

INFORMAL INSTITUTIONS, TRANSACTION COSTS AND TRUST

A case study on housing construction by migrants in Ashanti-Mampong, Ghana



Funtumfunafu, denkyemfunafu, won afuru boɔmu nso wodidi a na wɔrefom efiri se aduane ne de ye di no mene twitwi mu

Master thesis presented for the study International Development Studies
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A master thesis by Pauline Poel

University of Amsterdam

PREFACE

This thesis forms part of the Master's exam of International Development Studies at the University of Amsterdam. This thesis deals with informal institutions, transaction costs and trust; three topics that appear more and more in both the economic and social literature due to the growing recognition that these issues matter for economic development. Furthermore, it includes a case study on housing construction by migrants. Given my personal interest in both the combination of social science and economics and the consequences of migration, the choice for this subject makes sense.

On the front page an Akan symbol is presented. This symbol goes together with the saying "*Funtumfunafu, denkyemfunafu, won afuru bomu nso wodidi a na worefom efiri se aduane ne de ye di no mene twitwi mu*" (http://www.marshall.edu/akanart/abrammoo_abramobe.html), which means: "Two headed crocodiles fight over food that goes to a common stomach because each relishes the food in its throat" (http://www.marshall.edu/akanart/abrammoo_abramobe.html). In other words, members of a family or state should not fight for selfish interests but fight for common interests. However, besides emphasising the communal interests it also emphasises the importance of the individual: individual rights, interests, passions and responsibilities cannot and must not be violated. I have put this symbol on the front page because, as get clear from reading this thesis, it is a quite suitable description for the situation that is faced by migrants who are building a house in Ashanti-Mampong.

I am grateful to Valentina Mazzucato, because she gave me the opportunity to carry out this research in Ghana. Moreover, she gave me useful feedback before, during and after my fieldwork in Ghana. I would like to thank Nicky Pouw for the same reasons.

In Ghana, I would like to thank King Boat for his assistance and friendship. Furthermore, I would like to thank all the respondents and other people who helped me carrying out the research. Many thanks to Appiah, his sister and mother for letting us stay in their house and for their great hospitality.

Furthermore, I would like to thank my parents and my brother for their support. And last but certainly not least, sister Adwoa (Suzanne van Rooijen) for the great time we had in Ghana!

CONTENTS

LIST OF TABLES AND FIGURES	6
1. INTRODUCTION	7
1.1 SCOPE AND AIMS OF THE RESEARCH	7
1.2 BACKGROUND AND MOTIVATION OF THE CASE STUDY	8
1.3 RESEARCH METHODS	10
1.4 AN OUTLINE OF THE THESIS	10
2. THE LITERATURE ON INFORMAL INSTITUTIONS, TRUST AND TRANSACTION COSTS... 12	
2.1 INTRODUCTION	12
2.2 INSTITUTIONAL ECONOMICS	13
2.3 INSTITUTIONS	14
2.3.1 <i>What are institutions?</i>	15
2.3.2 <i>A distinction into formal and informal institutions.</i>	17
2.4 TRANSACTION COSTS.....	17
2.4.1 <i>The theory behind transaction costs</i>	17
2.4.2 <i>The dimensions of transaction costs</i>	19
2.5 TRUST	20
2.5.1 <i>What is trust?</i>	20
2.5.2 <i>A typology of trust</i>	21
2.5.3 <i>Why does trust matter?</i>	22
2.5.4 <i>Which conditions generate trust?</i>	24
2.6 RELATIONS: TRUST, TRANSACTION COSTS AND INSTITUTIONS	25
2.6.1 <i>Relations: trust and transaction costs</i>	25
2.6.2 <i>Relations: trust and institutions</i>	26
2.6.3 <i>Relations: institutions and transaction costs</i>	27
2.7 SUMMARY	27
3. BACKGROUND OF THE STUDY FIELD ASHANTI-MAMPONG, GHANA	29
3.1 INTRODUCTION	29
3.2 GHANA IN A NUTSHELL.....	29
3.3 THE POLICY RELEVANCE OF THE STUDY	31
3.3.1 <i>Migration and remittances</i>	31
3.3.2 <i>Institutional reform in Ghana</i>	33
3.3.3 <i>The housing problem</i>	34
3.4 HOUSING CONSTRUCTION BY MIGRANTS	34
3.4.1 <i>The importance of owning a house</i>	34
3.4.2 <i>The influence of migrants on the housing sector</i>	35
3.4.3 <i>The housing construction process</i>	36
3.5 SUMMARY	37
4. RESEARCH METHODOLOGY AND METHODS	38
4.1 INTRODUCTION	38
4.2 THE AIM OF THE RESEARCH	38
4.3 THE METHODOLOGY	39
4.4 METHODS OF RESEARCH	39
4.5 SAMPLE SELECTION	41
4.6 THE RESPONDENTS AND NON-RESPONSE.....	42
4.7 LIMITATIONS OF THE RESEARCH	44
4.8 SUMMARY	45

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

5. RESULTS	46
5.1 INTRODUCTION	46
5.2 THE INSTITUTIONS	46
5.3 TRANSACTION COSTS	52
5.3.1 <i>Asset specificity</i>	55
5.3.2 <i>Frequency</i>	57
5.3.3 <i>Uncertainty</i>	58
5.4 TRUST	61
5.5 INFORMAL INSTITUTIONS, TRANSACTION COSTS AND TRUST	63
5.6 SUMMARY AND DISCUSSION	65
6. CONCLUSIONS AND RECOMMENDATIONS.....	68
6.1 CONCLUSIONS	68
6.2 RECOMMENDATIONS	69
6.2.1 <i>Recommendations for scientific research</i>	69
6.2.2 <i>Recommendations on policy level</i>	70
6.2.3 <i>Recommendations for solving the trust problems</i>	71
REFERENCES	72
APPENDICES	78
APPENDIX 1 AN OVERVIEW OF THE DEFINITIONS OF TRUST	78
APPENDIX 2 LIST OF QUESTIONS FOR THE INTERVIEWS	79
APPENDIX 3 QUESTIONNAIRE HOUSING CONSTRUCTION: THE ROLE OF THE FRIEND / RELATIVE	83
APPENDIX 4 INSTITUTIONAL MAPS	89
APPENDIX 5 STATISTICS BELONGING TO CHAPTER 5	93

LIST OF TABLES AND FIGURES

Tables

Table 1 A typology of trust	22
Table 2 Income levels in Ghana, 1998/1999	31
Table 3 Geographical distribution of households and foreign remittances (1998/1999)	32
Table 4 The housing construction process and the possible transaction costs	36
Table 5 Demographics of the respondent (= caretaker)	42
Table 6 Demographics of the migrant	43
Table 7 Relation between the respondent and the migrant for whom he/she is building a house ...	44
Table 8 The institutions that matter for housing construction in Ashanti-Mampong	47
Table 9 Reasons for building a house	49
Table 10 The outcome of institutional mapping with 5 different stakeholders	50
Table 11 Decision maker Masons vs. contractor	51
Table 12 Rewards for the time spent on the construction	52
Table 13 What is the job of the caretaker?	53
Table 14 Decision maker considering Masons and constructor	54
Table 15 What is the difference between local houses and migrant houses?	56
Table 16 What is the difference between your house and a local house?	57
Table 17 Housing construction statistics	58
Table 18 Phone calls, Migrant visits, Photocopies/Pictures and Sent mail	59
Table 19 Why has the migrant asked you to take care of the whole process?	61
Table 20 Why does the migrant trust you?	62
Table 21 An overview of the definitions of trust	78
Table 22 Were you able to build continuously?	93
Table 23 Why weren't you able to build continuously?	93
Table 24 How often is the money sent?	93
Table 25 Is the work checked by a third person?	93

Figures

Figure 1 Conceptual scheme	13
Figure 2 Map of the Ashanti region	30
Figure 3 Map of Ghana	30
Figure 4 Map of Mampong	43
Figure 5 The relations between trust, informal institutions and transaction costs	63

1. INTRODUCTION

1.1 Scope and aims of the research

Institutions, transaction costs, and trust are three issues, which are getting more and more attention in the economic literature. Nowadays, many economists are convinced that these three issues matter for economic performance.

Institutions matter because as North says: "*institutions are the humanly devised constraints that structure political, economical and social interaction*". And "*... institutions have been devised by human beings to create order and reduce uncertainty in exchange*" (North, 1991; pg. 97). Moreover, institutions matter for economic performance in Africa (Collier and Gunning, 1999).

Transaction costs matter because as Coase put it: "*Without the concept of transaction costs, which is largely absent from current economic theory, it is my contention that it is impossible to understand the working of the economic system, to analyze many of its problems in a useful way, or to have a basis for determining policy*" (in: Wang, 2003, pg.1).

Trust matters because as shown by the research of Knack (1997) it correlates strongly with growth and development. Moreover, it appears that trust also correlates with private investment. A possible explanation could be that trust reduces the transaction costs (Shirley, 2003).

This study will investigate which role these issues play for migrants who are building a house in their hometown and how these issues are related to each other. Migrant house construction is a relatively new phenomenon in Ghana. Since the 1980s many Ghanaians moved abroad. During the time they work and live abroad most of them send money to their relatives and friends in their hometown (these money streams are called remittances) (Anarfi et al., 2003). A large share of these remittances is used for housing construction (Mazzucato et al., 2004a).

Migrant house construction is an interesting case for a study on institutions, transaction costs and trust because migrants have to deal with all the three issues when they are building a house in their hometown. It is likely that they face different types of transaction costs because they are building their houses from a distance. By identifying the transaction costs of migrants this study provides more insight into the determinants of these transaction costs. Because of this distance, they are likely to use other institutions and trust is likely to play a greater role. By studying how transaction costs, institutions and trust matter for migrants who are building a house in their hometown, this study provides more insight into the relations between trust, institutions and transaction costs.

The following research questions are central in this case study:

- What are the causes for the transaction costs that are faced by migrants who are still living abroad and who are building a house in their hometown?
- How are transaction costs, informal institutions and trust related to each other for the specific case of housing construction by migrants in their hometown?

1.2 Background and motivation of the case study

As already said in the previous section, the case study is carried out in Ashanti-Mampong, a town in Ghana. The research question is partly based on the outcome of the Ghana Transnet research program, which examines how transnational networks between migrants, relatives, friends and other people affect the principles and institutions on which local economies are based (Mazzucato, 2004b). One of the eight domains of economic life that has been studied by this program is the domain of housing¹. Although housing is one of the domains that is studied by this program and housing construction is an important destination for migrant remittances (Mazzucato et al., 2004a) there is still a lack of knowledge on the housing construction activities of migrants. Questions like 'which institutions are important for migrants who are building a house'; 'do migrants face different transaction costs than non-migrants?' and 'how important is trust' are still unanswered. This case study will attempt to answer these questions and as a consequence it will contribute to the existing knowledge on institutions, transaction costs and trust and the relations between these three issues.

Besides contributing to the existing literature on institutions, transaction costs and trust, this study provides useful knowledge for migrants who are planning to build a house in Ashanti-Mampong². First of all, this study provides information about the organisation of the housing sector in Ashanti-Mampong, which can be useful for both the people who are involved in the housing sector and the migrants (and relatives) who are planning to build a house in Ashanti-Mampong. Second, this study will map out the problems, which are faced by migrants who are building a house in Ashanti-Mampong. This thesis will end with some recommendations for the solutions of these problems,

¹ The other domains are: business, funerals, church, communication, migrant-initiated development projects, health care and education (Mazzucato, 2004b).

² Both the thesis and a summary of the most relevant outcome of this study will be sent to the District Assembly in Ashanti-Mampong that can decide whether they will use this knowledge for their local policies. A short article on the organisation of the housing construction process and the challenges that are faced by migrants when they are building a house in Mampong will be sent to the websites: ghanatoday.com and ghanaweb.com. Both websites have shown their interest in this article and are willing to publicise it on their websites in order to inform migrants who are planning to build a house in Mampong.

which can be useful for migrants who are planning to build (or are already building) a house in Ashanti-Mampong.

This study is interesting for policy makers because it combines two topics that matter a lot in Ghana, namely: remittances and institutions. More knowledge on remittances is useful, because remittances form an important cash flow for Ghana. Nowadays, the volume of remittances³ can be compared with the amount of money received by development assistance and foreign direct investments (Sophism, 2003). Sophism recommends the government of Ghana to set up a remittance policy, which makes it possible to maximise the benefits of remittances for Ghana. Various studies have shown that remittances have a positive impact on growth because of the major indirect effects of consumer spending. Because of the importance of remittances, many migrant countries⁴, as India, Pakistan and Guatemala have set up a remittance policy. The main aim of such policies is to facilitate the mobilisation of remittances for investments. One of the measures for this facilitation is the creation of new institutions that facilitate mobilisation of remittances. Before creating these new institutions it is necessary to identify the current institutions that matter for migrants who are building a house in Ashanti-Mampong. This study will find out which institutions matter for migrants. Moreover, it provides knowledge on the transaction costs, which are faced by migrants. This knowledge is useful because when the transaction costs are mapped out, solutions can be sought to lower these transactions costs. When these costs are lowered, housing investments in Ghana might become more attractive.

More knowledge on institutions is useful, because one of the aims of the Economic Recovery Program in Ghana is institutional reform (Jeong, 1996). Institutional reform appears to be very complex and costly. The slow progress in institutional reform has a lot to do with the difficulties that Ghana faces in privatisation and the inability of private sectors to play a leading role. Institutional reform is mainly concentrated on formal institutions. And although government policies play an important role in determining the rules under which markets function, informal institutions are of great importance for the function of markets (OECD, 2004). There is still a lot of ignorance about informal institutions. Some people believe that informal institutions are dysfunctional while others believe that they are functional (Helmke and Levitsky, 2004). This study will provide useful knowledge about the working of informal institutions in Ashanti-Mampong.

³ In 2002 the Bank of Ghana reported that the remittances sent to Ghana amounted \$1.3 billion. This amount is almost equal to the total revenue from merchandise exports of Ghana that was equal to \$1.94 billion. The value of remittances is likely to be much higher because only a share of total remittances is sent through official channels.

⁴ A migrant country is a country whose emigrants represent a large share of the population (Pérez-Armendáriz, 2005)

Furthermore, the new knowledge on informal institutions and remittances used for housing investments is useful for housing policies. In Ghana there is a huge deficit of houses. According to Dr. Amon Nikoi, former Governor of the Bank of Ghana, 70% of the population lives in houses below living standards (Antwi-Barfi, 2001). Van Rooijen (2005) demonstrated that many migrants are building houses for their family members in Ghana and that the construction of these houses improved the living standard of these family members. Migrant housing construction activities can therefore be part of the solution of the housing problem in Ghana. As already said, this study will determine which transaction costs are faced by migrants who are building a house in Ashanti-Mampong. When these costs are mapped out, solutions can be sought to lower these costs and to make housing investments more attractive for migrants.

In short, this study provides new knowledge on the housing construction process, which can be useful for migrants. Moreover, this study provides knowledge on both institutions and remittances, which can be useful for institutional-reform policies, remittance policies and housing policies.

1.3 Research methods

New Institutional Economics will be used as research approach because institutions, transaction costs and trust are three issues that are all central in this theory⁵.

Primary data is collected during the period April 2005 – June 2005 in Ashanti-Mampong. The data is collected by the use of three method techniques, namely: institutional mapping with various stakeholders, semi-structured interviews with various stakeholders and a questionnaire among friends and relatives who are taking care of the whole construction process for migrants⁶.

1.4 An outline of the thesis

The thesis can be divided into three parts: a literature study (chapter 2), a case study (chapters 3 to 5) and a final conclusion (chapter 6) and is organised as follows:

Chapter 2 starts with a brief discussion of the approach – new institutional economics - that is used for this study. After explaining the working of institutional economics, the literature considering institutions in general will be discussed. Later on, a distinction will be made into informal and formal institutions and the reasons for their existence will be explained. The chapter continues with a discussion of the literature on transaction costs. This discussion starts with an explanation of the concept and continues with a section that explains the dimensions of transaction costs, which will be used for a better understanding of the causes of transaction costs. The next section will discuss trust from an economic perspective and will show that trust matters. Furthermore, attention will be

⁵ Chapter 2 will provide more information about this approach.

⁶ For more information on the research methodology and operationalisation of the research I refer to chapter 4.

paid to the determinants of trust. The chapter will be ended with a discussion of the literature on the relationships between the three issues.

Chapter 3 will introduce the case study, by describing the situation in Ghana in general and in Ashanti-Mampong in specific. Migration and remittances, institutional reform and the housing problem in Ghana will be discussed to explain why this study provides useful information for policies. The section on housing will discuss the importance of owning a house, housing construction by migrants and the organisation of the housing construction process in Ashanti-Mampong. Chapter 4 will discuss the research methodology, the operationalisation of the research, the sampling method, the characteristics of the respondents and the limitations of the research.

The outcome of the case study will be discussed in three separate sections: the institutions (the emphasis is put on the informal institutions), the transaction costs and trust. The outcome considering the three topics will be combined and discussed in section 5.3.4 in order to gain more insight into the relations between these three topics. The chapter will end with a discussion of the case study. Among other things, the limitations of the research will be discussed in this section.

This thesis will be closed with a number of conclusions and three kinds of recommendations (chapter 6), namely: recommendations for further research, policy-related recommendations and recommendations for solving the problems that migrants face in Ashanti-Mampong.

2. THE LITERATURE ON INFORMAL INSTITUTIONS, TRUST AND TRANSACTION COSTS

2.1 Introduction

The principle objective of this literature study is to provide more insight into informal institutions, trust and transaction costs and the relations between these three issues. The literature study serves as basis for the case study in Ashanti-Mampong, which will investigate how the three issues are related to each other for the case of housing construction by migrants.

This literature study consists out of two parts: in the first part a literature review will be provided that contributes to a better understanding of institutional economics, informal institutions, transaction costs and trust. The literature review serves to answer the following questions:

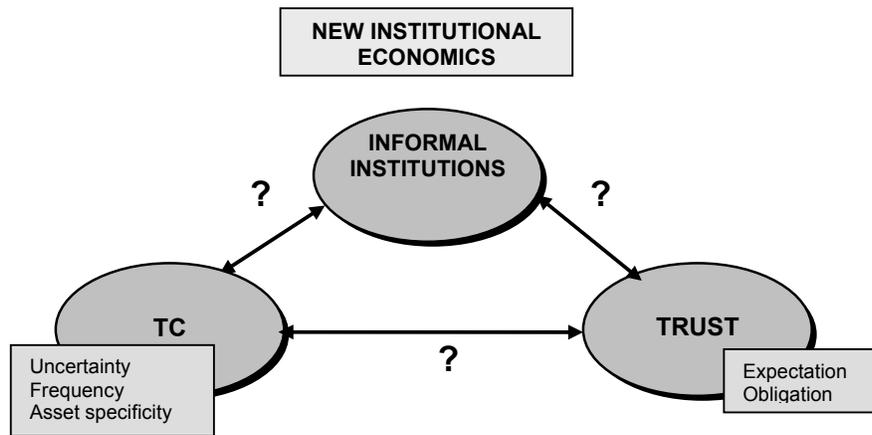
1. What is new institutional economics?
2. Why is new institutional economics the most suitable approach for this study?
3. What are institutions and why do they exist?
4. What is the difference between formal and informal institutions?
5. What are transaction costs?
6. What are the three dimensions of transaction costs?
7. What is trust?
8. Why does trust matter?
9. How is trust achieved?

Questions 1 and 2 will be discussed in section 2.2, questions 3 and 4 in section 2.3, questions 5 and 6 in section 2.4 and questions 7 to 10 in section 2.5.

Section 2.6 is the begin of the second part of the literature study, which has as aim to determine how much is known about the relations between informal institutions, transaction costs and trust. In order to answer this question, an overview of the outcome of earlier studies on the relationships between these three issues will be presented.

Figure 1 presents the conceptual scheme of this study. Informal institutions are on top in this figure, because as will be discussed in section 2.3.1, trust and transaction costs can both be reasons for the creation of informal institutions and can therefore be seen as determinants of informal institutions. Transaction costs are often studied by focusing on the three dimensions of transaction costs, which are uncertainty, frequency and asset specificity. Expectation and obligation are two concepts that are often used to describe trust, as will be explained in the section on trust. I have connected the three issues with reciprocal arrows, because I believe that all the issues have influence on each other. The question marks represent the lack of knowledge about the relations of the three issues. This study will provide more insight in these relations by investigating how these three issues are related for the specific case of housing construction by migrants in their hometown.

Figure 1 Conceptual scheme



2.2 Institutional economics

As already said in the introduction, this thesis is about informal institutions, transaction costs and trust. Due to all the attention institutional reform gets in country development reports (look for example to the country reports of the World Bank) it may look like it is self-evident that institutions matter for economic development. However, in the 1960s and 1970s it was still disputed to claim that institutions matter (Prasad, 2003). It is due to the institutional economists that institutions are considered as a serious issue in economics. The choice for institutional economics was therefore inevitable.

The current debate on institutions is between the old and the new institutionalists. These two approaches have in common that they both reject the neoclassical way of thinking, which is rested on the belief that there is no other allocation mechanism than the market, transaction costs are zero and there is perfect information available (Tridico, 2003). Institutions are therefore not considered in the economic analysis of neoclassical economists.

