

Affordable Housing Provision in Nigeria from a Policy Perspective: Literature review and synthesis

Oladimeji Ojerinola, Prof. Marcus Ormerod and Mark Shepherd

*Research Institute for the Built and Human Environment (BuHu), University of Salford,
Salford, Greater Manchester, M5 4WT*

Email: o.k.ojerinola@pgr.salford.ac.uk

Abstract:

Demand for affordable housing in Nigeria is soaring due to massive shortage of new low cost housing units on the market as a result of inadequate housing finance and the Government tactical withdrawal from direct housing provision. Worst hit by the housing needs is the low-income groups who cannot afford out-right purchase of houses. This has brought about a paradigm shift in the Nigerian Housing Policy focus to a public-private participation concept. This concept provides for the private sector as the engine room and leading agent of development with government providing enabling environment. This policy shift formed the basis of the current housing reforms of 2002 to enhance the development of the sector and make housing available to the people. This paper presents an overview of Nigeria housing development programmes of the latest National Housing Policy and positions the affordable housing provision reforms within it. The effects on the overall sustainable development of Nigeria are discussed and some conclusions drawn.

Keywords:

Affordable Housing Provision, Housing Sector Reforms, Public-Private Developers

1. Introduction

Housing is one of the most important essential human needs after food as given by the Maslow's hierarchy of needs (Maslow, 1970). The house that an individual lives in is the symbol of their status; a measure of their achievement and social acceptance; the corner stone of an enjoyable environment and healthy living. Housing can also be used as the barometer to measure the wealth of a nation. Unfortunately, decent housing has over the years remained elusive in Nigeria especially to the low-income people who constitute an estimated 90 percent of the nation's total population of 140 million (FGN, 2002; Census report, 2006).

In spite of the activities of both public and private sectors in housing delivery (Agbola, et al., 2000, Ajanlekoko, 2001) the problem of non-availability and non-affordability has continued to persist. This has been attributed to poor implementation of Nigeria's public housing efforts. However, as potential solution to this inadequacy and consequent waste of resources there have been various initiatives and several reviews to housing programmes and policies since the birth of first democratic government in Nigeria until the present, with a view of finding opportunities for appropriate actionable strategies towards facilitating more affordable homes for low income people.

2. Research Focus and Approach

The aim of this research is to evaluate the affordable housing delivery system in Nigeria and to assess the extent to which this impacts on the supply and demand of affordable housing in Nigeria. In order to achieve this, the study seeks to assess both public and private sectors housing experiments in Nigeria to determine the extent to which they have enhanced housing affordability among various groups in Nigeria especially the low-income people. The need to examine and document the activities of housing providers in Nigeria is crucial since it forms the pivot of the new National Housing Policy in Nigeria. In determining the extent to which the Policy outcomes have been in tandem with the Policy objectives, this paper carried out an in-depth document review on the past and present National Housing Policy as part of its literature review and presents its findings. The assessment revealed that there is a gap between the Policy objectives and Policy outcomes. The findings provide a basis for further research which shall be accomplished by a quantitative approach with the use of questionnaire and hypotheses to validate the research aim and objectives. The researcher is at the moment on field survey to collect data.

3. Nigerian Housing Development

For about 25 years, global development policies and practices have been fundamentally affected by a transformation in attitudes and approaches regarding the roles of the public and the private sectors. The earlier focus of policies and practices were on the public sector. The shift in focus moved gradually from this extreme to shared responsibilities between the public and private sectors. The rationale for the policy shift according to Barylisa (2006) is a response to perceived failures in the public sector, coupled with a growing prominence and refinement of theoretical arguments highlighting inefficiencies in the public sector and the superior performance of private ownership. Therefore, privatization became part of a global ideological shift in emphasis towards a more efficient and market-driven economic policies. This gave birth to the emergence of public-private participation concept as a reform in the Nigerian housing sector policies. This concept makes the private sector the engine room and leading agent of development whiles the government only provides the enabling environment. The various stages of reforms witnessed in the Nigerian housing sector so far are analysed below.

