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.24**</td>
<td>-0.24**</td>
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<td>280</td>
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<td>280</td>
<td>280</td>
<td>280</td>
</tr>
<tr>
<td><strong>Fince(3.g)</strong></td>
<td>-0.15**</td>
<td>1.00</td>
<td>0.03</td>
<td>0.16**</td>
<td>0.08</td>
<td>0.10</td>
<td>-0.68**</td>
<td>0.37**</td>
<td>0.03</td>
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<td>-0.07</td>
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<td>0.09</td>
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<td>-0.13</td>
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<tr>
<td>Pearson Correlation</td>
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<td>0.15</td>
<td>0.01</td>
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<td>282</td>
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<tr>
<td><strong>COMPLEX</strong></td>
<td>0.24**</td>
<td>-0.68**</td>
<td>-0.07</td>
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<td>-0.41**</td>
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<tr>
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<td>282</td>
<td>282</td>
<td>282</td>
<td>33</td>
</tr>
<tr>
<td><strong>BOTWE</strong></td>
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<td>0.37**</td>
<td>0.42**</td>
<td>-0.29**</td>
<td>-0.25**</td>
<td>-0.25**</td>
<td>-0.41**</td>
<td>1.00</td>
<td>0.52**</td>
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<tr>
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<td>0.00</td>
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<td>282</td>
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</tr>
<tr>
<td><strong>Creg(4.g)</strong></td>
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<td>0.31</td>
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</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
### Table 8.3: Regression Results of Pooled Data

<table>
<thead>
<tr>
<th>Dependent Variable: Log of Price (LGPRICE)</th>
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<tbody>
<tr>
<td>Panel (a): Botwe = standard Neighbourhood</td>
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<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
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</tr>
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<td>2</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Panel (b): Complex = Standard Neighbourhood</td>
</tr>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
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<tr>
<td>4</td>
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<td>5</td>
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<tr>
<td></td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

* t-ratios in parenthesis
* * Significant at 90% level
* ** Significant at 95% level
* *** Significant at 99% level

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Reported equations in Table 8.3 are those that performed better on diagnostic statistics, namely, $R^2$, N, F-test and minimisation of multicollinearity problems. A point about multicollinearity is appropriate. Multicollinearity when it exists, leads to insignificant variables even when a high $R^2$ is achieved. In a sense it blurs the contribution of particular independent variables to changes in the dependent variable. It could be avoided or minimised by removing one or more of the variables found to correlate with each other. Multicollinearity is a common problem in regression analysis and cannot be entirely avoided (see Achen, 1982; pp.82-83). In practice, depending on the objectives of the regression exercise, pragmatic decisions have to be made as to some level of the problem that is allowed. From Table 8.2 there is significant correlation between the Time variable and three of the five neighbourhood variables. Ideally it would be enough to include only one or two of the neighbourhood variables to capture the required effects in the equations. But since part of the objective of the exercise is to identify whether prices in various neighbourhoods differ significantly, all neighbourhood variables were included. By so doing insights as to the price effects, if any, of the various neighbourhoods are gained. Also, keeping the Time variable ensures that land price appreciation rates, an indication of the efficiency level of the market, could be computed.

As Table 8.3 shows, the power of the independent variables in explaining changes in land price levels ranges from a low of 43.5% ($R^2 = 0.435$) [model 3] to a high of 62.4% [model 4]. That is to say, as much as 62.4% of changes in the price of land in the informal unrecorded market can be explained by the included variables. This compares favourably with studies of the recorded market (Asabere, 1981a & b) where $R^2$ of between 0.49 to 0.65 was achieved for Accra and 0.53 for Kumasi, the second biggest city in Ghana. The combined contribution of the independent variables in explaining changes in land prices in all the models is statistically significant at all the conventional levels (F-test).

8.1.2 Panel (a) Models.

Based on the three models of panel (a) of Table 8.3, all things the same, it makes no difference in price whether a property is situated in any of the five neighbourhoods (statistically insignificant coefficients [t-test] of the variables SANTMR, AWOSHIE, GBAWE, COMPLEX over BOTWE). This has significant implications for compulsorily acquired lands, a feature which is investigated further in the panel (b) models below. Cost of registration has the right sign but not statistically significant
This should be expected and confirms earlier findings (see section 7.3.2 of Chapter 7). Given that practically all purchasers in the market are dissuaded by the sheer costs involved in registration, the variable has no impact on market clearing prices. The negative sign of the source of finance variable [model 3] indicates that relying on bank finance might lead to purchasers bargaining for lower prices. But as expected, it has an insignificant coefficient: given how unimportant bank finance is as a source of finance in the market (see section 7.2; Chapter 7) it has no real impact on average land prices. In models 1 and 2 the state of property variable, \( \text{pstate} \), has the right sign and statistically significant coefficient (at all conventional levels). The more developed the land being purchased the higher the price: an expected outcome which confirms the argument of rational agents. Specifically (evaluated on model 3), on average, the price of acquiring an uncompleted structure, all things given, is 394% \((e^{1.372})\) that of acquiring a bare plot.

*Time* emerges consistently as the most important explanatory variable, the constant term excepted. It is statistically significant at all the conventional levels in all the equations estimated. Its positive sign is consistent with *a priori* expectations. The magnitude of the coefficient provides information on land price appreciation.

Evaluating model 2, (model with highest \( R \) in a), land prices appreciated, on average, by an annual rate of 37.58% \((e^{0.319}-1, \text{see Eq. 8.5})\). Interestingly, this rate is fairly consistent across models achieving a high \( R \) (see panel b models). Though, on the face of it, this rate of land price appreciation might appear astronomical, government inflation figures (GSS, 1998) obtained for the years 1994 to 1997 suggest that land prices have been, at best, managing to keep their real values over time (see Table 8.7, page 156). Claims of land price escalation on the basis of which government intervention is advocated (see, for example, Asiama, 1980) are thus unjustified at least during the period covered by this analysis. It has been asserted in earlier chapters (see Chapter 2 for example) that price information recorded in government agencies are lower and distorted versions of what actually pertains in the market. This has been confirmed by the results from consultants surveyed (see section 7.2 of Chapter 7). The rate of land price appreciation estimated here provides partial support for the assertion. Based on recorded data, Asabere (1981a) found a 22% annual land appreciation rate in Accra for the period 1974-1978, a far lower rate than the 37.58% found here for the period 1970-1998.
8. 1. 3. Panel (b) Models.

It should be recalled that the models here were estimated to allow immediate investigation of price effects of customary land trading in compulsorily acquired lands. The three models here show that but for AWOSHIE, all the neighbourhood variables have statistically insignificant coefficients: average prices of those neighbourhoods do not differ in any statistically significant sense from those of COMPLEX. All things accounted for, lands in neighbourhoods purported to have been acquired by the government achieve similar average prices as those in other areas that do not suffer from such encumbrance. AWOSHIE presents an interesting case that further confirms the above proposition. It has significant coefficients in all three models and shows that on average lands in Awoshie sold at some 1.8% (e^{-0.02}) discount on those at Sports Complex (evaluating model 4). Awoshie as a neighbourhood abuts Sports complex to the periphery of Accra. Thus Sports Complex is more central in terms of access to the city centre than Awoshie in the same direction. All things being equal, Sports Complex lands therefore should sell at higher prices unless the compulsory acquisition is having some effect. The significant and negative coefficient of AWOSHIE is consistent with this expectation. Indeed, though not significant, the negative coefficients of GBAWE and BOTWE are encouraging for the same reason as being more peripheral lands than Sports Complex. All other findings in these models are consistent with those in panel (a) discussed above with the time variable confirming the finding in earlier models as the single most important variable in explaining land prices in the unrecorded market.

8. 1. 4. Neighbourhood Regressions

Further investigations of neighbourhood specific impacts of the variables modelled at market-wide levels were undertaken. The logic here was to explore whether factors that explain land price changes in particular informal neighbourhoods of the city differ from neighbourhood to neighbourhood and, indeed, from market wide findings. It is possible, for instance, to envisage source of finance, say, being more important to purchasers of land in BOTWE but not important in AWOSHIE. Results of the tests are provided in Table 8.5, page 152. Table 8.4 provides descriptive statistics. Once again reported equations are those that performed better on the diagnostic tests ($R^2$, N, F-test and minimisation of multicollinearity problems). Note that N, the number of valid observations in these equations reduces substantially (to as low as 29 in AWOSHIE) and limits the degrees of freedom of making inferences from the equations.
### Table 8.4: Descriptive Statistics (Neighbourhoods)

<table>
<thead>
<tr>
<th>Neighbourhood</th>
<th>Variable</th>
<th>Mean</th>
<th>StDev.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lgprice</td>
<td>9.3983</td>
<td>3.86</td>
</tr>
<tr>
<td></td>
<td>pstate (2a)</td>
<td>1.1724</td>
<td>0.6017</td>
</tr>
<tr>
<td></td>
<td>Search(2e)</td>
<td>1.8276</td>
<td>0.3844</td>
</tr>
<tr>
<td></td>
<td>Time</td>
<td>10.3448</td>
<td>8.3933</td>
</tr>
<tr>
<td>Awoshie</td>
<td>Lgprice</td>
<td>11.7973</td>
<td>2.8505</td>
</tr>
<tr>
<td></td>
<td>pstate (2a)</td>
<td>1.2667</td>
<td>0.6915</td>
</tr>
<tr>
<td></td>
<td>Search(2e)</td>
<td>1.3333</td>
<td>0.4795</td>
</tr>
<tr>
<td></td>
<td>Time</td>
<td>14.7333</td>
<td>7.0659</td>
</tr>
<tr>
<td>Mallam/Gbawe</td>
<td>Lgprice</td>
<td>10.7288</td>
<td>2.5523</td>
</tr>
<tr>
<td></td>
<td>pstate (2a)</td>
<td>1.1389</td>
<td>0.4245</td>
</tr>
<tr>
<td></td>
<td>Search(2e)</td>
<td>1.5556</td>
<td>0.5040</td>
</tr>
<tr>
<td></td>
<td>Time</td>
<td>7.3514</td>
<td>6.3123</td>
</tr>
<tr>
<td>Santa Maria</td>
<td>Lgprice</td>
<td>11.7181</td>
<td>1.4352</td>
</tr>
<tr>
<td></td>
<td>pstate (2a)</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Search(2e)</td>
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<td>0.4913</td>
</tr>
<tr>
<td></td>
<td>Time</td>
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<td>3.7335</td>
</tr>
<tr>
<td>Sraha Ashaley Botwe</td>
<td>Lgprice</td>
<td>12.4166</td>
<td>2.3268</td>
</tr>
<tr>
<td></td>
<td>pstate (2a)</td>
<td>1.3438</td>
<td>0.5968</td>
</tr>
<tr>
<td></td>
<td>Search(2e)</td>
<td>1.5781</td>
<td>0.4978</td>
</tr>
<tr>
<td></td>
<td>Time</td>
<td>13.0156</td>
<td>7.1035</td>
</tr>
<tr>
<td>Neighbourhood</td>
<td>Model</td>
<td>Constant</td>
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</tr>
<tr>
<td>---------------</td>
<td>-------</td>
<td>----------</td>
<td>------</td>
</tr>
<tr>
<td>Awoshe</td>
<td>1</td>
<td>6.35</td>
<td>0.295</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(7.063)**</td>
<td>(4.337)**</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>4.868</td>
<td>0.296</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.666)</td>
<td>(4.296)**</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>7.322</td>
<td>0.291</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(4.954)**</td>
<td>(4.245)**</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>5.61</td>
<td>0.292</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.842)**</td>
<td>(4.213)**</td>
</tr>
<tr>
<td>Mallam/Gbawe</td>
<td>1</td>
<td>6.602</td>
<td>0.353</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(10.941)**</td>
<td>(9.518)**</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>6.57</td>
<td>0.353</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6.558)**</td>
<td>(9.316)**</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>5.831</td>
<td>0.285</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(11.067)**</td>
<td>(8.244)**</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>5.7</td>
<td>0.285</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6.795)**</td>
<td>(8.091)**</td>
</tr>
<tr>
<td>Santa Mara</td>
<td>1</td>
<td>9.845</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(15.660)**</td>
<td>(1.84)*</td>
</tr>
<tr>
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<td>2</td>
<td>9.632</td>
<td>0.09489</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(7.106)**</td>
<td>(1.466)</td>
</tr>
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<td>3</td>
<td>7.181</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>(5.995)**</td>
<td>(2.026)*</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>7.172</td>
<td>0.0997</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(4.482)**</td>
<td>(1.657)</td>
</tr>
<tr>
<td>Neighbourhood</td>
<td>Model</td>
<td>Constant</td>
<td>Time</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------</td>
<td>----------</td>
<td>-------</td>
</tr>
<tr>
<td>Sraha Ashalley Botwe</td>
<td>1</td>
<td>5.251</td>
<td>0.356</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(17.522)***</td>
<td>(22.026)***</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>5.313</td>
<td>0.356</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(15 170)***</td>
<td>(21 882)***</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>5.251</td>
<td>0.356</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(17 522)***</td>
<td>(22 026)***</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>5.313</td>
<td>0.356</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(15 17)***</td>
<td>(21 882)***</td>
</tr>
<tr>
<td>Sports Complex</td>
<td>1</td>
<td>10.439</td>
<td>0.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(19.168)***</td>
<td>(4 124)***</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>11.324</td>
<td>0.145</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(11 603)***</td>
<td>(3 936)***</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>8.295</td>
<td>0.133</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(12 467)***</td>
<td>(4.156)***</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>8.4</td>
<td>0.129</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(7.617)***</td>
<td>(3 945)***</td>
</tr>
</tbody>
</table>

*p-values in parenthesis
**Significant at 95% level
***Significant at 99% level
On the whole the neighbourhood specific regressions are consistent with those of the pooled data with time proving to be the most important variable that systematically explains changes in land prices in all neighbourhoods. Notice that the search variable which was excluded from the pooled data regressions because it was very insignificant, was included here because it performed better than the source of finance and registration cost variables which were so insignificant at the neighbourhood level as to lead to actually lowering $R$ when included. There is thus the confirmation at the neighbourhood level that source of finance, registration cost and the extent of search conducted before buying a plot are not important in explaining changes in price levels of plots in all five neighbourhoods sampled. The state of development of the land is significant in three of the neighbourhoods but not significant in two, Awoshie and Sraha Ashalley Botwe, because transactions in these neighbourhoods are exclusively those for bare lands. That is certainly the case in BOTWE (mean score of the search variable =1 and standard deviation = 0; see Table 8.4) where the variable was excluded because no statistic could be computed for it.

All told, the included variables explained price changes in the neighbourhoods of Mallam/Gbawe and Sraha Ashalley Botwe better ($R$ of 0.755 to 0.854) than they did those in Awoshie, Santa Maria and Sports Complex ($R$ of 0.015 to 0.393). A pattern emerges here. It would appear the included variables explain less of price changes in western neighbourhoods of Accra than they do in neighbourhoods in the north and east. Mallam/Gbawe and Sraha Ashalley Botwe happen to be neighbourhoods in the north and east respectively of the city while Awoshie, Santa Maria and Sports Complex all lie in the west (see Table 3.1 of Chapter 3). Just what causes this difference to occur is unclear and cannot be inferred from the models estimated. One conjectural explanation might be that offered anecdotally; the majority of migrants to Accra who engage in commerce (Ashantis and Kwahus), possess considerable amounts of money which they spend in developing houses. They prefer to buy and develop plots in the eastern and north-eastern peripheries of Accra so as to avoid city centre traffic during their regular weekend travels to their hometowns in the Eastern and Ashanti regions.

Based on the coefficients of the time variable (using the model with highest $R$ values) for each neighbourhood, land price appreciation rates are computed and
provided as Table 8.6 (page 156). As can be observed from the table, the annual rate of growth of land prices in three of the five neighbourhoods, Awoshie (34.31%), Mallam/Gbawe (32.98%), Sraha Ashalley Botwe (42.76%) are consistent with the general trend of the market as indicated by that estimated for the pooled data (37.58%) and manage to keep their real value over time (in the context of inflation figures of Table 8.7). That for Sports Complex (14.22%) however, is 28 odd percentage points less than that of Sraha Ashalley Botwe (42.76%), for example.

It is possible that the compulsory acquisition encumbrance of Sports Complex is having a deleterious effect on land price appreciation levels. However, one cannot be completely sure of this from the results of the analysis. Santa Maria, a neighbourhood that does not suffer from a similar encumbrance shows an even lower rate of 13.09%. Probably the anecdotal explanation offered above relating to the difference between potential demand for eastern and western lands is at play once again. Still this explanation is not intact since Awoshie lies in the west but shows a rate of 34.31%.