New Institutional Economics is the appropriate approach for this study because it encloses institutions, transaction costs and trust, three issues that are central in this study. The issue of transaction costs is even invented by NIE (Afzar, 2002). Like NIE, this study puts the emphasis on transaction costs and NIE is therefore the most appropriate approach for this study.

Another reason for choosing NEI instead of OIE is that although NIE makes adaptations to neoclassical economics⁷ it does not disassociate from it like OIE does. NIE makes an adaptation to the concept of *homo economicus* and considers an individual as someone who is nearly rational and nearly self interested. OIE rejects the concept of individualism and is more focused on the behaviour of groups of people. I have chosen to study the behaviour of individuals, because most times individuals and not groups finance the housing construction activities. Moreover, most times migrants ask individuals and not groups to take care of the whole process. Most decisions, which may influence the transaction costs, are therefore likely to be made by individuals and I believe that NIE is therefore more appropriate for this study than OIE.

Besides transaction costs, NIE has provided the following concepts (Azfar, 2002, pg. 0):

- *“The incomplete contracts problem, which refers to how to design contracts when important variables cannot be observed.”*
- *“The principal-agent problem, which refers to how a principal who cannot observe the agent’s action, can induce the agent to take the right action.”*
- *“The adverse selection problem, which refers to the problem of creating markets where the quality of the goods or the trustworthiness of the participants is in question.”*
- *“The collective action problem, which refers to how any rational agent alone would undersupply effort or resources to resolve group problems.”*

Transaction costs will be fully discussed in section 2.3. The principal-agent problem and adverse selection problem will be discussed in section 2.4 because I believe that these problems have influence on the institutions and the level of trust between migrants and other actors. And these problems are therefore likely to play a role in the housing construction process by migrants in Ashanti-Mampong. I consider the incomplete contracts problem to be less relevant in Ghana because the study of Fafchamps (1996) demonstrated that due to problematic enforcement of contracts, formal contracts play second fiddle in Ghana. The collective action problem is less relevant for the case study on migrants who are building a house in Ashanti-Mampong because this is a case of individuals who are building a house. Both problems will therefore be left out of consideration.

2.3 Institutions

When studying informal institutions, the first questions that triggered me were ‘what are institutions’ and ‘what is the difference between formal and informal institutions?’ Sections 2.3.1 and 2.3.2 have

⁷ The homo-economicus is at the core of the neo-classical theory (Duflo, 2003) and can be defined as a rational individual who acts to obtain the highest possible well-being for himself given perceived opportunities (http://en.wikipedia.org/wiki/Homo_economicus).

as purpose to answer these questions by discussing the most important literature on institutions⁸ and the difference between informal and formal institutions.

2.3.1 What are institutions?

Nowadays, there is a widespread recognition of the important role that institutions play in the economy (Stiglitz, 2000; North, 1997; Tridico, 2003; Prasad, 2003). However, the attention towards institutions is not new. North is one of the foremost new institutional economists who already in the 1970s hypothesised that institutions play an important role in the market because they fill the gaps in the markets that are addressed as market failures. Market failures can be a result from asymmetric information⁹, which is associated with a moral hazard problem¹⁰. According to this view (also known as the North view) institutions arise to fill these gaps in the market and as a consequence increase the economic efficiency (Stiglitz, 2000).

However, not everyone believes in the North view. Some critics say that institutions have nothing to do with efficiency but exist to preserve power relationships. North himself has also rejected his former view; he believes that human beings build institutions to create order and to reduce uncertainty in exchange (North, 1991).

Based on the work of North, Shirley (2003, 2004) distinguishes two important types of institutions, which are important for development:

⁸ Many people associate trust and institutions with social capital. And although there is definitely a connection between these subjects, I will leave social capital largely out of this discussion, for the simple reason that it would be too much to discuss all the subjects in one thesis. Furthermore, the social capital theory has as disadvantage that social capital is a vague concept and difficult to measure (Hjerpe, 2003). Many scientists are therefore not convinced about the usefulness of the theory. DeFilippis (2001), one of the sceptical scientists, calls social capital a useless tool for development studies, because most people use the definition of Putnam (*"The central premise of social capital is that social networks have value. Social capital refers to the collective value of all "social networks" [who people know] and the inclinations that arise from these networks to do things for each other ["norms of reciprocity"]."* www.bowlingalone.com) who is seen as the founder of the social capital theory. The problem of the definition of Putnam is that he assumes that social networks are win-win relationships and he does not consider power relations. Because of these disadvantages and the enormous size of the subject, I will leave social capital out of consideration. However, by discussing work of authors who see trust as a subcomponent of social capital (see the work of Knack and Keefer, 1997) some aspects of the social capital theory will automatically be included.

⁹ Information asymmetry will be explained in section 2.5.3

¹⁰ Perloff (1998, pg. 694) defines moral hazard as follows: *"Moral hazard is opportunism characterized by an informed person's taking advantage of a less-informed person through an unobserved action."*

- (i) Institutions that foster exchange by lowering transaction costs and encouraging trust¹¹ (Shirley, 2003; Shirley, 2004).
- (ii) Institutions that influence the state to protect private property rather than expropriate it (Shirley, 2003; Shirley, 2004).

The debate on the function and importance of institutions is complicated because they are complex and hard to define. Moreover, there is a lot of misunderstanding; some people use the term institutions and organisations as if they have the same meaning. This is a mistake because an organisation is just a subcomponent of an institution or in the words of North: institutions are the “*rules of the game in a society*” while organisations are the players (in: Shirley, 2004, pg. 3) and can be defined as “*groups of individuals bound together by some common purpose to achieve certain objectives,*” (North, in: Shirley, 2004, pg. 3) and include legislatures, firms, trade unions, churches, clubs, schools, etc. (Shirley, 2004). While institutions can be defined as: “*humanly devised constraints that structure political, economic and social interaction*” (North, 1991, pg. 97).

Examples of institutions are norms, customs, mores and traditions (Williamson, 1998). For the case of housing construction by migrants, possible examples of these kinds of institutions are the norms or customs that motivate migrants to build a house for their mother. Laws and rules that protect private property are another example of institutions (Williamson, 1998). The laws that protect the property of the land and of the house are examples of institutions that matter for migrants who are building a house in their hometown. Another example of an institution is a social network, which can be defined as “*links made through personal relationships including kinship, friendship and community ties and relationships*” (Vesta, 2004; pg. 9). For the case of migrant housing construction, a migrant network is likely to be a relevant institution. Migrant networks can be defined as “*sets of interpersonal ties that connect migrants, former migrants, and nonmigrants to one another through relations of kinship, friendship, and shared community origin*” (Palloni et al., 2001, pp. 1263-1264). After all, migrants have to ask somebody to take care of the construction of the house. It is likely that they ask a person who they know, i.e. a member of their migrant network.

This study will use the definition of institutions made by North, because his contribution to the knowledge on institutions is highly appreciated and his definition of institutions is widely accepted. Moreover, thanks to North’s contribution and the contributions of other institutional economists (like Veblen and Mitchell), it is widely accepted that institutions matter for economic performance (Prasad, 2003).

¹¹ Transaction costs will be explained in section 2.4 and trust will be explained in section 2.5.

2.3.2 A distinction into formal and informal institutions

According to North (1991), institutions consist of informal constraints and formal rules. He describes informal constraints as the “*sanctions, taboos, customs, traditions, and codes of conduct*” (North, 1991, pg. 97) and the formal rules as the “*constitutions, laws, property rights*” (North, 1991, pg. 97).

I will use the same kind of distinction and I will use the terms informal institutions and formal institutions. I will consider an institution as a formal institution when it is characterised by laws and rules that are included in the national legislation. State institutions are examples of formal institutions. For the case of housing construction, I expect that migrants have to deal with laws and rules considering property rights that can be enforced by the court.

I will consider an institution as an informal one when it is characterised by social unwritten rules that are determined outside the formal channels. Informal institutions can be self-reinforcing through mechanisms as imitations and traditions; and they also serve as sanctions (example of those sanctions are measures that have consequences for community membership and reputation) that facilitate the process of self-reinforcement (Tridico, 2003). However, informal institutions are not the same as behavioural regularities (Helmke and Levitsky, 2004). This can be explained by the following example: removing one’s hat in the church is an informal institution while removing someone’s coat in a restaurant is a behavioural regularity. The difference: leaving someone’s hat on in church leads to social disapprove while leaving someone’s coat on does not lead to social disapprove but just to physical discomfort. Examples of such self-reinforcing informal institutions for the case of housing construction by migrants could be the norms and customs that almost force migrants to build a house for their mother. Because, if they do not build a house for their mother, social disapprove will be the consequence. The case study in Ashanti-Mampong will find out whether this type of informal institution matters for migrants who are building a house over there.

2.4 Transaction costs

This section discusses the concept of transaction costs, which is one of the principal concepts of NIE. It starts with a brief overview of the literature on transaction costs and it ends with a discussion of the dimensions that can be used to study the transaction costs.

2.4.1 The theory behind transaction costs

Transaction costs are central in NIE (Azfar, 2002) and Williamson can be seen as the founder of the concept of transaction costs (Wang, 2003). Before explaining how transaction costs works, I will explain the meaning of a transaction. A transaction is an agreement between the provider and the recipient of labour, service, or a product (Jaffee, 2001). A transaction includes the following: the agreement itself, the actions of carrying out the agreement, and all situations that change the agreement and/or the actions of carrying out the agreement (Cai, 2004).

The theory of transaction costs is often used to explain economic phenomena (Benham and Benham, 2001). An example of such a phenomenon is the reason why people are holding their money instead of investing it in an interest-bearing asset (Klaes, 2000). An explanation for this behaviour could be that it is costly to transfer interest-bearing assets into money or that it is costly to find out whether this interest-bearing asset is a safe investment. These costs are transaction costs and have to be included in an economic analysis in order to understand the behaviour of individuals. A major consequence of the existence of transaction costs is that individuals face different prices for the same good (Benham and Benham, 2001). Moreover, the concept of transaction costs is a useful tool for providing more insight into the determinants of economic and societal performance through time (North, 1994). Furthermore, different studies have determined that transaction costs represent an important share of the total costs. See for example the study of Gabre-Madhin (2001) who determined that 19% of the total costs of grain traders in Ethiopia were transaction costs. Because of the shown importance of transaction costs, many scholars have embraced the theory of transaction costs and included transaction costs in their economic analyses.

Tridico defines transaction costs as “*the costs to make an exchange, to transfer the property, to start an activity, to protect one’s own business, to gather information, to change or to preserve the actual framework, etc*” (Tridico, 2004, pg. 6). Because there is still a lot unknown about transaction costs and the measurement of these costs (Benham and Benham, 2001; Lanzona and Evenson, 1997) this study will not quantify the transaction costs of migrants who are building a house in their hometown. However this study will identify the transaction costs and it will provide more insight into the determinants of the transaction costs. The following examples of transaction costs are useful for a better understanding of transaction costs:

- Service costs (Tridico, 2004): examples of these costs are lawyer costs and intermediary costs.
- Costs of collecting information (Tridico, 2004; Benham and Benham, 2001; Perloff, 1999): examples of these costs are getting information about potential buyers or sellers and their behaviour; getting information about the labour input and prices of housing materials. These costs are also known as market search costs and are a function of the opportunity cost of the agent’s time, the searching-time, and the amount of search labour (Gabre-Madin, 2001).
- Contract costs (Benham and Benham, 2001; Perloff, 1999): the costs of writing and enforcing the contract.
- Costs of protecting and enforcing property rights (Tridico, 2004; Benham and Benham, 2001): the protection against third-party encroachment of the property rights
- Bargaining transactions costs (Tridico, 2004; Benham and Benham, 2001): examples are costs to bargain a contract and/or a sale and the costs that are needed to find out what the true position is of the buyers and/or sellers. These costs are also known as negotiation costs (Cai, 2004).

- Verification and certification costs (Cai, 2004): these costs occur when a government agency has to approve the transaction. Examples are costs of delay and costs for providing the necessary information for the approval.
- Implementation costs (Cai, 2004): these costs occur when it appears that there are refinements necessary. The costs of negotiating on these refinements are a type of transaction costs.
- Monitoring costs (Cai, 2004): the costs of monitoring the process to be sure that everything is going well.

2.4.2 The dimensions of transaction costs

Instead of measuring transaction costs directly, most researchers study certain proxies that are believed to affect the transaction costs (Wang, 2003). Williamson (1998) uses the following three proxies and calls them the dimensions of transactions:

1. The frequency of the occurrence of the transaction (F);
2. The uncertainty, or the disturbances to which the transactions are subject (U);
3. The condition of asset specificity (AS); the specificity of assets is defined as the value of investments that would be lost in any alternative use (Menard, 2004). Asset specificity causes bilateral dependency (Williamson, 1998). Various types of asset specificity can be distinguished (Williamson, 1998). The following types are well known and often used for transaction cost studies:

- Physical asset specificity: a company has bought or developed a special machine for one customer or even one transaction (Hobbs, 1999)
- Human asset specificity: this is the case when a company needs special knowledge, skills or communication channels to serve a particular customer (Afuah, 2001)
- Site specificity: When assets of two actors are built close to each other (in geographical terms) (Hobbs, 1999). The aim is to facilitate exchange and reduce transaction costs.
- Dedicated asset specificity: this is the case when a company needs to invest in equipment in order to fulfil the special wishes of a particular customer (Afuah, 2001).

Asset specificity leads to dependency (Noorderhaven, 1993). Dependency exists in different gradations: for example, limited dependency caused by the troubles finding another buyer or contractor if a transaction relation turns sour to high dependency when a rupture of a transaction relation would endanger the building of the house or the survival of the construction company.

The relation between these dimensions and the transaction costs are depicted by the following formula (Menard, 2004):

$$TC = f(AS, F, U)$$

+ - +

Asset specificity and uncertainty are both positively correlated to transactions costs, while frequency is negatively correlated.

I will use these dimensions to get more insight into the causes of the transaction costs that are faced by migrants.

2.5 Trust

Economists more and more study trust because it appears that the market is not confined to free competition and price-making mechanism. But it is constituted by sets of rules, regulations, and other institutional arrangements, like relations of trust (Radaev, 2002). This section will discuss the issue of trust. It starts with a definition of trust and continues with an answer on the question 'why does trust matter' and it ends with a discussion of the determinants of trust.

2.5.1 What is trust?

What is trust? This is a hard question and many attempts have been undertaken to answer it. The consequence of these attempts is a multitude of definitions of trust. When reading some of the definitions of trust, I noticed that trust is often described by means of the words obligation and expectation/prediction¹². Given the importance of the terms expectations and obligations for the definitions of trust, this research will use the definition of Coleman that includes both terms. According to Coleman trust is "*a belief that the other agents would act in a **predictable** way and fulfil their **obligations** without special sanctions*" (Coleman in Radaev, 2002, pg. 2)

The importance of trust is dependent on the social structure (Coleman, 1988). There are social structures where people are always doing things for each other and social structures where individuals are more self-sufficient and do not have to depend very often on other people. Migrants who are not able to return to Ghana for the construction of their house have to depend on a third person. Trust is therefore likely to play a great role.

It is not necessary to know somebody before you can trust him/her. It is possible to enlarge the scope of trust by the use of intermediaries, this works as follows (Cai, 2004): if a migrant trusts the judgement of his brother than his brother can act as intermediary. When his brother trusts the performance of a particular constructor, the migrant will trust on his brother's judgement and will do business with this constructor. The next section will discuss the various types of trust.

Trust can either be warranted or unwarranted. Trust is warranted when the agent who is trusted behaves in a trustworthy way and unwarranted when the agent behaves in an untrustworthy way. Gambetta (2000) calls someone a trustworthy person when the probability that this person will

¹² See appendix 1, for a brief overview of definitions of trust, which show that trust is often described by means of the words expectations and obligations.

perform an action that is beneficial or at least not harmful to a person is high enough for this person to take the chance and cooperate with him (Gambetta, 2000). Following the same reasoning, a person is untrustworthy when the probability is that low that he will not cooperate with him.

2.5.2 A typology of trust

Trust can be created in different ways. Trust can for example be based on kinship ('I trust him because he is my brother'), or on knowledge ('He has built houses before and he knows a lot about the construction procedures'). Various authors have made distinctions into different types of trust. I will discuss some of these distinctions. The discussion of these distinctions improves the insight into the determinants of trust, which help to understand the issue of trust in Ashanti-Mampong.

Höhmann and Welter (2004) make a distinction into personal, collective and institutional trust. Personal trust is based on initial knowledge about the partner and is formed in a long bilateral relationship where persons have come to know each other. Radaev (2002) calls trust in people reciprocal trust, probably because he shares the opinion of Höhmann and Welter that this form of trust is based on a bilateral relation. Höhmann and Welter (2004) mention shared characteristics of a group as another reason for personal trust. Kinship is an example of such a characteristic. When there is personal trust between two persons, they both know that the other will not act in a way that is damaging to the relationship. It is as if there are informal norms and rules that dictate the actions that matter for the relationship.

Collective trust is based on the behaviour of a group (Höhmann and Welter, 2004). This type of trust can be illustrated by the following example: a migrant trusts all people who grew up in a particular neighbourhood, because people who grew up in this neighbourhood share the same norms and values. The borders between personal and collective trust are not always clear, sometimes it is difficult to distinguish between these two (Höhmann and Welter, 2004).

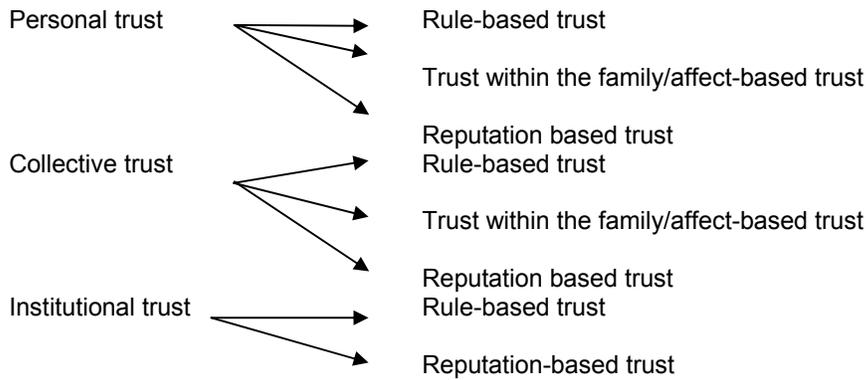
Institutional trust concerns the institutional environment that exists out of formal and informal codes of conduct and values and is precondition for an efficient market economy. When there is institutional trust, it is no longer necessary to know someone personally before one can trust him/her. It is possible to have a business relationship with someone you do not know personally, because there are legal safeguards and sanctions in case the relationship turns into a flop. Radaev (2002) calls institutional trust one-sided trust, probably because he shares the opinion of Höhmann and Welter that it is not necessary to have a bilateral personal relationship. The border between collective and institutional trust is like the border between individual and collective trust blurred (Höhmann and Welter, 2004).

Radaev (2002) makes another distinction into reputation-based trust and affect-based trust. The first one is based on knowledge about the skills and reputation of the other actor and the second is

based on personal ties with family and friends. Hjerppe (2003) makes the same kind of distinction into generalised-trust and trust within the family. Usually there is a high level of trust inside the family; it is however the generalised trust that counts. Fukuyama calls a country a low-trust society when most companies are based on family ties (companies are organised around families and clans) and he calls it a high-trust society when most companies are not based on family ties (in: Hjerppe, 2003). Williamson makes a distinction into personal and calculative trust, which is based on rational calculations of individuals who aim to maximise their wealth (Beccera and Gupta, 1999). This is a same kind of distinction as the ones of Hjerppe and Radaev, because this is also a distinction into trust based on personal ties and trust based on more than personal ties only.

Table 1 combines the various types of trust and presents a typology of trust.

Table 1 A typology of trust



Trust within the family/affect-based trust is based on personal ties with family and friends. These relations are likely to be bilateral, while institutional trust is often characterised by a one-sided relationship. Because of this difference I have not included trust within the family/affect-based trust as a type of institutional trust.

2.5.3 Why does trust matter?

This section will discuss the principal-agent problem, prisoner's dilemma and the problem of asymmetric information to explain the importance of trust. The necessity of finding a trustworthy person is central in all the three problems.

The principal-agent problem

When a migrant sends money for the construction of his house to a relative he might have to deal with the principal-agent problem. The migrant is in this case the principal and the relative is the agent. The migrant is still abroad and cannot observe the actions of his relative. He has to motivate his relative to use the money in an appropriate way and he has to prevent that his relative misuses his money. Reputation can act as a mediator in this situation (Chiles and McMackin, 1996). When someone has the reputation to be trustworthiness, a migrant can be more willing to do business with this person. Reputation can therefore be seen as an asset: when someone has a good reputation this signals to other actors that he/she behaves in a trustworthy way.

The **principal-agent problem** is the problem of motivating an agent to take a particular action without the possibility of observing this action (Azfar, 2002). Two types of principal-agent problems can be distinguished (Azfar, 2002):

1. The action itself cannot be observed but the outcome (that which really matters) can be observed.
2. The action itself and the outcome cannot be observed.