4. Nigeria Housing Sector Reforms

The housing sector in Nigeria has had three major national housing policies since the political birth of the nation forty-seven years ago. These are discussed as follow:

4.1. First National Housing Policy

The first national housing policy was in 1982 during the administration of President Shehu Shagari who ruled Nigeria between 1979 and 1984. With the ravages of the Nigerian civil war (1967-1970) still fresh in mind, the policy aimed at solving the quantitative housing problems occasioned by the heavy losses of housing units in the eastern region of Nigeria. According to the UN estimates of the time (1983), while Nigeria needed to provide 1,000 units of housing for a 10,000 of its population, it was providing only 2 and 3 units. In addition, available evidences in the literature (Okupe, 2000; Ajanlekoko, 2001; FGN, 2001; Jakande, 2004; Akewusola, 2006; Ozigbo, 2006, Reis, 2006) point to the fact that the policy achieved very little. One of the reasons among others identified for low performance was that the political landscape was so inhospitable that the policy stood little chance of success.

According to Agbola (2007) it could be said that Nigeria had the money but not the institutional framework, manpower and process-details of making a housing policy effective.

The implications of this were overcrowding in the existing habitable accommodation, overstretched of existing facilities and consequently massive growth in the squatter settlements, slums and shanties providing alternative affordable places of abode for the large class of urban dwellers and immigrants, see Table 1 and Figures 1 and 2 below:

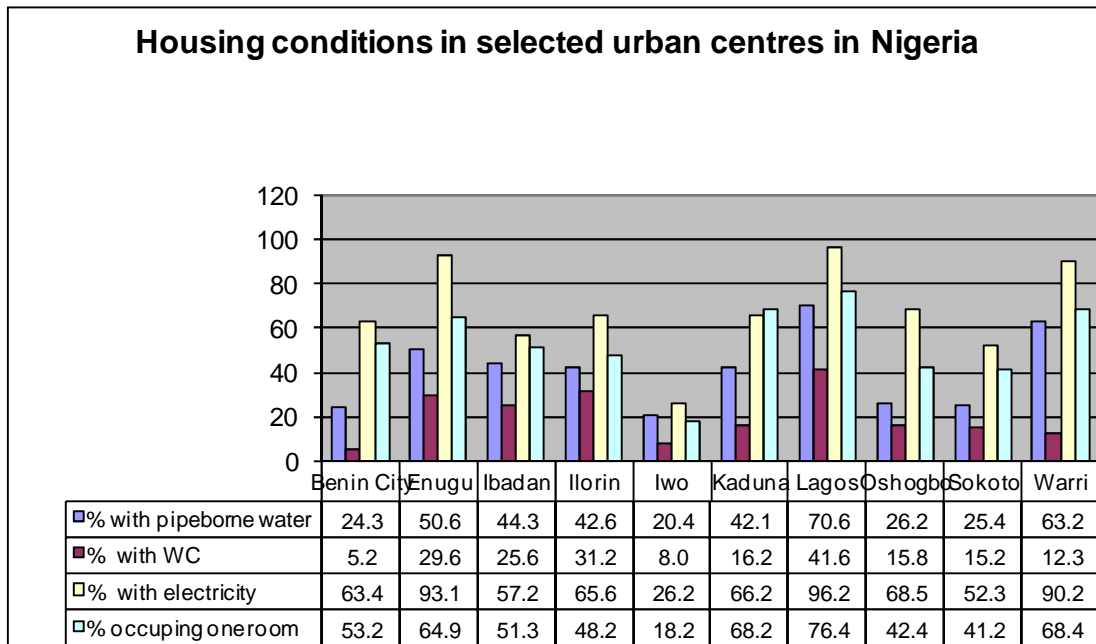


Fig. 1. Housing Conditions in Nigeria

Table1: Room occupancy ratio

Area	Occupancy Ratio
Victoria Island	1.6
Ikoyi	2
Obalende	8.7
Lagos Island	5.4
Ebute- Metta	7.4
Yaba	7.2
Ajegunle	5.8
Surulere	6
Ikeja	2.7
Mushin	8

