

# TAMSUF'S ROLE IN PROVIDING AFFORDABLE HOUSING IN GHANA

AFRICAN UNION FOR HOUSING FINANCE CONFERENCE

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## INTRODUCTION

- Ghana has a population of 24.2 million (Ghana national Census 2010)
- GDP Per Capita 2009 was US\$1,500 (per ppp) with a real GDP growth per Annum of 4.7% in 2010( U.N. Habitat Ghana Housing Profile)
- Housing deficit in excess of 1 million units
- Cities are growing rapidly-
- A recent study on Annual housing output for 2010 indicated a total of 49,000 housing units for a country that requires 110,000 per annum.

# BACKGROUND

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- **Background**
- Slum/ urban Upgrading Facility (SUF) is a technical cooperation and seed capital facility with a central objective to mobilize domestic capital for slum upgrading projects and its activities. The SUF programme in the Urban Finance Branch of UN-HABITAT works to provide business solutions to social and affordable housing and being piloted in four countries namely Ghana, Sri-Lanka, Indonesia and Tanzania.
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- It is a programme initiated by the UN-HABITAT to meet the Millennium Development Goals on slums which is Goal 7, Target 11, as well as assist national and especially local governments to raise sustainable funding for the upgrading and prevention of slums.
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- The primary objective is to develop, test and apply new and innovative means of financing pro-poor urban development with a strong emphasis on the mobilization of domestic capital.

## What is TAMSUF?

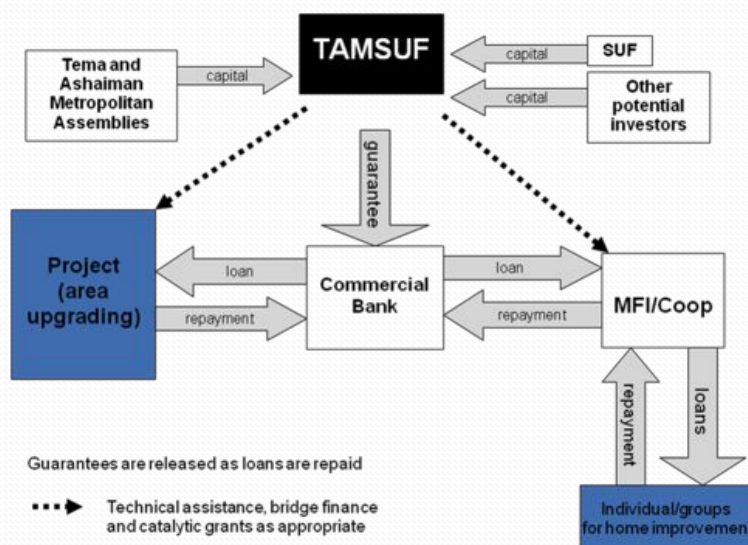
- The Government of Ghana acting through the Ministry of Local Government, and other relevant ministries agreed to undertake a Slum Upgrading pilot project under the UN-Habitat Slum Upgrading facility.
- The Project was to be implemented by the Tema Municipal Assembly and the Shama Ahanta East Metropolitan Assembly.
- The Beneficiaries of the Project are the residents of the Ashaiman Tulaku area in the now Ashaiman Municipality.

# Board Members

- The Fourteen Member Board is made Up of Representatives from the following:-
  - GREDA - Ghana Real Estate Developers Association
  - TTC - Tema Traditional Council
  - ASHMA - Ashaiman Municipal Assembly
  - PDG - Peoples Dialogue On Human Settlements
  - GIA - Ghana Institute of Architects
  - GHAFUP - Ghana Federation for the Urban Poor
  - AHDCS - Ashaiman Housing Co-Operative
  - GhIE - Ghana Institute of Engineers
  - GhAB - Ghana Association of Bankers
  - TDC - Tema Development Corporation
- Recently at the AGM The Ministry of Water Resources works and Housing along with the Ministry of Local Government and Rural Development were formally admitted to the board.

