

A Review of Housing Delivery Efforts in Nigeria

Bala Kabir and S.A. Bustani

Department of Building, Faculty of Environmental Design,

Ahmadu Bello University-Zaria-Nigeria

Abstract

In a developing country like Nigeria, the housing problem basically relates to quantitative and qualitative inadequacies. On the supply side, various government policies in the past have been formulated towards overcoming the huge shortage through several Housing Reform Programmes. Despite these past efforts, housing continues to be a mirage to ordinary Nigerian. Currently, there are various mass housing delivery Programmes such as the affordable housing scheme that utilize the Public Private Partnership effort and several Private Finance Initiative models could only provide for about 3% of the required stock. This suggests the need for a holistic solution in approaching the problem. While the quality of the existing stock is also under a heavy scrutiny in term design and desired functions including acceptable livable neighborhood, 87% of the existing stocks are backlogs which are stocks that do not meet the minimum quality requirement. This paper reviews the past and current housing delivery Programmes in Nigeria and analyses the demand and supply side issues. It identifies the various housing delivery mechanisms in current practice and suggests a holistic programme to address the huge housing shortage in Nigeria.

INTRODUCTION

Housing, literally is defined as Buildings or other shelters in which people live, a place to live, a dwelling etc and to Nations a critical component in social and economic fabric. Housing represents one of the most basic human needs. As a unit of the environment, it has a profound influence on the health, efficiency, social behavior, satisfaction and general welfare of the community (Onibokun 1998). To most groups housing means shelter but to others it means more as it serves as one of the best indicators of a person's standard of living and his or her place in the society (Nubi, 2008). It is a priority for the attainment of living standard and it is important to both rural and urban areas. These attribute make demand for housing to know no bound as population growth and urbanization are increase very rapidly and the gap between housing need and supply becomes widen. Cultural factors such as preferences and values or social status, taste and financial resources, also influence a home physical characteristics. In developing countries, poor housing delivery has been attributed to inadequate mechanisms and systems for land allocation, funding, mortgage institutions and infrastructure (Encarta, 2007).

Despite the significance of housing adequate supply has remained a mirage to all carder of the society in Nigeria. The situation is very particular to most developing countries where population grow at exponential rate and rapid urbanization becoming a norm, and discrepancy in housing need and supply is high.

Various authorities have proffered strategies for improving housing delivery in Nigeria. Fasakin (1998) suggested the cooperative housing model while Oduwaye (1998) advocate for simply land allocation system and Omole (2001) suggested affordable financing model.

The proportion of the Nigerian population living in urban centers has increased phenomenally over the years. While only 7% of Nigerians lived in urban centers in the 1930s, and 10% in 1950s, by 1970, 1980 and 1990, 20%, 27% and 35% lived in the cities respectively (Okupe, 2002). Over 40% of Nigerians now live in urban centers of varying sizes. The incidence of this population in urban centers has created severe housing problems, resulting in overcrowding in inadequate dwellings, and in a situation in which 60% of Nigerians can be said to be “houseless persons” (FGN, 2004).

Need for affordable Housing

The United Nations estimates that Nigeria’s population in 2005 stands at 141 million, and predicted that it would reach 289 million by 2050 (Encarta, 2007). The United States Census Bureau projects that population of Nigeria will reach 264 million by 2050. Nigeria will then be the 8th most populous country in the world (Encarta, 2007). Rapid growth in population creates demand pressure towards shelter and efficient supply and distribution of basic utilities and services for the city dwellers, In most of our urban centres the problem of housing is not only restricted to quantity but to the poor quality of available housing units. The effect which is manifested in overcrowding in houses. Nigeria is perhaps the fastest urbanizing country in the African continent. One of the most important challenges facing the country is the provision of affordable housing. As more and more Nigerians make towns and cities their homes, the resulting social, economic, environmental and political challenges need to be urgently addressed (Raji, 2008).

A recent study of housing situation in Nigeria put existing housing stock at 23 per 1000 inhabitant. Housing deficit is put at 15 million houses (Mabogunje 2007) while N12 trillion will be required to finance the deficit. This is about 4 times the annual national budget of Nigeria (FHA, 2007). Home prices and rents, on the other hand, have grown ahead of general inflation. Making matters worse, the composition of homes for sale and rent on the market has been inexorably shifting towards very expensive home (Nubi, 2008).