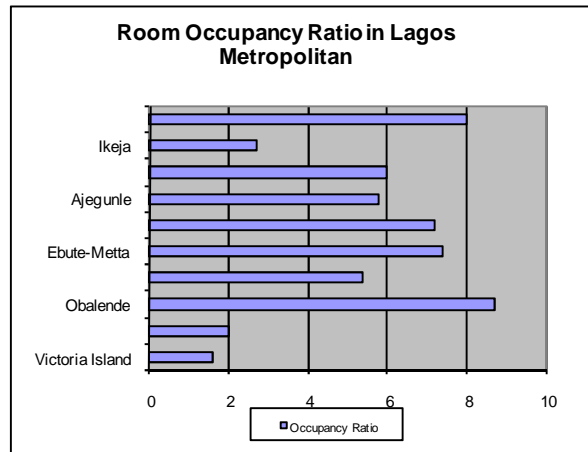


Fig. 2. Room occupancy Chart

Source: Table 1 and Figures 1&2: Author 2007 adapted from Ezenagu, 2000 & Ajanlekoko, 2001 and modified by the author

However, the situation was able to point government attention to the growing housing problem and the mounting quantitative shortages. Added to this was a realization that housing problems could not be solved only by a generous infusion of money without an effective institutional framework and mechanism for delivery. Therefore, as a panacea to this problem, experts called for a reform of the policy and put housing requirement at about 8 million housing units between 1991 to 2002. This orchestrated a second housing policy.

4.2 Second National Housing Policy

The second national housing policy was introduced in 1991. Since the advent of Nigeria as a modern state, this was the most detailed and most debated housing policy. The policy addressed many of the vexed problems of the housing sector that the former policy could not resolve. Amongst others, the policy addressed the problem of availability and accessibility of land, it discussed the problem of building materials such as sourcing, cost and availability. Furthermore, it dwelt extensively on the institutional apparatus and strategic modalities for policy implementation.

Indeed, it was this policy that closely mirrored the international opinion (UN, 1983) that governments should not engage in direct housing production but should, instead provide the enabling environment for the execution and actualization of policy objectives and directives. The policy is also noticeable for its decided focus, attention and sweeping reforms in the area of housing finance. This has been one of the critical areas to Nigerian housing sector. Accordingly, the policy rejuvenated the Federal Mortgage Bank of Nigeria (FMBN) into a wholesale bank and established the Primary Mortgage Institutions/Banks (PMIs) for the much needed but hitherto absent finance mortgage intermediation.

As a result of this reform, in the process of actualizing the housing finance sub-sector of the policy, many institutions were created, and consequently many more jobs opportunities as well. Furthermore, the prospect and possibility of using housing as a poverty alleviation strategy as observed by Agbola (2007) was unconsciously made manifest. However, despite the good intentions of the 1991 national housing policy as evident in its contents and by the various institutional apparatus established to actualize them, the experts (Onibokun, 1988

&1990 Agbola 1998, FGN 2001, FMH&UD 2004) have viewed the performance of the Nigerian housing sector as abjectly poor when measured by number of Nigerians who newly owned houses or who have access to decent accommodation. According to Agbola (1998) there is a widening and frightening gap between aspirations, expectations and the capacity of realization and a yawning chasm between the magnitude of demand and the capacity of supply. Onibokun(1990) and Agbola(1998) therefore suggested the need for greater participation of the profit-motivated private sector in order to ensure sustainable development of the Nigerian housing sector. For this reason and the evolving environment resulting from the new macroeconomic and political reforms compel a fundamental modification of the National Housing Policy for a more virile housing delivery system.