The following, however, is absolutely clear. The analysis shows, among other things, that, at least on achieved prices, there is no real differences between supposed government lands traded illegally by customary owners and others that are classified legal. This has major public policy implications. In the present circumstances, customary landowners are presented with an incentive to frustrate any acquisition of their lands by Central Government through selling to purchasers. When they do, they expect to be able to trade the lands as if no compulsory purchase order is hanging over the lands. Therefore the use of compulsory acquisition powers to create neighbourhoods, ostensibly to provide lands at 'affordable prices' is not a feasible option. One might argue that price alone does not convey all information about the workings of the market. In particular the literature on Latin American squatter settlements indicate that other aspects of the transaction might be different and socially undesirable. In order to be conclusive about whether or not any differences exist in 'illegal' customary trading of lands in Sports Complex and the other areas, therefore, a further enquiry employing discriminant analysis was conducted. This is discussed in section 8.2 below.
Table 8.6 Land Price Appreciation at Neighbourhood Level (1970-1998)

<table>
<thead>
<tr>
<th>Neighbourhood</th>
<th>Model Adopted</th>
<th>Coefficient of Time</th>
<th>Annual Land Price Appreciation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awoshie</td>
<td>1</td>
<td>0.295</td>
<td>34.31%</td>
</tr>
<tr>
<td>Mallam/Gbawe</td>
<td>3</td>
<td>0.285</td>
<td>32.98%</td>
</tr>
<tr>
<td>Santa Maria</td>
<td>3</td>
<td>0.123</td>
<td>13.09%</td>
</tr>
<tr>
<td>Sraha Ashalley Botwe</td>
<td>1</td>
<td>0.356</td>
<td>42.76%</td>
</tr>
<tr>
<td>Sports Complex</td>
<td>3</td>
<td>0.133</td>
<td>14.22%</td>
</tr>
</tbody>
</table>

Table 8.7: Annual Inflation Figures

<table>
<thead>
<tr>
<th>Annual Average</th>
<th>Yearly Inflation Non-Food (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>24.43</td>
</tr>
<tr>
<td>1995</td>
<td>39.74</td>
</tr>
<tr>
<td>1996</td>
<td>61.38</td>
</tr>
<tr>
<td>1997</td>
<td>39.38</td>
</tr>
</tbody>
</table>


8.2. Discriminant Analysis

Discriminant analysis is a multivariate statistical technique that can be used to study differences between two or more groups of respondents. It has been employed in a number of studies in fields as wide as sociology, political science and education (see Klecka, 1980 and references therein). In the Ghanaian land market, Sinai (1998) has employed it to investigate the use of homes for income generation in Kumasi.

To follow the discussion of its application in this study some explanations are offered. The characteristics used to distinguish among the groups are called "discriminating variables". To find out how they discriminate between the groups, canonical discriminant functions -- linear combinations of the discriminating variables -- are derived to satisfy certain conditions. A canonical discriminant function has the form:

\[ f_{km} = u_0 + u_1x_{1km} + u_2x_{2km} + \cdots + u_px_{pkm} \]

where

\[ f_{km} \] = the value (score) on the canonical discriminant function for case \( m \) in group \( k \);
\( u_{im} \) = coefficients which produce the desired characteristics in the function; and
\( x_{ik} \) = the value on discriminating variable \( X \) for case \( m \) in group \( k \).

For every \( k \) groups, a maximum \( k-1 \) valid canonical discriminant functions can be derived. On each function, a coefficient (\( 0 < u < 1 \)) is derived for each discriminating variable. The larger the magnitude of the standardized coefficient the greater is that discriminating variable’s contribution in discriminating among the groups. These coefficients are directly comparable across variables. Thus a value of 0.6, for instance, indicates three times the discriminating ability of a value of 0.2. Diagnostic test statistics such as canonical correlation, eigenvalue, Wilks’ lambda, and chi-square, guide in achieving the best performing and significant functions. A strong correlation coefficient indicates that a strong relationship exists between the groups and the discriminant function; the function with the largest eigenvalue is the most powerful discriminator, while Wilks’ lambda and the chi-square indicate the significance of the function at the usual levels.

This analytical technique offers a powerful tool to investigate a number of issues pertinent to testing the hypothesis that allocative efficiency remains the only equitable way of improving urban housing and neighbourhood standards given present income levels. Of particular interest is to generate statistical evidence of whether or not there are any characteristics of purchasers’ background and/or their land buying decision process that can statistically distinguish the two groupings of respondents who bought government lands ‘illegally’ from customary land owners on the one hand, and other customary land purchasers in the sample. Are there, for example, any statistically significant variables that discriminate between those who trade ‘illegally’ in compulsorily acquired lands and other players of the informal land market offered by their; (1) sex; (2) age; (3) educational attainment; (4) employment status; (5) source of finance; (6) perceived property rights purchased; (7) perception of formal land dispute settlement machinery and; (8) building permit enforcement notices?

To gain this insight discriminant analysis was employed with COMPLEX (0, 1) as the left hand side (LHS) of the canonical function (Eq. 8.6) and many potential discriminating variables (examples listed above) on the right hand side (RHS). After many trials ten RHS variables were selected to derive the function. Results of this function are reported as Function 1 in Table 8.8, page 158. The choice of this function was guided by the diagnostics tests: Function 1 was the function with the
largest eigenvalue, indicating that it is the most powerful discriminating function. The Wilks’ lambda and chi-square indicate the function is significant at the 99% level. A canonical correlation co-efficient of 0.77 (max 1) indicates the existence of a strong relationship. A subsequent function (Function 2, Table 8.8) was derived to comprise only RHS variables that demonstrated large enough coefficients in the first instance. The logic here was to identify and highlight more clearly the most important discriminating variables. Function 2 therefore does not produce any improvements on the diagnostics tests – the correlation coefficient and eigenvalue are actually lower than those in Function 1 – but it is helpful in emphasising the most discriminating variables.

Table 8.8: Standardized Canonical Discriminant Function Coefficients

<table>
<thead>
<tr>
<th>Discriminating Variable</th>
<th>Coefficient</th>
<th>Function 1</th>
<th>Function 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.B Land Price</td>
<td>-0.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.D Employment Status</td>
<td>0.35</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>1.C Educational Attainment</td>
<td>0.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.D' Mode of Payment</td>
<td>0.15</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>3.G' Source of Finance</td>
<td>0.95</td>
<td>0.96</td>
<td></td>
</tr>
<tr>
<td>4.A Perceived Property Rights</td>
<td>0.18</td>
<td>0.17</td>
<td></td>
</tr>
<tr>
<td>2.G Government Land Applications</td>
<td>0.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.C Building Permit Enforcement Notice</td>
<td>0.33</td>
<td>0.39</td>
<td></td>
</tr>
<tr>
<td>7.A Involvement in Litigation</td>
<td>0.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.G Perception of formal land dispute settlement machinery</td>
<td>0.14</td>
<td>0.16</td>
<td></td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>1.46</td>
<td>1.40</td>
<td></td>
</tr>
<tr>
<td>Canonical Correlation</td>
<td>0.77</td>
<td>0.76</td>
<td></td>
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<tr>
<td>Wilks’ Lambda</td>
<td>0.41</td>
<td>0.42</td>
<td></td>
</tr>
<tr>
<td>Chi-square</td>
<td>186.96</td>
<td>201.20</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>215</td>
<td>235</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>10</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>&lt;0.001</td>
<td>&lt;0.001</td>
<td></td>
</tr>
</tbody>
</table>

8.2.1. Interpreting the Results

As Table 8.8 shows, among the ten discriminating variables, source of finance (3.g) is the most powerful discriminating variable (0.95). That is to say, the most important variable that distinguishes between the purchasers of Sports Complex lands (illegal) and other purchasers of customary lands, is whether or not they can
rely on bank finance to fund the acquisition. Other variables of some importance are building permit enforcement notices and employment status. The contribution of the remaining variables is trivial, at best. Indeed deriving the function again to exclude four variables with coefficients of $\leq 0.11$, the discriminating power of the source of finance variable increases to 0.96 (Table 8.8; column 4). Based on this function, the source of finance variable possesses 2.47 times the discriminating ability of the second important variable, building permit enforcement notice, 3.15 that of employment status, 5.73 that of perceived property rights, 6.15 that of perception of formal land dispute settlement machinery, and 9.57 that of mode of payment, in that order. This result is not surprising. Given the treatment of trading in these lands as illegal, bank finance is out of the question and anybody wanting to rely on such a source of finance never comes to this market. To a limited extent, those in influential government positions may obtain these lands legally through the government department. Hence the non-trivial discriminating power of employment status. Otherwise these lands are traded just like all customary lands. As Kelcka (1980) explains, when the absolute value of the coefficient of a variable is very large (near $\pm 1$) the function is carrying nearly the same information as the variable. Thus it can be concluded from this analysis that, apart from bank finance, players in the 'illegal' customary market are no different in respect of their sex, age, educational background and the other variables from those in other customary markets. Coupled with the regression results above that average prices in the market do not differ statistically on account of whether or not they are in neighbourhoods where the lands are traded 'illegally', this result confirms the futility of attempting to influence the allocation of urban land in the city through compulsory acquisition in present circumstances.

Given these results and the evidence that suppliers have the incentive to frustrate acquisitions; that when they do they are going to find willing purchasers, that activities relating to documentation and other regulation of the market lead to rent-seeking waste of resources, it is clear that the only option available is to improve efficiency levels at which the market operates. It is through such improvements that land price levels could be contained at affordable levels, and neighbourhood and housing standards improved through gains from elimination of resource waste.
8. 2. 2. Summary

The analyses in this chapter have confirmed and extended the findings in the previous one. In particular the regression analysis provides some information on the workings of the market in terms of the important variables that explain changes in price levels in the unrecorded market. From the results the claim of land price escalation can be refuted. Also there is strong support for the hypothesis that players in these markets are rational and confirms findings about the efficiency reducing effects of cost of registration and other activities of government agencies in the land market in Ghana.

The discriminant analysis conveys the powerful information that intervention in the customary market through the use of compulsory purchase powers does one thing. It takes away the very slim chance of bank finance that might exist for those in other markets. The workings of the market of the 'illegally' traded government lands are no different on price levels, age, sex, educational background, and perception of property rights conveyed. They are different only to the certain extent that one cannot obtain bank finance for those plots and to a lesser extent, that one might experience a higher level of enforcement of building permits by the authorities. To this extent efficiency is being compromised once again through intervention in the customary market. These and other findings in earlier chapters are pooled together to suggest public policy recommendations in the concluding chapter that follows.
Chapter 9: Conclusions

9.0. Introduction

The central aim of this study has been to enquire into why, despite what appears to be concerted efforts by SSA governments and donor agencies to eradicate problems of sub-standard urban neighbourhoods, the problems still exist and appear to be getting worse. From the outset, the study contended that it is helpful to view the observed problems from an economic perspective. This yields helpful insights. An enquiry designed to investigate the economic forces behind the issues has therefore been employed. Bringing to bear analyses and insights from various branches of economics (viz. property rights, transaction costs and public choice economics), the real reasons behind observed problems are revealed. From these, helpful conclusions emerge. This Chapter draws together these main findings and conclusions. Useful theoretical insights that emerge to explain the prevalence of land market interventions are discussed in section 9.1. A discussion of specific findings of the empirical survey follows in section 9.2. Section 9.3 summarises the main conclusions. Policy recommendations are offered in section 9.4 while section 9.5 highlights limitations of the study. This provides a lead into suggested areas for further research which is discussed in section 9.6.

9.1. Theoretical Insights

Why do governments and bureaucrats in SSA continue to intervene in urban land markets despite obvious evidence of the failure of these attempts? Conventional answers imply that because SSA urbanites gain possession of land on which they build their houses through traditional informal arrangements, they do not possess secure and clear property rights. This in turn leads to sub-standard and haphazard development of neighbourhoods because households refrain from undertaking the required investment in housing that they would otherwise undertake if they possessed clear and secure property rights. Furthermore, the argument goes, the informal nature of transactions enables landowners to manipulate the market through the charging of arbitrary prices and the determination of who gains access to land. In short, there is market failure. Hence the necessity for governments to intervene (see, for example, Asiama, 1980; p. 257: & 1990 and Acquaye and Asiama, 1986). The current study found these views to be flawed and misconceived.
Why they persist at all and dominate political and bureaucratic rhetoric are explained as follows.

Property rights economics teaches that rules and regulations (both formal and informal) that eventually evolve to regulate agents – the property rights system – are determined by the relative actual or imputed prices of the benefits and costs such regulations bring to bear on transacting parties (De Alessi, 1980; see Chapter 4). But since governments possess the power to coerce agents into complying with laws, often, inefficient laws and regulations are observed to be enforced by government agencies as part of the property rights system. It is possible for a given property rights system therefore to comprise of formal regulations which are not the optimum in terms of the cost/benefit implications to agents. In such situations agents may design ways and means of avoiding them. Property rights systems that, in fact, evolve to regulate actual transactions may therefore be different and possibly illegal. From the agents' point of view the illegal system provides optimum outcomes.

This begs the question why are bureaucrats and politicians prone to enforcing inefficient laws? Insights from public choice economics offer answers. Economic forces are more likely to induce politicians and bureaucrats to enforce inefficient and wasteful laws because:

1. Governments are not omniscient but lack the complete knowledge and information required to enact efficient laws to lead to efficient property rights systems.
2. Far from being impartial and benevolent seeking equitable outcomes for citizens, often governments, through bureaucrats, politicians and interest groups, are manipulated into pursuing agendas which benefit these political agents rather than society at large.
3. Governments' involvement in the economy is effected through the activities of politicians and bureaucrats. Being self-seeking individuals like everyone else, these individuals operate to maximise their personal utilities. Therefore faced with the incentive structure that occupation of government office presents -- viz. the absence of any direct link between costs and benefits of their decisions – they tend to employ cost inefficient operations, seek the expansion of their budget, and design unnecessarily complex and complicated systems to hide
shirking and ineptitude. Such complicated systems also enhance appropriation of rents through (sometimes) illegal means (corruption).

4. As a result of the above, bureaucrats have the incentive to argue for government intervention even when it is not necessary or, even worse, when it is inimical to agents and society at large. A sure way of doing this is through the market failure argument in all its guises, such as on grounds of imperfect competition, externalities and equity (see Chapter 5).

These insights lead to the conclusion that land market intervention, though presented as a way of helping the poor and meeting social objectives, often further the interests of political agents. Specific findings of the study confirm these reservations of government interventions in the residential land market of Accra.

9. 2. Specific Findings

The enquiry of the study has been pursued around five related hypotheses which together tested four key aspects of the informal market relating to:

1. rationality of agents and relative efficiency of the market;
2. constraints and efficiency retarding bureaucratic intervention;
3. irrational and/or illegal but optimal behaviours of agents in the market and;
4. market imperfections.

Findings regarding these headings are discussed in turn below.

9. 2. 1. Rationality of Agents and Relative Efficiency of the Market

The study found that the market operates remarkably well and obeys fundamental laws of economics. The survey found evidence to this effect through price levels, purchasers perception of prices and suppliers price setting behaviour. Prices respond principally to demand and supply signals. From the point of view of purchasers (the point of view that matters) the price paid for plots is the fair market price, considering similar lands with similar amenities. Results from the survey of suppliers indicate that prices they charge for plots are market determined. What is more, suppliers were found to employ customer satisfaction strategies such as allowing flexible modes of payments. These strategies are not the sort of strategies that one would associate with landowners who posses the power to manipulate the market, as has been asserted in some earlier studies. Nor is there any evidence of monopolistic landowners manipulating the market. Neither purchasers nor suppliers
think that non-economic factors such as ethnicity and social status influence the market.

The reliability of these findings is reinforced by the results obtained through the regression modelling of the market. From the regression analysis land prices appreciated, on average, at the rate of 37.58% per annum between the years 1970-1998. For the same period, government figures suggest inflation rates in the region of 40% p.a. Impressions of land price escalation are therefore misguided. Rates of land price increases in the region of 38% a year may appear too high but if prices in general are increasing at the rate of 40%, it is a misconception to blame landowners or the land market, for that matter, for simply keeping up with general price increases. Indeed this ability of the market to track inflation is an indication of the efficiency of the informal market. But efficiency of the market is currently being curtailed through costly intervention.

9.2.2. Constraints and Efficiency Retarding Bureaucratic Intervention

The study identified two main areas of government intervention that introduce constraints on agents of customary land markets. One is intervention through compulsory acquisition (or, what amounts to the same thing in practice, the vesting of customary lands in government) where government bureaucrats attempt to completely supplant the market and supply lands. The other is through attempts to control and regulate the market by stipulating and prescribing the format informal transactions should take in order to be formally recognised. In both cases the survey revealed that the practical impacts of these policy instruments have been to impose constraints on agents and limit efficiency gains achievable.