The prisoner's dilemma

Prisoner's dilemma (James, 2001): two players must decide whether they can cooperate (based on trust) with each other, but ultimately they both find an incentive to betray each other. You speak of a one-sided prisoner's dilemma, when one player has an incentive to cooperate and the other player has an incentive to betray the other actor.

The prisoner's dilemma can be illustrated by the following example: The question whether the migrant should trust his relative should be answered as follows: The migrant's relative has two options: 1. to honour the trust offered by the migrant or 2. to exploit the trust offered by the migrant. Following the assumption that people are rational and aim to maximise their utility, the migrant's relative will only honour the trust if honesty (or the appearance of honesty) pays more than dishonesty.

The problem of asymmetric information

Asymmetric information can lead to problems of opportunism (Perloff, 1999). This means that informed people could take advantage of uninformed people. Moral hazard is a type of opportunistic behaviour, whereby an informed person takes advantage of a less informed person through an unobserved action. For example, two brothers have made up a contract: brother A gets a small amount of money for every day he works on the house of brother B (who is residing abroad). Brother A can tell brother B that he has worked

Asymmetric information is the phenomenon that one agent has more information (relevant for the transaction) than the other agent (Perloff, 1999). For example, the seller knows the quality of the building materials used for the construction of the house and the buyer does not.

for 2 weeks. But instead of working hard for two weeks, he shirked and only worked for 3 days. Also in this situation it is very important to find a trustworthy person who will not take advantage of the information asymmetry.

All the three problems show that trust matters. In all three situations it is important to find a trustworthy person. Now we know that trust matters, the question arises how trust is generated.

2.5.4 Which conditions generate trust?

According to Coleman (1988), trust is achieved when the other agents act in a predictable way and fulfil their obligations. Various solutions are proposed for the previous discussed problems. They all influence either the behaviour of the other agents and/or the mutual obligations between the agents.

Afzar (2002) follows this reasoning and proposes to solve the principal-agent problem by motivating the agent to act in favour of the interests of the principal. This can be illustrated with the following example: brother A (who is living and working abroad) asks brother B to build a house for him. When brother B finishes the house of brother A, brother A will give him a room in the house. In this way, brother B has extra motivation to finish the house. Trust is in this case created by influencing the behaviour of brother B and the mutual obligations between brother A and B.

Another solution is to write an explicit and binding contract (James, 2002). For the case of house construction by migrants this would mean that the migrant makes a contract with the person who takes care of the whole process. The emphasis of this solution is put on the mutual obligations.

Behaviour and mutual obligations can also be influenced by social rewards and punishments (James, 2002). An example of a social punishment can be the exclusion of someone who misused money of a migrant by the community.

Aronson also focuses on the creation of mutual obligations when he discusses the creation of trust (in: Sobel, 2002). He explains this by the example of an actor who has done someone a favour. This actor must maintain a good relationship so that he can receive a favour in exchange. Offering a gift can have the same result. The anthropological literature on gift giving describes how offering a gift creates an obligation to accept the gift and to offer a gift in return.

Another way of generating trust is the creation of trust in a multi-period prisoner's dilemmas. The actors are rational people whose aim is to maximise their utility by making net-present-value calculations. The result of these calculations refrains them from short-term opportunistic behaviour. North (1991) explains this as follows in a game-theoretic context. Individuals whose aim it is to maximise their wealth, are willing to cooperate with other players to reach this goal. But they will

only cooperate with players who performed well in the past. Furthermore, they will only cooperate when they have complete information about the behaviour of these other players and when there is a small number of players. Cooperation gets difficult when the game is only played once (because it is not possible to have information about the previous behaviour of the players) and when there are large numbers of players.

Again, the appearance of expectations and obligations is striking. Trust can be described by means of the terms expectations and obligations but it also appears that trust can be generated by changing and/or creating expectations and obligations.

2.6 Relations: trust, transaction costs and institutions

This section discusses the literature on the relations between trust, transaction costs and institutions. Unfortunately, most literature on the relations between these three issues makes no distinction into informal and formal institutions. Therefore I have chosen to consider institutions in general and not informal institutions in particular.

2.6.1 Relations: trust and transaction costs

Trust can reduce transaction costs (Chiles and McMackin, 1996). When there is a high level of trust between two parties, contract costs are lower because it is not necessary to include all kinds of costly safeguards. Moreover, negotiation costs are lower because when people trust each other they are more willing to cooperate with each other and they do not have to find out whether the other is a trustworthy person. Furthermore, the monitoring costs are reduced, because it is no longer necessary to check every time whether the other is really doing what he promised to do.

Den Butter and Mosch (2003) have carried out an empirical study on the relationship between international trade, transaction costs and trust. One of their hypotheses is that trust is related to international trade because more trust means less trade barriers and less transaction costs. They make a distinction into formal trust (measured by the unity of the legal systems of two countries) and informal trust (measured by the results of the EuroBarometer survey 46¹³). They found that both informal as formal trust matter for trade and based on their findings they recommend governments of countries to reduce their transaction costs by encouraging trust.

However, not all scholars believe that trust reduces transaction costs (Cai, 2004). There are even scholars, who do not believe that there is any relation between trust and transaction costs. And

¹³ The EuroBarometer survey 46 is a survey that was held in 1996 among inhabitants of the 15EU-members at that time. One of the was: "I would like to ask you a question about how much trust you have in people from various countries. For each, please tell me whether you have a lot of trust, some trust, not very much trust or no trust at all?"

some scholars believe that there is a reverse relation: trust is created through investment in transaction costs.

In short, the outcome of various studies indicates that there is a relation between trust and transaction costs. However, there are still a lot of unanswered questions about the direction of this relationship.

2.6.2 Relations: trust and institutions

There are various articles written about the relation between trust and institutions; it is frequently said that institutions have an important effect on trust. Institutions allow people to trust and cooperate more easily with each other because they remove a source of insecurity in relationships by doing something against actions that are damaging (Farrel and Knight, 2003). For example, if someone who is building a house for his brother knows that family members will punish him when he exploits his brother's trust and if the cost of the punishment will outweigh the benefits of exploiting his brother's trust, than his optimal strategy is to honour his brother's trust (Farrel and Knight, 2003). The law and legal institutions that stand behind contracting are another example; without the legal enforcement of obligations some exchanges between people would be very risky (Hardin, 2003). Farrel and Knight (2003) suggest that institutions can affect trust on two ways:

1. Institutions can give actors an incentive to honour someone's trust (see the above-mentioned example) or to dishonour someone's trust;
2. Institutions can circulate information about the (expected) behaviour of actors and consequently affect or generate social beliefs about the trustworthiness or untrustworthiness of actors.

However, there is some dispute about the direction of the relationship between trust and institutions. As discussed, Farrel and Knight believe that institutions affect trust. This reasoning is shared by Grootaert and Van Bastelaer (2001), who believe that participation in social networks reduces opportunistic behaviour, because social pressures and fear of exclusion can be reasons for individuals to behave in a way that is expected from them. People belonging to the same group (which can be based on ethnicity, occupation, class, etc.) are more likely to trust each other (Hjerppe, 2003). James (2002) goes even further by saying that trust is achieved through institutional and other devices. Yet, other scholars are convinced that it is the other way around: trust enables institutions to work well or in other words: trust affects the working of institutions (Hardin, 2003).

It gets clear that there is a relation between trust and institutions but again there are still a lot of questions about the direction of the relationship and it is unclear whether the relationship is the same for informal institutions and formal institutions.

2.6.3 Relations: institutions and transaction costs

There is still little understanding about the relation between institutions and transaction costs (Gabre-Madhin, 2001). Institutions can be formed to lower transaction cost (Shirley, 2003, 2004). For example, an institution that provides reliable information about hardworking labourers in the construction sector in Ashanti-Mampong, would lower the transaction costs of people who want to build a house. After all, both information costs and monitoring costs would decline. Information costs will decline because it is no longer necessary to inform everywhere about the capacities of construction workers. Monitor costs will decline because it is no longer necessary to look if the labourers are really doing their job. However, this reasoning is only valid if the costs of using this institution are lower than the monitor and information costs.

When members of a social network share the same norms they have another possibility to lower their transaction costs (Alvard, 2003). This can be explained as follows: When people do not belong to the same group and do not share the same norms they face more coordination problems. This has as consequence that their transaction costs are higher. Following this reasoning, the transaction costs would be lower if people belong to the same group and do not face many coordination problems.

It seems that institutions have the power to lower the transaction costs. But again, there are still many questions about the working of the institutions. One of the unanswered questions is whether transaction costs are lowered because institutions encourage trust or whether trust has nothing to do with it.

2.7 Summary

The principle objective of this chapter was to provide more insight into informal institutions, trust and transaction costs and the relationships between these three issues. These three topics are gaining importance in both social and economic literature. Another thing that they have in common is their complexity and as a consequence the enormous amount of definitions.

The most important outcomes of the literature study are the following:

- Institutions are defined as *“humanly devised constraints that structure political, economic and social interaction”* (North, 1991, pg. 97). A distinction is made into formal and informal institutions. The difference between these two is that the first type is characterised by formality (laws and rules) and the latter by informality (social unwritten rules that are determined outside the formal channels).
- The theory of transaction costs is often used to explain economic phenomena. One of the definitions of transaction costs is the following: *“the costs to make an exchange, to transfer the*

property, to start an activity, to protect one's own business, to gather information, to change or to preserve the actual framework, etc" (Tridico, 2004, pg. 6). Because there is still a lot unknown about transaction costs and especially the measurement of transaction costs, this study will not measure the transaction costs directly, but study the causes/dimensions of transaction costs. Frequency, uncertainty and asset specificity are those dimensions. Asset specificity and uncertainty are both positively correlated to transactions costs, while frequency is negatively correlated.

- Trust can be described by means of the following terms: expectations and obligations. Different types of trust can be distinguished. The main division is into two types of trust: one is based on personal relationships and the other one is based on more than personal relationships. The importance of trust is explained by the discussion of the principal-agent problem, prisoner's dilemma and the problem of information asymmetry. The last section on trust showed that trust can be generated by creating or changing obligations and expectations.

Different scholars have demonstrated that all the three issues are related to each other. However, there is still a lot unknown about the working of these relationships and the direction of these relationships.

3. BACKGROUND OF THE STUDY FIELD ASHANTI-MAMPONG, GHANA

3.1 Introduction

This chapter is the start of the second part of this thesis: the case study in Ashanti-Mampong. This chapter will provide some general background information and some more specific background information, which explains the practical and policy relevance of this study. It starts with a brief description of the location of the study. And it continues with a discussion of the situation in Ghana considering migration, institutional reform and housing. This discussion makes the policy relevance clear. The chapter will be finished with a section on the practical relevance of this study. This section will also explain how the construction process is organised. The chapter will be finished with a summary.

3.2 Ghana in a nutshell

Ghana is a former colony of Great Britain and was the first country in colonial Africa that gained its independency in 1957 (World Bank, 2005). The Republic of Ghana lies on the West Coast of Africa and has a total area of 238,537 sq km (www.cia.gov), which is almost 6 times the area of the Netherlands. The capital of Ghana is Accra. Ghana borders Cote d'Ivoire in the west, Togo in the east, Burkina Faso in the north, and the Gulf of Guinea in the south (www.cia.gov).

Ghana has a tropical climate and can be roughly divided into three vegetation zones (Boadu, 1994). When you are moving to the South you will find the following zones: coastal savannah (characterised by shrubs and mangrove swamps), tropical rainforest and dry savannah.

The Ghanaian population is made up of many ethnic groups, the most important ones (in size) are: the Akans (44% of the population), the Mole-Dagdani (16%), Ewe (13%), Ga-Adamgbe (18%), Gruma (4%) and Grussi (2%) (Boadu, 1994).

There is no single group of elites that had a strong hold over national policies in the country. After becoming independent Ghana has undergone many changes in national leadership through both democratic and undemocratic means (Dougan, 2004). Ghana has ten administrative regions, which are further divided into 110 districts. The 10 regions are: Greater Accra, Eastern, Western, Ashanti, Brong-Ahafo, Northern, Volta, Upper East, and Upper West Regions.

This research will be carried out in Ashanti-Mampong, which is the capital of Sekyere West, one the 18 districts that form together the Ashanti region (<http://www.statoids.com/ygh.html>). According to the statistics of the Ministry of Roads and Transport¹⁴, Sekyere West has 143,213 inhabitants. Ashanti-Mampong can be described as a semi-urban community with 32,000 inhabitants

¹⁴ These statistics are available on the Internet: http://www.mrt.gov.gh/statistics/DFR/Dfr_Road_Density.pdf. The date of estimation of the population size is unknown.

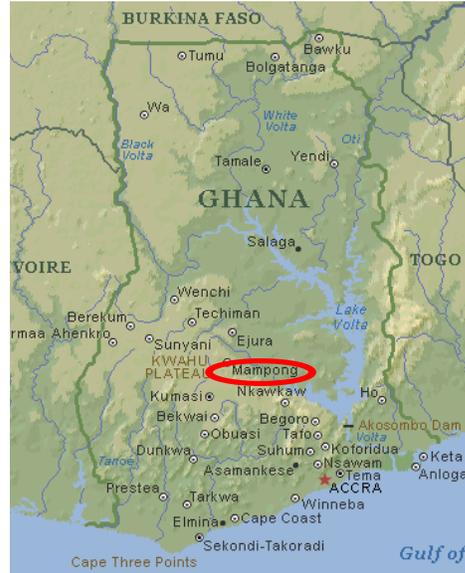
Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

(Mazzucato et al., 2004b). The Ashanti region is divided into two parts by a line of hills, known as the Mampong scarp, which runs from north-west to south-east from Wenchi through Ashanti-Mampong to the Juaso district (see figure 2¹⁵) (Steel, 1948).

Figure 2 Map of the Ashanti region



Figure 3 Map of Ghana



Source: <http://encarta.msn.com>

Source: <http://69.41.227.74/GHP/img/pics/12307026.gif>

The Asante are part of the Akan (Apeadu, 1996). The Akan society is organised around the family, which is more than the nuclear family alone. The Akan family includes not only the living, but also the dead and the unborn. An average Akan household exists out of eight people. Yet, also nuclear households exist. These are found among young families who have lived abroad or foreigners.

The people in the Ashanti region have middle/upper income levels, when compared with the income levels in the other regions (see table 2). This income is still below the poverty line. The food poverty line¹⁶ was estimated in 1998/99 at cedis 700,000 per adult per year¹⁷ (Ashong and Smith, 2001).

¹⁵ Wenchi is not on this map; it is located just a little more northwest than Techiman.

¹⁶ Those people whose incomes fall below this line are unable to meet their calorific requirements (Ashong and Smith, 2001)

¹⁷ In 1998/99 cedis 700,000 was equal to US\$100 (Ashong and Smith, 2001)

Region	Mean annual household income in Ghanaian Cedis	Mean annual per capita income in Ghanaian Cedis
Western	2,671,000	568,000
Central	1,464,000	444,000
Greater Accra	3,356,000	932,000
Eastern	2,055,000	415,000
Volta	1,950,000	527,000
Ashanti	2,550,000	622,000
Brong-Ahafo	2,302,000	548,000
Northern	1,552,000	210,000
Upper East	1,442,000	206,000
Upper West	1,446,000	321,000
All	2,267,000	527,000

Source: Ghana Living Standard Survey (GLSS) IV, Ghana Statistical Service, 2000: 102 (In: Ashong and Smith, 2001)

3.3 The policy relevance of the study

3.3.1 Migration and remittances

Anarfi et al. (2003) distinguish 4 phases in the international history of emigration from Ghana:

- Phase 1, a period of minimal emigration (pre-colonial time up to the late 1960s): Ghana enjoyed relative economic prosperity and was the destination of many migrants from neighbouring countries.
- Phase 2, a period of initial emigration (1965-1980): Ghana experienced an economic crisis and the proportion of foreigners in Ghana declined. By the end of the decade many Ghanaians migrated in search for jobs.
- Phase 3, a period of large-scale emigration (started in the 1980s and continued through the 1990s to recent times): Both unskilled and semi-skilled Ghanaians emigrated out of the country in search for jobs. Migration became one of the survival strategies of individuals and families. Other reasons for the enormous migration besides the unemployment were the loss of faith in Ghana's future due to bad governance by both the civilian and military regimes.
- Phase 4, a period of intensification and diasporisation of Ghanaians (begun in the middle of the 1980s): Large numbers of Ghanaians have moved to major cities as London, Amsterdam, Hamburg and New York.

According to Nuno, the main reasons for the large-scale emigration from Ghana to other West African states, as well as to Europe and North America are employment, education and training (Anarfi et al., 2003). The economic decline and political instability were important push factors for the emigration from Ghana.

Since the mid 1990s there is evidence of return migration to Ghana, which is attributed to the improvement of the Ghanaian economy in comparison to the economies of the neighbouring countries and the stricter entrance policy of western countries (Anarfi et al., 2003). Mazzucato

(2004) mentions another reason for the return migration. One of the outcomes of Mazzucato's Transnet Research program was that almost all Ghanaians have come to the Netherlands with the aim of earning enough money to return to Ghana and to build a house and start a business in Ghana.

During the time the migrants live and work abroad they send remittances back home. These remittances are increasingly been recognised as important money flow (Mazzucato et al., 2004a). Remittances are also an important money flow for Ghana (Mazzucato et al., 2004a; Higazi, 2005). According to the World Bank the remittances amounted in 2003 between US\$ 500 million to US\$1 billion (Mazzucato et al., 2004a). Mazzucato et al. (2004a) collected data on remittances at the network level and from migrants themselves. Among other things, they studied the geographical distribution of the remittances in Ghana. Mazzucato et al. (2004a) show that the Ashanti Region is an important receiver of these remittances (table 3).

Table 3 Geographical distribution of households and foreign remittances (1998/1999)			
Region	Households	Recipients of remittances ¹⁸	of foreign
Western	10.7%	8.9%	
Central	11.7%	13.2%	
Greater Accra	14.3%	21.0%	
Volta	10.7%	7.7%	
Eastern	13.7%	13.9%	
Ashanti	17.7%	28.6%	
Brong-Ahafo	9.0%	8.9%	
Northern	6.0%	1.9%	
Upper East	2.0%	0.0%	
Upper West	4.3%	1.7%	

Source: Mazzucato et al., 2004a

Most remittances are sent for own houses (16% of the remittances), own businesses (28%) and funerals (11%) (Mazzucato et al., 2004a).

When migrants want to build a house, they often send money to a friend or a relative and ask this person to take care of everything (the obtaining of the land, the paperwork, the buying of the materials, the hiring of workers, the monitoring of the construction process). Most times houses are built in phases, this means that one continues the construction when there is money and one stops the construction when there is no money.

More knowledge on one of the main destinations for remittances – housing investments by migrants – is useful because more and more people are getting convinced that migrant countries as Ghana should have a remittance policy (see for example the articles of Higazi, 2005 and Sophism, 2003).

The main aim of such policies is to facilitate the mobilisation of remittances for investments (Sophism, 2003). One of the measures to reach this aim is to create new institutions that facilitate this mobilisation. Before creating new institutions, it makes sense to identify the current institutions that matter for migrants who are building a house in Ghana. Ashanti-Mampong is an interesting town for such a study because it is (as the name already says) located in the Ashanti region, which is the main receiver of remittances (see table 3). This study will find out which institutions matter for migrants. Moreover, it provides knowledge on the transaction costs, which are faced by migrants. This knowledge is useful because when the transaction costs are mapped out, solutions can be sought to lower these transactions costs and to make housing investments more attractive for migrants.

3.3.2 Institutional reform in Ghana

In 1983 Ghana started its economic recovery program that aimed to build a liberal market economy (World Bank, 2005). At the start of the program the emphasis was on the abolishment of the controls. In 1992 most controls had been abolished and institutional reform became more important.

The goal of the institutional development program was to improve policies, procedures and the so-called 'rules of the game' (World Bank, 2005). Among other things, decentralisation, government reforms, improvement of the civil service and reform of public procurement were the principal initiatives to achieve the before-mentioned goal.

When reading documents on institutional reform in Ghana (see for example World Bank, 2005 and Cheru, 2002) it is striking that institutions are discussed as if there are only formal institutions. The neglect of informal institutions in institutional reform plans could be a reason for the disappointing result of the institutional reform programs. This is confirmed by the World Bank (2005) that ends its report with a recommendation for further research on the behavioural foundations in a country. As examples of behaviour foundations the World Bank mentions beliefs and relationships. These behavioural foundations have a lot in common with informal institutions, which were defined as: "*a set of social norms, conventions, moral values, religious beliefs, traditions and other behavioural norms that have passed the test of the historical time and that determine the individual's behaviour as well as organisations in pursuit of their aims*" (Tridico, 2004, pg. 6)¹⁹.

This case study will provide new knowledge on informal institutions, which can be relevant for institutional reform policies.

¹⁸ The people that receive foreign remittances make up 8% of the total population (Mazzucato et al., 2004a). They receive an average amount of 1999 US\$ 452.

¹⁹ See section 2.3 for more information about institutions.