4.3 Third National Housing Policy

The 3rd National Housing Policy was evolved in year 2002 in response to the lapses of the 1991 housing policy. The main thrust of the policy is the use of the private sector as the fulcrum of the new policy and this represents a major shift in government view on how to promote mass housing for the citizens. The essential features of the new policy was aptly summarised by Mabogunje (2004):

“The main thrust of the new policy is to seek vigorously to make and increasing majority of Nigerians home-owners on the basis of mortgage finance. This policy entails involving a large number of private sector real estates developers and State Housing Corporations in the development of estates with houses for sale at affordable prices to low and middle income groups in the country; promoting the growth of small and medium-size industrial enterprises to provide local construction materials of all types to keep the cost of producing houses within reasonable limits: mobilizing primary mortgage institutions to assist any Nigerian desirous of purchasing a house on how to access mortgage finance, restructuring the Federal Mortgage Bank of Nigeria to be able to provide ample and abundant funds besides the National Housing Trust Fund to meet the secondary mortgage transactions for home ownership, reviewing and amending all legislations necessary- to facilitate the robust development of home-ownership in the country and setting up a Federal Ministry of Housing and Urban Development to regulate, promote, monitor and supervise all of these changes.”

To ensure the success of 2002 National Housing Policy, legislative reform on land was proposed. This aimed at making land accessible to Nigerians and easing the whole land titling and registration process for quick transactions in mortgages. Furthermore, the foreclosure procedure was to be made easier and faster, devoid of incessant adjournment that stalls many mortgages foreclosures. This housing policy just like the 1991 NHP put the private sector developers as the fulcrum of housing delivery in Nigeria. In order to foster great participation of private sector in housing government facilitated the development of large number of private sector real estate developers and building materials manufacturers. Although, this was also included in the 1991 policy but it would seem that the nation and real estate sector of the economy was not mature enough to undertake such an assignment without governmental motivation.

The above led to the government formation of the Real Estate Development Association of Nigeria (REDAN) to champion the goal of private housing production on which the success of the policy critically depended. For the policy to also succeed there was need to address the problem of building materials, its sourcing, cost, availability and affordability. To this extent, the government again blazed the trail in the formation of the Building Materials Producer

Association of Nigeria (BUMPAN). The goal is to encourage the pooling together of resources by the building materials producers in order to gain the advantages of economies of scale, produce in large quantities to solve availability problem which consequently will reduce cost to solve affordability problem. With these structures in place, then the prospect of building more housing units at affordable costs may be achieved.

The other vital elements of the reform involves the proposal for the reform of legal, institutional, and regulatory provisions that currently inhibits mass housing delivery, housing market efficiency, finance, and private sector participation. This brought about a new Federal Ministry of Housing and Urban Development. The responsibility of this establishment is to regulate, promote, monitor, coordinate and supervise the private sector-led housing delivery.

On the financial sector, creation of financial mechanism and institutions that will make funds available to the private sector developers for mass housing production and ensure efficient functioning of mortgage system were put in place. These include laws for restructuring, strengthening and recapitalization of the vital institutions such as Federal Housing Authority (FHA), Federal Mortgage Bank of Nigeria (FMBN), Federal Mortgage Finance Limited (FMFL) and Urban Development Bank (UDB). In addition, the review of many laws particularly to make them more effective and enforceable, such as Mortgage Institution Act, National Housing Fund Act, Trustee Investment Acts, Insurance Trust Fund Act, and Land Use Act of 1978, particularly the foreclosure provision and access to land for estate development by developers were to be undertaken.