Compulsory acquisition introduces constraints through the distortion of incentives it presents to agents. It transforms a perfectly legal activity of voluntary trading of interests in customary lands into an illegal one. As values of land have increased, the potential rents available have ensured that the illegality so introduced fails to prevent owners from trading the lands. But the illegality leads to perverse outcomes. It ensures that none of the transactions are formally recognised. As a result the nature of the property rights possessed in these transactions are rendered unclear. Since the government possesses the power to enforce the acquisition at any time by demolishing houses on lands obtained through these transactions, a degree of insecurity of title is introduced. Insecurity and confusion in property rights in these circumstances thus result precisely because of intervention through compulsory
acquisition. And such confusion and insecurity reduce efficiency. Efficiency is reduced since households cannot tap into capital markets to fund investments in housing.

Constraints from market regulation result from costs they impose on agents relative to benefits. These relate to: (a) costs of taking actions required by government in order that transactions are formally recognised and; (b) costs incurred as a result of prescriptions restraining agents from organising transactions in ways preferred by them. As will be apparent below, it is important to recognise this distinction in any recommendations for reform of the system.

Regulations under (a) requesting agents to expend money in order that transactions are formally recognised relate to planning permission, building permits, and documentation and registration of title. On the face of things these aspects of regulation possess potential efficiency improving attributes. Planning and building permits aim to provide public goods which private households and landowners are unwilling to supply because of 'free riding' problems. Similarly documentation of titles possesses positive externalities in terms of enhancing information flow and minimising fraud (see 9. 2. 4).

Costs induced by attempts to restrain agents from organising transactions in preferred ways — regulations under (b) — relate to the restriction of permissible interests to leases, the need for consent and concurrence and the formula and modalities for payment and receipt of incomes (rents) resulting from customary transactions (see Chapters 6 & 7). This study found no justifications for these regulations. The reasons behind them have not been well articulated either by bureaucrats or politicians. Nor has any theoretical justification been derived to support them by studies which advocate bureaucratic intervention.

At the operational level, it was found that regulations under (a) and (b) above are often bundled together to devastating effects. It was found, for example, that the documentation of title of customary land transactions is inextricably tied to the need for consent and concurrence from the Lands Commission, formula and modalities for payment, receipt and management of incomes from the transactions, and planning approvals. The result is a complex, confusing, time consuming web of bureaucratic
regulations that is difficult even for professional consultants to understand let alone the average market participant. This is a predictable outcome of market regulation resulting from the incentive for bureaucrats to expand their budgets and rent-seek. To maximise the utility of their offices, they have the incentive to design complex systems for undertaking simple tasks. But the bundling together of regulative instruments seeking different and, sometimes, conflicting objectives has blunted their beneficial impacts. It has, therefore, ensured that the costs to agents of complying are too high to be of any benefit.

The study found that actual cost of documentation and registration, for example, may be as high as 44.15% of purchase price of city peripheral lands while the benefits are not readily apparent. The costs associated take the form of rent-seeking costs. Subjected to rent-seeking analysis, the waste induced by the bundling together of formal documentation and registration of customary transactions, with other regulations became apparent.

Estimates in Chapter 6 indicate that for the 285 of the 286 households surveyed who bought their lands from customary land owners to obtain formal documents on their lands, as much as £1.54bn (in September 1999 prices; £4,000 - £4,300 = £1) is potentially available to be wasted through rent-seeking competition. Since it is feasible for the total rent-seeking waste to exceed the rent available (see Chapter 6), one is looking at potential diversion of resources into wasteful activities which could exceed £1.54bn. It is these orders of diversion of real resources into wasteful rent-seeking activities brought about by intervention that shift resources away from investment in housing and improvements in neighbourhood qualities. Also, ineptitude in professionals is generated since instead of specialising in efficiency improving regulations, technocrats in the relevant bureaux are induced to specialise in designing complex systems that enhance their chances in the rent-seeking competition. Rational attempts of market agents to resist effects of bureaucratic rent-seeking lead them into wasting resources themselves, through behaviour which may sometimes be illegal. Further still, for these transactions, the lack of clarity of property rights conveyed is a bureaucratic contrivance brought about by the need for consent and concurrence and the restrictions to leases of all interests transacted.

\[20\text{None of the key officers in the LCS could provide any reasons to this effect during the field survey.}\]
As has been described above, the sheer complexity of market regulation that bureaucrats have put in place imposes costs on agents. In important areas of purchasers’ behaviour investigated, the survey revealed that behaviours that might, at first, appear irrational or indeed illegal are the optimal ones given the cost implications of the regulative regime. It was found, for example, that as much as 68.2% of purchasers had finished and occupied their properties but had not even bothered to submit papers on them to the appropriate institutions for formal documentation and registration. An irrational behaviour given the security that a government guaranteed registered title is supposed to provide. Furthermore, the majority (64.5%) did not possess building permits for constructing the houses they were occupying, an illegal behaviour. Another direct illegal activity relates to the purchase from stools of land that the government claims to have compulsorily acquired. In this regard the entire sample of households drawn from the neighbourhood of Sports Complex possess illegal interest in the lands on which their houses stand by virtue of the fact that they obtained the lands from customary owners rather than from Government. On the supply side landowners operate illegally by selling lands compulsorily acquired by government. But in all these cases analysis reveals that the cost and benefit implications to purchasers and landowners (see Chapter 7) make illegality the rational and optimum option available. Yet in avoiding those costs, agents’ behaviour leads to diversion of resources into wasteful activities which, in the end, diminish the level of efficiency at which the market can operate. These, rather than concepts of market failure, in fact, explain observed imperfections in the market which translates into low quality standards of housing and neighbourhoods.

9. 2. 4. Market Imperfections

The findings discussed so far may suggest that the market is a perfect one which is only plagued by government intervention. In part this is true. Many of the observed problems can, in fact, be explained in terms of one aspect of market regulation or another. But, to be sure, the market, like many markets, is not a perfect one. The study identified major problems through the survey of consultants. These relate to, in order of seriousness: (1) the unscrupulous sale by some customary owners of the same piece of land to multiple purchasers (double allocation); (2) unresolved title disputes between customary owners and government, (3) lack of registered documents; (4) absence of reliable database of ownership and; (5) ineffectiveness of
courts in resolving land disputes. It is interesting to point out that clarity (or the lack of it) of title which is one excuse politicians, bureaucrats and some academics have used to argue for government intervention, was rated below all these problems.

The problems enumerated are serious ones and contribute to constraining the efficiency level attainable. However, they are not symptoms of market failure. One cannot call for market intervention because of these problems. Indeed most of the imperfections exist precisely because of intervention. The sale of the same piece of land by some unscrupulous landowners is possible because of the inefficient way the recording and dissemination of information on property ownership is managed. This in turn is a result of the overwhelming avoidance of the formal documentation systems by agents. The main reason for avoidance is the prohibitive costs involved relative to potential benefits to agents. The recording and dissemination of information on transactions in interests in land is in principle an efficiency enhancing statistical exercise. But, as has already been explained, this activity has been bundled together with regulations on permissible rights and others to blunt any potential benefits while at the same time inducing rent-seeking behaviour. From these findings main conclusions of the study emerge.

9.3. Main Conclusions

The main conclusion of the study is that land administration/land policy as implemented by the various government agencies, instead of achieving efficient urban land allocation does the contrary. The residential land market of Accra is a morass of regulations that strangles agents, discourages innovation and induces waste of resources. This state of affairs eventuates from many discrete sources of government intervention. Rather than contributing to solving the problems of haphazard developments, clarifying and securing property rights, leading to orderly development and ensuring acceptable standards of housing, governmental interventions are, in fact, the cause of these problems. Planning and building regulations are implemented in such a way as to actually lead to sub-standard and haphazard development of neighbourhoods. This is achieved through the excessive costs of compliance. The cost to agents of complying with planning, building regulation and formal documentation and registration of interests in land are high because of rent-seeking waste that particular regimes of regulation engender. It is such induced waste of resources which compel rational informal agents into avoiding compliance of these regulations. In the end therefore, it is the particular nature of interventions that combine to produce the spatial problems observed in the
neighbourhoods of Accra. Specific areas of intervention that wrought the most harm are the use of compulsory acquisition to create residential neighbourhoods and restrictions on permissible interests capable of exchange in customary transactions.

Compulsory acquisition of customary lands transforms neighbourhoods into illegal settlements thereby driving away corporate finance. It presents distorted incentives to both suppliers and purchasers of urban land. Because it renders the perfectly normal economic transaction of legitimately recognised land owners illegal, they are induced into organising transactions inefficiently. Landowners are forced into undertaking inefficient and costly ways of protecting land rather than relying on the legal framework. Purchasers are prevented from using their property holdings to support any formal economic activity. The apparent insecurity of property rights in this circumstance is a direct result of the encumbrances that flow from the trading by customary owners of compulsorily acquired lands.

The restriction of permissible interests capable of disposal in informal land transactions, against agents preferred choices, is the root cause of apparent confusion in property rights. Because agents find it economically rational to avoid the prescriptions, the 'de facto' interests traded are different from what land policy deems them to have traded. Hence the apparent confusion in the true nature of property rights conveyed in informal land transactions. It is only in land transactions in Accra and Ghana that capital sums are paid for lands bought but lease documents are drawn up with notional amounts inserted for rent and other covenants listed even though none of the parties have no intention of ever enforcing the lease. In fact the purported lessors (the landowners) do not even keep copies of leases they are supposed to have granted. This abounds because of bureaucratic interventions in the market. The associated intervention through the prescriptions on the receipt and management of incomes from customary land transactions leads to rent-seeking behaviour.

As to assertions of high prices and market manipulation by landowners, the study found no evidence for these. Indeed the findings contradict many of the assertions concerning prices and players in the market. From the evidence the market responds remarkably well to fundamental demand and supply conditions. Suppliers are conditioned to charge market clearing prices for their lands as their price fixing decision processes are bounded by purchasers' willingness to pay. Purchasers
perceive price paid to be fair and determined solely by economic factors. What is more, bureaucratically supplied attributes of land transactions are completely irrelevant to the market. Thus land title documentation and registration, the planning regime, and policies on limits on tradable interests, all show no statistically significant impact on prices. There is no supporting evidence from both suppliers and purchasers that price of land is determined by non-economic factors. From the results of the regression modelling of households' land purchasing behaviour the claim of land price escalation can be refuted.

The need for agents in the rent-seeking competition to conceal actual prices (see Chapter 6) and the consequent distortion of prices reported by government land agents has damaging effects. As discussed in Chapter 5, among other functions, prices in competitive markets reveal to agents the necessary information needed to achieve efficient utilisation of resources. The extent to which regulation leads to concealed prices in the Accra land market prevents agents from obtaining the needed information to make the right choices concerning their housing needs. This may explain the reasons behind many (permanently) uncompleted housing structures in informal neighbourhoods. Because households are presented with distorted and lower versions of prices (see Chapter 7) they under-estimate the actual cost of constructing a house. These are only revealed to them after they have spent substantial amounts in undertaking part of the construction. If they realise at this stage that actual costs may be beyond their budget the project is abandoned, in most cases, never to be completed. The resources tied up in such uncompleted structures prevent the households from fully meeting their housing needs. This is another source of inefficient use of resources brought about indirectly through regulation.

Considering the level of waste that results from market intervention and the vested interests of bureaucrats in this state of affairs, improvements in housing and neighbourhood standards may be achieved only through improvements in the allocative efficiency of the informal market. It is often the case (or argued to be) that efficiency improvements are achieved at the expense of equity. In the rent-seeking environment prevailing in the residential land market of Accra, efficiency improvements coincide with equity improvements. To see how, consider the following.
Rent-seeking waste that results from extant market interventions harms the less well-off members of the society most. Compulsory acquisition when employed successfully to dispossess customary landowners benefits exclusively people in influential positions (Brobby 1991; Larbi, 1994; Antwi, 1995; Kasanga et al, 1996). When they enter the customary land markets, the well-connected are likely to get titles documented, planning and building permits approved, without having to expend much resources. Their influential connections see to that. As the estimates in Chapters 6 and 7 demonstrate, much of the (land price invariant) actual costs of obtaining these permits derive from rent-seeking costs emanating from regular visits to the offices to 'chase applications', secure the acquaintance of key bureaucrats, 'tip officers' and undertake similar (mostly illegal) fuzzy expenditures. Due to their professional positions, educational attainments, political clout, and occupation of other government offices, the well-connected already possess the attributes that enable them direct access to the agencies responsible for the necessary permits without having to purchase such access. On the contrary, the less well-off, who constitute the majority of purchasers of low priced urban peripheral lands, need to spend the most resources (in both relative and absolute terms) to purchase the necessary access. Precisely because they arise from rent-seeking behaviour, the costs of securing official ratification and permits for informal transactions is disproportionately higher for the less well-off than they are for the well-off. Improvements in efficiency of the informal market through the removal of rent-seeking waste thus benefits the less well-off most and are therefore equitable. This can be achieved through the removal of interventionist policies.

Though these are conclusions derived from a survey in Accra, the pattern of the findings lead firmly to a conclusion that similar causes lie behind the observed problems across SSA cities. Recall from Chapter 2 that SSA countries, regarding land policy, divide into two: those in which land ownership held by traditional customary institutions are legal, of which Ghana, and for that matter Accra, belongs and; those in which urban land ownership is nationalised, of which most of the French speaking countries and Nigeria belongs. Of the former, the findings of rent-seeking waste resulting from various attempts of market regulation of informal transactions applies. In all these countries, the need to obtain formal title and the complex procedures introduced by bureaux established for the purpose exist and render the cost of obtaining the necessary permits prohibitive (see the evidence in Chapter 2). In Malawi, for example, survey costs alone could be as much as five
times the value of the plot (Mattingly, 1993; p. 111). Of the latter, the findings of the damaging market effects of compulsory acquisition, where the amounts of money at stake compels customary owners to act contrary to the government intentions applies. Thus in Nigeria, for example, making customary transactions illegal by virtue of the Land Use Decree has not prevented the need to pay the market price to local customary land owners before possession can be taken of lands allocated by government officials. The illegality does not prevent customary transactions but leads to perverse outcomes just like the use of compulsory acquisition in Accra. Policy recommendations to remove rent-seeking waste and other efficiency retarding market interventions found in Accra, tweaked to reflect particular circumstances where necessary, therefore apply to SSA countries across the board.

9. 4. Policy Implications and Recommendations

Many implications for existing policy practices and recommendations for policy reform flow from the above conclusions. On existing policies the following comments can be made.

9. 4. 1. Comments on Existing Policies

- The use of compulsory purchase as a direct interventionist tool, apart from observed problems of injustice and other corrupt practices in allocation reported by other studies, leads to further perverse outcomes. It drives the potential for corporate finance away from development. To this extent efficiency gains that could emerge if capital markets are improved could be missed. It also ensures that transactions can never be recorded and prevents any efficiency gains that can be derived from improved flow of ownership information.

- Formal documentation and registration of interests in land, as they operate in Accra, are having no impact on the market, at least, to the extent that price conveys information on the operation of the market. This calls for a comprehensive appraisal of the title documentation regimes. An area worthy of serious and immediate attention is the de-coupling of this activity from other aspects of regulation.

- The delays and costs involved in obtaining building permits prevent the majority of households from obtaining them before constructing their buildings. Thus in practice building regulations are having no effect on building standards.
• The finding that informal transactions obey basic economic laws calls into question many of the existing interventionist land policies. For example, the restriction of stool land transactions to leases and the establishment of entire bureaucracies to manage and collect ground rents is unnecessary and redundant. Purchasers buy and pay for perpetual interests in land. The existence of a formal requirement prohibiting such transactions are completely ignored. In the event a great deal of real resources is wasted through rent-seeking behaviour.

• Government control of many aspects of land transactions has crowded out the private sector. As the study shows, there is little involvement of private sector development of housing at any large scale in Accra. Given gains from scale economies that could result from co-ordinating and supplying the housing needs that are currently handled discretely by individual households, one would expect some local or foreign entrepreneurs to attempt to serve the market. That this is not occurring at any significant level may be due to the risks introduced by interventions. Ambiguities in security of title and the transformation of the purchase of customary land into an illegal activity introduced by land policy make it too risky for the commitment of large capital investments necessary to serve this market on a large scale. As things currently are, the demand for housing and neighbourhood services are inefficiently supplied by individual households themselves.

• Concerted attempts to eliminate corruption, ineptitude and shirking on the part of bureaucrats in government land agencies by prosecuting them, transferring them to new offices and many such punitive and preventive measures, are only targeting symptoms of the problem. So are attempts at prosecution, harassment and introduction of further regulation to prevent apparently irrational and illegal activities of customary land suppliers and purchasers. The cause of the problems is structural. They result from too many attempts to interfere in the operation of the market. These create opportunities for rent-seeking. As the theory predicts, and the survey in this study has confirmed, so long as policies contrive rents, there will always be bureaucrats and other agents striving to appropriate them. Permanent solutions therefore lie not in tackling bureaucratic corruption and/or preventing customary owners from receiving the proceeds from their land transactions. These only succeed, at best, in replacing one set of
corrupt political agents with another\textsuperscript{21}. Permanent solutions lie in eliminating contrived rents that induce these destructive economic behaviours. That calls for the removal of all forms of market intervention and a re-focusing of market regulation.