# FUNDING SOURCE

SUF Finance Facility Financial Flows



## FUNDING SOURCE 2

- The Initial Funding Source for TAMSUF came from a U.N HABITAT Grant of US\$ 400,000 specifically for Capital enhancement
- A further grant of US\$100,000 was also provided from U.N HABITAT for Administration and development.
- TAMSUF has been Promised a further grant of US \$400,000 for capital enhancement

## Scene from Amui Djor



# ASHAIMAN PROJECT

- TAMSUF and Its Partners have successfully completed its first Housing Project.
- The Amui Djor Housing project is located in the Tulaku Electoral Area and in the Amui Djor unit of Ashaiman.
- The project consisted of a demonstration phase and a pilot phase.
- The project partner, People's Dialogue on Human Settlements provided a transit quarters for the squatters on the land to pave way for construction of a permanent building.
- The entire project is located on a 90ft x 80ft plot size and has 31 dwelling units and 15 commercial shops with a commercial toilet and bath facility for use by residents in the area.
- Each unit consisted of The Hall and Chamber measuring 2.55 x 6.00 and 0.90 meters wide separate kitchen facility.
- Each unit is approximately 18sqm in floor area.

## Prior to Construction



# Typical floor Plan



# Construction Phase



# Completed Building

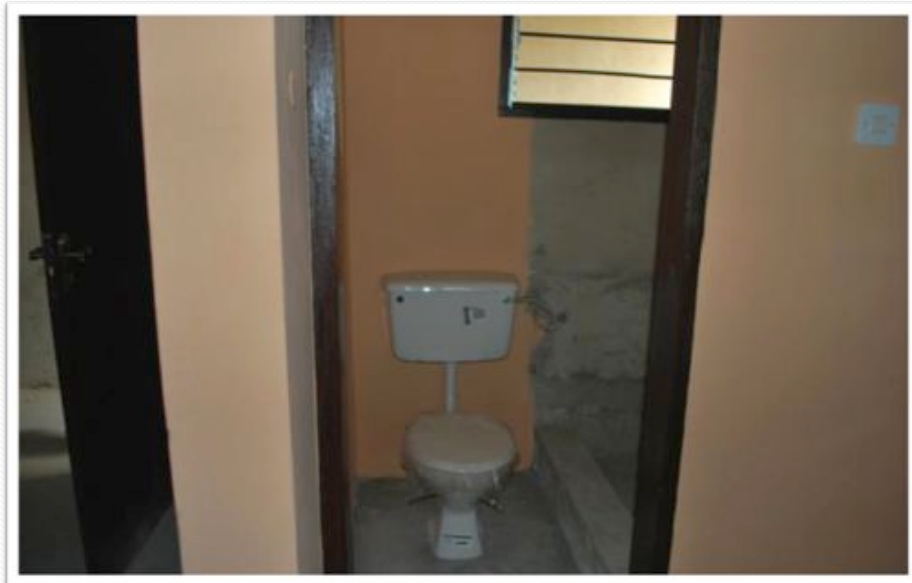


# Construction Costs

Note		True Actual GHC	Adjusted GHC
	<b>construction Expenses:</b>		
1	Construction Costs	360,000.00	360,000.00
2	Architects Fees	3,072.00	3,072.00
3	Consultants Fees (Pre Construction)	6,000.00	6,000.00
4	Value of land (drink fee paid to TTC)	4,000.00	4,000.00
	Present value of the land (TTC)	16,000.00	16,000.00
5	Interest on HFC (31% per annum)	31,000.00	31,000.00
	Interest on TAMSUF Advance (26 % 6per annum)	31,200.00	-
	<b>construction total cost</b>	<b>451,272.00</b>	<b>420,072.00</b>



# Community Toilet facility



## Cost Recovery

GHC

### HOW WE RECOVER

- |                       |                |
|-----------------------|----------------|
| • LOAN FROM AMAL BANK | 144,000        |
| • SALE OF TOILETS     | 67,500         |
| • DEP FROM RES UNITS  | 90,000         |
| • VALUE OF SHOPS*     | <u>128,172</u> |
| TOTAL                 | <b>429,672</b> |
- TAMSUF Still Owns the Shops and receives income of Ghc 15,000 per Annum which will increase annually.
  - TAMSUF also receives a Royalty of Ghc500.00 Pm from the Toilet revenues