5. Effects of Housing Reforms on National Development

In assessing the 2002 NHP in relation to housing reforms, the researcher is aware that policies do take time to mature and various implementation strategies sometimes take longer time to take effect. However, tentative results of the reforms implementation efforts on the overall sustainable development of Nigeria are:-

1. The slow pace of legal reforms to give teeth to many of the major changes proposed in the 2002 Housing and Urban Development Policy is observed. Prominent among these are the proposed amendment of Land Use Act of 1978 to ease land titling process, make foreclose easier and faster and make land available for estate developers. Surprisingly, many of the laws are still lying in the National Assembly as Executive bills, after the end of the initiating government.
2. The area of infrastructural provision in the estates development is another issue that most desired. The provision of primary infrastructure is essentially the responsibility of the government federal, state and local, while secondary infrastructure should be provided by the estate developers. However, failure of governments to provide these primary infrastructural facilities has forced added burden on estates developers, with consequent limitation on the number of serviced building plots and high cost at which their housing units come to the market. This same reason account for the small number of housing units being delivered by the estates developers. The public sector must be alive to its responsibility of primary infrastructure provision, particularly if the anticipated volume of activities in the housing sector is to be realized. However, alternative strategy for the provision of such infrastructure open to governments, as practiced in other parts of the world, include public-private partnership and floatation of bonds as a means of public accessing capital market funds.

3. The stringent conditions for private sector developers to access the Estate Loan from National Housing Fund, the limited funds available and reliance on depository system of funds mobilization also post a serious challenge to the housing sector reforms. In addition, this problem is compounded by failure of some government agencies such as Nigerian National Petroleum Corporation (NNPC), the Nigerian Police, Central Bank of Nigeria (CBN) to contribute to the fund, which limits its financial base, and invariably the funds at its disposal.
4. Furthermore, despite the reforms, the financial depth of the Nigerian economy is still shallow and this has impacted not too favourably on the development of the mortgage market. The failures to develop secondary mortgage market and link mortgage and capital markets have limited the diversity and intensity of mortgage penetration among Nigerians. This has seriously hampered the sustainable development impact of housing sector reforms on the overall economy.

Despite of the 2002 NHP shortcoming, the reforms has been able to achieve the following:

1. Accelerated growth in the number and activities of the real estate and the increasing volume of their activities remain a ray of hope.
2. The efforts of the Federal Mortgage Bank of Nigeria, Nigerian Securities Exchange Commission (SEC) and Nigeria Stock Exchange (NSE) at developing the nation secondary mortgage market through the floating of Mortgage Bond are encouraging.
3. The enthusiasm with which the Nigerian industrialists and manufacturers of local building materials take the opportunities embedded in the reforms may be the needed signal in reassuring the high success possibility of the whole housing sector.

6. Conclusion

The gateway to realizing a given objective lies in the right attitude. The literature review shows there is a widening and frightening gap between aspirations, expectations and the capacity of realization and a yawning chasm between the magnitude of demand and the capacity of supply (Agbola 1998, 2000; Ajanlekoko 2001, FGN 2002, Ojerinola 2004) There is therefore a need for total commitment and discipline on the part of government and private developers in realising the objectives of NHP 2002 which is to ensure that all Nigerians own or have access to decent, safe and sanitary housing accommodation at affordable costs by 2000 AD. To achieve this aim following the review of literature, the following recommendations are deemed necessary. Firstly, the amendments to the Land Use Act 1978 should be ratified and approved as a matter of priority to make land available to estate developers. Furthermore, government could readily give land to those companies ready to provide housing for the low-income people. There is need also for clear policies on the roles of government and the private sector in the area of infrastructural provision regarding affordable housing scheme. Without government support and intervention in infrastructural development, the cost of housing units will continue to be high which would perpetually deny low-income earners from benefiting from housing scheme. Both the government and the developers need to be more involving in the provision of basic infrastructure as part of social responsibility to the citizenry. All Primary Mortgage Institutions need to be recapitalized to create as many mortgages as possible. It will also help the PMIs to prevent liquidity mismatch arising generally from using short term funds to finance long investment in

housing. Interest rate on loans for providing and lending monies to low income housing could be 2 to 3 points lower as incentives. Lastly, organised public and private developers should be supported with seed fund to embark on estate development for sales to low-income earners who could access on loans/mortgage to purchase such housing units.