3.3.3 The housing problem

The housing policy and action plan of 1987-1990 discussed the huge housing problem of Ghana (Antwi-Barfi, 2001). The biggest problem was the so-called 'overcrowding' of houses. Most houses in urban areas are occupied with 10-61 people, while an occupancy rate of 7 is the aim of the housing policy of Ghana.

More than 10 years later, there is still a housing problem in Ghana. Migrant housing investments could contribute to the solution of this problem. As shown by the research of Van Rooijen (2005) migrants are not only building houses for themselves but also for their relatives who are still living in Ghana. The living standard of these family members improved significantly. Migrant housing construction activities can therefore be part of the solution of the housing problem in Ghana. As already said, this study will determine which transaction costs are faced by migrants who are building a house in Ashanti-Mampong. When these costs are mapped out, solutions can be sought to lower these costs and to make housing investments more attractive for migrants²⁰.

3.4 Housing construction by migrants

This section starts with an explanation of the motives of migrants for building a house in their hometown. The section continues by describing how migrants have influenced the housing sector and it ends with a description of the housing construction process.

3.4.1 The importance of owning a house

As already said in the introduction, owning a house is seen as a symbol of success (De Witte, 2001; Van der Geest, 2001). A house is more than some kind of shelter, "*it is someone's identity, it is a sign of security and happiness*" (Van der Geest, 2001; pg. 343). Owning a house is associated with respect, love, security, memory and home. Housing is seen as security because it is an investment for the future, "*if you want to sleep tomorrow, you must put up a house today*" (Van der Geest, 2001, pg. 350). A house has to be built in someone's hometown, when it is built elsewhere this is seen as shameful and senseless (Van der Geest, 2001). The hometown is the place where someone's family (read: mother) comes from. Migrants who have been lived elsewhere are also expected to build a house in their hometown (De Witte, 2001).

²⁰ It should be noted that more housing investments by migrants could have less positive or even negative effects. An example is that migrants decide to build a house instead of starting a business, because housing investments became more lucrative. Another effect could be that the prices of land and building materials rise as a consequence of the increased demand by migrants and that it becomes more difficult for non-migrants to build a house. More research is necessary to find out whether the positive effects are larger than the negative effects.

Van Rooijen (2005) has studied whether these reasons for owning a house are also valid for people living in a migrant house in Ashanti-Mampong. It appeared that owning a house is associated with not only shelter but also with respect, love and security. Almost all her respondents agreed that housing is a form of security because the person who has built the house will be taken care for and everyone agreed that the house provides them with respect. Building a house is associated with love because many respondents answered that the migrant built the house to show his/her gratitude to his/her mother.

3.4.2 The influence of migrants on the housing sector

House construction is one of the prime activities undertaken by migrants. In a number of communities it appeared that migrant families build different types of houses, when compared with non-migrant families (Kabki et al., 2004). This is confirmed by De Witte (2001) who found out that the modern houses, which are often built in new residential areas are often built by migrants in the diaspora who invest their money in the construction of the houses. These houses are signs of the upcoming nuclear family life ideal (De Witte, 2001). The need to own an individual house seems to arise, maybe because of the exposure of migrants to the Western lifestyle, which is much more individualised than the Ghanaian lifestyle (Kabki et al, 2004).

Van Rooijen (2005) studied the housing characteristics of migrant houses in Ashanti-Mampong. She found out that most respondents build a self-contained house. A self-contained house differs from a compound house, because it has fewer rooms and is therefore more appropriate for providing shelter to the nuclear family instead of the extended family. The study of Van Rooijen (2005) confirmed the finding of Kabki et al. (2004) that migrant houses differ from non-migrant houses. They not only differ because they are more likely to be self-contained houses than compound houses, but they also differ because they are bigger and have more decorations than local houses. Other types of houses are boy's quarters and storey buildings. A boy's quarter is the simplest form of housing, while a storey building is the most expensive form of building. The District assembly²¹ of Ashanti-Mampong describes the various types of houses as follows:

- Boy's quarter is a one-store building that has the following characteristics: 1 hall, 3 bedrooms, kitchen, toilet, bath, and veranda. Cheapest form of housing.
- Self-contained house is a one-store building that has the following characteristics: 1 hall, 5 bedrooms, 2 toilets, 2 baths, garage, dining hall, porch and corridor. Self-contained houses are expensive and therefore often built by rich families.
- Compound house is a one-store building that has the following characteristics: 5-10 rooms, big courtyard within the building, 2 toilets and baths, 2 kitchens. This type of house is often built in phases and is therefore not exclusive for rich people; people with a regular income can also build this type of house.

²¹ This information is the outcome of an interview with an employee of the District Assembly in the spring of 2005.

- Storey building is a building with more stores and has the following characteristics: many rooms, dining hall, 2 or more toilets and bathrooms, kitchen.

3.4.3 The housing construction process

Table 4 presents a description of the various phases of the construction process in Ashanti-Mampong²². For each phase I have mentioned the transaction costs that are likely to be faced by migrants.

Table 4 The housing construction process and the possible transaction costs		
Phase	Steps to take	Possible transaction costs
Obtaining of the land	Approach the clan / family that owns the land and negotiate about the price. The simplest way to find out who the owner is, is to ask it the people who are building/living on the neighbouring plot.	<ul style="list-style-type: none"> • Bargaining costs • Costs of collecting information
Registration of the land at the Town Planning Office (department of the District Assembly)	Before a piece land can be registered, first the allocation paper has to be signed by the family/clan who sold the land. This phase can be finished quicker when you pay some small amounts of money (or like some respondents say: " <i>enough to buy a coke or something else</i> ") to the concerning people.	<ul style="list-style-type: none"> • Costs of protecting and enforcing property rights • Verification and certification costs
Making an affidavit	This phase is optional. An affidavit can be prepared by the high court. This is a paper that proves that the ownership is transferred to the buyer and is signed by the clan member and the high court.	<ul style="list-style-type: none"> • Costs of protecting and enforcing property rights
Making of a lease contract	You cannot buy the land in Ashanti-Mampong, you lease it. The lease has to be signed by the chief and two elders of the chief. In a lease is written that you have to start building within two years, otherwise the land can be transferred to somebody else. This phase can cost some time, because the chief is often out of town and he wants an amount of money for his signature.	<ul style="list-style-type: none"> • Costs of protecting and enforcing property rights • Verification and certification costs
Making of a building plan	It is being advised to hire an architect for the drawing of the plan, but it is not compulsory.	
Application building permit	This is done at the work department (district assembly). A building permit expires after two years. Before the work department provides a building permit, they first have to approve the building plan and they have to check if you are the legitimate owner of the plot.	<ul style="list-style-type: none"> • Verification and certification costs
Selection of contractor/Masons (skilled labour)	Most people hire Masons, because hiring Masons is much cheaper than hiring a contractor. Masons are easy to find, after all there are plenty of people looking for a job. Another possibility is to ask other people who built a house which people they hired and if they can introduce you to those people.	<ul style="list-style-type: none"> • Bargaining costs • Costs of collecting information
Foundation	This phase is the start of the construction work.	<ul style="list-style-type: none"> • Monitoring costs
Construction of the rest of the house	When the foundation is ready, the construction of the entire house can start.	<ul style="list-style-type: none"> • Monitoring costs
Application for water and electricity	One must apply for water and electricity at the water- and electricity company.	<ul style="list-style-type: none"> • Service costs

²² This information is the outcome of interviews with various stakeholders in Mampong in the spring of 2005.

3.5 Summary

This chapter provided background information about the study field. It described the situation in Ghana in general and the situation in Ashanti-Mampong in particular.

The most important facts are the following:

- Housing construction is one of the prime activities undertaken by migrants. Migrants build houses for their families but also for themselves because many of them are planning to return to Ghana.
- Ghanaians see owning a house as a symbol of success
- The housing construction process can be divided into various phases.

Furthermore, both the practical relevance and policy relevance of the case study are explained. The case study is relevant for practical purposes, because it provides knowledge about the problems that are faced by migrants and it provides some solutions for these problems. The case study is relevant for policy purposes because it combines two topics that are relevant in current politics in Ghana: remittances and institutions. Furthermore, it provides more information about the housing construction activities of migrants. These activities could contribute to a solution of the housing problem in Ghana. However, more research is necessary to find out if this is really the case. Hence, this study provides some basic knowledge, which can be very useful for further research on possible methods for the solution of the housing problem.

4. RESEARCH METHODOLOGY AND METHODS

4.1 Introduction

This chapter will discuss the research methodology and methods that have been used for the case study in Ashanti-Mampong. The chapter will start with a discussion of the research methodology (section 4.2) and will continue with the research question (section 4.3). Thereafter, the operationalisation of the research will be discussed in the section on research methods (4.4). This section will discuss how the principal concepts (informal institutions, transaction costs and trust) are studied in the field. The chapter will continue with sections on the sample selection method (section 4.5) and the respondents and non-response (section 4.6). The next section will discuss the limitations of the research (section 4.7) and the chapter will be finished with a summary of the chapter (section 4.8).

Before discussing the methodology and methods of research and outcome, I will first define some key-concepts:

- Migrant: A Ghanaian who has worked and lived outside Ghana for at least one year. In this study I will focus on the housing construction activities by migrants who are still abroad.
- Non-migrant: A Ghanaian who has not worked and lived outside Ghana.
- Migrant house: A house that is financed by a migrant with money that he/she has earned outside Ghana.
- Non-migrant house: A house that is not financed by a migrant.
- Caretaker: Someone who takes care of the whole construction process (described in section 3.4.3) or someone who takes care of some of phases of the process, because the migrant is unable to do this. Most times, the caretaker buys the land and the materials, takes care of the paperwork, hires the workers and supervises the construction process. In most cases, the caretaker is a friend or relative who takes care of the whole process.

4.2 The aim of the research

As already said in the introduction (chapter 1) the aim of the case study is to contribute to the existing knowledge on informal institutions, transaction costs and trust and the relations between these three issues by studying which role these issues play and how these issues are related to each other for the specific case of housing construction by migrants in their hometown. Both trust and informal institutions appear to be important for migrants who are building a house in Ashanti-Mampong and are therefore likely to be related to the transaction costs of migrants. The emphasis is put on those transaction costs that are faced by migrants and are not likely to be faced by non-migrants.

The following research questions are central in this case study:

- What are the causes for the transaction costs that are faced by migrants who are still living abroad and who are building a house in their hometown?
- How are transaction costs, informal institutions and trust related to each other for the specific case of housing construction by migrants in their hometown?

4.3 The methodology

The theoretical chapter (chapter 2) functioned as the basis of the case study. As already said in this chapter, NIE has been used for the study on institutions because it puts the emphasis on the transaction²³ and it includes both institutions and trust.

The three issues were studied in Ashanti-Mampong during a fieldwork of 3 months. This fieldwork can be divided into two parts:

- The first part comprised interviews and institutional mapping (see for more information, the next section on research methods). The aim of this part was to identify the institutions and the different phases of the whole construction process.
- The second part of the research comprised a questionnaire among caretakers and had as main aim to identify the transaction costs, which are faced by migrants. The choice to interview caretakers instead of the migrants themselves was partly inevitable because most migrants are difficult to approach for the research because they are still living abroad. However, interviewing caretakers had as advantage that they have a lot of information because they are dealing with the whole process or parts of the whole process.

The advantage of dividing my research into two parts was that I was able to base my questionnaire on the outcome of these interviews. Another advantage of my planning was that I was able to base my questionnaire on the first outcome of the questionnaire of Van Rooijen (2005) who was doing her research during the same period.

4.4 Methods of research

I have used three research techniques for the case study on transaction costs of migrants who are building a house in Ashanti-Mampong: semi-structured interview, institutional mapping and a questionnaire.

²³ For more information on the reasons for the choice of NIE, I refer to section 2.2

Semi-structured interview²⁴: The face-to-face interviews with 11 key respondents had as main aim to get more insight into the housing construction process (see section 4.6 for more information about the interviewees). The following subjects were discussed: trends, housing characteristics, the housing construction process and unfinished houses²⁵.

The discussion of trends (number of houses built by migrants and number of migrants) had as aim to provide more insight into the frequency dimension of the transaction costs. The discussion of housing characteristics served to find out whether migrant houses are different than non-migrant houses. When there is a difference, this could have influenced the level of asset specificity. The discussion of the housing construction process was important, because this discussion enables the identification of the institutions and the transaction costs. The question on unfinished houses served to find out why houses are unfinished and if migrants are more likely to be the owner of an unfinished house than non-migrants.

Institutional mapping: Maps of the relevant institutions have been made with 5 stakeholders. Besides the identification of the institutions, institutional mapping also provides more insight into the level of accessibility of these institutions.

Institutional mapping works as follows: Together with respondents maps of institutions are drawn. The circles on this map represent the institutions. Large circles represent important institutions, while small circles represent less important institutions. Arrows represent the degree of accessibility. When the arrows are long this means that it is difficult for migrants to get access to these institutions. When the arrows are short, this means that these institutions are easily accessible for migrants.

Unfortunately, there was not enough time to draw another map for non-migrants who were building a house. Instead, I asked the interviewees to mention the differences for non-migrants.

Questionnaire²⁶: the questionnaire is based on the semi-structured interviews and partly on the first outcome of the questionnaire of Van Rooijen (2005). I have done the questionnaires face-to-face with 26 caretakers. Face-to face interviews have as advantage that it is possible to clarify unclear answers (Gray, 2004). The questionnaire comprised the following subjects: characteristics of the caretaker and migrant, characteristics of migrant houses in general, characteristics of the house that the caretaker was building and the building process.

²⁴ See appendix 1 for the questionnaire

²⁵ For the question list, I refer to appendix 1.

²⁶ See appendix 2 for the questionnaire.

The questions on the characteristics of the caretaker and migrant had as main aim to provide more insight into the reason why the respondent was asked to take care of the whole process. Furthermore the questions provided insight into the demographics of both the caretakers and the migrants.

The questions on the characteristics of migrant houses in general and the houses that the caretakers were building, served to provide more insight into the level of asset specificity.

The questions on the housing construction process, served to provide more insight into the whole procedure and the transaction costs. Most attention is paid to the uncertainty dimension of transaction costs, because the outcome of the interviews gave reason to believe that this is the most important dimension.

The outcome of the interviews serves as basis for the questionnaire and provides some basic knowledge about the housing construction activities of migrants. The outcome of the institutional mapping provides knowledge about the importance and accessibility of the institutions. When it is possible and relevant, I will compare the outcome of the questionnaire with the outcome of the interviews and the institutional maps for gaining more insight in institutions, transaction costs and trust and the relations between these three issues. For the statistical analysis of the questionnaire I have used SPSS.

4.5 Sample selection

Two gatekeepers²⁷ have introduced me to people who are working at institutions that matter for the housing construction process (namely the District Assembly and the high court). All these people were willing to cooperate with an interview and mentioned other interesting people (secretary of the chief, contractors) for my research. I have approached these people by myself and besides the chief, they were all willing to cooperate. I have asked all the people whom I interviewed if they had time to draw an institutional map. Only five of them were willing to cooperate.

For the questionnaire I have used the method of snowball sampling. Snowball sampling is a useful method when there is no adequate list to use as sampling frame (Arber, 2001) and when the respondents are not gathering on a particular place. For this study, it worked as follows: both gatekeepers introduced me to friends of them who were building houses for migrants. After doing

²⁷ The gatekeepers are two men from Mampong. One of them works as land planner at the District Assembly and has built a couple of houses for migrants. Due to his work as land planner and due to his experience in housing construction he has many contacts in the housing sector. The other gatekeeper works as accountant at the District Assembly. Mirjam Kabki, a PhD student at the UvA, who worked as part of the Ghana TransNet program for over one year in Ashanti-Mampong has given me the contact information of these gatekeepers.

the questionnaire I asked these caretakers whether they knew other caretakers. They did know other people and introduced me to them and after the interview I asked again if they knew other people, etc.

4.6 The respondents and non-response

I have done interviews with two return migrants, two caretakers, two building contractors, three employees of the district assembly, a registration officer of the high court and the secretary of the chief.

Three people were not willing to cooperate: the chief and two migrants. It was impossible to interview the chief because nobody is allowed to speak to the chief directly²⁸. The migrants were not able to cooperate because they were only for a short time in Ghana and they were too busy.

Institutional mapping: 5 people of the interviewees were willing to make an institutional map together with me. These people were: a migrant, an employee of the district assembly, a friend of a migrant who was taking care of the whole construction process, a contractor and a registration officer of the high court.

I have approached 26 caretakers for the questionnaire and they were all willing to cooperate. The demographics of the caretakers are displayed in table 5. The demographics of the migrants for whom the caretakers were building a house are displayed in table 6. It appears that most caretakers are quite young and have spent considerable time at school.

Table 5 Demographics of the respondent (= caretaker) (Outcome of the questionnaire among caretakers, N=26)		
	Frequency	Share
Sex		
Male	24	.92
Female	2	0.08
Age		
21-30	12	0.46
31-40	9	0.35
41-50	5	0.19
Mean age	32.81	
Education		
6-10	6	0.25
11-15	13	0.50
16-20	5	0.19
>20	4	0.15
Mean education	14.13	

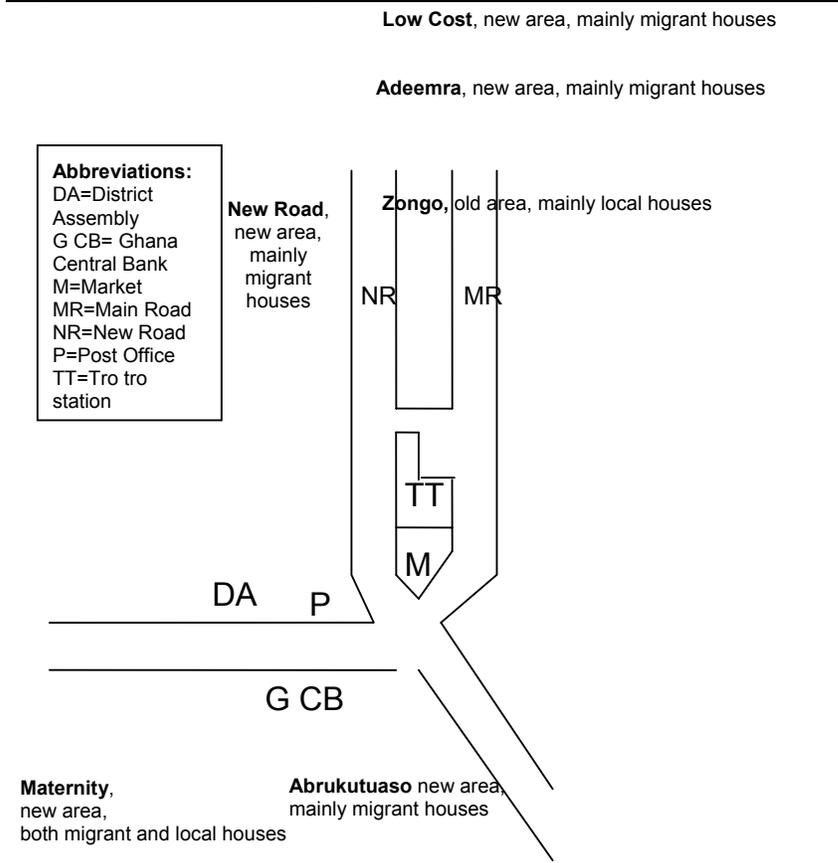
Table 6 Demographics of the migrants
(Outcome of the questionnaire among caretakers, N=26)

	Frequency	Share
Sex		
Male	23	.92
Female	3	0.08
Age		
21-30	6	23.1
31-40	9	24.6
41-50	11	42.3
Mean age	38.62	
Duration of migration		
1-5	10	0.39
6-10	7	0.27
11-20	9	0.35
Mean duration of migration	8.79	

The mean age of the migrants is higher than the mean age of the respondents. It is striking, that almost 40% of the migrants is able to start building a house after only been migrated for less than 6 years.

Most respondents were building houses in the neighbourhoods Abrukutuaso, New Road and Low Cost. Other mentioned neighbourhoods were Maternity and Abrukutuaso (see figure 4 for a map of Mampong).

Figure 4 Map of Mampong



Most caretakers are family members of the migrants for whom they are building a house. More than 50% of the caretakers are close family members (brothers or sisters) and almost a fifth is a member of the extended family (uncle, cousin, nephew). Almost a quarter of the respondents have no family relation with the migrants but are friends of the migrants. See table 7 for the relations between the caretakers and the migrants for whom they are building house.

Table 7 Relation between the respondent and the migrant for whom he/she is building a house
 (Outcome of the questionnaire among caretakers, N=26)

The migrant for whom I am building the house is my.....	Percent
Junior sister	7.7
Senior sister	3.8
Junior brother	3.8
Senior brother	38.5
Uncle	11.5
Cousin	3.8
Nephew	3.8
Friend	23.1
Husband	3.8

4.7 Limitations of the research

In my theoretical framework I have followed the theory of new institutional economics. Berry (1997) criticises new institutional economics because according to her, NIE refers to institutions as if they are fixed rules or structures. According to her, institutions should be seen as processes whereby norms are constantly contested and redefined. Although I agree with Berry that institutions can change over time, I have not chosen to study these institutions as processes. The reason for this decision is that I had not the possibilities to do a historical study. Moreover, the focus of this research is on transaction costs and not on institutions. However, I do consider this decision as a limitation of this research.