9. 4. 2. Recommendations For Policy Reforms

As intimated, the single policy recommendation that follows from the findings and conclusions of this study is a recommendation for the removal of all forms of land market interventions. Competition among landowners for purchasers would lead them into introducing efficient strategies which would eventually lead to affordably planned neighbourhoods. Landowners would employ efficient systems to ensure that ‘double allocations’ do not occur when they are legally allowed to receive the proceeds of transactions; it would be in their own interest to see to developing customer confidence in this and other aspects of the transaction. Land price information would also be transparent. This would aid agents in making the right economic decisions. Purchasers would construct houses by efficiently combining land and other resources that are within their budgetary constraints. Within constraints households are better placed than bureaucrats to ensure that they construct safer houses. And, above all, removal of intervention would eventually free up resources currently being wasted through rent-seeking behaviour for the provision of more productive housing and neighbourhood services. There are strong reasons why one can rely on these and similar outcomes to eventuate. But there are also good grounds for why the needed reform of the existing regulatory regime may prove intractable.

Reform of the current state of affairs is not going to be easy. It would be naïve to expect otherwise. The task of reform is made the more difficult because rent-seeking behaviour is pervasive in land administration in Accra. As the theory teaches, bureaucrats, politicians and interest groups (including some sections of traditional establishments) have gambled resources into contriving and/or occupying extant monopoly positions. They are not going to give them up without a fight. Efforts to rid the market of unwarranted interventions are therefore likely to be vehemently resisted by these groups who benefit from the current system. Their attempts to protect existing rents can themselves generate rent-seeking behaviour which might lead to further waste of resources. Moreover, much of the current waste

\textsuperscript{21} A great deal of the intractable problem of corruption in the wider
is sunk cost which can never be retrieved. In this regard the nature of land administration has permanently lowered the output of housing services that could be produced from combining urban land resources. Failure to recognise these constraints to reform is tantamount to committing the same errors that one commits when one agues for government intervention to solve all market problems. Indeed, attempts at solutions across SSA countries supported by donor agencies such as the IMF and the World Bank – e.g. site and service projects, low income housing, cadastral mapping and squatter upgrading -- have met with limited success precisely because of a failure to appreciate rent-seeking behaviour among the very bureaucrats who are entrusted with management and allocation of project resources. The record of such projects in SSA makes disconcerting reading. See Chapter 2 for a discussion and the following for some evidence: O’connor, 1991; McAuslan, 1985; Amis 1990; Campbell, 1990; Mattingly, 1993; Brobby, 1991; Larbi, 1994: Antwi, 1995). Concerning this, Mattingly (1993) has observed that projects meant for the poor end up benefiting the rich.

9. 4. 3. Immediate Reforms That Stand Reasonable Chance of Success

Fortunately, there are avenues for policy changes that can be made to raise the current level of efficiency. These are policy reforms that stand the least chance of being defeated by vested interests. One such policy is the use of compulsory acquisition. This policy is so unpopular that much as interested bureaucrats would want to continue its use, any serious attempts to stop it being used would be easy to achieve. In any case the difficulty of using compulsory acquisition as a result of resistance by the customary owners (through illegal sales) has served notice to bureaucrats of the need to refrain from using the policy instrument. At the time of the field survey for the study, the stakes had been raised so much that land administrators in Accra were relying on the army to enforce the policy in some areas.

The next set of policies for reform are those that possess no discernible benefits. Recall that costs imposed on agents as a result of market regulation have been classified under; (a) those possessing the potential to enhance market efficiency and; (b) those for which rational justification is difficult to pin down (see section 9. 2. 2, page 165). The latter group of regulations, viz. those of restraining agents from organising transactions in preferred ways, need immediate abolishing. These include restrictions on permissible interests, on receipt and disbursement of incomes economies of SSA countries may be explained by this phenomenon.
from customary land transactions, and the need for consent and concurrence. They strangle agents, crowd out private initiative and waste resources but bring about no discernible benefits. The bundling of these regulations with others means that reform of the system must begin with the de-coupling of the various strands of regulations. Once this is done, the stage would be set for abolishing unwarranted regulations. The following policy reforms would address many of the problems identified in this research.

- The de-coupling of various strands of regulations relating to urban land transactions. Documentation of ownership of property rights in urban land, for example, should be organised independently of planning approvals; the need for consent and concurrence, and other regulations. This would lead to transparency of the system. The latter indeed is recommended as the first stage of reforming bureaux (see Niskanen 1994).

- Abolish the restriction of permissible rights that can be sold. Economic agents are better placed to evolve property rights that are better attuned to the opportunities available.

- Abolish the need for consent and concurrence by the Lands Commission to rectify or perfect stool land transactions. This regulation has no practical purpose or benefits. But it enables bureaucrats to rent-seek.

- Abolish the prescriptions on the receipts and management of proceeds from stool land transactions. This prescription runs counter to economic intuition. It is unimaginable to expect a supplier of a product to undertake all the costs necessary to produce and make the product available to the purchaser only to collect the bureaucratically determined price from some bureau exogenous to the transaction. If the purpose is to tax proceeds from customary land transactions a more efficient way is to use the tax system of the country. Again transparency of the activity would be achieved. And a political and economic case would have to be made and defended for such a tax.

- Abolish the use of compulsory purchase to create residential neighbourhoods. From the evidence the world over, governments can never be successful property developers. In SSA, governments (or their various arms) cannot even
be contemplated to provide social housing now or in the distant future. The realities of the macro economic circumstances of these countries make sure of that. Any (fuzzy) moral justifications of using these powers for developing residential neighbourhoods for ‘the poor’ do not exist in practice. Perverse outcomes resulting from their use, in the end, harm ‘the poor’.

9.4.4. Efficiency Enhancing Regulation

Market regulation has its place. Indeed regulation to see to enforcement of contracts and property rights have long been argued by neo-classical economists to be essential for the operation of markets. As Firmin-Sellers (1997) has found, and the evidence of prevalence of ‘double allocation’ found in the field survey of this study confirms, in an evolving urban land market of a developing economy where the necessary institutions are not completely well established, opportunities abound for exploitation of agents by groups in strategic positions. There is therefore a case for regulation to ensure this does not eventuate. But in reform of the existing system, market regulation must be justified on their actual (as against theoretical) positive impacts on agents. Regulation to enhance the operation of the market should therefore be the aim. If they are to work the emphases should be on policies that lead players to behave in desired ways by presenting them with the right incentives. Here regulations under (a), discussed above, are appropriate.

The first, and possibly the most important area of bureaucratic involvement in the market, is the recording and dissemination of land and property ownership information. It is important to realise the difference between the statistical exercise of compiling and dissemination of information on property ownership and the supply of additional (supposed to be superior) property rights. A confusion between the two and the attempt to supply both concurrently, inherent in current regulation has led to the observed chaotic circumstances. The statistical exercise can be better served from a central data base that can be provided more efficiently, at present, by government departments. That of providing efficient property rights, as has been shown in the study, are better left to agents who are better placed to evolve the most efficient system.

There is also a case for the supply of ‘public goods’ such as culturally relevant neighbourhood amenities which might not be adequately supplied if everything is left to the market. Regulation through planning approvals are therefore necessary in this regard. So are building standard regulations which when properly applied would
educate and compel private agents to take on board, in constructing buildings, knowledge which might be helpful to them but which might be too complex or too expensive to acquire (an aspect of market failure, see Chapter 5). There is also the need for objective dispute resolution machinery that can be trusted by agents. This can only be efficiently provided by central government with its monopoly over the power to force citizens into conforming. The absence of this at present was found to exact costs on agents.

In more specific terms, therefore, the continuance of bureaucratic involvement in the market in enhanced and better focused terms in the following areas are recommended:

1. The gathering, storage and dissemination of property ownership information is an area where a well focused bureau is necessary to provide a market enhancing service. To be effective it has to be extensive and cover the entire market. This can be achieved only if the cost/benefit functions are right for agents. A reorganisation of the operation of the bureaux as discussed in 9. 4. 5 below is a pre-requisite in realising the goals. The records for household property ownership information could be organised like a census where information on what actually exists on the ground is compiled through site visits rather than the current practice where the information is expected to be brought to the offices of the bureaux. As this study has shown, this information exists in the field and can be collected with relative ease and minimum resources. In just under ten weeks, with five graduates, extensive information on 286 households were compiled for this study. Given the resources at the disposal of the relevant bureaux, a great deal can be achieved if key bureaucrats are induced into organising resources in this manner (for how this can occur see 9. 4. 5). In view of the level of sophistication of the market, basic information such as details on; ownership, neighbourhood, house number and type, head of household, and next of kin; could be incorporated with map based data which can be upgraded as markets develop and sophisticated information come to be demanded. The system should be demand driven.

A related area is a comprehensive record of traditional landowners. Here the activities of bureaux could be re-focused into compiling statistical information on stool and family land ownership, boundaries, categories of uses, that are actually
agreed by all parties and sections of contiguous stools and families. This would serve as an effective and authoritative source of information to purchasers. As above, the information needs to reflect what actually is happening on the ground. There was some indication that attempts similar to this are being made piecemeal by the LCS in some parts of the country. It is recommended that rather than this being peripheral to the core activities of the bureau, it should rather be the main focus of land administration. The only way to get the bureaux to behave in a manner to achieve this is through the re-organisations proposed in 9.4.5 below.

A point worthy of note is that the activity of collecting and disseminating property information is considered best to be supplied through bureaux not because it is an activity that the market is perceived to be incapable of supplying. On the contrary, under conducive environments the market would be the most efficient means. In the UK, for example, the Investment Property Databank (IPD) has built a successful business on the back of compiling, analysing and disseminating investment property data. However, under the present circumstances where a great deal of resources in terms of equipment, buildings, and staff have already been spent on establishing bureaux for the purpose, they are better placed to handle this more efficiently. Provided, that is, a re-focusing of their operations as described in 9.4.5 is undertaken. This is the case because interventionist policies in the wider economy for sustained periods in Ghana has crowded out and blunted the private sector to the extent that one cannot reasonably expect the sector to be capable of providing this service at the moment.

2. Planning is the next area of recommended market regulation. There is some justification for the need for planning to supply public goods. Apart from being tied to title at present, it would appear that objectives are exaggerated and rent-seeking behaviour abounds (see Larbi, 1996). Like the recommendation on property information gathering above, a more market oriented planning approach that recognises the cost/benefit implications of agents is recommended. This can only be achieved if some way is found to incorporate land suppliers into the process. It should be noted that irrespective of whatever system that is operated, planning will only be successful if minimised to supply attributes that are, in fact, relevant ‘public goods’. Knowledge of these has to be gained
through systematic studies of agents rather than by relying on some supposedly superior notions of planning which may or may not have any relevance to agents.

3. Regulation of building standards should be re-focused. Again relevant and feasible regulation should be the guiding principle for regulators. There is no point in attempting to regulate to achieve standards that agents cannot afford. Agents consider costs of the existing regulative system to be too prohibitive and therefore avoid it. This defeats the very purpose of ensuring the construction of safe buildings. Given the diversity of agents and the consequent diverse standards and level of demands for housing services, it is recommended to explore the operation of a regulative regime that discriminates among the various market participants. High building standards might be enforced in certain neighbourhoods while lower standards, unacceptable in these neighbourhoods, are allowed elsewhere to cater for the different levels of affordability. This calls for a much more refined regulatory regime than currently exists and can only be successful if detailed knowledge of agents’ preferences are gained. Once again there is a need for systematic study of agents here.

4. Better and dedicated adjudication systems that are trusted and incorporate all stakeholders are urgently needed. This recommendation actually takes us outside the realm of land market regulations into that of the independence of the judiciary in Ghana. Recommendations as to how this can be achieved is beyond the remits of this study and urgent research is called for possibly from the legal and related professions. It can only be recommended, as earlier studies (Brobbey, 1991; Larbi, 1994) have done without any success, that special courts for land affairs -- lands tribunals -- should be established to deal exclusively and objectively on land matters. But effectiveness of these would depend on availability of good property ownership information and therefore conditional on the success of the recommendations in (1) above.

9.4.5. Restructuring Bureaux

The above recommendations for enhanced and focused market regulations are conditional on a reorganisation of the bureaux that are entrusted with regulation. It is here that the involvement of donor agencies could be much more efficiently employed. Given the notoriously difficult task of reforming bureaux, not least because the information required for the task is seriously guarded, it is necessary for
donor agencies to bring pressure to bear through the projects they fund if successful reform is to be achieved. As Niskanen (1994) has observed:

"...efficiency in government cannot be much improved without changing the basic institutions and processes that affect the demand for and supply of government-financed services" (Niskanen, 1994; p 275).

This study has shown that the operations of land agencies in Accra (like all bureaux) are inconsistent with the public interest of improving urban land allocative mechanisms, their raison d'être for being established. As far as it is possible, therefore, the purpose of re-organising bureaux is to change them to make their behaviour more nearly consistent with the public interest. How can this be achieved? By a realignment of the incentive structures of key bureau members. Notice that the recommendations for bureaucratic involvement above are on the implied assumption that there is demand for the outputs to be supplied. This means that when well structured key members in their bid to maximise the utility of their offices, would behave in ways consistent with the public interest. Therefore bureaux involved should be restructured and operated along market oriented lines. Incentive structures should be reorganised. This can be done through the nature and structure of funding. Allow bureaucrats a free hand to employ qualified staff and equipment. These should be funded from moneys generated from marketing their services. For example the information recording and dissemination activity has potential demand which can be exploited if the bureau supplying it is induced to operate in that manner. They should be allowed to sell their expertise where demand for them exists. The way to ensure that this occurs is to link emoluments of, at least key members, to performance. Any such arrangements should be transparent to avoid rent-seeking behaviour, the very behaviour that has necessitated reforms. And all these call for minimisation of political control. In sum, the structural changes recommended to get bureaux in land administration to mimic the behaviour of private firms are;

- Increase the competition among bureaux for the supply of the same or similar public services. In this regard, healthy competition can be triggered between the Lands Commission Secretariat/Deeds Registry, Land Title Registry, Land Valuation Board and the (newly established) Office of the Administrator of Stool Lands for the supply of property information services.
Change the incentives in the bureaucracy to induce more efficient behaviour by the senior bureaucrats. A more transparent salary scale devoid of subjectively determined perquisites but linked to performance — number of properties for which information is successfully recorded, say — might produce the desired results.

Increase the competition to the bureaucracy by greater use of private sources of supply of public services. Here the employment of private consultants in valuations and field surveys are in order especially for donor funded projects.

In the course of following the recommended reforms the very *raison d'être* of some bureaux may be undermined. For example the *raison d'être* of the Office of the Administrator of Stool Lands would be in doubt if the recommendations to abolish the restriction of permissible rights and the associated management of proceeds from stool land transactions is implemented. There may however not be a need to close them down. A restructuring and re-focusing of such bureaux to supply similar services supplied by other bureaux would utilise resources released. As to whether there would be enough demand to justify the involvement of all bureaux, the finding from the survey that virtually none of the ownership information on informally transacted properties are officially documented indicates the extent of potential demand across the country. There is enough demand to support the existence of many bureaux supplying outputs of this nature provided they are made to operate in a market oriented way. It is only through the lens of bureaucratic behaviour and rent-seeking competition that one can explain the existence of extensive potential demand which goes unmet while institutions established to supply the services are unable or unprepared to employ abundantly available resources (in this case unemployed graduates) to supply the needed outputs.

9. 5. Limitations of The Study

In Chapter 3 attention was drawn to aspects of the data generated for this research which imposes some limitations on the findings. As explained in Chapter 3, efforts have been made to counter their effects on the validity and reliability of the findings. The following are further limitations that need to be highlighted in order that the findings can be appreciated in the appropriate context.

9. 5. 1. Validity of Findings

Throughout the study it has been implied that the office of stool representatives presents the right incentives that would induce them into making efficient decisions if
formal institutions were reformed to allow this. Indeed the success or failure of some of the recommendations are conditional on this very assumption. But there are reasons to believe that the assumption might not hold true in many circumstances. There is a real concern about opportunist behaviour by some members and heads of stools and families. The ability of the occupiers to sell lands and use the money for their personal enjoyment appears to be inconsistent with the traditional status of their office as trustees to hold the land in trust for and on behalf of the community. There are also reported cases of regulation capture, where head of stools and families have employed the very government regulative regimes to behave in ways that would not be possible under the customary establishment prior to regulations. In this sense government intervention has led to a kind of moral hazard where the traditional institutions have lost the incentives to check and ensure that occupiers of offices behave as traditionally required. This and similar behaviour are anecdotally reported to be creating tensions which cut deep into the very existence of the traditional societies and their institutions. To the extent that these are occurring, the validity of some of the recommendations of the study are open for debate.