The National Rolling Plan of 1990 – 92 estimated housing deficit at 4.8 million. The 1991 housing policy estimated that 700,000 housing units are to be built each year if housing deficit is to be cancelled. The documents indicated that not less than 60% of the new houses are to be built in urban centres. In 2006, the ministry of Housing and Urban Development declared that the country needs about 10 million housing units before all Nigerians can be sheltered.

Between 1975 and 1980, there were plans of deliver 202,000 housing units to the public but only 28,500 units, representing 14.1% was achieved. Also, out of 200,000 housing units planned to be delivered between 1981 and 1985, only 47,200 (23.6%) was constructed. Under the National Housing Fund (NHF) programme initiated in 1994, to produce 121,000 housing units, it was believed that less than 5% was achieved. In spite of a series of government policies towards housing delivery, one thing that is clear is that; there exist a gap between housing supply and demand (Olomolaiye, 1999; Agbola, 1998; Adegeye and Ditto, 1985).

Historically, Housing unit is treated as product hence the need for quality if it is to pair well and perform desirably in the market, but quality in construction industry suffers significant difficulty as it passes through extreme pressure driven by cost minimization rather than value maximization. Research has shown that 75% of urban housing is situated in slum conditions (UNDN,1988), and indeed the quality of the housing is poor and clearly an affront to human dignity (Olotuah, 1997; Agbola and Olatubara, 2003). As part of effort to increasing qualitative housing for the masses in the country, the Federal Government in 2004, pledged to adequately fund research pertaining to the manufacture and the use of local materials in the sector. With aim of providing 40,000 houses, with at least 1,000 per state before year 2007.

Housing delivery in Nigeria is provided by either the Government or Private sector, but despite Federal Government access to factors of housing production, the country could at best expect 4.2% of the annual requirement. Substantial contribution is expected from other public and private sectors. It should be acknowledged that private sector developers account for most of urban housing (FOS, 1983). The production of housing in Nigeria is primarily the function of the private market; approximately 90% of urban housing is produced by private developers. Due to housing demand created by rural- urban migration, which account for 65% of urban population growth, the fixed supply of urban land, and inflation of rental and housing ownership cost (Taylor, 2000). Unfortunately, the private sector is saddled with numerous problems which make supply always fall far short of demand and lower production quality (Nubi, 2008). The problem of qualitative housing has been a concern for both the government and individuals. Appreciating these problems, both public and private sector developers make effort through various activities to bridge the gap between housing supply and demand, but the cost of building materials, deficiency of housing finance arrangement, stringent loan conditions from mortgage banks, government policies amongst other problems have affecting housing delivery significantly in Nigeria (Raji, 2008).

With different Policies and user solutions that are abound for the purpose of reducing quantitative housing deficiency. It could be possible to solve the problem if housing were used only for shelter needs. However, in addition to serving as a shelter, housing is also a produced commodity, consumer good, assurance for families, means used for reproducing social relations and an investment tool protecting the value of money against inflation. Moreover, it is important that house is a building block in its relations with its environment, mutual interaction and increasing the quality of its environment when it is considered as a part of the city. In this context, it can be accepted that a large housing stock is available today as a result of new presentation forms and production processes with a high volume of housing production. However, the existence of this stock shows that the housing policies are planned depending mostly on production.

REVIEW OF PAST POLICIES AND PROGRAMMES

Pre- 1928:

Before the advent of the colonial rule at the dawn of the 20th Century, a communal system of housing delivery was practice in most Nigerian communities. Houses are built through communal efforts by peer groups, members of age group would turn out en masse on appointed day to assist the builder in whatever task of the project. In return, the builder would provide sumptuous meals while the project lasted and vice versa. This system continued up to 1928, and still lingers in some communities to date despite the disruption of the people's communitarian values by the westernization.

The Colonial period (1928- 1960):

Government starts to intervene in the housing sector in 1928, during the Bubonic Plague of 1928 – 1929 (NHP, 1991), by the then government of the defunct Lagos Colony, wading into the housing sector brought into existence by law the Lagos Executive Development Board (LEDB) which was charged with the responsibility of planning and Development of the capital city of Lagos, produced layout of Ebute Metta. But that housing scheme had only civil servants as its beneficiaries. It was only possible to sell the units of houses in that estate to civil servants through payroll deduction system. During preparation for independence, the slum clearance resulted into the construction of additional houses in Surulere which was the first attempt in urban renewal in Nigeria.