The interviewees were all willing to cooperate, but only if it would not take too much time. Because of this lack of time I was not able to ask all the questions I planned to ask. During every interview, I have selected questions, which according to my opinion were the most important. This selection could have had consequences for the reliability of this research.

Institutional mapping appeared to be more difficult than I had thought. The people had difficulties with understanding me and drawing a map. I had to explain it with many examples, which may have influenced the way of thinking of the participants.

A disadvantage of snowball sampling is that I have only interviewed friends/relatives of a migrant who were connected through each other through a network. Biases can be consequences of network sampling (Arber, 2001). This is probably the reason that I have to deal with a gender bias (only 2 of

26 respondents were women). However, it could also be the case that women are less likely to be asked to build a house. It is difficult to find out whether there are other biases in my sample.

4.8 Summary

The research methodology, research methods, sample selection methods, the characteristics of the respondents and the limitations of the research are discussed in this chapter.

NIE is used for this case study on institutions, transaction costs and trust. This approach is appropriate because it puts the emphasis on the transaction.

Three research techniques are used for the case study, namely:

- Semi-structured interview: two gatekeepers have introduced me to most of the 11 interviewees.
- Institutional mapping: five of the interviewees were willing to cooperate.
- Questionnaire: 26 respondents were willing to cooperate. I have used the method of snowball sampling to find the respondents.

Limitations of the research are that I have studied the institutions as if they are static, while there is reason to believe that they are dynamic and change over time. Other limitations are the lack of time of the interviewees; difficulties with institutional mapping and possible biases caused by snowball sampling.

5. RESULTS

5.1 Introduction

This chapter will present the results of the case study. It is structured as follows: it starts with a discussion of the institutions that matter for migrants who are building a house in Ashanti-Mampong. It continues by discussing the outcome on transaction costs and it ends with a discussion of the outcome on trust. After the discussion of these three issues, the relations between these three issues will be discussed. The chapter will end with a discussion of the limitations of the research.

5.2 The Institutions

From the interviews with various stakeholders it appeared that the organisations and people that matter for building a house in Ashanti-Mampong are the Land Registry, Work Department, High Court, the Chief, the caretaker, someone who checks whether the caretaker is doing a good job, the material markets, the contractor and the Masons. Other institutions that matter are the traditional and modern laws and social and cultural norms concerning the building and owning of a house in Ashanti-Mampong.

The material markets, contractor and the Masons are largely left out of the analysis, because it did not appear from the interviews that these institutions function differently for migrants than they function for non-migrants.

Table 8 presents an overview of the institutions that matter for housing construction by migrants in Ashanti-Mampong. The table is based on the outcome of both the interviews and the questionnaire. For every institution it is represented whether it is a formal²⁹ (characterised by laws and rules) or informal institution (characterised by social unwritten rules that are determined outside the formal channels) and what its main task is. The three tasks, which are mentioned in the table - protecting private property, encouraging trust and lowering transaction costs - are based on the literature of Shirley (2003, 2004).

²⁹ For more information on the difference between formal and informal institutions, I refer to section 2.3.2.

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

Table 8 The institutions that matter for housing construction in Ashanti-Mampong (Outcome of the interviews with various stakeholders)					
Institution	Formal	Informal	Main task = to protect private property	Main task = to encourage trust/reduce transaction costs	Main task = other
Traditional law		X			Protect community property
Chief		X			Protect community property
Modern law	X		X		
Land Registry	X		X		
Work Department	X				To encourage safe building
High Court	X		X		
Cultural and social norms and habits concerning houses		X		X (because these institutions help to predict the behaviour of actors)	
Caretaker		X			Supervising the process
Someone who checks the caretaker		X		X (encourage trust)	

As can be read from this table, cultural and social norms and habits concerning houses; caretakers and people who check the work of the caretakers are the informal institutions that matter for the building of a house in Ashanti-Mampong.

The caretakers are mentioned by all the interviewees³⁰ and are considered as very important people who matter a lot for the building of a house by a migrant. This makes sense because migrants often ask caretakers to take care of the whole construction process as described in section 3.4.3. The people who check whether the caretakers are doing a good job are mentioned by almost all the interviewees and are considered to be important. Both caretakers and people who check the caretakers are members of the migrant's network, which can be seen as a type of institution. No rules or laws regulate the contact between migrants, caretakers and people who check the caretakers. Therefore, I consider both the caretakers and the people who check the caretakers as informal institutions.

Cultural and social norms and habits cover a broad area and are hard to define. It is beyond the scope of this research to define all of them. However, the interviewees mentioned the following reasons for building a house, which can be seen as cultural and social norms and habits concerning houses in Ashanti-Mampong:

³⁰ When I refer to interviewees, I refer to the outcome of the interviews with various stakeholders (employees at the District Assembly, High court, secretary of the chief, contractors, migrants and caretakers)

- It is expected from men that they build a house. People respect someone who has built his own house. Or as one respondent says: *“No matter your education, if you are not able to put up a building we don’t respect you”*. Moreover everyone has the desire to build a house for his own.
- Migrants have extra pressure to build a house. This is illustrated by the following quote of one of the interviewees: *“When you are not able to build a house everybody knows that you have spent your earned money in a bar instead of saving it for your family.”*
- It is expected from migrants who are from Ashanti-Mampong that they build a house in Ashanti-Mampong. Some migrants who come from neighbouring villages also chose to build a house in Ashanti-Mampong, because they think that life in a town has more quality than life in a small village. When you have the money, you have to build a house for your extended family. A migrant who is building a house for his extended family confirmed this by saying that one of his friends got a deadly disease because he did not take care of his extended family.
- A successful migrant is expected to build at least two houses: a self-contained for his nuclear family and a compound house for his extended family.
- Mothers are very important. People expect their children to take care of their mother. Probably because of these expectations, some interviewees mention as reason for building a house that it serves as homage to their mother.
- Migrants are expected to attach more value to privacy and peace. In a compound house they cannot find this kind of peace. This appears from the following quote: *“A family house is always crowded, therefore it is difficult to find peace. People are fighting and stealing all the time so when you are able to build a house for your own you will do that.”* Therefore they often build a house for themselves and their nuclear family.

All these reasons can be considered as informal institutions because if the migrant violates these norms, social disapprove is the consequence (see section 2.3.2).

The respondents³¹ (caretakers) confirm that shelter for the extended family, building in your hometown and earning respect are reasons for building a house. According to the outcome of the questionnaire among caretakers, the most mentioned reason for a migrant to build a house is shelter for the nuclear family. More than 75% of the respondents (caretakers) mentioned this as main reason for building a house in Ashanti-Mampong. Not all interviewees expected this reason to be the main reason, because some of them said that when migrants are building a house in Ashanti-Mampong they are building this house for their extended family and not for themselves. According to these interviewees, migrants won’t build a house for themselves in a small town, but prefer to build a house in a big city (read: Kumasi or Accra) because cities offer more facilities and more entertainment. However, as can be read from table 9, most respondents (caretakers) mention shelter for the nuclear family as main reason for the migrant to build a house in Ashanti-Mampong.

³¹ When I refer to respondents, I refer to the outcome of the questionnaire among caretakers.

Table 9 Reasons for building a house
 (Outcome of the questionnaire among caretakers, N=26)

Reason for building	Pct of responses ³²	Pct of cases
Respect	9.4	11.5
Shelter for nuclear family	62.5	76.9
Shelter for extended family	18.8	23.1
Independence	3.1	3.8
Mampong is my hometown and it is expected from me that I build a house in my hometown	6.3	7.7

As can be read from table 8, both the chief and the traditional law have received the label informal/formal. According to the high court both traditional law and modern law are legally bounded. Unfortunately I got no access to legal documents to find out whether traditional law and the chief are really included in the law system and can be considered as formal institutions. All the interviewees mention the chief and say that he matters for the housing construction by migrants. Because of this reason I have included him as institution in table 8. The chief is important because according to traditional law, people can only lease land from the chief and not own it. Before starting the construction, people first have to sign a lease contract with the chief³³. This means that traditional law also matters for the building of house and must be included in table 8.

Most attention in this study is paid to the caretakers, because almost all interviewees³⁴ call them important people for migrants who are building a house in Ashanti-Mampong and cannot come back to Ashanti-Mampong to take care of everything by themselves. The importance of caretakers is also confirmed by the outcome of institutional mapping, which is presented in table 10. As can be read from the table, 4 out of 5 called the caretaker very important when there is no contractor involved. Only one of them did not mention the caretaker as important institution, because according to this migrant a migrant should do everything by himself because it is too difficult to find a trustworthy caretaker. The migrant himself has to monitor the work of the Masons because they are, like the caretaker, untrustworthy. Or in the words of the migrant: *“when you want to do this, you must keep open your eyes all the time”*. The institutional maps are included as appendices.

³² It was possible to mention multiple reasons for the building of the house. As a consequence two types of percentages are presented: percentage of responses (=>denominator = total responses) and percentage of cases (=> denominator = total cases (respondents)).

³³ In a lease contract it is written that the person who leases the land has to start building within two years. When he waits longer the chief can reclaim the land. However, there are plenty of stories in Ashanti-Mampong about people who leased the land years ago and have not yet started the construction. They only put some stones on the land to show other people that the land is occupied.

³⁴ Only one interviewee (the migrant who drew an institutional map) did not call the caretaker as important institution, because this interviewee is convinced that a migrant should do everything by himself.

The district assembly and modern law are all mentioned by the various stakeholders as formal institutions that matter for the construction of houses by migrants. They mention the paperwork that has to be done before one can start the construction. The paperwork entails the registration of the land at the district assembly and the application for a building permit at the district assembly. The institutions seem ineffective because a couple of interviewees mention difficulties of getting done the paperwork. Furthermore, although according to the law, someone is not allowed to start building without having all the papers, only 50% of the respondents had all the papers and most of them (96%) had already started building.

The high court is only mentioned by some interviewees as a formal institution that matter for the housing construction. At the high court the buyer³⁵ of the land can sign an affidavit which proves that the buyer has bought the land. This institution seems also to work ineffectively because the interviewees who mention this institution, also mention the slow working of the legal system.

Table 10 The outcome of institutional mapping with 5 different stakeholders

Institution \ Interviewee	Caretaker	Contractor	Chief	Masons	District Assembly	High Court	Third Person
Migrant	Not possible to use a caretaker	Too expensive	Quite important Access is not so difficult	Important Access is very easy	Quite important Access is easy	Not mentioned	N.A.
Employee of the district assembly	Very important Access is easy	Too expensive. When used, the role of the caretaker and third person become less important	Quite important Access is not so difficult	Important Access is very easy	Very important Access is easy	Quite important Access is easy	Important Access is easy
Caretaker	Very important Access is easy	Too expensive. When used, the role of the caretaker and third person become less important	Important Access is difficult	Important Access is very easy	Important Access is difficult	Not so important Access is quite easy	Important Access is easy
Contractor	When no contractor is used, very important Access is easy	If used: very important Access is easy =>both caretaker and third person become less important	Very important Access is easy	Important Access is easy	Important Access is easy	Important Access is easy	Quite important Access is easy
Registration officer of the high court	Very important Access is easy	Too expensive.	Important Access is not so difficult	Important Access is easy	Very important Access is easy	Important Access is easy	Quite important

³⁵ As already said land cannot be bought in Mampong, it can only be leased. However, everybody use the word buying instead of leasing.

As can be read from the table, 4 out of 5 interviewees who made an institutional map consider the caretaker to be a very important institution that is easy accessible. However, they all note that it is very difficult to find someone who is really trustworthy³⁶. The contractor can have an important role in the building process, but not many people use a contractor because using a contractor is much more expensive. However, according to one of the interviewees, migrants are more likely to hire a contractor. When people do use a contractor, all the interviewees (the various stakeholders) agree that the role of the caretaker becomes less important because the contractor will monitor and employ the Masons. Furthermore, it is possible to pay the contractor more and let him buy all the materials and even let him do the paperwork. They all agree that when you decide to use a contractor, he is easy accessible. Table 11 gives also reason to believe that the role of the caretaker becomes less relevant when a contractor is involved. As can be read from the table, a caretaker is less involved in making decisions when a contractor³⁷ is involved (compared to the case when Masons are employed).

Decision	Caretaker was decision maker			
	Masons		Contractor	
Location	Yes	71.4	Yes	33.3%
	No (N=21)	28.6	No (N=3)	66.6%
Buildingplan	Yes	60.8	Yes	0
	No (N=23)	39.2	No (N=3)	100%
Materials	Yes	95.6	Yes	33.3%
	No (N=23)	4.4	No (N=3)	66.6%
Selection Masons or Contractor	Yes	76.9%	Yes	33.3%
	No (N=23)	23.1%	No (N=3)	66.6%

The 5 stakeholders who participated in institutional mapping disagree on the importance of the chief; their opinions vary from quite important to very important (see table 10). Moreover, their opinions on the accessibility of the chief vary from easy accessible to difficult accessible. Because of this dispute, I have asked the respondents (caretakers) about their opinion on the accessibility of the chief and most of them agreed with the caretaker who participated with institutional mapping. Many of the respondents (caretakers) mentioned the difficulty of getting a signature of the chief. All five interviewees who participated in institutional mapping agree that the Masons are important and easy accessible. Moreover, all 5 agree that they are easy accessible and easy to find. The outcome of the questionnaire among caretakers confirmed that Masons are easy to find. All the respondents said that they are easy to find.

³⁶ Sections 5.3.3 and 5.4 will pay more attention to this problem.

³⁷ Unfortunately the sample is not big enough to determine whether the groups 'Masons employed' and 'contractor involved' differ significantly from each other.

The five interviewees who drew an institutional map disagree on the importance and accessibility of both the District Assembly and the High court. Because of this dispute, I asked the caretakers whether they had made up an affidavit at the High Court. It appeared that nobody had done this, which gives the impression that the High Court is not that important. It appeared that almost all caretakers had taken care of the documents for the District Assembly. This outcome strongly suggests that the District Assembly is quite important.

According to some interviewees, access to institutions as the chief and the district assembly can be improved when you pay some small money to the people involved.

The five interviewees who drew an institutional map consider the third person to be quite important and easy accessible. The third person is someone who is asked by the migrant to check whether the caretaker is doing a good job³⁸. The outcome of the questionnaire among caretakers confirms the importance of a third person; the majority of the respondents knew that their work was checked by a third person.

5.3 Transaction costs

As already discussed in the previous section, migrants need someone who takes care of the whole process. Most of them get a reward for all the work they do. Most respondents (caretaker) mention 'money to compensate the costs they make' and 'some extra money for all their effort' as rewards for their work (see table 12).

Table 12 Rewards for the time spent on the construction
 (Outcome of the questionnaire among caretakers, N=26)

Compensation	Pct of responses ³⁹	Pct of cases
Nothing	9.8	15.4
Owner of the house	2.4	3.8
Live in the house	9.8	15.4
Fixed amount of money	9.8	15.4
Compensation for the costs	4.9	7.7
Compensation and small amounts of money	26.8	42.3
Clothes	7.3	11.5
Migrant takes care of mother	4.9	7.7
Gift	7.3	11.5
Unknown reward in the future	9.8	15.4
Other	7.3	11.5

The question that triggered me was whether these types of compensations could be seen as a type of transaction costs that is only valid for migrants. To determine whether this is the case, I have

³⁸ More information on the third person will be provided in section 5.3.3.

³⁹ See footnote 32 for the explanation of the difference between percentage of responses and percentage of cases.

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

questioned the caretakers what they are doing for the migrant. I have put the answers in table 13. Besides all the activities mentioned in table 13, the caretaker is in 96% of the cases the receiver of the money for the construction.

**Table 13 What is the job of the caretaker?
 (Outcome of the questionnaire among caretakers)**

Phase	Reached this phase		Caretaker took care of this phase?		Caretaker was a decision maker		Caretaker was the final decision maker		How much time for this phase		How busy	
Obtaining the land	Yes	100%	Yes	73.1%	Yes	66.7%	Yes	81.2%	1-3 days	47.3%	Not busy at all, couple of hours	21.1%
	No	0	No	26.9%	No	33.3%	No	18.8%	Couple of weeks	10.5%		
Paperwork (Registration, Lease contract, Building permit ⁴⁰)	Yes	100%	Yes	84.6%	N.A.	N.A.	N.A.	N.A.	Month	15.7%	Not busy, just a couple of visits	81.8%
	No	0	No	15.3%					Couple of months	15.7%		
Building-plan	Yes	100%	Yes	50.0%	Yes	50.0%	Yes	38.4%	1-3 days	15.4%	Not so busy, just a day	76.9%
	No	0	No	50.0%	No	50.0%	No	61.6%	Week	38.5%		
Selection Constr/ Masons	Yes	96.2%	Yes	91.3%	See table 13	See table 13	See table 13	See table 13	1-3 days	100%	Not busy at all, just a day	90.9%
	No	3.8%	No	8.7%								
Foundation	Yes	96.2%	Yes	96.0%	Yes	92.2%	Yes	83.4%	Couple of weeks	47.8%	Quite busy, every day to the site for inspections	43.5%
	No	3.8%	No	4.0%	No	7.6%	No	16.6%	Month	13.0%		
									Couple of months	13.0%	Busy, a few days in the week	
											Very busy, all the time	4.3%
												21.7%

⁴⁰ As already said, no one of the respondents had made up an affidavit.

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

Phase	Reached this phase		Caretaker took care of this phase?		Caretaker was a decision maker	Caretaker was the final decision maker	How much time for this phase		How busy	
Construct.	Yes	92.3%	Yes	100%	N.A.	N.A.	Couple of months	25.0%	Not so busy, some inspections in a week	37.5%
	No	7.7%	No	0			6 months-1year	20.0%		
	N=26		N=24				2-5 years	30.0%	Busy, a few days in the week	8.3%
							5-10 years	20.0%		
							10 years and more	5.0%		
Furniture	Yes	23.1%	Yes	83.3%	Yes	80.0%	1-3 days	80.0%	Not so busy, 1-3 days	100%
	No	76.9%	No	16.7%	No	20.0%	Year	20.0%	days	
	N=26		N=6		N=5		N=5		N=5	
Water	Yes	30.8	Yes	100%			A week	12.5%	Not so busy, a couple of pc/visits	87.5%
	No	69.2	No	0			A few weeks	25.0%		
	N=26		N=8				Month	25.0%	pc/visits	N=8
							Few months	25.0%		
							Half year	12.5%	Not so busy, a couple of pc/visits	85.7%
							A few weeks	14.3%		
Electricity	Yes	26.9	Yes	100%			Month	28.6%	busy, a couple of pc/visits	
	No	73.1	No	0			Few months	28.6%		
	N=26		N=7				Half year	28.6%	N=7	

I have put the outcome on the question 'who is the decision maker considering Masons and constructor' in a separate table because it concerns three decisions. The first one is 'who decided to use Masons or a constructor', the second is 'who selected the Masons' and the third is 'who selected the constructor'.

Decision	Caretaker was decision maker		Caretaker was final decision maker	
Masons or constructor (N=26)	Yes	77.0%	Yes	61.6%
	No	23.0%	No	38.4%
Which Masons (N=23)	Yes	76.9%	Yes	73.1%
	No	23.1%	No	26.9%
Which constructor (N=3)	Yes	33.3%	Yes	33.3%
	No	66.6%	No	66.6%

It appears that the majority of the caretakers is not only involved in making decisions but is even the final decision maker regarding decisions on land choice, materials⁴¹, selection of skilled labour and furniture. Only half of the caretakers made decisions considering the building plan. When interviewing the caretakers, many caretakers mentioned that the migrant sent a building plan from abroad. When a specific phase was reached, the majority of the caretakers took care of this phase. However, there is one exception: only half of the caretakers took care of the building plan phase. This is because many migrants had sent a building plan from abroad. The majority of the respondents was quite busy to very busy during the foundation and construction phase. They went every time to the site for inspections and some of them were there all the time. 11.5% of the caretakers were so busy with the construction that they were not able to go to their work. Most caretakers saw themselves as constructors. When they went to the site their main job was to monitor everything and the reward they get for monitoring can be seen as a form of transaction costs. After all, monitor costs are a form of transaction costs (see section 2.3.1). However, most respondents were also responsible for employing the Masons and buying the materials. Their tasks could be compared with the tasks of a constructor. Furthermore, non-migrants face the same costs. They also have to buy materials, have to employ Masons and have to monitor them. As said in section 4.1 this study puts the emphasis on the differences in transaction costs. These results give no reason to believe that the monitor costs are different for migrants than they are for non-migrants.

5.3.1 Asset specificity

Asset specificity is positively correlated to the transaction costs. In section 2.4.2, four types of asset specificity were distinguished, namely human asset specificity, site specificity, dedicated asset specificity and physical asset specificity.

Site specificity has more to do with transactions between factories and their suppliers of semi-manufactured products and human asset specificity has more to do with transactions between factories and their customers. Therefore, these two are irrelevant for this case study and left out of consideration.