## Internal View



## AFFORDABILITY

- The actual construction cost of a Chamber and Hall unit is GHC10, 801 and the self-contained two-bedroom unit is GHC 21,603.14.
- These costs were further reduced by the provision of a cross subsidy with the construction of public toilet and bathing facilities. and stores the actual cost that the beneficiaries from the community paid were GhC 6,576.68 for the chamber and hall units and GhC13,157.36 for the two bedroom unit.
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- The community members paid a deposit of GhC1,000 and took a further Loan from the Peoples Dialogue of GhC1,500.00 whilst the balance of 4,078.68 is being financed by a bank facility for a term of 10 years. With TAMSUF providing the bank with a Guarantee for the outstanding Loan amount. This model enables the community to make repayments of GhC75.00 per month over a period of ten years.
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# Affordability Analysis

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- Total True Cost of Project      Ghc      496,872.00
- No Of Total Units      46
- Build Cost per Unit      10,801.57
  
- Total Value of Stores      162,023.48      15 Stores X Build Cost Per Unit
- Value of 31 Apartments      334,848.52      31 Apartments x Build Cost per Unit
  
- Discounted Project Cots      365,958.00
- Less Store Value      162,023.48
- 203,934.52      Adjusted Value of Total Apartments
  
- Unit Cost Per Apartment      6,578.53      31 Apartments Divided Total Adjusted Value
- Less Deposit      2,500.00      Each Occupier Contributed
- Amount to be borrowed      4,078.53
  
- Monthly Repayment 10 Yrs      **65.80**
- Total Interest @ 15% p.a      3,817.58      Interest subsidised by TAMSUF from 24%+ to 15%
  
- Community repay a total of Ghc 75.00 per month being Ghc65.00 bank Loan & Ghc 10.00 P.D

# CHALLENGES

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- It obviously goes without saying that there were challenges with the above project.
- One of the major challenges that was faced with this project was affordability.
- Difficulties in the repayment amounts that the target community could afford to repay were a constant issue.
- Even after all the subsidies that were provided in reducing the price for the target community.
- The verdict is still out as to whether the total project has been successful or not. This can only be ascertained after some period of time after we have monitored the repayment record of the beneficiaries.

# Lessons Learnt

- Slum upgrading and urban renewal efforts are workable
- Demand for land in slum communities is heavily competed for by commercial entities
- Negotiating land release, relocating slum dwellers and construction often span over a year
- Project costs and cash flows should be discussed and agreed with cooperatives and get written commitment before commencement
- Do not assume that what is discussed and agreed with leaders of cooperatives have been communicated to the other slum cooperative members
- Do not pre finance a project before loan takeout negotiations have been finalized.
- Agree before hand who bears the cost of the technical feasibility studies to determine project components to determine whether or not project will be bankable

# Lessons Learnt 2

- Ensure staff stay long enough to ensure consistency in communication on the project
- Uncertainty over commitment by a stake holder can and will delay others interest in project
- It is preferable for the Facility to keep and manage a commercial component than hand over to the cooperative to operate and pay. This is particularly true where bridge financing has been provided by facility.
- Even with guarantees and cash collaterals, commercial banks are still wary of financing slum upgrading and worse at affordable interest rates
- Facility will need to maintain stake in the project to provide comfort to banks
- There is a wait-and-see attitude by banks, other cooperatives and local government institutions to see if pilot projects can actually be constructed and delivered before increased commitment and interest is shown.