Nigerian Building Society (NBS): Established after the World War II, by colonial government with the aim of to extending housing opportunities to more Nigerians including those in the private sector. This was a carryover from the British system where mortgage bankers are called building societies. The effect of the NBS was felt almost exclusively within the Lagos enclave. Only an insignificant number of people outside Lagos benefited from the programme. But the NBS could not stand the test of time because it was dependent on government for funding.

Urban Redevelopment or Renewal

Two of the hallmarks of the colonial approach to African urban housing in the fifties were the Redevelopment of decaying 'core' areas combined with the renewal of 'slums' or squatter Areas, and the construction of large rental (sometimes tenant purchase) public housing estates. The first attempt in the country was in 1951. The then minister of Lagos Affairs appointed the Lagos Executive Development Board (LEDB) now known, as the Lagos State Development and Property Corporation (LSDPC) to clear a slum area of about 28.34 hectares (70acres) in Central Lagos within a triangle in the vicinity of Broad Street, Balogun and Martins Streets together with Nnamdi Azikwe Street and the area east of it. The property structures in this area range from residential to market stalls erected in the area without planning and due regard for accessibility, drainage, sewers, open spaces, parking facilities and density. Finance and problem of rehousing displaced persons occasioning tenure insecurity confronted the project.

1952- 1972

Nigeria in 1952 - 1960 was carved up into three regions namely: Eastern Region, Western Region and Northern Region. The regions established respective housing corporations in 1964. With a function of developing estates and at the same time providing mortgage for the people to build houses and pay back over many years. Like the Nigerian Building Society, the housing corporations had impacts only in the capital cities of the respective regions i.e Enugu, Ibadan, and Kaduna. One of such is Bodija Estate in Ibadan developed by the defunct Western Regional government (NHP, 1991). In 1971 National Council on Housing was established which marked the first significant and direct attempt by the Federal Government intervention in the area of Housing.

Establishment of the federal Housing authority – 1973:

The Federal Housing Authority, was established under Decree No. 40 of 1973, and amended by CAP 136 LFN of 1990. It began operation, however, in 1976. Its functions and roles include making proposals to government for housing and ancillary infrastructural services and implementing those approved by government. Under the National Housing Policy of 1991, FHA was mandated to develop and manage real estate's on commercial and profitable basis in all states of the federation, provide site and services scheme for all income groups, with special emphasis on low-income groups in the major cities of the country; and provide low income houses in all states of the Federation.

Towards the first all African Festival of Arts and Culture (FESTAC), the Federal Military Government begun mass housing development, it embarked on the development of the Festival Town in Lagos, and in different state capitals (NHP, 2006).

Learning from past failure, FHA's housing delivery is made to be end-user driven through cooperatives, Housing Associations, Key workers' Scheme, and House improvement (Nubi, 2008). As a source of strength, the agency (Federal Housing Authority), has well over 53,000 housing units in about 77 estates and a land asset holding of over 10,000 hectares nationwide to its credit, the FHA has spent over N30 billion on housing development and ancillary infrastructure. It also has an asset base of approximately N5 billion (Thisdayonline, 2009). The agency is placed in a pivotal position to contribute so much to provision of residential accommodations to a large section of the population. Its activities can also boost manufacturing and distribution of building materials such as cement, iron rods, roofing sheets, ceiling sheets, timber products, nails, paints, etc. through new housing development or housing renewal.

National Housing Programme:

The development of the Festival Town and Ipaja Town in Lagos was done under the 1975 - 1980 National Housing Programme, by the FHA. Under this programme, the federal government developed the Amuwo Odofin Phase 1 Estate in Lagos and the first ever federal low cost housing estates in other 11 state capitals. The estates were in 1978 transferred to the various state governments for purposes of control and management. This housing programme was the first significant Federal government effort at providing affordable housing to Nigerian citizens on long-term mortgage repayment terms. And it was the time when Nigerian Building Society was transformed into the Federal Mortgage Bank of Nigeria.