References:

- Agbola T, (1998) "The Housing of Nigerian: A review of Policy Development and Implementation" Research Report 14, Development Policy Centre, Ibadan, Nigeria
- Agbola, T. & Alabi, M. (2000) Sustainable Housing Delivery: Lessons from International Experience. A Paper presented at the National Workshop on Sustainable Housing Delivery in Nigeria: Challenges of Public –Private Partnership, Abuja, 31st – 1st August 2000.
- Agbola, T. (2007) "The Challenges of the Housing Sector Reform during the Obasanjo Years (1999 -2007)". Housing Today, Vol.1, No.10, 6-15
- Akewusola, W.A.O. (2006) Solving Housing Problems in a Developing Economy – Case Study of Nigeria Housing Policies. A Paper Presented at the 5th International Conference on Housing – Shelter Africa 2006, Abuja, 13th - 17th March 2006.
- Ajanlekoko, J. S. (2001) Sustainable Housing Development in Nigeria – The Financial and Infrastructural Implication. A Paper Presented at the International Conference on Spatial Information for Sustainable Development, Nairobi, Kenya, 2nd – 5th October 2001.
- Barylisa, Kate (2006) "Privatization Theory and Practice: A critical Analysis of Policy Evolution in the Developing Context" in Jamo, K.S. Ben (ed) New Development Economics after the Washington Consensus, Tulika Books, Zeal Books, London
- Census Report (2006) Nigeria: National Population Commission, Abuja.
- .Ezenagu, V.P. (2000) Fundamentals of Housing. Awka: Fountain Publishers.
- Federal Government of Nigeria (2001) Report of the Presidential Committee on Housing and Urban Development in Nigeria, Lagos: Government Press
- Federal Government of Nigeria (FGN) (2002) National Housing Policy. Nigeria: Federal Ministry of Works and Housing.
- Federal Ministry of Housing and Urban Development (2004) Brochure of the Federal Ministry of Housing and Urban Development, Abuja
- Jakande, G.K. (2004) "Private Sector Driven Housing: Constraints, Challenges and Prospects" Text of a national workshop organised by REDAN held at the University of Lagos, Lagos, 12th – 14th March, 2004
- Mabogunje, A (2004) "Implementing a policy of available and affordable housing in Nigeria". A paper presented at national workshop on new National Housing Reforms with the theme "Towards Effective Strategies for the Implementation of the New Housing Reforms at National Centre for Women Development, Abuja on 2nd – 3rd March, 2004.
- Maslow, A.H. (1970) Motivation and personality. New York: Harper & Row.
- Ojerinola, O.K. (2004) Causes and Effects of Cost Variation in Housing Project: A Case Study of Lagos State Construction Companies. M.Sc Thesis, Ibadan: Centre for Urban and Regional Planning, University of Ibadan.
- Okupe, L. (2000) The Role of the Private Sector in Housing Delivery in Nigeria. A Paper Presented at the 2-Day National seminar of the Nigerian Institute of Building, Ibadan, 29th - 30th March 2000.
- Onibokun A.G. (1988) "Housing for All Nigerians by the year 2000AD- A Myth or Reality" Text of the 2nd Alhaja Sidikat Mosunmola Balogun Memorial Lecture, delivered at Ogun State University, Ago-Iwoye, 18th September, 1988.
- Onibokun, A.G. (1990) Urban Housing in Nigeria, Ibadan: NISER/U.I Press

- Ozigbo, I.W (2006) Policy Inconsistency in the Nigerian Housing Sector: A Case for Reform. A Paper Presented at the 5th International Conference on Housing – Shelter Africa 2006, Abuja, 13th - 17th March 2006.
- Reis, P.M.O. (2006) Cooperative Societies as Channels of Affordable Housing and Empowerment – The Nigerian Experience. A Paper Presented at the 5th International Conference on Housing – Shelter Africa 2006, Abuja, 13th - 17th March 2006.
- United Nations (1983) Report of the United Nations Seminar of Experts on Land for Housing the Poor. Tallberg and Stockholm: United Nations.