Human and dedicated asset specificity could be different for migrant houses than they are for non-migrant houses. When there is a difference this is caused because customers (migrants and non-migrants who are building a house) have different requirements. To find out whether this is the case I have asked the interviewees and respondents whether migrant houses differ from non-migrant houses.

⁴¹ The outcome on the question “who are the decision makers and who is the final decision makers considering materials” is represented in the table in row ‘phase foundation’.

According to almost all (92%)⁴² the respondents all migrant houses are recognisable because they differ from non migrant houses. 8% of the respondents deviated slightly from this opinion by saying that not all migrant houses are recognisable. The same respondents did not consider the house that they were building to be a migrant house.

Most interviewees said that when there is enough money, migrants build large houses with many decorations. Besides decorations, interviewees mentioned the following characteristics of migrant houses:

- A big fence surrounds the house
- There is a big garden
- The house has fewer rooms
- The house is more likely to be self-contained
- The house is built with high quality materials as steel and high quality paint
- Some migrant import small materials for the house
- Migrants attach more value to electricity and pipeline water

As can be made out table 15, the respondents confirmed most of these characteristics.

Table 15 What is the difference between local houses and migrant houses?
 (Outcome of the questionnaire among caretakers, N=26)

Difference	Pct of responses	Pct of cases
Migrants make use of higher quality materials	22.0	36.0
Migrant houses have many decorations	12.2	20.0
Migrant house have fewer rooms	2.4	4.0
Migrant house is more likely to be self-contained	2.4	4.0
Migrant houses are built in a different style	29.3	48.0
Migrant houses are quicker built than local houses	12.2	20.0
Migrant houses are more comfortable than local houses	4.9	8.0
Other	14.6	24.0

Moreover, 35% of the respondents consider the house that they are building to be better than most houses in Ashanti-Mampong, while 65% of the respondents consider the house to be quite similar than most houses in Ashanti-Mampong. My observations in the neighbourhoods New Road and Abrukutuaso gave me the impression that most migrant houses are better than houses of non-migrants in Ashanti-Mampong because they are larger, have more facilities and have more decorations. Most interviewees confirm this impression by saying that migrant houses are more beautiful than non-migrant houses.

⁴² One of them contradicts this later by saying that the house that he is building for a migrant is not recognisable as a migrant house.

Table 16 What is the difference between your house and a local house?
 (Outcome of the questionnaire among caretakers, N=26)

Difference	Pct of responses	Pct of cases
We use higher quality materials	23.7	39.1
Our house has a big fence around the house	2.6	4.3
Our house has many decorations	18.4	30.4
Our house has only a few bedrooms	2.6	4.3
Our house is more comfortable	15.8	26.1
Our house is self-contained	2.6	4.3
Our house has a different style	23.7	39.1
Other	10.5	17.4

To find out whether these different demands have consequences for the levels of dedicated asset specificity and human asset specificity, I asked the respondents whether they needed to hire specialised Masons (Mason who possess knowledge that is necessary to fulfil the requirements of the migrants) and used special materials, which required special equipment.

All the respondents answered these questions with a 'no'. Migrants make use of the same Masons as non-migrants do. Moreover they use materials that are available on the local market and that do not require special equipment.

Although this study demonstrates that there are differences between migrant and non-migrant houses, it does not find any evidence for a difference in human and dedicated asset specificity.

5.3.2 Frequency

According to most interviewees, an important share of the newly constructed houses in Ashanti-Mampong, is constructed by migrants. Most interviewees mention as reason for the great share that migrants have more money than local people and that they have a currency advantage. A consequence of this advantageous financial position is that migrant houses are quicker built than non-migrant houses. The study of Van Rooijen (2005) confirms that migrants finance a high share of houses. She found out that in the neighbourhoods New Road and Abrukutuaso approximately 9 out of 10 houses were financed by migrants. One of the interviewees estimated that 60% of the houses in Ashanti-Mampong, which are built after 1990, are built by migrants and that this share is higher in 'migrant-areas' as Abrukutuaso and New Road, where approximately 80% of the houses is financed by migrants.

Before 1990 almost no houses were built by migrants. According to the same interviewee, people started to migrate in the 1960s but these migrants did not build a house. The group who migrated in the late 1970s was the first group that put up houses in Ashanti-Mampong. The share of migrant houses has increased enormously over the last 5 years. The interviewee did not know how much it increased. Another interviewee confirmed the increase of migrant houses and mentioned the strong

American and European currency (in comparison to the cedi⁴³) as reason for this increase. One interviewee mentioned another reason for the increase of the share of migrant houses. According to this interviewee, it has become more difficult for non-migrants to build a house because the land-demand of migrants has led to an increase in land prices. However, the great share of migrant houses is contradicted by an interviewee who stated that most houses are built by local people. Based on my own observations, I have the impression that the first interviewee is right. In the neighbourhoods Abrukutuaso, New Road and Low Cost most houses (between 80 to 90%) are built by migrants, while in the older neighbourhoods (like Zongo and Adeemra) most houses seem to be built by locals. This impression is confirmed by an interviewee who stated that in Abrukutuaso, New Road and Low Cost most houses are built by migrants, while the share of migrant houses in other older areas is much lower.

Table 17 gives an impression of the number of houses built per year in Ashanti-Mampong and surrounding villages.

Table 17 Housing construction statistics⁴⁴

Year	Registrations	Building permits
1999	-	115
2000	-	107
2001	-	240
2002	216	160
2003	180	238
2004	246	240
2005 (until march)	33	48

Source: District Assembly (2005)

Although a couple of interviewees says that the frequency of migrant house has been increased and this is confirmed by my own observations in older and newer areas of Ashanti-Mampong, it is impossible to tell whether the transaction costs have been declined due to this increase.

5.3.3 Uncertainty

Many interviewees mentioned the difficulties of finding a trustworthy caretaker as greatest uncertainty for a migrant who is building a house. Almost all of the interviewees know examples of people who have been cheated by friends and or relatives. Examples are cases whereby the caretakers made pictures of a house from a different owner and pretended if it was the newly constructed house of the migrant for whom he was building a house.

⁴³ The Cedi is the Ghanaian currency.

⁴⁴ I got these figures just before the attack of the District Assembly by angry citizens (these citizens were angry because of due to the many electricity problems in Ashanti-Mampong some houses burnt down). As a consequence of this attack many statistics are lost and the District Assembly was not able anymore to explain these figures.

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

In order to reduce the uncertainty many interviewees advise migrants to ask the caretaker for photocopies of the paperwork and pictures of the construction progress. Table 18 presents the number of caretakers per phase who had (have) to make photocopies and pictures for the migrant. Moreover, it displays the share of caretakers who made (makes) phone calls with the migrant and sent (send) mail to the migrant to keep him informed. Furthermore, it presents the number of caretakers who were visited by the migrant himself.

Table 18 Phone calls, Migrant visits, Photocopies/Pictures and Sent mail (Outcome of the questionnaire among caretakers)								
	Phone calls		Migrant visited		Photocopies/pictures		Sent mail	
Obtaining the land (N=19)	Yes	84.3%	Yes	10.5%	Yes	36.8%	Yes	36.8%
	No	15.7%	No	89.5%	No	63.2%	No	63.2%
Paperwork (N=22)	Yes	77.3%	Yes	0	Yes	68.2%	Yes	68.2%
	No	22.7%	No	100%	No	31.8%	No	31.8%
Building-plan (N=13)	Yes	92.2%	Yes	0	Yes	84.6%	Yes	84.6%
	No	7.8%	No	100%	No	13.4%	No	13.4%
Selection Constr/ Masons (N=22)	Yes	86.4%	Yes	0	Yes	0	Yes	4.5%
	No	13.6%	No	100%	No	100%	No	95.5%
Foundation (N=23)	Yes	100%	Yes	0	Yes	69.5%	Yes	69.5%
	No	0	No	100%	No	30.5%	No	30.5%
Construct. (N=24)	Yes	100%	Yes	50.0%	Yes	54.2%	Yes	54.2%
	No	0	No	50.0%	No	45.8%	No	45.8%
Furniture (N=5)	Yes	100%	Yes	0	Yes	80.2%	Yes	80.2%
	No	0	No	100%	No	19.8%	No	19.8%
Water (N=8)	Yes	87.7%	Yes	0	Yes	50.0%	Yes	50.0%
	No	12.3%	No	100%	No	50.0%	No	50.0%
Electricity (N=7)	Yes	71.4%	Yes	0	Yes	42.8%	Yes	42.8%
	No	28.6%	No	100%	No	57.2%	No	57.2%

Table 18 shows that most migrants communicate with their caretakers during all phases. It appears that especially during the foundation and construction phase pictures are made, which have to prove that the caretaker is doing a good job⁴⁵. Furthermore, during these phases all the caretakers make phone calls with the migrant. Moreover, it appears that the migrant only visits during the 'obtaining of the land phase' and the construction phase. The visits⁴⁶ during the obtaining of the land phase had as purpose to chose a nice plot, while the visits during the construction phase had as aim to check whether things were going right.

Probably because there is a high risk that the caretaker is untrustworthy, many migrants ask a third person to check whether the caretaker is doing his work properly. More than half (57.7%) of the respondents said that their work was checked by a third person, more than a third (34.6%) did not know if their work was checked and 7.7% was sure that their work was not checked by a third person⁴⁷. When their work is checked by a third person, a third of the caretakers does not know by

⁴⁵ Only one of the respondents denied that she made pictures for proving that she is doing a good job. She made these pictures to show her husband how beautiful the house was going to look like.

⁴⁶ Both visits during the 'obtaining of the land phase' and 'construction phase were combined with holiday. Only one of the respondents told that the migrant's purpose of visit was solely to check whether things were going right.

⁴⁷ See table 25 in appendix 5 for the outcome on this question.

whom it is checked because knowing this would endanger the objectivity of the third person. More than one quarter of the caretakers who are checked by a third person know that they are checked by a family member of the migrant⁴⁸, 6.7% by the wife of the migrant and 13.3% by a friend of the migrant. Two interviewees mentioned another solution for the problem of finding a trustworthy caretaker, namely to hire a contractor. According to them, hiring a contractor has as advantage that it is possible to make up a legally bounded contract, which reduces uncertainty.

Two interviewees mentioned another cause of uncertainty, namely the risk that a piece of land is sold to multiple people. When this is the case, the buyer can go to court but according to the same interviewee, the court does not work properly and is often unfair. Moreover, in order to win a land case, the case has to be brought to court before the start of the construction, because most times the one who started building first wins the case. Furthermore, another interviewee said that land cases could take a lot of time. According to the two interviewees, a migrant has more risk that he/she is too late in finding out that someone else has started building a house on his plot, because he/she lives far away and cannot monitor his/her plot all the time. However, this is contradicted by another interviewee who said that migrants have less risk that their land is sold to other people as well. According to this interviewee, migrants have more money and can therefore build quicker and when they have put up a building on their plot there is no risk anymore that the land will be sold to other people. Unfortunately I did not get access to land cases, to find out who is right.

Another form of uncertainty is caused by a lack of financial means of migrants. 70% of the caretakers who reached the construction phase were not able to build continuously⁴⁹. 93% of them mentioned as reason for the forced construction-breaks a lack of financial means⁵⁰. A few of them mentioned as reason for the forced breaks that the previous caretaker did a lousy job. The finding that instable financial streams are an issue is confirmed by the answer on the question how often money is sent for the construction⁵¹. 70% of the respondents answered irregularly, meaning that the migrant sends money when he/she has got some money. Only 30% received money according to a fixed timetable. Moreover, all interviewees mention lack of finances as main reason for the many unfinished houses. But according to most interviewees, unfinished houses are more likely to be from non-migrants than from migrants, because migrants have in general more money and a currency advantage. Uncertainty in financial means seems to play a greater role for non-migrants than for migrants.

This section determined that uncertainty plays a great role and has different causes for migrants than it has for non-migrants. Migrants have to deal with more uncertainty because they are

⁴⁸ Family members are sister (6.7%), mother (6.7%) and brother (13.3%).

⁴⁹ See table 22 in appendix 5 for the outcome on this question.

⁵⁰ See table 23 in appendix 5 for the outcome on this question.

⁵¹ See table 24 in appendix 5 for the outcome on this question.

dependent on a caretaker because they are too far away from the process to monitor it by themselves. However, according to most interviewees they are dealing with less financial uncertainty because they have more money and a currency advantage. This is confirmed by 20% of the respondents (see table 14) who mentioned as difference between migrant houses and non-migrant houses that the first are built quicker than the latter.

5.4 Trust

It is already said in the section on uncertainty, one of the most mentioned challenges for migrants is finding a trustworthy person. As can be read from table 19, trust is also the main reason why caretakers were asked to take care of the whole process.

Reason	Pct of responses	Pct of cases
The migrant believes in me	31.6	46.2
The migrant trusts me	50.0	73.1
I have got experience in building houses	5.3	7.7
I am his/her brother	7.9	11.5
I am the only boy left in the family	2.6	3.8
I am the spouse of the migrant	2.6	3.8

Almost three quarter of the respondents said that they were asked to take care of everything because the migrant trusted them. The other answers of the respondents on the question 'why has the migrant asked you to take care of the whole process' have also a lot to do with trust. However, it seems that the respondents mention different types of trust (see section 2.5.2 for a typology of trust). In order to determine which type of trust is valid in this case, I have asked the respondents 'why does the migrant trust you?'. The answers are presented in table 19. It appears that more than three quarter of the respondents mentioned as reason that he/she is a family member and that family members just trust each other. This kind of trust is a type of collective trust. As discussed in section 2.5.2 collective trust is trust based on the behaviour of a group (in this case the family). It can also be described as affect-based trust (trust that is based on personal ties with family and friends). The same seems to be valid for the people who are trusted because they are friends. However, it could be that the friendship between two persons is based on initial knowledge about the behaviour of each other. In this case we speak of personal trust. When people are trusted because they have built a house before or because they have the capacities to build a house we speak of rule-based trust, because the trust is based on more things than family or friendship ties only.

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

Table 20 Why does the migrant trust you? (Outcome of the questionnaire among caretakers, N=26)		
Reason	Pct of responses	Pct of cases
I built a house before, so I know what I am doing	23.8	38.5
The migrant believes that I have the capacities to build a house	14.3	23.1
I am a family member and you just trust your family	45.2	76.9
I am a friend and you just trust friends	14.3	23.1
I am the spouse and you just trust your spouse	2.4	3.8

Besides a lack of trust in the caretaker, a couple of interviewees mention the lack of trust in Masons as another problem. According to these interviewees Masons do not work, unless you are there to watch them. This is confirmed by the respondents who are almost all the time at the construction site (15.4% of all the respondents) and by the respondents who are going every day to the site to inspect (42.3% of all the respondents) whether things are going right.

The problems in Ashanti-Mampong have a lot to do with the principal-agent problem, the problem of information asymmetry and the prisoner's dilemma.

The principal-agent problem is the problem of motivating the Masons (agents) in such a way that they do a proper job. The caretaker (principal and agent) has a double-role in this situation: he has to motivate the Masons but he also has to be motivated by the migrant (who is in this case the principal) to do his job properly.

Furthermore, we can speak of a one-sided prisoner's dilemma. The migrant is dependent on the caretaker and will cooperate with him, but the caretaker has an incentive to double-cross. He can tell the migrant that he is building a house but instead he can use the migrant's money for other purposes.

And at last, there is the problem of information asymmetry. The caretaker has more information than the migrant and can misuse this advantage. An example is a story told by one of the respondents: the previous caretaker of his sister (the migrant) misused his information advantage. He knew that the prices of some materials were declined but he did not tell it to the migrant and asked the same prices as before the price-decline. After a year the migrant found out about the price-decline and felt betrayed. She 'fired' her caretaker and asked her brother to take care of everything.

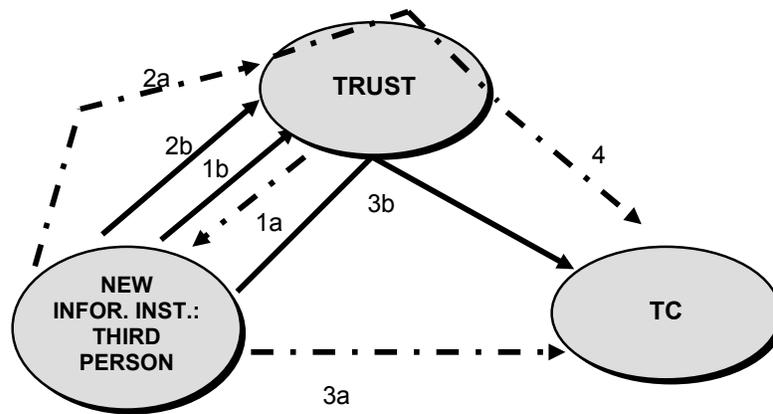
The presence of all the three problems shows that trust matter a lot for migrants who are building a house in Ashanti-Mampong.

5.5 Informal Institutions, Transaction Costs and Trust

The literature study on the relations between informal institutions, transaction costs and trust showed that the three issues are related to each other, but that there are still many questions about the direction of the relations and the working of the relationships.

As already said in the chapter 1 this case study has an explorative character and is not an empirical study on the relations between the three issues. There are not enough results to statistically prove that the issues are related to each other and that one issue determines another issue. However, this case study shows how trust, transaction costs and informal institutions are related to each other for the case of housing construction by migrants. By doing this, this study provides useful new knowledge about the relations between these three issues. Moreover, this study gives reason to believe that trust can function as the link that connects all three issues with each other. The relations are presented by figure 5 and will be explained by the example that a new institution is created by a lack of trust. This new institution is a third person that is asked to check the work of the caretaker.

Figure 5 The relations between trust, informal institutions and transaction costs



Trust is on top of the figure, because the results of both the interviews and the questionnaire showed out that trust (or actually a lack of trust) is a very important issue in Ashanti-Mampong. Unfortunately, there is not enough data to make a distinction into different types of trust and to determine if the relations with institutions and transaction costs differ for the different types of trust. This section will therefore discuss trust as if it is homogenous.

The decision to ask a third person to check the work of the caretaker (creation of a new informal institution) is one of the consequences of a lack of trust. Arrow 1a represents the decision to include a third person in the process because the migrant has not enough trust in the caretaker. When the

third person checks the caretaker and discovers that the caretaker is doing a good job and informs the migrant about this good job, trust is created. This is illustrated by a quote of one of the respondents: *"I said to my brother that he had to ask a third person to check my work, so that he could hear that I am a hardworking person who he can trust."* The creation of trust by the third person is represented by arrow 1b.

However, it is also possible that the third person finds out that the caretaker is doing a lousy job. This can have two consequences, which are represented by arrows 2a and 2b. These relations are explained by a story of a respondent who told me that his sister had asked her oldest brother to take care of everything. He (the respondent, who can be seen as third person) found out that his oldest brother used the money that was meant for the construction activities for his own purposes. He called his sister to inform her about the bad job of his oldest brother. His sister lost all her trust in her oldest brother (this is represented by 2a) but she appreciated that her younger brother informed her and she trusted him more than before (this is represented by 2b) and asked him to take over the job.

The involvement of the third person has consequences for the transaction costs. The transaction costs rise as a consequence of the phone calls that the migrant makes with the third person. Furthermore, it is possible that the migrant has to give a reward to the third person. This increase in transaction costs is represented by arrow 3a. But in case the third person finds out that the caretaker is doing a good job, the transaction costs could decline. This is explained by an example mentioned by one of the respondents. This respondent was building a house for his brother (migrant). His brother (migrant) asked a third person to check whether his brother (respondent) was really doing a good job. He heard only positive stories and he called his brother (respondent) that his trust in him was increased and that it was not necessary to make pictures and photocopies because he trusted him. The transaction costs declined, because the uncertainty reduced and because no pictures and photocopies had to be made anymore (this is represented by arrow 3b).

The last relation, which is represented by arrow 4, is a consequence of the relation represented by arrow 2a. When a third person finds out that the caretaker has cheated the migrant and informs the migrant of the caretaker's cheating behaviour, the migrant loses his trust in the caretaker and the uncertainty will increase and as a consequence the transaction costs will increase. This can be illustrated by the following example told by a respondent: his sister heard from a third person that her caretaker was cheating her. She lost her trust in her caretaker and decided to go to Ashanti-Mampong to check the situation by herself. The costs of the flight and the time she lost for this inspection can be seen as a form of monitor costs, which are a form of transaction costs.

Concluding, we can say that this study showed how trust, transaction costs and institutions are related to each other.

As already said in the introduction, the case study paid more attention to informal institutions than to formal institutions. However, this does not mean that there are no relations between the (semi-)formal⁵² institutions, trust and transaction costs. More research is necessary to find out whether there are relations between these three issues.

5.6 Summary and discussion

In this section I return to the research questions, which were formulated as follows:

- What are the causes for the transaction costs that are faced by migrants who are still living abroad and who are building a house in their hometown?
- How are transaction costs, informal institutions and trust related to each other for the specific case of housing construction by migrants in their hometown?

In order to answer this question, I will first briefly discuss the most important outcome on all the three issues.