9. 5. 2. Data Employed
In hedonic type studies, the results are enriched with the inclusion of some indicators of neighbourhood and physical attributes of properties of the households surveyed. The absence of secondary data on these meant that this could only have been achieved by employing qualified surveyors to inspect all the 286 properties to generate consistent data. Clearly the expense and time involved in such an exercise was beyond that which was available for this study. Nevertheless the absence of physical attributes of properties and some indicators of neighbourhood qualities blunted some of the conclusions. A specific aspect that has suffered is the study's inability to distinguish more finely between the policy impacts on the various informal neighbourhoods.

9. 5. 3. Research Design
It is possible that some of the findings are specific to Accra. However, as explained earlier, many of the findings could apply to many SSA cities. Further research is needed on this basis.

Another area is the lack of inclusion of empirical information from the various bureaucracies involved in the land market. A more complete picture could have been painted if a systematic investigation of relevant bureaux concerning their
objectives, costs, and other aspects of their operations was undertaken. However, resources available for this study did not allow that. Certain findings and conclusions may not be wholly reliable precisely because they are not based on empirically derived information on bureaux in Accra. A study specifically focused on land administration bureaux is therefore needed to refine the findings here.

9.6. Areas For Further Research

Recommendations for policy reforms would lead to better outcomes if better knowledge of many aspects of the problems not directly investigated in this study are gained. In this regard research in the following areas to gain better understanding is considered essential.

9.6.1. Culturally Relevant and Feasible Planning

It has been observed that planning may be relevant to agents. Possible areas of concern is the relevance of many outputs planning regulation attempts to supply. There is a need for empirically based study into culturally relevant ‘public goods’ that warrant policy intervention to effect their supply. Given cultural and economic circumstances of SSA, which outputs of planning are really necessary public goods to be supplied need to be established. Research into these areas attempting the calibration of cost implications to agents of planning policy are needed.

9.6.2. Economic Study of Traditional Landholding Institutions

There is the need for research into the economic forces shaping the traditional institutions of land holdings. Empirically based research employing insights from public choice and transaction cost economics to investigate the behaviour of occupiers of strategic offices of these institutions is needed. And a better understanding of the actual state of property rights emanating from these institutions in urban areas would inform policy makers.

9.6.3. Possibility of Private Enterprise in Large Scale Housing Provision

An informed study into the possibility of large scale provision of housing by the private sector is needed. Studies attempting to explain why the few private firms operating in the market find it necessary to supply only the top end of the market given the extent of demand at the lower end are called for. Eventually, it is answers to these questions that would solve the housing and neighbourhood problems in Accra and many other SSA cities.
9. 6. 4. Investigation of Behaviour of Land Agencies
Economic studies of the operation of existing bureaux involved in the land market are needed. Systematic studies of their behaviour, costs, outputs, sources of funding, employment practices need to be undertaken. There is a complete dearth of knowledge on how these operate in Accra. This study has concentrated on market agents. A Study employing economic insights into bureaux involved would complete the picture.

9. 6. 5. Studies Based on Other SSA Cities
As has earlier been mentioned, it is possible that aspects of the findings of this study are specific to Accra. Further research employing similar methodology utilised in this study is required in other SSA cities.

9. 6. 6. Research into Effective Land Dispute Resolution Machinery
Research is also needed to investigate and design an effective land dispute resolution machinery which is objective and trusted by agents. Questions as to why land tribunals are not operating, why agents currently have no confidence in existing judiciary systems need to be investigated. In any such study the cost/benefit implications to agents and the positive externality aspects of effective dispute resolution systems should be potential areas where attention could be focused.
APPENDIX 1A

HOUSEHOLD INTERVIEW SCHEDULE

Objectives
To gain insights into the operation of the Accra land market. Specifically:
1. To assess the extent to which government land policies influence household demand for housing land.
2. To assess the perception of households on security of property rights conveyed by customary land transactions.
3. To ascertain whether classic economic forces condition households in their housing land choices.

Qualified Respondents (Persons to be interviewed).
1. Owner of property.
2. Qualified representative of owner defined as follows:
   Owner is abroad and representative negotiated purchase of the land/property on his/her behalf. Such representative is the qualified respondent to be interviewed.

To be Read to Respondent:
Please do your best to provide as accurate a response as possible to the questions. The provision of accurate answers is a priority for the success of this research.

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INTERVIEWER INSTRUCTION

A tick (✓) at the end of a question indicates that a choice of more than one of the possible answers provided is acceptable. In all other cases one (and only one) possible answer should be chosen.

1. GENERAL BACKGROUND

1.a Sex
   1. Male
   2. Female

1.b Age (years)
   1. Under 30
   2. 30 - 39
   3. 40 - 49
   4. 50 - 59
   5. Over 70

1.c What is the highest form of formal education you have?
   1. None
   2. Elementary
   3. Post elementary (i.e. secondary, technical, vocational, training college etc.)
   4. University

1.d What is your current employment status
   1. White colour employee (e.g. teacher, bank employee etc.)
   2. Blue colour employee (e.g. auto-mechanic, brick layer etc.)
   3. Self employed (specify) ........
   4. No specific employment

2. LAND ACQUISITION

2.a Which of the following best describes how you came to own this property?
   1. Acquired plot and developed from scratch.
   2. Acquired uncompleted structure and finished it up.
   3. Acquired fully developed house.
   4. Inherited property
   5. Received property as a gift.

2.b When did you acquire the plot or property? (approximate year)

2.c From whom did you acquire the plot or property?
   1. Stool/Family
   2. Private person
   3. Government
   4. Other (please specify) ......
2.d From the day you approached owner, how long did it take to gain access to plot or property?
   1. Under 3 month
   2. 3 - 6 month
   3. 7 - 12 month
   4. Over 12 months

2.e Before buying this one did you consider any other plots or properties in the city?
   1. Yes
   2. No (go to 2.2.g)

2.f If yes, what influenced your decision to buy this particular one instead of other(s) considered? (“)
   1. speedy negotiation
   2. credible record of owner’s integrity
   3. price level
   4. no history of land disputes
   5. documents will be processed by Lands
   6. location of land
   7. other (specify).............

2.g The Lands Commission gives out government lands which every Ghanaian of 21 and above is entitled to. Have you ever applied for a government land?
   1. Yes
   2. No (go to 2.2.j)

2.h If yes, how long ago was this?
   1. Up to 1 year ago
   2. 2 years ago
   3. 3 years ago
   4. 4 years ago
   5. 5 years ago
   6. over 5 years ago

2.i What was the outcome of the application?
   1. Obtained a plot.
   2. Was informed my application was not successful.
   3. Have not heard anything since.

   Go to 2

2.j If no, why? (“)
   1. Don’t know of the existence of government lands
   2. Don’t know I am entitled.
   3. Understand it is impossible to get government land without “connections”
   4. Understand one has to pay a lot of money to stand a chance of getting a plot.
   5. Government lands are for “big” people not the likes of me.
3. MARKET PRICE INFORMATION

3.a How did you know the plot or property was available? ( √)
   1. Through friends and/or colleagues and/or relative
   2. Advised by professional (lands officer/valuer/lawyer etc.)
   3. Approached by owner
   4. Advertisement (where).....

3.b How much did you pay for the land? (state amount)
..............................................

3.c To whom was price paid?
   1. Owner
   2. Government Department (e.g. Lands)
   3. Other

3.d How was the payment effected? ( √)
   1. Lump sum in cash
   2. Lump sum by cheque
   3. By cash instalments
   4. Instalments by cheque
   5. Payment in kind (i.e. in lieu of services rendered; in exchange for durable consumer goods e.g. cars)
   6. Other form

3.e Which of the following did you incur in addition to price of the plot ?( √)
   1. Demarcation/surveying fees
   2. Pillaring fees
   3. Preparation of documents fees
   4. Processing of documents fees
   5. Infrastructure fees
   6. None
   7. Other

3.f To whom was these fees paid?
   1. Not applicable
   2. Owner
   3. Government Department (e.g. Lands)
   4. Other

3.g What was your main source of finance for acquiring the plot or property? ( √)
   1. Bank loan
   2. Loan from relative/friend
   3. Money from relative abroad
   4. Personal gradual savings
   5. Earnings from abroad
   6. Other (please state) ...........

3.h In relation to prices achieved for comparable plots the price you paid was a fair market price. Do you:?
   1. Definitely agree
   2. Agree
   3. Not sure
   4. Don't agree
   5. Definitely don't agree
3. Would you say the owner took into consideration any of the following factors in determining the price you paid? (✓)
   1. Your employment status
   2. Your ethnic origin
   3. Your financial status
   4. Your social status
   5. None of the above
   6. Other

4. INTEREST IN PROPERTY

4.a What interest do you think you have in the land?
   1. Forever (freehold)
   2. 99 years (lease)
   3. Less than 99 years
   4. Don't know
   5. Other (please specify)........

4.b Where have you registered your title to the land? (✓)
   1. Not registered
   2. Lands Commission /Deeds Registry
   3. Land Title registry.

4.c Which of the following is true about your property?
   1. Obtained registered title before commencing development.
   2. Commenced development after sending papers for registration but before the process was completed.
   3. Commenced development same time as sending papers for registration.
   (Continue at top of right column)

   4. Substantially developed before sending papers for registration.
   5. Finished and/or occupied development before sending papers for registration.
   6. Have not submitted documents for registration.

4.d Why did you register title? (✓)
   1. I have not registered title.
   2. I considered it necessary before big sums are spent developing the land.
   3. Requested by the bank granting loan for building the house
   4. Requested by bank granting loan for my business
   5. To raise bank loan in future.
   6. To protect against litigation
   7. To have peace of mind
   8. Better to have registered title
   9. Registration is compulsory.
4.e From the day you submitted your documents, how long did it take to have them registered?
   1. I have not submitted my documents for registration.
   2. Less than 3 months
   3. Between 3-6 months
   4. Between 7-12 months
   5. Between 1-2 years
   6. Between 2.5 -5 years
   7. Over 5 years

4.f To ensure the registration process was speeded up, which of the following did you do after submitting your documents? (“)
   1. I have not submitted any documents.
   2. Did nothing but wait.
   3. Paid a Lands worker to follow it through the system
   4. Paid an agent to follow it through the system
   5. Paid regular visits to the offices and ‘tip’ officers.

4.g How much is your estimate of the total cost of registration (including ‘tips’, payments to agents etc. if any) (state amount)..............................

4.h If documents are still in ‘the process’, how long have they been there?
   1. Not applicable
   2. Less than 3 months
   3. Between 3-6 months
   4. Between 7-12 months
   5. Between 1-2 years
   6. Between 2.5 -3 years
   7. Over 5 years

4.i Which of the following explain why your documents are not registered? (“)
   1. Not applicable, I have registered documents
   2. They are in the process
   3. Owner did not provide documents.
   4. Too expensive.
   5. Too cumbersome.
   6. Too time consuming
   7. Too much trouble.
   8. Not necessary.
   9. I am to register in future.
   10. Don't know I need to register documents.

5. POST REGISTRATION EXPENSES

To be answered by property owners with registered documents only.

5.a Do you pay annual ground rent?
   1. Yes
   2. No (go to 4.5.d)

5.b If yes, how much do you pay per annum?..................
5.c Where do you pay the rent?

.................................................................

5.d If no, why? (✓)

1. Don't know I need to pay ground rent
2. Nobody asks me for it
3. Don't know where to pay it.
4. I ignore demand notices.

6. PHYSICAL DEVELOPMENT

6.a How long did it take you to obtain building permits?

1. Didn't have building permits
2. Less than 3 months
3. Between 3-6 months
4. Between 7-12 months
5. Between 1-2 years
6. Between 2.5 -5 years
7. Over 5 years

6.d If yes, what did you do? (✓)

1. Ignored it and continued building
2. 'Tipped' the inspector and continued
3. Went to get a permit

6.b Why don't you have permits? (✓)

1. I have permits.
2. Application in the process.
3. Don't know I need one.
4. Application was refused.
5. Don't need one.
6. Application took too long.
7. Other (specify) ...........

6.c Did the city authorities, at any stage of development, requested you to 'stop work and produce permits'?

1. Yes
2. No (go to 7)

6.e How much is your estimate of the total cost of obtaining building permits (including 'tips', payments to agents etc.) (state amount)


7. LITIGATION

7.a Have you been involved in any litigation with respect to the plot or property?

1. Yes
2. No (go to 6. 7.g)

7.b Who was the other party to the litigation?

1. The stool/family from whom land was purchased
2. Rival Stool/family of my vendor
3. Rival purchaser from same stool
4. Rival purchaser from another stool
7.c Has the litigation been settled
   1. Yes
   2. No (go to 1.7.f)

7.d If yes, where was it settled?
   1. Formal judiciary system
   2. Traditional judiciary system
   3. Other (please specify).

7.e How long did it last?
   1. Less than 1 year
   2. 1-1.5 year
   3. 2-3 years
   4. 3.5-5 years
   5. Over 5 years.

7.f When did the litigation start?
   1. Before any work on the plot started.
   2. When building materials were sent to the plot.
   3. When building workers started work on the plot.
   4. Half way through the building work.
   5. After building was completed.

7.g On a scale of 0 to 10, where 10 signifies the most satisfactory view and 0 the worst, how do you rate the government machinery for settling land disputes?

0, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
8. GOVERNMENT LANDS “SQUATTERS”

To be answered by owners in areas purported to have been compulsorily acquired by government only

8.a Did you obtain the land through a government department

1. Yes (end interview)
2. No

8.b If no, did you know, before you bought the plot, that the government claims to be the owner?

1. Yes
2. No (go to 8.8.d)

8.c If yes, why did you buy it from someone other than government?

1. The stool/vendor was known by everyone to be the one selling lands in the area.
2. It was impossible to get the land from government
3. Some government (land) official(s) assured me it was safe to buy because government cannot enforce the acquisition.
4. Given the location, the plot was offered at a cheaper price than I could obtain in comparable areas.
5. Because everyone around did the same but no property or very few have ever been demolished.

8.d At the moment registration of documents on lands in this area is not allowed. Would you consider registration if the government were to allow it?

1. Yes
2. No (state reasons)

8.e If yes, would you still consider registration if you would be asked to pay a penalty of about 1½ times the market price of the land?

1. Yes
2. No

If you want to offer any general comments on the land market in Accra please provide it below.

...........................................................................................................................................................................................
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Thank you very much for participating in this research.
APPENDIX 1B

HOUSEHOLD INTERVIEW SCHEDULE
2nd STAGE ANALYSIS

1. GENERAL BACKGROUND

2. LAND ACQUISITION

2.a

2.b

2.c

2.d

2.e

2.f If yes, what influenced your decision to buy this particular one instead of other(s) considered? (√)

Test of economic rationality of respondent's selection criterion

1. speedy negotiation (4)
2. credible record of owner's integrity (4)
3. price level (4)
4. no history of land disputes (4)
5. documents will be processed by Lands (4)
6. location of land (4)
7. other (specify) (4)

2.g

2.h

2.i

2.j If no, why? (√)

Respondent's view on government lands

1. Don't know of the existence of government lands (0)
2. Don't know I am entitled. (-1)
3. Understand it is impossible to get government land without "connections" (-4)
4. Understand one has to pay a lot of money to stand a chance of getting a plot. (-4)
5. Government lands are for "big" people not the likes of me. (-4)

3. MARKET PRICE INFORMATION

3.a How did you know the plot or property was available? (√)

Test on flow of information

1. Through friends and/or colleagues and/or relative (4)
2. Advised by professional (lands officer/valuer/lawyer (4)
3. Approached by owner (4)
4. Advertisement (where) (4)

etc.) (4)
3.d How was the payment effected? ( *)

Test of flexibility of payment - customer oriented operation
1. Lump sum in cash (4)
2. Lump sum by cheque (4)
3. By cash instalments (4)
4. Instalments by cheque (4)
5. Payment in kind (i.e. in lieu of services rendered; in exchange for durable consumer goods e.g. cars) (4)
6. Other form (4)

3.e Which of the following did you incur in addition to price of the plot? ( *)

Test of level of additional expenditure in land transactions.
1. Demarcation/surveying fees (-4)
2. Pillaring fees (-4)
3. Preparation of documents fees (-4)
4. Processing of documents fees (-4)
5. Infrastructure fees (-4)
6. None (0)
7. Other (-4)

3.f

3.g What was your main source of finance for acquiring the plot or property? ( *)

Test of impact of operation of Banks
1. Bank loan (4)
2. Loan from relative/friend (-1)
3. Money from relative abroad (-2)
4. Personal gradual savings (-4)
5. Earnings from abroad (-3)
6. Other (please state) (0)

3.h In relation to prices achieved for comparable plots the price you paid was a fair market price. Do you?:

Test of significance of price on respondent’s property choices.
1. Definitely agree (4)
2. Agree (2)
3. Not sure (0)
4. Don’t agree (-2)
5. Definitely don’t agree (-4)

3.i Would you say the owner took into consideration any of the following factors in determining the price you paid? ( *)

Test of the economic basis of pricing
1. Your employment status (-1)
2. Your ethnic origin (-4)
3. Your financial status (0)
4. Your social status (-4)
5. None of the above (4)
6. Other (-1)
4. INTEREST IN PROPERTY

4.a

4.b Where have you registered your title to the land? (*)

Test of applicability of formal title registration
1. Not registered (0)
2. Lands Commission /Deeds Registry (4)
3. Land Title registry.(4)

4.c Which of the following is true about your property?