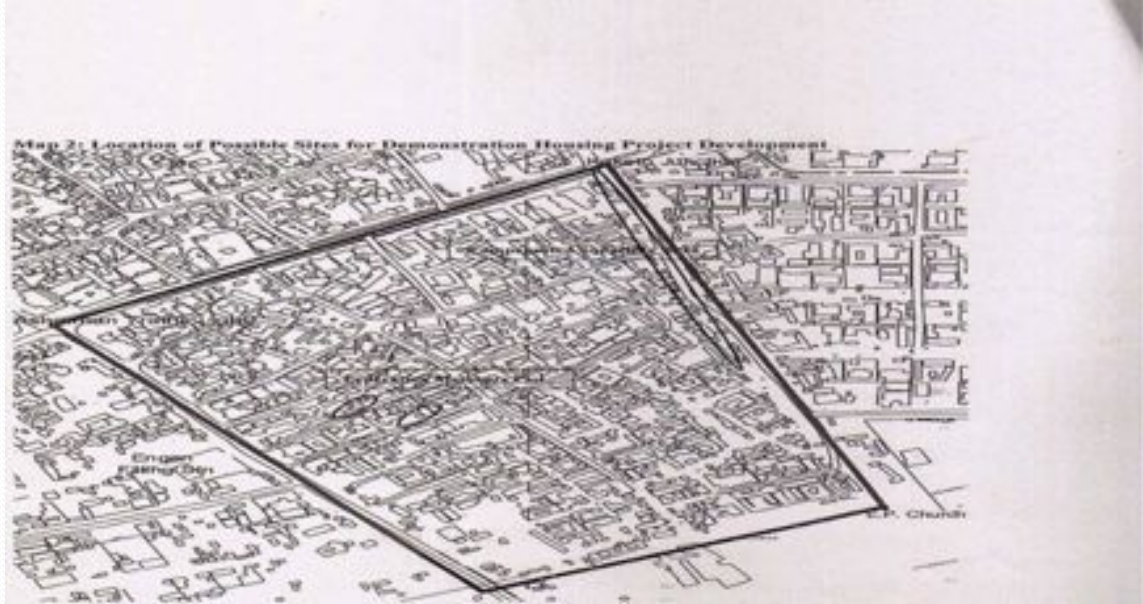
## FUTURE POSSIBLE PROJECTS

- TAMSUF has demonstrated that Urban Upgrading is achievable for the low income groups.
- However this can only be achieved with a serious blend of Subsidies.
- Subsidies can take many different forms
- Apart from the construction of commercial activities.
- Blending sources of finance i.e grants, low interest loans e.t.c
- A cross subsidy with higher income groups could also be considered.

## Up scaling in Amui Djor

- Land is available for up scaling in Amui Djor
- Amui Djor Cooperative Housing Society is a 200 member cooperative of slum dwellers.
- Two blocks of mixed use properties of 40 + units each.
- Construction cost is estimated at GHC 1M.
- 60% of the units will be commercially sold at the going market rate and the 40% taken by cooperative members.
- In line with current market conditions and with experience from Amui Djor phase 1 project Take out finance for the Co-Operative members will be arranged by TAMSUF. A Guarantee of a shorter period.

## Planned Up scaling Site at Tulaku



## LESSONS LEARNT

- Throughout the project there were numerous lessons learnt
- The most important lesson learnt here is that it can be rather difficult and cumbersome in attempting to provide housing solely for the pro-poor using this method
- A more equitable method needs to be devised

## WAY FORWARD

- In Ghana there is a huge housing deficit caused by many factors.
- TAMSUF with the assistance of its partners could look at providing housing for a group of people in Ghana who are slightly above the slum dwellers.
- People who are in regular employment but whose salary may not qualify them for loans from regular financial institutions
- This could be the group That TAMSUF could assist

## WAY FORWARD

- TAMSUF has proved that with a small amount of funding it has been able to successfully provide decent accommodation for the Pro-Poor
- TAMSUF has also shown that its funds are revolving and that one of its main aims is not only to provide Housing for the poor but to also maintain the value of the fund in order to assist many more people to acquire affordable decent housing.

## CONCLUSION

- One of the areas that TAMSUF could look at is the growing need of salaried and Government workers who are all desperately in need of affordable housing.
- With Government support and input TAMSUF and Ghana could benefit tremendously from the current interest being expressed by international donor Agencies in assisting Developing Countries with their housing Agenda.

## Acknowledgements

- Would Like to say a big Thank you to the whole Team that made this Project Possible.
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# THANK YOU