Transaction costs

As already said I have not measured the transaction costs directly, but I have studied the causes of the transaction costs by means of the three dimensions: asset specificity, frequency and uncertainty. The outcome on asset specificity gives no reason to believe that migrant houses have a different level of asset specificity than non-migrant houses. Although the frequency of housing construction activities by migrants has increased over the last years, it is impossible to tell whether this had a decline of the transaction costs as consequence. A historical analysis should be conducted to determine whether the transaction costs have been declined by the increased frequency. Uncertainty appears to be the most important dimension for migrants who are building a house in Ashanti-Mampong. This is also the dimension that causes the differences in transaction costs between migrants and non-migrants. Migrants are faced by more uncertainty than non-migrants, because they are further away of the process and have to ask a caretaker to do everything for them. It appears to be very difficult to find a trustworthy caretaker. This means that the migrant is faced by more uncertainty (he has to question himself: is my caretaker trustworthy?). A consequence of this form of uncertainty is that the migrant has to monitor the caretaker. The costs that he makes to monitor the caretaker are monitor costs and are a form of transaction costs. Other uncertainties are the risk that a piece of land is sold to multiple owners. Although migrants are faced by more uncertainty because they are further away and seem to be more likely to get involved in a land case, they face less uncertainty when it comes to financial means. Most interviewees and respondents agree that migrants are less likely to get in financial troubles than non-migrants,

⁵² I consider traditional law and the chief as semi-formal institutions (see table 10).

because they have more money and a currency advantage. Concluding, we can say that most important differences in transaction costs between migrants and non-migrants are caused by differences in uncertainty.

Institutions

Several institutions appear to be important for migrants who are building a house in Ashanti-Mampong. Two types of informal institutions are even created by the building activities of migrants: the caretakers and the third persons. It seems that there is a reciprocal relation between informal institutions and housing construction activities. The cultural and social norms and habits concerning houses (which can be seen as a type of informal institution) motivate the housing construction activities by migrants, while the third person and caretaker are created by the housing construction activities. The formal institutions (district assembly and high court) do not seem to be more or less important for migrants as they are for non-migrants. However, if these institutions work ineffectively, this might have greater consequences for migrants than for non-migrants. A number of interviewees have mentioned the risk on multiple sale for migrants. The district assembly and high court have as main task to protect private property and preventing multiple sale is therefore one of their tasks. This case study provides no evidence that the semi-formal institutions (traditional law and chief) work differently for migrants than for non-migrants.

Especially the informal institutions appear to be important for migrants who are building a house in Ashanti-Mampong. The caretaker is mentioned as (very) important institution for the migrants. Most interviewees consider the third person as a quite important institution. There is a dispute among the interviewees about the importance of (semi-)formal institutions (chief, District Assembly and High Court). Concluding we can say, that the housing construction activities of migrants have created two new types of institutions: caretakers and third persons and that especially the first ones are of great importance. Furthermore, we can say that this study provides no evidence that the (semi-)formal institutions work differently for migrants than for non-migrants.

Trust

Trust appears to be a very important issue for migrants who are building a house in Ashanti-Mampong. All the trust problems that were discussed in section 2.5.3 are relevant for the situation in Ashanti-Mampong. The main reason for the presence of these trust problems is that the migrant is too far away to take care of the whole process by himself. He has to ask somebody else to do this for him. The selection of the so-called caretaker is in many cases based on affect-based trust ('My brother trusts me because we are relatives') and less on rule-based trust ('He asked me because I have the skills and the experience'). Concluding we can say that a lack of trust plays a great role in Ashanti-Mampong and that this lack of trust causes a lot of uncertainty.

Relations between these three issues

As already extensively discussed in the previous section, the outcome of this study provides more reason to believe that the three issues are related to each other. However we cannot discuss the three issues as if they are homogeneous. The example of the involvement of the third person in the previous section shows that a third person can get involved because there is no trust in the caretaker. When the caretaker was asked because the migrant and the caretaker are relatives to each other, we deal with affect-based trust. The third person can either increase or decrease the affect-based trust in the caretaker. There is not enough data to tell how the three issues are exactly related. However, this study shows that the issues are related to each other and that both trust and institutions cannot be treated as homogeneous groups.

Before concluding this thesis, I have to discuss some more limitations (besides the ones, already mentioned in section 4.5):

- The group of caretakers is treated as if it is a homogeneous group. However, there is reason to believe that this group is heterogeneous and that different types of caretakers can be distinguished. A possible distinction could be in caretakers who work with Masons and caretakers who work with a contractor. The sample is too small to determine whether the group of caretakers is a heterogeneous group and whether it is possible to distinguish different types of caretakers.
- Trust is considered as the link that connects the three issues with each other. However, for a good understanding of the working of trust, more questions should have been included on trust. Moreover, more questions should have been included to determine if different types of trust can be distinguished and how these different types work.
- More questions should have been included to determine how institutions, transaction costs and trust have changed over time. The outcome suggests that the issues are related to each other and as a consequence influence each other, but there is not enough data to determine whether trends over time have influenced these relations.
- A network analysis is missing which could have provided new insights in the issues of trust and institutions.
- No access to legal documents could have influenced the reliability of the conclusions regarding the working of the (semi-)formal institutions.
- One group of transaction costs is left out of consideration. The costs of transferring money from abroad to Ghana can be seen as a type of transaction costs and should have been included in this case study.

6. CONCLUSIONS AND RECOMMENDATIONS

This final chapter will present the final conclusions and recommendations for further research, policy-related recommendations and recommendations for solving the trust problems in Ashanti-Mampong.

6.1 Conclusions

The principle objective of this thesis was to provide more insight into informal institutions, trust and transaction costs and the relations between these three issues. The enormous amount of economic literature on these three issues illustrates that the three are being recognised as issues that matter for economic development.

The literature study showed that institutions matter because among other things, they form the constraints that structure economic interaction. The case study in Ashanti-Mampong confirmed this; especially informal institutions appeared to have great influence on economic interactions because they perform different roles: a type of institution (cultural and social norms and habits concerning houses) influences or even initiates the housing construction activities; a type of institution (caretaker) is necessary to carry out these activities and a type of institution (third person) has a job to increase/decrease trust by finding out if the other type of informal institution (caretaker) is doing a good job.

The literature study showed that the inclusion of transactions costs in economic analyses is necessary for understanding the behaviour of individuals. Furthermore, it appeared that three dimensions can be distinguished: asset specificity, frequency and uncertainty. The case study in Ashanti-Mampong determined that especially uncertainty matters for migrants who are building a house in Ashanti-Mampong. Uncertainty is the source on which most differences in transactions costs between migrants and non-migrants are based.

The importance of trust is illustrated by the discussion of principal-agent problem, prisoner's dilemma and the problem of information asymmetry. The literature framework described trust by means of expectations and obligations and distinguished different types of trust. The case study did not succeed in determining whether trust can be distinguished into trust based on expectations and trust based on obligations because of a lack of data. However, it determined that there are different reasons for people to trust each other and that both affect-based and reputation-based trust are present in Ashanti-Mampong. Furthermore, it found out that the issue of trust (or maybe better: the issue of a lack of trust) is of great importance in Ashanti-Mampong.

Different scholars have demonstrated that all the three issues are related to each other. However, there is still a lot unknown about the working of these relationships and the direction of these relationships.

Most literature on the relations between institutions and trust treats trust as if it is given and can only be encouraged. However, this case study found out that it is also possible that not trust but a lack of trust is the issue that matters. The case study found out that institutions are created by a lack of trust and that these institutions can either lower or raise trust.

Most literature on the relationship between trust and transaction costs is focused on the following relation: lowering transaction costs by encouraging trust. The outcome of the case study confirmed this relation.

Most literature on the relationship between institutions and transaction costs is focused on the formation of institutions that can lower transaction costs. This case study found out that institutions can lower transaction costs, but only if they encourage trust first. Trust functions as the link that connects institutions with transaction costs.

6.2 Recommendations

6.2.1 Recommendations for scientific research

As already said in chapter 1 this case study has an explorative character. Although the case study shows that transaction costs, trust and informal institutions matter and provides more insight into to relations between these three issues, an empirical study is necessary for quantifying these relations.

Furthermore, this case study found out that trust functions as a link between transaction costs and institutions. More research is necessary to determine whether this is only the case in Ashanti-Mampong or that this is valid for other situations as well. Furthermore, the outcome of this study indicates that there are different types of trust. More research is necessary to determine if these different types of trust have influence on the relations between trust, informal institutions and transaction costs.

This study found out that migrants face a different type of uncertainty than non-migrants because they are far away from the construction process and have to ask somebody else to take care of the process. Because migrants are confronted with a different type of uncertainty they are also confronted with different type of transaction costs. More research on the determinants and measurement of transaction costs is necessary.

Informal institutions, trust and transaction costs are not static and they may change over time. A historical analysis is recommended to find out how trends influence these three issues.

6.2.2 Recommendations on policy level

This case study is too limited to provide well-founded policy recommendations. However, I am able to give some recommendations for further research that is necessary for policies considering migration and remittances, institutional reform and the housing problem:

- Although housing investments by migrants could contribute to the solution of the housing problem, it should be noted that housing investments by migrants could also have negative effects. When land and material prices increase as a consequence of the housing investments by migrants and it becomes impossible for locals to build a house, one should question whether the Ghanaian government should promote housing investments by migrants. An extensive analysis on the advantages and disadvantages of housing investment by migrants is necessary to find out whether this is the case.
- Migrants do not only invest in houses, they also invest in businesses, local development projects and other projects. This research determined the challenges that are faced by migrants when they are investing in houses. Another study on challenges is carried out by Sofia Casini (2005). She studied the challenges that migrants face when they are starting businesses in Accra. More research is necessary to find out whether the challenges that are identified by this study and the study of Casini are valid for whole Ghana and if migrants who undertake other investments face different challenges. Policies that have as aim to promote investments by migrants should address the problems that migrants face and try to solve these problems.
- Institutional reform policies have to include informal institutions. The Ghana housing sector (in Ashanti-Mampong) is characterised by a great level of informality. Important issues as market access are determined by access to informal institutions (a migrant has to find a caretaker, otherwise he is unable to build a house). When politicians have as aim to facilitate market access, they cannot reach this goal by institutional reform policies that only consider formal institutions. When particular groups of migrants have no access to informal institutions that are important for the access to the housing market (an example of such an institution is a caretaker) it is worth to find out if formal institutions can help these groups to get access to the market.
- Besides attention to informal institutions, politicians should pay attention to the working of formal institutions. The outcome of the case study gave reason to believe that the relevant institutions (district assembly and high court) are not always working effectively. Solutions should be sought to make these policies more effective. Communication between all the stakeholders during the formation and implementation of institutional reform policies is very important. This is important for adapting the policies to the various demands of the stakeholders and to avoid problems of information asymmetry.

6.2.3 Recommendations for solving the trust problems

The principal-agent problem was the most mentioned problem by the interviewees. The literature study provided some solutions for this problem, which all influenced the behaviour of the agents and/or the mutual obligations between the principal and the agent.

Partly based on the literature study and partly based on the outcome of the interviews and questionnaire I suggest the following solutions for the problem of finding a trustworthy caretaker:

- Provide incentives: the migrant can reward the caretaker for every finished phase and in this way motivate the caretaker to finish this phase. Extra rewards can be included for finishing a phase within the period of time that was determined for this phase in advance.
- Write a contract, which includes at least the following items: the jobs of the caretaker, the money the caretaker gets for carrying out his jobs and the time the caretaker gets for finishing every job. Although it is difficult (read: impossible) to monitor and enforce contracts I think it is very useful to write a contract because it is a way to avoid misunderstandings. If everything is written on paper and signed by both the migrant and caretaker it is not possible anymore to use the excuse of misunderstanding the agreement.
- Make use of your migrant network: ask other migrants about their experiences with caretakers and base the selection of your caretaker on this information.
- The creation of trust between two people asks effort of both people: it is not only a case of trusting the caretaker, it is also important that the caretaker can trust the migrant. When the migrant has promised to give rewards for every completed phase he/she has to give these rewards on time, otherwise the trust between the two can be damaged.

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APPENDICES

Appendix 1 An overview of the definitions of trust

Table 21 An overview of the definitions of trust

*"a belief that the other agents would act in a **predictable** way and fulfil their **obligations** without special sanctions"* (Coleman in Radaev, 2002, pg. 2)

*"it is a particular level of the subjective **probability** with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action"* (Gambetta, 2000,pg. 217)

*"Faith requires no evidence; trust is an **expectation** based on inconclusive evidence, is tolerant of uncertainty or risk; confidence is a strong conviction based on substantial evidence or logical deduction."* (Hart, 2000, pg. 185)

*"as a set of **expectations** held by one party that another party or parties will behave in an appropriate manner with regard to a specific issue."* (Farrel and Knight, 2003, pg. 8)

Two levels of trust can be distinguished (Radaev, 2002):

Level I: this level is reached by **predicting** the behaviour of other actors

Level II: this level is reached through mutual **obligations** between market actors to follow accepted conventions.

Appendix 2 List of questions for the interviews

This questionnaire is used as a checklist for a semi-structured interview. It will be adapted to the type of key respondent (chief, return migrant, relative, land commission, etc.) All these questions consider the situation in Ashanti-Mampong.

TRENDS

Migration

1. How important is migration in Ashanti-Mampong? (in terms of share of inhabitants who have emigrated)
2. Which phases and periods of migration can be distinguished?

Time line to map out trends (Who were the migrants?, when have they migrated?, to which countries have inhabitants migrated?, the share of inhabitants who have emigrated?)

Housing construction in general (STATS?)

3. When looking to the last year (2004), on how many plots have people started building a house?
4. When looking to the different phases: has the number of plots (per year) where people have started to build a house been increased?

Housing construction by migrants

5. What is the share of houses owned by migrants / financed by migrants?
6. When looking to the different phases: are there main changes in housing construction by migrants over time?
7. If yes, what are the reasons for these changes?
 - a. More migrants?
 - b. Migrants earn more money?
 - c. Easier for migrants to build a house? Why?
 - i. Lower costs? If yes, which costs have been declined and why have they been declined?
 1. New institutions have been formed which lower the transaction costs
 2. Better access to existing institutions
 3. Lower communication costs (internet/mobile phones)
 -

HOUSING CHARACTERISTICS

Houses in general

8. What are the main reasons for building a house in Ashanti-Mampong? (role of funerals in house building)
9. Can different types of houses be distinguished? If yes, how do these houses differ from each other?
10. When it is possible to distinguish different types of houses (question 9): is it possible to name for each type of house a type of owner?

Type of house Type of Owner	Compound House	Nuclear Family House
Someone who has lived all his/her life in Ashanti-Mampong						
Migrant						
Relatives of migrant						
.....						
.....						

11. Is the amount of time needed to build a house related to the type of house? If yes: how are these related?
12. What are the different types of costs involved? Are certain costs associated with certain types of houses?

Migrant houses

13. When is a house considered as a migrant house?
14. What are the main reasons for building a house in Ashanti-Mampong? (role of funerals in house building)
15. Is it possible to recognise a migrant house? Do migrant houses need to satisfy different demands? If yes, which demands?
16. Are there different types of migrant houses? (houses for the family of migrants, houses for the return migrants, ..)

THE HOUSING CONSTRUCTION PROCESS

Laws and property rights

17. Which laws are important for building a house in Ashanti-Mampong? Specify (distinction into modern and traditional law)
18. How are the property rights organised? (From how many chiefs can someone purchase land?)

Construction process in general

19. Are houses built in phases? Which phases can be distinguished?
20. How much time does it take to build a house?
21. What does the whole process of building a house entail? Different phases will be distinguished. Each phase will be discussed in detail in order to understand the transaction costs.

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

Possible Phases	Possible Important issues	Who is involved and which role do they play?	What resources are needed => Possible Transaction costs (three dimensions: uncertainty, asset specificity and frequency)	Indication of the average time needed for the completion of a phase
Choice of the land	Building permit	Relatives and friends Customs Chiefs Land commission Real estate developers	Information costs (when there is high uncertainty, these costs will be probably higher) Costs for gaining access to the institutions	
Obtaining land	Property rights? How are these been regulated (if they are)? Traditional vs. modern law Financial means	Relatives and friends Customs Chiefs Land commission Real estate developers	Information costs Bargaining costs Costs for gaining access to the institutions	
Registration of the land		Relatives and friends Chiefs Land registry office	Costs for gaining access to the institutions	
Selection of contractors / suppliers	Specific demands Financial means	Relatives and friends Customs Chiefs Construction companies / suppliers	Information costs Bargaining costs Costs for gaining access to the institutions	
Construction		Relatives and friends Customs Chiefs Construction companies / suppliers	Information costs Bargaining costs Costs for gaining access to the institutions	
Registration of the houses	Property rights of the house? Does the house belong to the owner or to the family or to the whole community or other..? What happens when the owner dies? Traditional vs. modern law		Costs for gaining access to the institutions	
.....				

Building process for migrants

22. Is the building process different for migrants? If yes, what are the differences? These differences will be discussed in detail in order to determine the differences between tc for migrants and tc for non-migrants.
- a. Differences in uncertainty? Do migrants have to deal with more uncertainty when they are building a house? If yes, why?
 - i. Is it harder for migrants to know who the owner is of a piece of land? => Differences in information costs?
 - ii. Have migrants more risk that if they buy a piece of land it will be sold to other people as well?
 - iii.
 - b. Differences in asset specificity (related to question 17)
 - i. Do migrant houses need to satisfy other demands?
 - ii. Do migrants have to deal with different suppliers and construction companies because of their specific demands?
 - iii. ...
 - c. Differences in communication costs?
 - d. Differences in information costs?
 - e. Differences in bargaining costs?
 - f. ...
23. For (return) migrant / (non) migrant who is building a house: What does the whole process of building your house entail? Make use of the scheme of question 21
24. Is the amount of time related to type of owner? Do migrant houses need more/less time? (influence on uncertainty => transaction costs) If yes, are the building phases for migrant houses different? How is the amount of time related to the type of owner?

UNFINISHED HOUSES

25. What is the reason for the unfinished houses?
26. What could speed up the whole process? (Are unfinished houses finished for funerals?)
27. When is an unfinished house considered as a failure?
28. Who are the owners of these unfinished houses?
29. Are migrants more likely to be an owner of an unfinished house? If yes: why? Or are they less likely to the owner of an unfinished house? If yes, why?
30. Are migrants more likely to fail in their attempt to build a house? (influence on uncertainty). If yes, why? Or are migrants less likely to fail in their attempt to build a house? If yes, why?

SOCIO-DEMOGRAPHICS

31. Sex
32. Age
33. How long have you been living/working in Ashanti-Mampong?
34. What is your relation to the migrant?
35. For (return) migrant: in which year have you built your house? And how long on migration?
36. For people working at relevant organisations: what is your function? In which year have you started with this function?

Appendix 3 Questionnaire housing construction: the role of the friend / relative
 (Partly based on the questionnaire of Van Rooijen (2005))

Date _____ Plot _____ Block _____ Area _____

Characteristics of the caretaker and migrant

1. What is your?

Name	Age	Gender	Years of education	Profession	Income (per month, in cedis)

2. For who are you building this house?

Name Migrant	Age	Gender	Duration of migration	Location of migrant	Relationship to the respondent
1.					
2.					
3.					

3. What is the reason that the migrant asked you to take care of the construction process? (If trust, why?)

4. Was (is) this the first time you had to take care of the construction process?

- Yes
- No, I had already built a house for myself
- No, I had already built houses for other people => number of houses you had built before you started with the construction of this house _____. And how many of these house were financed by migrants? _____

Characteristics of migrant houses

5. Is it possible for you to recognise a house that is financed by migrants?

- Yes, most of them are easily recognisable
- Yes / no, only some of them are easily recognisable
- No, I cannot see a difference between local houses and migrant houses => continue with question

6. How does a migrant house differ from a local house?

- Migrants use materials that are from a lower / higher quality
- Migrants use materials that are not available on the local market
- Migrants build a big fence around the house
- Migrants decorated the house in another way, specify _____
- Migrant houses are bigger/smaller than local houses (encircle the right answer)
- Migrant houses have less/more rooms than houses built by local people (encircle the right answer)
- In general, migrants are more likely to build a self-contained house
- Other differences, _____

Characteristics of the house

7. What are the reasons for building this house?
- Respect
 - Shelter for the nuclear family of the migrant
 - Shelter for the extended family of the migrant
 - Security, specify _____
 - Funeral
 - Business opportunities
 - Other, specify _____
- 7.1 When more answers are given, which one is the most important reason?