Test of purchaser’s confidence in formal title.
1. Obtained registered title before commencing development. (4)
2. Commenced development after sending papers for registration but before the process was completed. (3)
3. Commenced development same time as sending papers for registration. (2)
4. Substantially developed before sending papers for registration. (1)
5. Finished and/or occupied development before sending papers for registration. (-3)
6. Have not submitted documents for registration. (-4)

4.d Why did you register title?

Test of practical importance of title registration to respondent.
1. I have not registered title.(0)
2. I considered it necessary before big sums are spent developing the land. (4)
3. Requested by the bank granting loan for building the house (2)
4. Requested by bank granting loan for my business. (1)
5. To raise bank loan in future. (2)
6. To protect against litigation (4)
7. To have peace of mind (1)
8. Better to have registered title (1)
9. Registration is compulsory. (-4)

4.e

4.f To ensure the registration process was speeded up, which of the following did you do after submitting your documents? (*)

Test of confidence in operation of documentation process
1. I have not submitted any documents. (0)
2. Did nothing but wait. (4)
3. Paid a Lands worker to follow it through the system (-4)
4. Paid an agent to follow it through the system (-3)
5. Paid regular visits to the offices and ‘tip’ officers. (-3)

4.g

4.h

4.i Which of the following explain why your documents are not registered? (*)

Test of perception on ‘cost’ of documentation
1. Not applicable, I have registered documents (0)
2. They are in the process (0)
3. Owner did not provide documents. (0)
4. Too expensive. (-4)
5. Too cumbersome. (-4)
6. Too time consuming. (-4)
7. Too much trouble. (-4)
8. Not necessary. (-4)
9. I am to register in future. (-1)
10. Don’t know I need to register documents. (0)

5. POST REGISTRATION EXPENSES

To be answered by property owners with registered documents only.

5.a [4 If no, why? ( )
5.b [5 Test of efficacy of policy restricting transactions to leases.
5.c
1. Don’t know I need to pay ground rent. (-4)
2. Nobody asks me for it. (-3)
3. Don’t know where to pay it. (-3)
4. I ignore demand notices. (-1)

6. PHYSICAL DEVELOPMENT

6.a
6.b Why don’t you have permits? ( )
[7 Test of effectiveness of building permit process I
1. I have permits. (0)
2. Application in the process. (1)
3. Don’t know I need one. (-3)
4. Application was refused. (-4)
5. Don’t need one. (-4)
6. Application took too long. (-2)
7. Other (specify) (0)
6.c
6.d If yes, what did you do? ( )
[8 Test of effectiveness of building permit process II
1. Ignored it and continued building. (-4)
2. 'Tipped' the inspector and continued. (-3)
3. Went to get a permit. (4)
6.e

7. LITIGATION
<table>
<thead>
<tr>
<th>7.a</th>
<th>7.e</th>
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<tbody>
<tr>
<td>7.b</td>
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<td>7.c</td>
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<td>7.d</td>
<td>7.h</td>
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</tbody>
</table>
8. GOVERNMENT LANDS “SQUATTERS”

8.a

8.b

8.c If yes, why did you buy it from someone other than government?

Test confidence in government’s ability in supplying rights of physical possession in land.

1. The stool/vendor was known by everyone to be the one selling lands in the area. (-4)
2. It was impossible to get the land from government (-4)
3. Some government (land) official(s) assured me it was safe to buy because government cannot enforce the acquisition. (-4)
4. Given the location, the plot was offered at a cheaper price than I could obtain in comparable areas. (-4)
5. Because everyone around did the same but no property or very few have ever been demolished. (-4)

8.d

8.e
APPENDIX 2A

CUSTOMARY LAND OWNERS (STOOLS/FAMILIES)
INTERVIEW SCHEDULE

NAME OF STOOL/FAMILY.................................................................

NAME OF INTERVIEWEE..............................................................

DATE OF INTERVIEW.................................................................

OBJECTIVES
To gauge the extent to which price signals determine how customary land owners in Accra manage their lands within (or irrespective of) the limits set by government urban land policies. Specifically;

1. To assess the extent to which existing government policies influence customary land owners in their supply of land.
2. To determine typical management costs of customary land owners.
3. To Ascertain whether customary land owners respond to classic economic forces in the utilization of their lands.

Qualified Respondent
Stool/Family representative responsible for land matters.

To be Read to Respondent:
Please do your best to provide as accurate a response as possible to the questions. The provision of accurate answers is a priority for the success of this research.

This research is jointly funded by the Royal Institution of Chartered surveyors (RICS), UK and Napier University, UK. Any related correspondence should be forwarded to the principal researcher:

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INSTRUCTION FOR COMPLETION OF QUESTIONNAIRE

A ♣ at the end of a question indicates that a choice of more than one of the possible answers provided is acceptable. In all other cases one (and only one) possible answer should be chosen. Relevant answers should be indicated with a tick (✓) in the appropriate box(es).

1. GENERAL BACKGROUND

1.a What is your capacity in the traditional establishment

1.b How long have you been in that capacity?

1.c What is the highest form of formal education you have?

- None
- Elementary
- Post elementary (i.e. secondary, technical, vocational, training college etc.)
- University

2. TITLE

2.a What type of documents does the stool or family have on its lands? ♣

- None
- Statutory declaration
- Deed of gift
- Court judgement
- Lease
- Other (please specify)

2.b Where has the stool or family registered title to its lands? ♣

- Not registered
- Lands Commission /Deeds Registry
- Land Title registry (yellow card)

2.c Why did the stool or family register its title documents? ♣

- Not registered title
- To comply with government directives
- To protect interest against counter claims
- To facilitate sale of lands
- To safeguard lands after prolonged litigation
- Felt that it is appropriate to register title to land
- Other please specify
2.d Why is title to some or all lands not registered? □

- Not applicable, stool has registered title on all lands.
- No knowledge about registration
- Not necessary
- Too expensive
- Procedure too cumbersome
- Presented but Lands/Deeds would not register them
- Other (please specify) …

3. PHYSICAL DELINEATION AND PROTECTION OF LAND

3.a How are your lands demarcated on the ground? □

- Surveyed and pillared.
- Boundaries determined by landmarks (e.g. hills, trees, streams, valleys, etc.)
- Boundaries determined by extent of lands farmed by subjects and/or authorised strangers.
- Other (please specify) …

3.b Why have you not taken steps to have the land surveyed and/or pillared? □

- Not applicable, our lands are surveyed and/or pillared.
- Don't know lands should be surveyed and pillared.
- Can't get qualified professionals to do it.
- Not necessary, can sell the lands anyway.
- Surveying and pillaring add little to sale price.
- Too expensive
- Other (please specify) …
3.c How do you protect your lands from being encroached upon?  
☐ By employing land guards.  
☐ Through regular inspections by representatives of stool/family.  
☐ Permanent physical presence of stool subjects/authorised 'strangers' through farming etc. ensures encroachment impossible.  
☐ By relying on registered documents on the lands and prosecutions in court.  
☐ Other please state............................

3.d Have you ever had people encroaching on your land?  
☐ Yes  
☐ No (go to 3.3.g)

3.e If yes, what did you do?  
☐ Advise/warn them to move.  
☐ Physically remove them.  
☐ Made them pay the market price of the land and stay  
☐ Took them to court  
☐ Other please state............................

3.f When asked, which of the following reasons do 'encroachers' give for encroaching on your land?  
☐ Occupied the land on their own initiative.  
☐ Bought land from another purported owner  
☐ Obtained land from a government agency  
☐ Authorised by a government agency  
☐ Other please state ..........  

Continue at Q4

3.g If no, what would you do if you found encroachment on your land?  
☐ Advise/warn them to move  
☐ Physically remove them  
☐ Make them pay the market price of the land and stay  
☐ Take them to court  
☐ Other please state ..........
4. MANAGEMENT STRATEGIES

4.a Which of the following factors trigger the stool/family’s decision to sell lands? ⬤

☐ Enquiries made to stool/family by the public for land.
☐ Judged from sale by nearby landowners.
☐ Suspicion of government attempts to take control of land.
☐ Prompts by officials in government land agencies.
☐ Desperate need of funds to meet stool's liabilities.

4.b Are your layouts approved by the relevant government body?

☐ Yes (go to 4.4.d)
☐ No
☐ Not applicable

4.c Why doesn’t the stool/family has layouts approved? ⬤

☐ The stool has layouts approved.
☐ No knowledge that layouts should be approved.
☐ Procedure too expensive.
☐ Procedure too slow.
☐ Procedure too cumbersome.
☐ Not necessary.
☐ Other (please specify).

4.d When does the stool or family begin to sell its plots? ⬤

☐ Plots are sold without layouts
☐ When layouts are prepared but before approval.
☐ When layouts are approved by appropriate planning authority.
☐ When plots are demarcated and pillared.
☐ When roads are constructed.
☐ Other (please specify)

4.e What is the average size of your residential plots (give dimensions if preferred)?.................................
4.f What factors does the stool or family consider in deciding plot sizes?

☐ Size of plots previously sold by the stool/family.
☐ Size of plots sold by other stools nearby.
☐ Size of government plots nearby.
☐ Size considered affordable by the average expected purchaser.
☐ Town and Country planning advice and practice.
☐ Other please state .............

4.g How does the stool/family keep records of its land sales?

☐ In a ledger
☐ On a plan
☐ Other (please specify) ...........

4.h Does the stool/family keep copies of title documents provided to purchasers?

☐ Not applicable, the stool does not provide documents to purchasers
☐ Yes
☐ No

4.i In your estimation how regular does double allocation occur per layout?

☐ None whatsoever
☐ 1 in every 10 plots allocated
☐ 1 in every 50 plots allocated
☐ 1 in every 100 plots allocated

4.j Why does double allocation occur?

☐ Lack of records on previous sales
☐ Oversight
☐ Non-development by first purchaser
☐ Don't know, stool has no experience of it.
☐ Other reasons (please specify) .................
5. COST OF ADMINISTRATION

5.a How many people constitute the
body that allocates the stool/family's
land? (state number) .....................

5.b Are these members engaged
full time

☐ Yes all are full time
☐ Only some members are
full time (state number)
..........................
☐ All are part-time

5.c How are the members paid for
their time spent in land allocation?

☐ Regular salary, (state
amount) ......................
☐ Commission on sales
achieved (state rate) .........
☐ Occasionally, depending on
availability of funds (state
amount) ........................
☐ Given plots of land (state
how many) ........................
☐ Other (please state)
.................................

5.d Which of the following
professionals do you employ for
land allocation? ⬤

☐ Surveyors
☐ Planners
☐ Lands officers
☐ Lawyers
☐ Others (please state)
.................................

5.e How are these professionals
paid? ⬤

☐ Regular salary, (state
amount) ........................
☐ Commission on sales
achieved (state rate) ...........
☐ Occasionally depending on
availability of funds (state
amount) ........................
☐ Given plots of land (state
how many) ........................
☐ Other (please state) .............

5.f How much is your estimate of
the total cost of preparing plots for
sale of your most recent land sales
(include, cost of allocation
committee, professionals, labourers,
etc.) (state amount)
.................................
6. CIRCUMSTANCES OF PLOT SALES

6.a When was the last time the stool/family sold plots?
- [ ] Within the last 12 months
- [ ] 2 years ago
- [ ] 3 years ago
- [ ] 4 years ago
- [ ] 5 years ago
- [ ] Over 5 years ago

6.b From the day the stool is approached, how long does it take for a purchaser to be granted access to plot?
- [ ] Under 1 month
- [ ] 1-3 months
- [ ] 3.5-7 months
- [ ] 7.5-9 months
- [ ] 9.5 -12 months
- [ ] Over 12 months

6.c Who qualifies for a plot?
- [ ] Anybody interested and prepared to pay the appropriate price.
- [ ] Members of a specific family (please specify)...........
- [ ] Members of a specific ethnic group (please specify)...........
- [ ] Other (please specify) ........................................

6.d How do you think purchasers come to know about the stool/family's plots?
- [ ] Introduced by a subject of the stool/family.
- [ ] Introduced by a professional attached to the stool/family.
- [ ] Introduced by land agent.
- [ ] Introduced by officers at government land agencies.
- [ ] Purchasers approach directly to inquire.
- [ ] Through advertisement by the stool (newspapers, radio TV etc.)
- [ ] Other (please specify) ........................................

6.e Which of the following are good reasons why the stool does not advertise its land sales in newspapers, on radio, TV etc.?
- [ ] Not applicable, the stool or family advertises lands for sale on TV, radio etc.
- [ ] Doesn't want to attract attention of government.
- [ ] Doesn't want to attract attention of parties disputing stool/family's ownership.
- [ ] Not necessary since purchasers somehow come to know eventually.
- [ ] None of the above.
- [ ] Other please state ........................................
6.f Are there instances where a purchaser who is prepared to pay the relevant price is denied a plot?

☐ Definitely no
☐ No
☐ Not sure
☐ Yes
☐ Definitely Yes

6.g What is the maximum number of plots the stool/family will sell to a single purchaser?

☐ 1 plot
☐ 2 plots
☐ 3 plots
☐ 4 plots
☐ 5 plots
☐ more than 5 plots.
☐ As many as purchaser can afford

7. DETERMINANTS OF PRICE OF PLOT

7.a What is the approximate range of the price of a residential plot sold by the stool or family?

(state amount range)

7.b Which of the following reflect the pricing of your plots?

☐ Price level for a number of plots in a given time are decided though bargaining with purchasers may result in some adjustments
☐ Price decided on individual purchaser basis
☐ Prices are decided arbitrarily depending on what Stool/family occupier thinks best when a purchaser comes forward.
☐ Other (please state)
7.c What factors does the stool/family take into consideration when deciding how much to sell a plot? 

☐ Prices achieved on stool’s previously sold lands
☐ The state of development on plots already sold by the stool.
☐ Prices achieved by other landowners nearby
☐ The number of people approaching the stool in relation to number of lands we have available for sale
☐ Number of plots available for sale by other owners nearby
☐ Social status of purchaser
☐ Financial status of purchaser
☐ Employment status of purchaser
☐ Ethnic origin of purchaser
☐ Other (please state) ..................................................

7.d Apart from price of land what other payments do you receive from a purchaser when he/she buys a plot? (Tick as many as are applicable) 

☐ Cost of demarcation and pillaring
☐ Cost of preparing documents/site plans
☐ Cost of processing documents for registration
☐ Contribution towards cost of constructing roads and other infrastructure
☐ Other (please specify) ..........................................

7.e In which of the following forms do you receive payments for plots? 

☐ Lump sum in cash
☐ Lump sum by cheque
☐ By cash instalments
☐ Instalments by cheque
☐ Payment in kind (i.e. in lieu of services rendered; exchange durable consumer goods like cars etc.)
☐ Other form (please state) .................................

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8. LITIGATION

8.a How many land litigation(s) has the stool/family been party to in the last 40 odd years (i.e. since independence)?

- None
- 1
- 2
- 3
- 4
- More than 4

8.b Who was the other party to the litigation(s)?

- Not applicable
- Private individual (s).
- Stool or family.
- A section of this stool or family.
- Government agency.
- Other (please specify) ...

8.c What caused the litigation(s)?

- Title dispute
- Boundary dispute
- Both title & boundary
- Compensation claims
- Other (please specify) ...

8.d Where was the litigation settled?

- The litigation is not yet settled.
- Formal judiciary system
- Traditional judiciary system
- Other (please specify) ...

8.e How long did the litigation last?

- Less than 1 year.
- 1 year.
- 2 years.
- 3 years.
- 4 years.
- 5 years.
- Over 5 years.
- Litigation has not been settled yet.

8.f How do you rate the government machinery for settling land disputes?

- Very satisfactory
- Satisfactory
- Not sure
- Unsatisfactory
- Very unsatisfactory
9. GOVERNMENT PRESCRIPTIONS ON LAND SALES

9.a How do you comply with government policy that stool lands should be restricted to leases only?

☐ The stool is not aware of this policy
☐ By making sure that plots sold are documented as leases even though we receive the full market price for a direct sale.
☐ It is avoided by not providing documents.
☐ Other please specify...........................

9.b Are you aware that ground rents in your leases are to be paid to a government body not you?

☐ Yes
☐ No

9.c Are you aware that only 18% of ground rents collected are to be returned direct to the stool?

☐ Yes
☐ No

9.d Have you ever collected your share of ground rents from the appropriate government agency?

☐ Yes
☐ No

9.e Which of the following reflects your view on government's prescriptions on sale of stool/family lands? ♢

☐ The government attempts to take away stool's lawful income.
☐ The policy gives government officials a chance to interfere with stool lands for their personal benefit.
☐ Everyone knows the government cannot enforce this position.
☐ This particular government policy doesn't matter: we collect market price of lands sold anyway.
☐ It is a good idea to ensure occupiers of stools do not squander the income
☐ Other please specify ......
10. COMPULSORY ACQUISITION/VESTING

10.a Has any of the stool/family’s land been compulsorily acquired by government?

☐ Yes
☐ No (go to 9.10.h)

10.b If yes when was the acquisition made?

(_approx. year)........................

10.c Has compensation been paid?

☐ Yes
☐ No (go to 1.10.e)
☐ Don’t know (go to 1.10.e)

10.d If yes when was compensation paid after the acquisition?

☐ Less than 1 year
☐ Between 1-2 years
☐ Between 2½-4 years
☐ Between 4½-6 years
☐ Over 6 years

10.e Did the Stool/family submit any claims for compensation?

☐ Definitely yes
☐ Yes
☐ Not sure
☐ No
☐ Definitely no.

10.f Did the stool/family make any efforts to frustrate the acquisition?

☐ Definitely yes.
☐ Yes
☐ Not Sure
☐ No (go to 1.10.h)
☐ Definitely No (go to 1.10.h)

10.g How was the acquisition frustrated?

☐ By selling plots and encouraging immediate development.
☐ By harassing government allottees to prevent them from developing their plots.
☐ By taking government to court
☐ By locating stool subjects on unoccupied lands
☐ Other please state

Continue at Q.1.10.i

10.h What would you do if you suspected government was planning to compulsorily acquire your land?

☐ Sell plots and encourage immediate development
☐ Harass government ‘allottees’ to prevent them from developing their plots.
☐ Take government to court
☐ Locate stool subjects on unoccupied lands
☐ Other please state

.................................
10.1 In general what is your view on government's use of compulsory acquisition to take lands from stools or families to give out as government lands?

☐ Very unfair
☐ Unfair
☐ I don't have a view
☐ Fair
☐ Very Fair

10.j Has any of the stool/family's land been vested in the government?

☐ Yes
☐ No (go to 1.10.m)

10.k If yes is the stool or family consulted by the Lands Commission in deciding the allocation and sale of such lands?

☐ Yes, always
☐ Yes on some occasions
☐ Not sure
☐ No, I don't think so.
☐ Absolutely no.

10.l Has any revenues been forwarded to the stool/family concerning vested lands

☐ Yes
☐ No

10.m In general what is your view on government's use of vesting legislation to take control of lands from stools or families and allocate as it deems fit?

☐ Very unfair
☐ Unfair
☐ I don't have a view
☐ Fair
☐ Very Fair

If you want to offer any general comments on the land market in Accra please provide it below.

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Thank you very much for participating in this research
CUSTOMARY SUPPLIERS RESPONSES

1. GENERAL BACKGROUND

1.a

2. TITLE

2.a What type of documents does the stool or family have on its lands?

<table>
<thead>
<tr>
<th>Test of prevalence of formal title among suppliers of land</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. None (-4)</td>
</tr>
<tr>
<td>2. Statutory declaration (4)</td>
</tr>
<tr>
<td>3. Deed of gift (4)</td>
</tr>
<tr>
<td>4. Court judgement (2)</td>
</tr>
<tr>
<td>5. Lease (4)</td>
</tr>
<tr>
<td>6. other (please specify) (0)</td>
</tr>
</tbody>
</table>

2.b Where has the stool or family registered title to its lands?

<table>
<thead>
<tr>
<th>Test of confidence in formal title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not registered (-4)</td>
</tr>
<tr>
<td>2. Lands Commission /Deeds Registry (4)</td>
</tr>
<tr>
<td>3. Land Title registry (yellow card) (4)</td>
</tr>
</tbody>
</table>

2.c Why did the stool or family register its title documents?

<table>
<thead>
<tr>
<th>Perception of benefits of formal title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not registered title (-4)</td>
</tr>
<tr>
<td>2. To comply with government directives(1)</td>
</tr>
<tr>
<td>3. To protect interest against counter claims (4)</td>
</tr>
</tbody>
</table>

2.d Why is title to some or all lands not registered?

<table>
<thead>
<tr>
<th>Test of perception of constraints of obtaining formal title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not applicable, stool has registered title on all lands. (0)</td>
</tr>
<tr>
<td>2. No knowledge about registration (0)</td>
</tr>
<tr>
<td>3. Not necessary (-4)</td>
</tr>
<tr>
<td>4. Too expensive (-4)</td>
</tr>
<tr>
<td>5. Procedure too cumbersome (-4)</td>
</tr>
<tr>
<td>6. Presented but Lands/Deeds would not register them (0)</td>
</tr>
<tr>
<td>7. Other (please specify) (0)</td>
</tr>
</tbody>
</table>

3. PHYSICAL DELINEATION AND PROTECTION OF LAND

3.a How are your lands demarcated on the ground?

<table>
<thead>
<tr>
<th>Test of prevalence of cadastral surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Surveyed and pillared.(4)</td>
</tr>
<tr>
<td>2. Boundaries determined by landmarks (e.g. hills, trees, streams, valleys, etc.) (-4)</td>
</tr>
</tbody>
</table>
3. Boundaries determined by extent of lands farmed by subjects and/or authorised 'strangers'. (-4)
4. Other (please specify) (0)

3.b Why have you not taken steps to have the land surveyed and/or pillared? ♠
Test of perception of benefits of cadastral surveys among suppliers
1. Not applicable, our lands are surveyed and/or pillared. (0)
2. Don't know lands should be surveyed and pillared. (0)
3. Can't get qualified professionals to do it. (2)
4. Not necessary, can sell the lands anyway. (-4)
5. Surveying and pillaring add little to sale price. (-4)
6. Too expensive (-4)
7. Other (please specify) (0)

3.c How do you protect your lands from being encroached upon? ♠
Test of confidence in utilising formal institutions to enforce property rights in land
1. By employing land guards. (-4)
2. Through regular inspections by representatives of stool/family. (-4)
3. Permanent physical presence of stool subjects/authorised 'strangers' through farming etc. ensures encroachment impossible. (-4)
4. By relying on registered documents on the lands and prosecutions in court. (4)
5. Other please state (0).

3.e If yes, what did you do? ♠
Test of confidence in utilising formal institutions to enforce property rights
1. Advise/warn them to move. (-1)
2. Physically remove them. (-4)
3. Made them pay the market price of the land and stay (0)
4. Took them to court (4)
5. Other please (0)

3.f When asked, which of the following reasons do 'encroachers' give for encroaching on your land?
Test of causes of encroachment
1. Occupied the land on their own initiative. (-4)
2. Bought land from another purported owner (-4)
3. Obtained land from a government agency (-4)
4. Authorised by a government agency (-4)
5. Other (0)

3.g If no, what would you do if you found encroachment on your land?
Test of perception of ability of formal institutions in enforcing property rights in land
1. Advise/warn them to move (-1)
2. Physically remove them (-4)
3. Make them pay the market price of the land and stay (0)
4. Take them to court (4)
5. Other please state (0)
4. MANAGEMENT STRATEGIES

4.a Which of the following factors trigger the stool/family's decision to sell lands? *

Test of economic rationality of decisions of land sales
1. Enquiries made to stool/family by the public for land. (4)
2. Judged from sale by nearby landowners. (4)
3. Suspicion of government attempts to take control of land. (4)
4. Prompts by officials in government land agencies. (4)
5. Desperate need of funds to meet stool's liabilities. (4)

4.b

4.c Why doesn't the stool/family has layouts approved? *

Test of perceived constraints in complying with planning regulations.
1. The stool has layouts approved. (0)
2. No knowledge that layouts should be approved. (-4)
3. Procedure too expensive. (-4)
4. Procedure too slow. (-4)
5. Procedure too cumbersome. (-4)
6. Not necessary. (-4)
7. Other (0)

4.d When does the stool or family begin to sell its plots? *

Test of compliance with planning regulations
1. Plots are sold without layouts (-4)
2. When layouts are prepared but before approval. (-3)
3. When layouts are approved by appropriate planning authority. (4)
4. When plots are demarcated and pillared. (4)
5. When roads are constructed. (4)
6. Other (0)

4.e

4.f What factors does the stool or family consider in deciding plot sizes? *

Test of economic rationality of parcelling land
1. Size of plots previously sold by the stool/family. (3)
2. Size of plots sold by other stools nearby. (3)
3. Size of government plots nearby. (3)
4. Size considered affordable by the average expected purchaser. (4)
5. Town and Country planning advice and practice. (2)
6. Other please (0)

4.g How does the stool/family keep records of its land sales? *

Test of level of record keeping
1. In a ledger (4)
2. On a plan (4)
3. Other (0)

4.h Does the stool/family keep copies of title documents provided to purchasers?

Test of supplier's interest in ensuring that terms of agreement are kept.
1. Not applicable, the stool does not provide documents to purchasers
2. Yes
3. No
4.4 Why does double allocation occur?

Test of level of unscrupulousness in land sales
1. Lack of records on previous sales (-4)
2. Oversight (-4)
3. Non-development by first purchaser (-4)
4. Don't know, stool has no experience of it. (0)
5. Other reasons (0)

5. COST OF ADMINISTRATION

6. CIRCUMSTANCES OF PLOT SALES

6.a

6.b From the day the stool is approached, how long does it take for a purchaser to be granted access to plot?
Test of speed of supply in meeting demand
1. Under 1 month
2. 1-3 months
3. 3.5-7 months
4. 7.5-9 months
5. 9.5-12 months
6. Over 12 months

6.c Who qualifies for a plot?
Test of economic rationality of supply of plots
1. Anybody interested and prepared to pay the appropriate price. (4)
2. Members of a specific family (-4)
3. Members of a specific ethnic group (please specify) (-4)
4. Other (0)

6.d How do you think purchasers come to know about the stool/family's plots?
Test of flow of information in market
1. Introduced by a subject of the stool/family. (4)
2.Introduced by a professional attached to the stool/family. (4)
3. Introduced by land agent (4)
4. Introduced by officers at government land agencies. (4)
5. Purchasers approach directly to inquire. (4)
6. Through advertisement by the stool (newspapers, radio TV etc.) (4)
7. Other (4)

6.e Which of the following are good reasons why the stool does not advertise its land sales in newspapers, on radio, TV etc.?
Test of efficiency of level of market information provided
1. Not applicable, the stool or family advertises lands for sale on TV, radio etc. (0)
2. Doesn’t want to attract attention of government. (-4)
3. Doesn’t want to attract
attention of parties disputing stool/family's ownership. (-4)
4. Not necessary since purchasers somehow come to know eventually. (4)
5. None of the above. (0)
6. Other (0)

6.f Are there instances where a purchaser who is prepared to pay the relevant price is denied a plot?

Test of economic rationality of supply I
1. Definitely no (4)
2. No (2)
3. Not sure (0)
4. Yes (-2)
5. Definitely Yes (-4)

6.g What is the maximum number of plots the stool/family will sell to a single purchaser?

Test of economic rationality of supply II
1. 1 plot
2. 2 plots
3. 3 plots
4. 4 plots

7. DETERMINANTS OF PRICE OF PLOT

7.a When deciding how much to sell a plot?

Test of economic rationality II
1. Prices achieved on stool's previously sold lands (4)
2. The state of development on plots already sold by the stool. (4)
3. Prices achieved by other landowners nearby (4)
4. The number of people approaching the stool in relation to number of lands we have available for sale (4)
5. Number of plots available for sale by other owners nearby (4)
6. Social status of purchaser (-4)
7. Financial status of purchaser (0)
8. Employment status of purchaser (-4)

7.b Which of the following reflect the pricing of your plots?

Test of economic rationality of pricing
1. Price level for a number of plots in a given time are decided through bargaining with purchasers may result in some adjustments (4)
2. Price decided on individual purchaser basis (4)
3. Prices are decided arbitrarily depending on what Stool/family occupier thinks best when a purchaser comes forward. (-4)
4. Other (0)

7.c What factors does the stool/family take into consideration

Test of economic rationality II
9. Ethnic origin of purchaser (-4)
10. Other (0)

7.d Apart from price of land what other payments do you receive from a purchaser when he/she buys a plot? (Tick as many as are applicable)

Test of quoted price as indicator of clearing price
1. Cost of demarcation and pillaring (-4)
2. Cost of preparing documents/site plans (-4)
3. Cost of processing documents for registration (-4)
4. Contribution towards cost of constructing roads and other infrastructure (-4)
5. Other (0)

7.e In which of the following forms do you receive payments for plots?

Test of flexibility of payment – customer orientation
1. Lump sum in cash (4)
2. Lump sum by cheque (4)
3. By cash instalments (4)
4. Instalments by cheque (4)
5. Payment in kind (i.e. in lieu of services rendered; exchange durable consumer goods like cars etc.) (4)
6. Other form (0)

8. LITIGATION

8.a How many land litigation(s) has the stool/family been party to in the last 40 odd years (i.e. since independence)?
Test of level of disputes of supplier’s title.
1. None
2. 1
3. 2
4. 3
5. 4
6. More than 4

8.b Who was the other party to the litigation(s)?
Test of society’s recognition of supplier’s title.
1. Not applicable (0)
8. c  
**What caused the litigation(s)?**

Test of causes of disputes

1. Title dispute (-4)
2. Boundary dispute (-4)
3. Both title & boundary (-4)
4. Compensation claims (-4)
5. Other (0)

8. d  Where was the litigation settled?

Test of confidence in formal judiciary system.

1. The litigation is not yet settled. (0)
2. Formal judiciary system (4)
3. Traditional judiciary system (-4)
4. Other (0)

8. e

8. f  How do you rate the government machinery for settling land disputes?

Test of perception of formal institutions settling land disputes

1. Very satisfactory (4)
2. Satisfactory (2)
3. Not sure (0)
4. Unsatisfactory (-2)
5. Very unsatisfactory (-4)

9. GOVERNMENT PRESCRIPTIONS ON LAND SALES

9. a  How do you comply with government policy that stool lands should be restricted to leases only?

Impact of leasing prescription.

1. The stool is not aware of this policy (-4)
2. By making sure that plots sold are documented as leases even though we receive the full market price for a direct sale. (-4)
3. It is avoided by not providing documents. (-4)
4. Other (0)

9. b

9. c

9. d  Which of the following reflects your view on government's prescriptions on sale of stool/family lands?

Test of perception on lease prescription.

1. The government attempts to take away stool's lawful income. (-4)
2. The policy gives government officials a chance to interfere with stool lands for their personal benefit. (-4)
3. Everyone knows the government cannot enforce this position. (-4)
4. This particular government policy doesn't matter: we collect market price of lands sold anyway. (-4)
5. It is a good idea to ensure occupiers of stools do not squander the income (-4)
6. Other (0)

10. COMPULSORY ACQUISITION/VESTING

10.a

10.b

10.c

10.d

10.e

10.f Did the stool/family make any efforts to frustrate the acquisition?

Test of feuding between formal and informal institutions

1. Definitely yes (4)
2. Yes (2)
3. Not Sure (0)
4. No (-2)
5. Definitely No (-4)

10.g How was the acquisition frustrated? ♠

Indicator of feuding between formal and informal system

1. By selling plots and encouraging immediate development (4)
2. By harassing government allottees to prevent them from developing their plots (4)
3. By taking government to court (4)
4. By locating stool subjects on unoccupied lands (4)
5. Other (4)

10.h What would you do if you suspected government was planning to compulsorily acquire your land?

Test of perception on the feuding between formal and informal system

1. Sell plots and encourage immediate development (4)
2. Harass government allottees to prevent them from developing their plots. (4)
3. Take government to court
4. Locate stool subjects on unoccupied lands (4)
5. Other (4)

10.i In general what is your view on government’s use of compulsory acquisition to take lands from stools or families to give out as government lands?

Test of perception on use of compulsory acquisition powers

1. Very unfair (-4)
2. Unfair (-2)
3. I don't have a view (0)
4. Fair (2)
5. Very Fair (4)

10.j

10.k

10.l

10.m In general what is your view on government’s use of vesting legislation to take control of lands
from stools or families and allocate as it deems fit?

Test of perception of use of vesting legislation:

1. Very unfair (-4)
2. Unfair (-2)
3. I don't have a view (0)
4. Fair (2)
5. Very Fair (4)
APPENDIX 3A

PROPERTY CONSULTANTS QUESTIONNAIRE

QUALIFIED RESPONDENT
To be completed by qualified property professional (GIS, RICS or equivalent qualification) in the company.