8. Who owns the house?
- The migrant, in case of multiple migrants: which migrant? _____
 - Somebody else => What is his / her relation to the migrant? _____
9. From who came the initiative to build this house?
- The migrant who is also financing the house
 - Somebody else => What is his / her relation to the migrant? _____
10. Which type of house have you built (are you building)?
- Boys quarter
 - Compound house
 - Self-contained
 - Storey building
 - Other, _____
11. For how many persons is this house built (will be built)? _____ How many rooms? _____
12. Do you think this house is (will be)
- better than most houses in Ashanti-Mampong
 - quite similar with most houses in Ashanti-Mampong
 - worse than most houses in Ashanti-Mampong
13. Can the house that you have built / are building be considered as a typical migrant house (only when question 5 is answered with "yes".?)
- No
 - Yes
14. How does this house differ from the houses built by local people?
- We use (will use) materials that are from a lower / higher quality
 - We use (will use) materials that are not available on the local market
 - We have built (will build) a big fence around the house
 - We have decorated (will have) the house on another way, specify _____
 - The house is (will be) bigger/smaller than houses built by local people (encircle the right answer)
 - This house has (will have) less/more rooms than houses built by local people (encircle the right answer)
 - Other differences, _____
- _____

The building process

15. Have you made up a contract with the migrant?
 Yes
 No => go to question
16. What is written in this contract?
 A timetable for the construction process
 My working hours
 The amount of money I got (will get) for building the house
 Other, specify _____

17. When started the house construction? _____
18. Is this house completed?
 Yes
 No
19. When do you expect that this building will be completed?
 _____ (year)
 never
 No expectation at all => continue with question
20. Has your expectation about the date of completion been changed during the construction process?
 No, when the construction started I had the same expectation about the date of completion as I have now => continue with question
 I thought the construction would go faster => continue with question
 I thought the construction would go slower => continue with question
21. (When the respondent answered "never" on question 19) Why will the house never be finished? What do you think is the reason for the delay of the construction?
 Lack of housing materials
 Lack of financial sources
 Change of ownership because the previous owner died
 Misunderstandings between you and the migrant
 First the construction was done by someone else, but that did not go very well => Why?

 Dispute, specify _____
 Other, specify _____
----- continue with question -----
22. Why is the process going faster than you had expected at the start of the construction?
 The time period needed to get all the necessary documents was shorter than I had expected
 There was more money available than I had expected
 The workers worked harder than I had expected
 Other, specify _____
23. When have you become involved in the construction process?
 From the start of the whole process
 After the land was bought
 After all the paperwork was done
 During the construction of the house, specify _____
24. Who has taken care of everything before you got involved?
 The migrant (in case of multiple migrants, which migrant? _____)

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

Somebody else => What is his / her relation to the migrant? _____

25. Has the migrant come back for the housing construction?

Yes, how many times and when? _____

No

26. Please indicate who had influence on the following decisions about building the house, and who is/was the final decision maker?

Decision maker	Migrant (in case of multiple migrants, which one?)	Respondent	Somebody else, namely _____ (please specify his/her relation with the migrant)	Final decision maker
Kind of decision				
Location				
Building plan: size of the house and type of the house				
Materials used				
Choice between skilled labour and construction company				
Choice of skilled labour				
Choice of construction company				
Furniture inside the house				
Ornaments, specify _____				

27. Please indicate how much time you needed to take care of the following activities and how you communicated about these activities with the migrant? Can you explain every activity? (who is involved, which resources are needed (different resources because of different requirements migrant?))

Phases and explanation	Obstacles?	When	Time (hours per day/week)	Communication
Obtaining of the land				<input type="checkbox"/> By phone, _____ times <input type="checkbox"/> By mail (sending of photographs / photocopies), _____ times <input type="checkbox"/> By email, _____ times <input type="checkbox"/> Meetings (because migrant came back), _____ times
Allocation paper => registration of the land				<input type="checkbox"/> By P, _____ times <input type="checkbox"/> By M (sending of pgs/pcs), _____ times <input type="checkbox"/> By eM, _____ times <input type="checkbox"/> Meetings _____ times
Building plan				<input type="checkbox"/> By P, _____ times <input type="checkbox"/> By M, (sending of pgs/pcs), _____ times <input type="checkbox"/> By eM, _____ times <input type="checkbox"/> Meetings _____ times
Building permit				<input type="checkbox"/> By P, _____ times <input type="checkbox"/> By M (sending of pgs/pcs), _____ times <input type="checkbox"/> By eM, _____ times <input type="checkbox"/> Meetings _____ times

Informal Institutions, Transaction Costs and Trust
A case study in Ashanti-Mampong

Lease contract				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Selection of construction company / skilled labour				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Foundation				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Construction of the house				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Decoration of the house				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Furniture				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Water, specify _____				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Application for electricity				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times
Insurance				<input type="checkbox"/> By P, ____ times <input type="checkbox"/> By M (sending of pgs/pcs), ____ times <input type="checkbox"/> By eM, ____ times <input type="checkbox"/> Meetings ____ times

28. How often does the migrant send money to finance these activities?

- He has sent the money at once
- He has sent the money according to a fixed timetable (every year, after completion of a phase, other _____)
- He has sent the money irregularly. (meaning: when he had money he sent some)
- Other, _____

29. To whom does the migrant send the money?

- Me
- Somebody else (please specify the relation), _____, in this case: has this person paid (is this person paying) for the activities or has he/she sent (is this person sending) the money to you

30. Do you know if the migrant asked somebody else (a third person) to check whether all things are going well?

- Yes, who (specify the relation with the migrant)? _____
- No

31. How did (does) this person check whether the things are going well and how did (does) this person communicate with the migrant?

32. During the whole process, were (are) you able to go to your work?

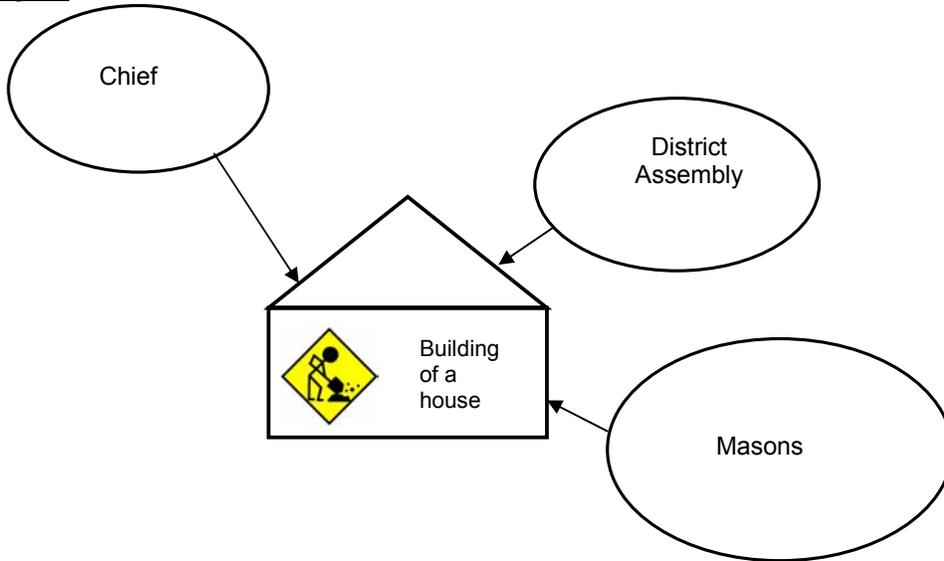
- Yes
- No, during which phases could (can) you not go to your work?

33. How were (are) you compensated for the time you were (are) occupied with the construction of the house?

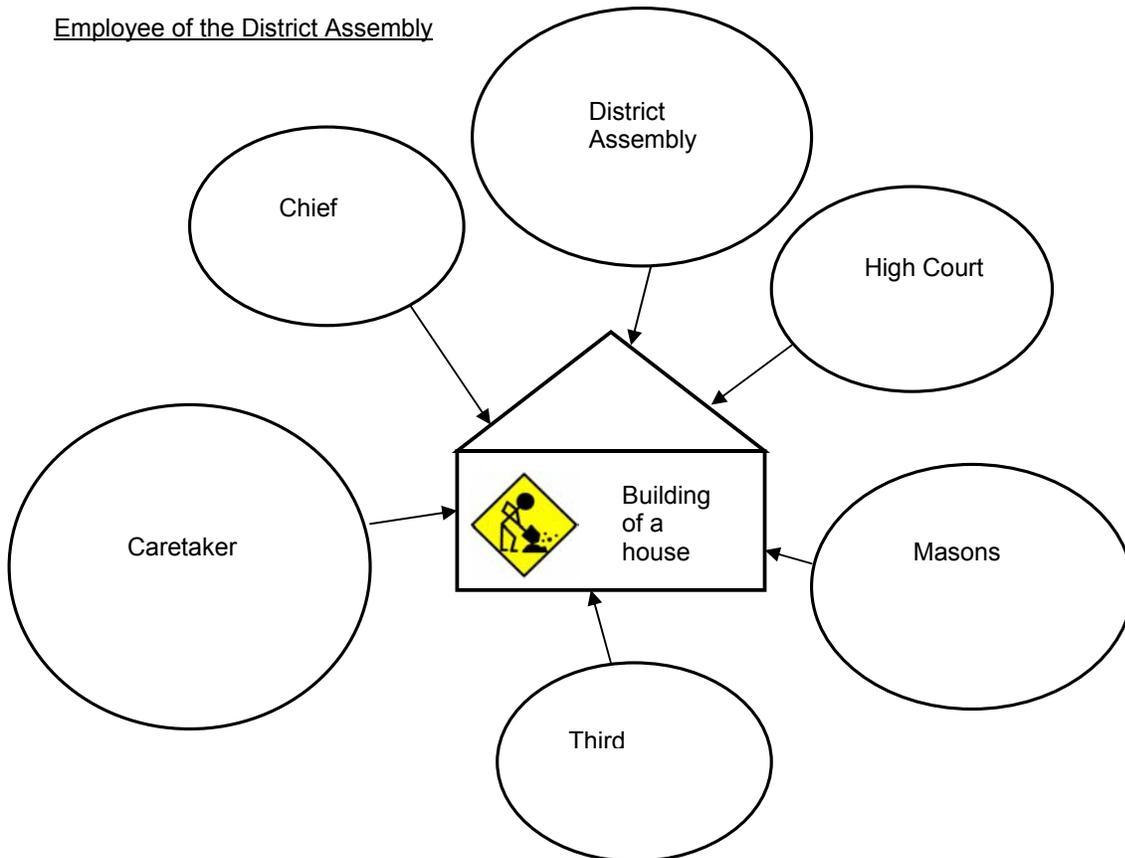
- Nothing, I am just doing a favour for a good friend/relative
- I am (will be) the owner of the house
- I have got (will get) a room in the house
- I get a fixed amount of money for every hour/day I am working on the construction (is this amount comparable with your income or is it lower/higher? _____)
- I got (will get) a compensation for the costs I made (will make)
- I got (will get) a compensation for the costs I made and I sometimes got (will get) a small amount of extra money
- Other, _____

Appendix 4 Institutional maps

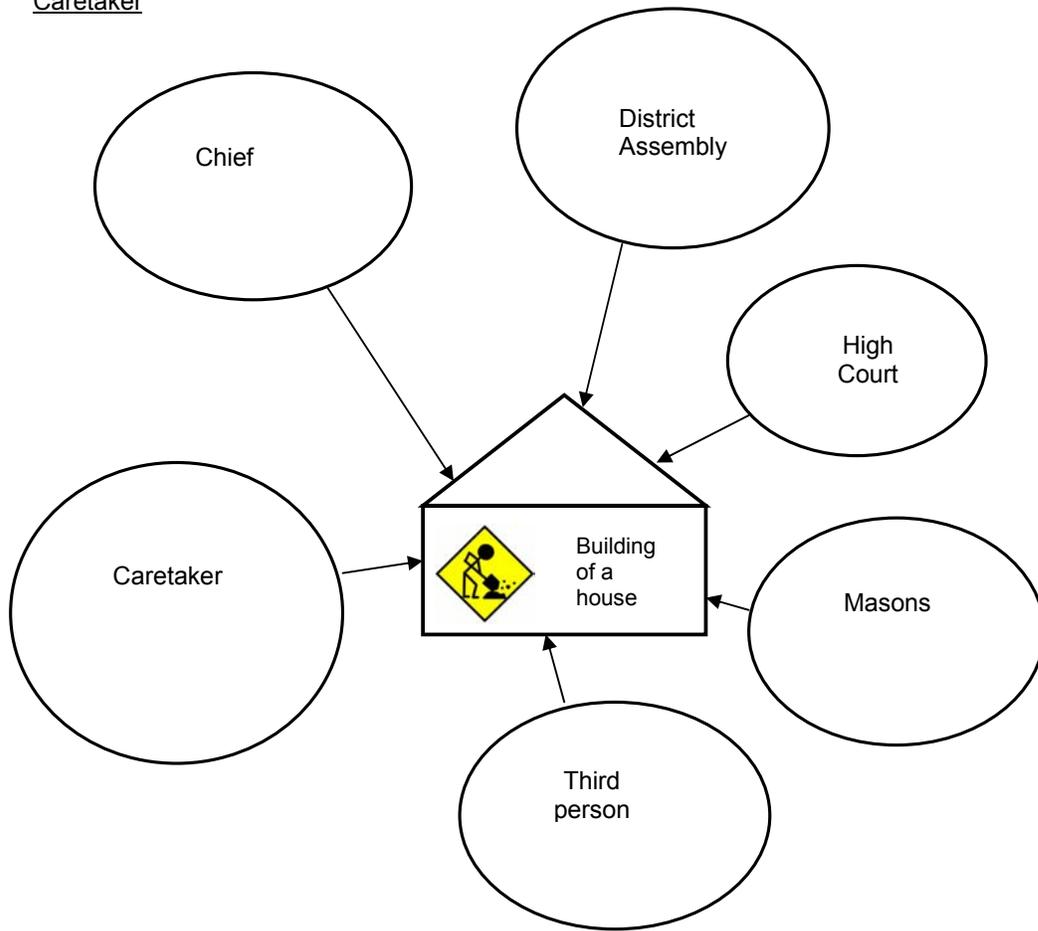
Migrant



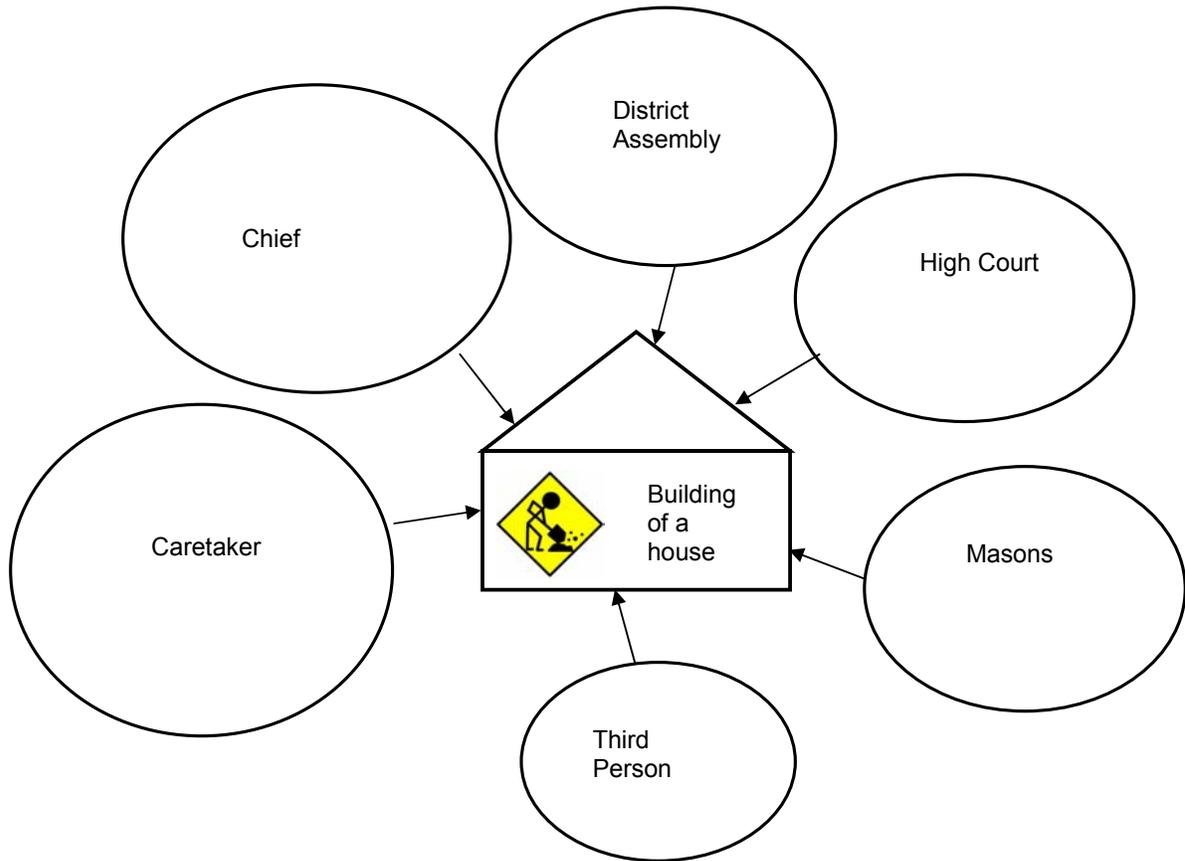
Employee of the District Assembly



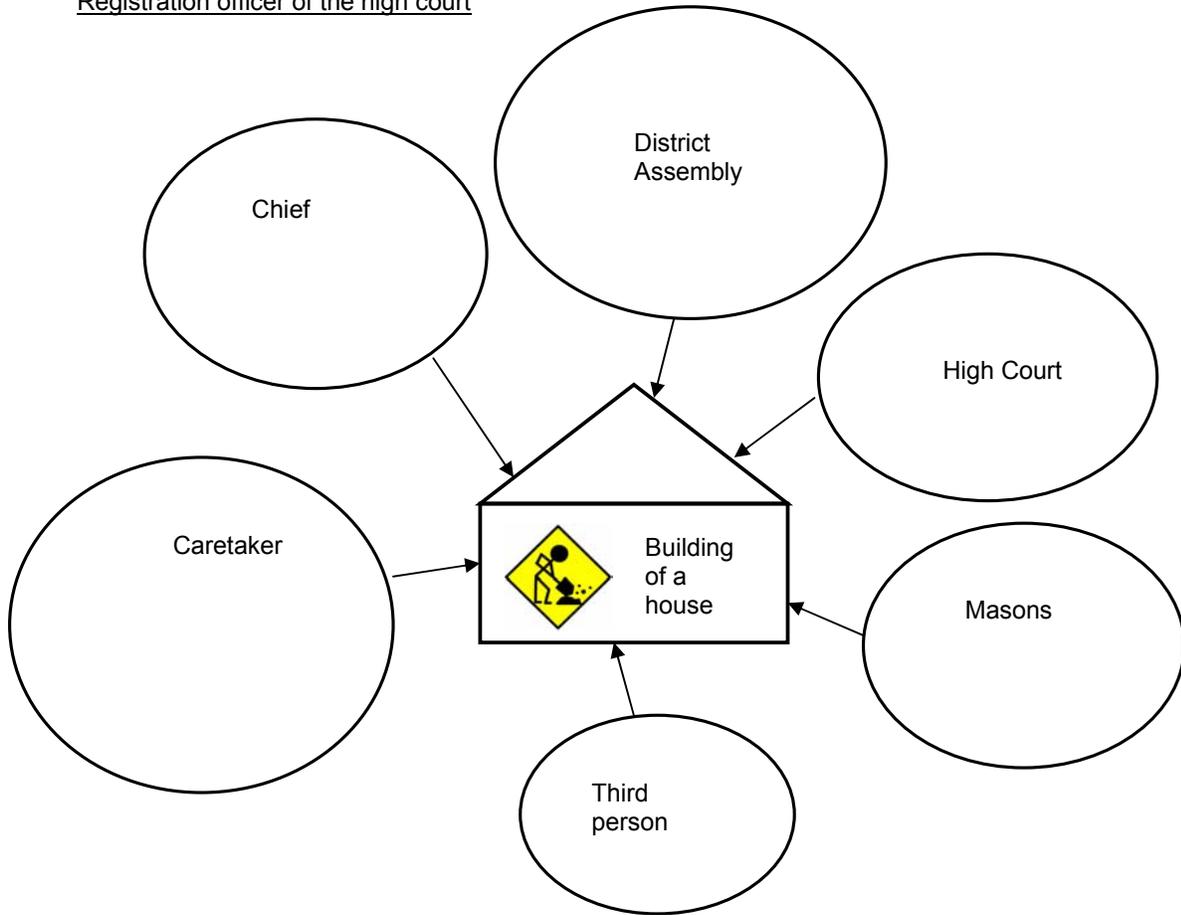
Caretaker



Contractor



Registration officer of the high court



Appendix 5 Statistics belonging to chapter 5

Table 22 Were you able to build continuously?
 (Appendix 2, question 27)

Reason for building	Percentage	Valid percentage
Yes	26.9	29.2
No	65.4	70.8
Total	92.3	100.0

Table 23 Why weren't you able to build continuously?
 (Appendix 2, question 27)

Reason for building	Percentage	Valid percentage
We had to wait for the money	53.8	82.4
The person before me did a lousy job	3.8	5.9
Both	7.7	11.8
Total	65.4	100.0

Table 24 How often is the money sent?
 (Appendix 2, question 28)

Reason for building	Percentage	Valid percentage
Fixed timetable	30.8	30.8
Irregularly	69.2	69.2
Total	100.0	100.0

Table 25 Is the work checked by a third person?
 (Appendix 2, question 30)

Reason for building	Percentage	Valid percentage
Yes	57.7	57.7
No	34.6	34.6
I don't know	7.7	7.7
Total	100.0	100.0