OBJECTIVES
To ascertain the perception of consultants on the level of efficiency of the market in which they operate as an indirect way of assessing efficiency gains brought about by professional private consultants in the market. Specifically:

1. To assess consultants’ view on problems of the land/property market in Accra.
2. To investigate the environment in which consultants operate in the land/property markets in Accra.
3. To assess the level of professionalism with which consultants operate in the market.

NAME OF COMPANY..............................................................................

NAME OF RESPONDENT...................................................................

DATE OF COMPLETION......................................................................

Request
Please do your best to provide as accurate a response as possible to the questions. The provision of accurate answers is a priority for the success of this research.

This research is jointly funded by the Royal Institution of Chartered surveyors (RICS), UK and Napier University, UK. Any related correspondence should be forwarded to the principal researcher:

Yaw Adarkwah Antwi BSc (Hons) Dip (Cantab) MA ARICS
Lecturer in Property Valuation and Investment Appraisal
School of the Built Environment
Napier University
10 Colinton Road
Edinburgh EH10 5DT
U. K.
INSTRUCTION FOR COMPLETION OF QUESTIONNAIRE

A ♦ at the end of a question indicates that a choice of more than one of the possible answers provided is acceptable. In all other cases one (and only one) possible answer should be chosen. Relevant answers should be indicated with a tick (✓) in the appropriate box(es).

1. Background Company Information

1.a How many people are employed in your company (include all supporting staff)

- [ ] Less than 5 people
- [ ] 5-10
- [ ] 10-15
- [ ] 15-20
- [ ] Over 20

1.b How many of your employees are qualified property or real estate staff (surveyors or valuers etc.)

- [ ] 1
- [ ] 2-4
- [ ] 5-7
- [ ] 8-10
- [ ] Over 10

1.c How long has the firm been operating as real estate (property) consultants?

- [ ] Less than 3 years
- [ ] 3-5 years
- [ ] 5½-10 years
- [ ] 10½-15 years
- [ ] Over 15 years

1.d How would you describe the company’s main areas of practice? ♦

- [ ] Valuation advise for individual private clients
- [ ] Valuation advise for private companies
- [ ] Valuation advise for government departments
- [ ] Estate management (letting, rent collection etc.) for individual private clients.
- [ ] Estate management (letting, rent collection etc.) for private companies.
- [ ] Estate management (letting, rent collection etc.) for government department.
- [ ] Estate agency (i.e. arranging sales or purchase of property for clients)
- [ ] Processing and registration of title documents for clients
- [ ] Other (please specify)..............................

......
1.e As fee income provider to your firm, rate the following on a scale of 1 to 6, where 1 indicates least provider and 5 most provider?

[ ] Government/Quasi-Government Department
[ ] Private foreign individual
[ ] Foreign company/agency
[ ] Private Ghanaian individual
[ ] Private Ghanaian Company
[ ] Other (please state)

1.f Over the past 12 months which of the following has provided you with the single biggest fee income?

- Government/Quasi-Government Department
- Private foreign individual
- Foreign company/agency
- Private Ghanaian individual
- Private Ghanaian Company
- Other (please state)

1.g How did you win your biggest fee earning job in the past 12 months?

- Company was retained by client from previous work
- Through competitive tender
- Through introduction by another client/colleague etc.
- Through lobbying in appropriate departments
- Approached by client direct
- Other (please specify)

1.h As users of private property (real estate) consultant's services in Accra, rank the following from 1, least user to 5 most user

- Government/Quasi-Government Departments put together
- Private foreign individuals put together
- Foreign companies and agencies put together
- Private Ghanaian individuals put together
- Private Ghanaian Companies put together
- Other (please state)

1.i Property (real estate) consultancy in Accra is plagued by the level of political lobbying by a substantial number of professional firms. Is this statement

- Definitely True
- True
- Don't know
- False
- Definitely false
1. Property (real estate) consultancy in Accra is plagued by the level of unprofessional behaviour by a substantial number of professional firms. Is this statement

- [ ] Definitely true
- [ ] True
- [ ] False
- [ ] Definitely false
- [ ] Don't know

2. **Land Price Information**

2.a How much is a typical residential plot in stool/family land areas of Accra where there are no disputes (i.e. when Lands will process documents)? (state price range) ..........................................

2.b How much is a typical residential plot in a stool/family land areas of Accra where Lands would not process documents? (state price range) ..........................................

2.c How much is a typical residential government plot sold by the original government allottee? (state price range) ..........................................

2.d Rank the following from the least important (1) to the most important factor (10) in determining land prices in Accra.

- [ ] Location of Land
- [ ] Whether or not Lands will process documents
- [ ] Whether or not site has layout
- [ ] Whether or not layout is approved
- [ ] Level of development of area
- [ ] Record of stool/family concerning double allocation
- [ ] Record of stool/family concerning litigation.
- [ ] Whether or not access roads are available
- [ ] Whether or not electricity is nearby
- [ ] Whether or not pipe water is nearby.

2.e How do you rate comparables held by Lands Commission Secretariat and Land Valuation Board in relation to prices actually paid by parties to land transactions?

- [ ] Very reliable
- [ ] Reliable
- [ ] Not sure
- [ ] Unreliable
- [ ] Very unreliable
2.f In general, how far below market prices are comparables kept by Lands Commission Secretariat & Land Valuation Board?

- □ Comparables are equal to or above actual market prices.
- □ 1-10% below
- □ 11-20% below
- □ 21-50% below
- □ 51-100% below
- □ Over 100% below

2.g When undertaking valuations, which of the following do you rely on for comparables?

- □ Not applicable we don't undertake valuations.
- □ Comparables from government land agencies (e.g. Lands Commission and Land Valuation Board)
- □ Comparables from surveying colleagues in private firms.
- □ Comparables from in-firm database of past transactions
- □ Comparables gathered from the field by in-firm personnel.
- □ Other sources (please state) ..............................................

2.h Which of the following non-economic factors would you say stools/families take into consideration in determining prices in land transactions in Accra?

- □ Purchasers' employment status
- □ Purchasers' social status
- □ Purchasers' ethnic origin
- □ Purchasers' financial status
- □ None of the above
- □ Other (please state) ..............................................

3. Market Problems

3.a In purchasing land for residential development in the city, rank the following from 1, the least, to 5, the most problematic stage.

- □ Obtaining information on the right owner of particular lands
- □ Negotiating with owner on price and other terms of the transaction.
- □ Getting owner to grant access to the land.
- □ Processing the title documents in Lands Department.
- □ Processing the title documents in Land Title Registry
3.b The following problems are generally associated with the land/property market in Accra. Rank them from least serious (1) to most serious problem (10).

- Problems caused by general interference of government departments in land transactions.
- Problems caused by the customary land system which does not allow private individual ownership of land.
- Problems resulting from double sales of lands by traditional owners.
- Problems resulting from documentation and registration systems.
- Problems resulting from the absence of easily accessible database on land/property ownership.
- Problems concerning the lack of clarity of title resulting from the segmentation of the market into stool/family and government lands.
- Problems resulting from the general lack of formally registered documents on lands/properties available in the market.
- Problems of unresolved title disputes between stools, families and government.
- Problems resulting from the ineffectiveness of courts in resolving land disputes.
- Other problems

4. Title Documentation

4.a How long, (without ‘following up’), does it take to process documents on stool/family lands via the Lands Commission system?

- Can't tell, it is so variable
- Less than 3 months
- Between 3-6 months
- Between 7-12 months
- Between 1-2 years
- Between 2½-3 years
- Between 3½-5 years
- Over 5 years

4.b How long, (without ‘following up’), does it take to process documents on stool/family lands via the Land Title Registration system?

- Can't tell it is so variable
- Less than 3 months
- Between 3-6 months
- Between 7-12 months
- Between 1-2 years
- Between 2½ -3 years
- Between 3½ -5 years
- Over 5 years
4.c What is your estimate of the total cost of processing title documents on stool lands through the Lands Commission system (including ‘tips’ etc. exclude stamp duty)? ............................................

4.d What is your estimate of the total cost of processing title documents on stool lands through the Land Title Registration system (including ‘tips’ etc. exclude stamp duty)? ............................................

Comments
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Thank you for your time.
APPENDIX 3B1

IMPORTANT INFORMATION ON CATEGORIES OF LAND DOCUMENTATION

* Four broad categories of land ownership exist in Ghana. They are state lands, vested lands, customary lands (stool, clan and family) and private lands.

* State and vested lands are managed by the Lands Commission and therefore all grants must emanate from the Commission.

* Stool/kin lands transactions must by law receive the concurrence of the Lands Commission to make the grant valid.

* Transactions on clan and family lands need not necessarily be processed through the Commission but it is advisable that it is done.

CAUTION ON PURCHASE OF LAND

☐ Family Lands: deal with the Family Head and principal members of the family.

☐ Stool Lands: deal with the stool occupant and principal elders.

☐ Private Lands: deal with the actual owner.

☐ State Lands: deal with the Lands Commission Secretariat.

PRE-CAUTIONARY STEPS:

☐ Obtain a site plan from lessor/seller and conduct a search to verify from the Lands Commission and/or Land Title Registry whether it is State Land, Vested Land or Stool/kin or Private Land.

☐ Satisfy yourself as to the ownership and evidence of title to the land first. (Insist on having access to original documents on the land before effecting payment).

☐ Be especially aware of 'hot cake' lands, because customary lands are often engulfed in litigation.

OTHER SERVICES PROVIDED BY THE LANDS COMMISSION

☐ State Lands allocation and documentation.

☐ Searches

☐ Development Applications

☐ Consent for Mortgages, Assignments and Sub-leases.

CLIENT SERVICES UNIT

This Unit exists to redress grievances and problems of dissatisfied clients as quickly as possible. Clients are to channel their grievances by writing, phoning or contacting in person:

☒ The Officer-in-Charge

Client Services Unit

Main Building (Near the Main gate)

Lands Commission

Private Mail Bag

Ministries Post Office

Accra

Location: Cantonments, behind Cantonments Ghana Telecom Communication Centre.

OR

Tel 760549 ext. 115

Fax: 021 777325

email: landscom@nsc.com.gh.

Room No. 1

In the regions contact the Regional Lands Officer

Accra 777322, 760549 Ex. 155

Kumasi 26402

Koforidua 081-22240

 Sekondi 031-46161

Cape Coast 042-34597, 324666

Bolgatanga 072-3245

Tamale 071-22769

Ho 091-8204

Wa 0756-22078

Sunyani 061-7014

If you are still not satisfied, you can write, phone, fax or call personally to:

☒ The Head

Public Complaints Unit (PCU)

Rooms 22 & 23

Office of the Head of Civil Service

P. O. Box M 49

Ministries, Accra.

Tel: 233-21-665421, 665441

Ext. 2324, 2342

Fax: 233-21-662344

(LANDS COMMISSION)
PREAMBLE:

Service delivery in the various Ministries, Departments and Agencies (MDAs) over the years has not always been of satisfactory standards and has often been characterised by cumbersome procedures which do not encourage transparency and openness.

This has led to regular complaints from the public and has tended to reduce trust and confidence in the system of service delivery.

The Civil Service has, therefore, embarked on a mission of improving the quality of service delivery in the MDAs through simplifying processes, clarifying rules and procedures, and setting time-frames for prompt completion of tasks in order to render them more transparent to the public. The objective is to create a customer-oriented Civil Service focussed on providing value-for-money services.

PURPOSE

All stool lands transactions require by law the concurrence of the Lands Commission. This is to ensure among other things, the certification and validation by Government in order to promote the orderly management of land. However, this has been fraught with delays and unclear processes therefore resulting in frustrations and dissatisfaction of clients and customers.

This brochure provides specific information on the requirements and procedure for the concurrence of Stool Lands Grants by the Lands Commission.

It is intended to serve as a practical guide, with clear and simple steps and procedures to both clients and customers and officials at the Lands Commission to ensure timely and efficient delivery of the service required.

PRE-SUBMISSION REQUIREMENTS

1. Three copies of the document (an indenture) must be submitted with the date of execution, rent and the amount of money paid on the land staked where applicable on the document.
2. A Solicitor of the Supreme Court must sign the back of each copy with his stamp duly affixed.
3. Oath of Proof should be done with the appropriate Court (usually a High Court Registrar).
4. Each copy of the indenture must have a site plan attached. Two (2) extra site plans, making five in all must accompany the documents.
5. The back of the site plans are to be endorsed by both the seller and the buyer.
6. Each site plan is to be certified by the stamp of a Licensed Surveyor and duly dated.
7. Both the seller and the buyer must sign the site plans. In the case of the Stool Lands, at least two Principal Elders must sign as witnesses.
8. The witness of the grantee, lessee etc. must write the full name and provide address and signature.

SUBMISSION:

Submit the following:

If in Accra:
- Three copies of the indenture on the proposed land.
- Five site plans (signed by a Licensed Surveyor)

or if in the Regions:
- Four copies of the indenture
- Six site plans (signed by a Licensed Surveyor)

At the time of submission, the appropriate processing fee should be paid at the Accounts Office and a receipt obtained.

PROCESSING:

Stage 1
- Legal Section:
  - Examines and vets if documents are correctly completed.
  - (2 working days)

Stage 2
- Central Records Section:
  - Checks the accuracy of plans and transactions against the following official records:
    i. State Lands
    ii. Stool Lands already granted concurrence
    iii. Judgements and Planning Schemes
    iv. Private transactions
    v. Other encumbrances
  - (5 working days)

Stage 3
- Estate Section:
  - Undertakes inspection of the proposed site if necessary
  - (1 working day)

Stage 4
- Legal Section:
  - Recommends concurrence to the transaction
  - (3 working days)

Stage 5
- Chairman of Lands Commission:
  - Executes concurrence certificate
  - (1 working day)

PAYMENT & COLLECTION

- Applicant pays the rent and collects receipts and documents.
- Time Frame: 4-6 weeks maximum from stages 1 to 6.

NOTE:
Your document should be processed and ready for collection within 20-30 working days if no technical problems are encountered. Some of these problems could be:

i. If existing recorded transactions are affected.
ii. If documents are not properly executed.
iii. If site plans are inaccurate.
APPENDIX 3B2

LANDS (MISCELLANEOUS SERVICES) FEES
INSTRUMENT 1999

An exercise of the powers conferred on the Lands Commission by section 21(2) of the

Fees payable for specific land related services

The fees specified in column 2 of the Schedule to this Instrument shall be paid in respect of the services specified in relation to them in column 1 of the Schedule.

Revocation

2. The following instruments are hereby revoked -

Administration of Lands (Amendment) Regulations 1978 (L.I. 1142)

State Lands Amendment Regulations 1973 (L.I. 1164).

SCHEDULE
<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For plotting or concurrence or both for each instrument of one acre</td>
<td>$4,000.00</td>
</tr>
<tr>
<td>2. For processing, plotting or concurrence for each instrument for a residential plot up to one acre</td>
<td>0.05% of the value of the land</td>
</tr>
<tr>
<td>3. For processing, plotting or concurrence for each instrument of any and or commercial or industrial land (more than one acre)</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>4. For processing, plotting or concurrence for each instrument for a commercial or industrial land (more than one acre)</td>
<td>0.05% of the value of the land</td>
</tr>
<tr>
<td>5. For processing, plotting or concurrence for each instrument in respect of residential, commercial or industrial land (any additional acre or a part of an acre)</td>
<td>1% of the value of the land</td>
</tr>
<tr>
<td>6. For inspection of land -</td>
<td></td>
</tr>
<tr>
<td>(i) within a regional capital - transport charge</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>(ii) outside a regional capital - transport charge</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>7. Provision on request of any site advisory service relating to compulsory acquisition of land</td>
<td>minimum $300,000.00</td>
</tr>
<tr>
<td>8. On presentation for plotting and concurrence for each instrument</td>
<td>$40,000.00</td>
</tr>
<tr>
<td></td>
<td>Description</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>9</td>
<td>For preparation and processing of a lease for residential, industrial or commercial purposes (State and vested lands)</td>
</tr>
<tr>
<td>10</td>
<td>Residential lease preparation and processing where the Lands Commission prepares the lease in respect of stools lands</td>
</tr>
<tr>
<td>11</td>
<td>Processing fees for consent to mortgage a residential, industrial or commercial leasehold</td>
</tr>
<tr>
<td>12</td>
<td>Processing fees for consent to assign or sublet the whole of a residential, industrial or commercial leasehold</td>
</tr>
<tr>
<td>13</td>
<td>For preparation of a lease for a petrol filling station on public land</td>
</tr>
<tr>
<td>14</td>
<td>For preparation of any licence for any temporary use of public land</td>
</tr>
<tr>
<td>15</td>
<td>For preparation and processing of a lease in respect of land for agricultural purpose</td>
</tr>
<tr>
<td>16</td>
<td>Processing and plotting of land the ownership of which is declared by statutory declaration</td>
</tr>
</tbody>
</table>

**MRS. VICTORIA ADDY**  
**CHAIRMAN, LANDS COMMISSION**

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