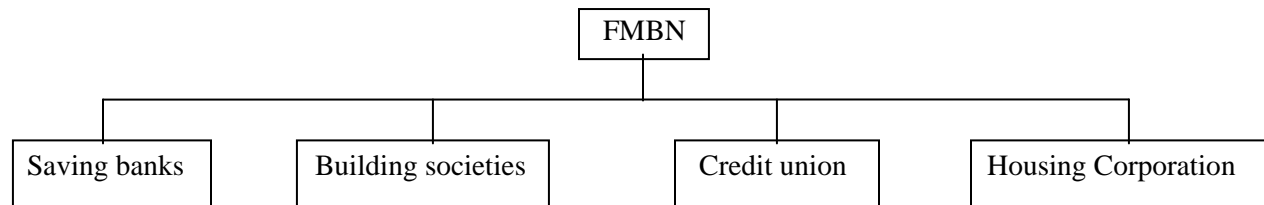
In 1979, the Federal government embarked upon low cost housing development (Shagari Low cost) in all the then 19 states of the federation. The 1981 - 1982 National Housing Programme was designed to provide 350 medium/high income housing units in each of the then 19 states in the country, to complement the Shagari administration's Low -Income Housing Programme which was handled by the then Federal Ministry of Housing and Environment (NHP, 2006).

1986 – 1993 tagged "A period of consolidation". Then, the Nigerian urban landscape was littered with many suspended/abandoned housing projects, resulting from the past failed programmes, Shagari's Low-income schemes and FHA's schemes. Emphasis during the period was therefore shifted from new programmes to completion of viable suspended schemes (Thisdayonline, 2009).

National Housing Policy (NHP 1991)

The Nigerian National Housing Policy was formulated in 1991 with the goal of ensuring adequate access to decent and affordable housing by all Nigerians. The housing situation in Nigeria since its formulation has shown quite glaringly that the implementation of the policy and the operational strategies adopted for it have been deficient. The policy was revised in 2004 to take care of the problems encountered in the implementation. A Presidential Technical Committee on Housing and Urban Development was set up by government to address the new housing reforms. It recommended amongst other things the restructuring of the Federal Mortgage Bank of Nigeria (FMBN) and the creation of Real Estate Developers Association of Nigeria (REDAN), and Building Materials Producers Association of Nigeria (BUMPAN). The new housing reforms created financial mechanisms and institutions that will make available to the private sector (developers) funds for the production of mass houses, and allow purchasers (mortgagors) to have easy access to borrowed money through the Primary Mortgage Institutions (Ebie, 2004). It also acknowledged, finance as constituting the centre piece, among other major pillars, of housing delivery (Abiodun, 1999). The poor performance of Federal Mortgage Bank of Nigeria (FMBN), which gave loan to 8,874 out of over 1,000,000 application between 1977 and 1990 was very worrisome. It was very obvious that the FMBN should undergo serious re-engineering to be able to cope with the enormous task

of housing finance. This re-engineering resulted into a framework of two – tier financial structure (see fig. 1)



Source. (From NHP)

Fig. Nigeria Two Tier Housing Finance Structure

Arilesere 1998, summarised the major strategies and guidelines of the National Housing Policy (NHP, 1991) on Housing finance as follows:

- Mobilisation of savings into Mortgage Institution
- Provision of incentives for the capital market to invest in property development
- Provision of policy controls over the allocation of resources between the housing sector and other sectors of the economy.
- Facilitation of flow of domestic and international resources into the priority housing areas, such as low income housing.
- Need for government to establish voluntary schemes, mandatory schemes and provide substantial budgetary allocations and financial transfer to the housing finance system.
- Establishment of National Housing Fund (NHF) to be administered by the Federal Mortgage Bank.
- Ensuring that Commercial Banks, Merchant Banks and Insurance Companies are given reasonable conditions to encourage them to invest in mortgage business.

Apart from the above, The policy spelt out other functions of the FMBN – These are:

- ❖ To develop a secondary mortgage market for housing finance to improve the liquidity of the system
- ❖ To act as guarantor for loan stock floated by the primary mortgage institutions
- ❖ To manage the National Housing Fund.

The Federal Mortgage Bank (FMBN)

Nigerian Building Society was converted to Federal Mortgage Bank in 1977, with a capital base of Twenty million Naira (N20m) and increased to One hundred and fifty Million Naira (N150m) in 1979. The impact of Federal Mortgage Bank then was insignificant as only few loans were given principally to few middle and high income groups in the country (NHP, 1991). As pressure due to increase in housing deficit continue to rise, an inclusive Housing policy was started in 1980, targeting low income group whose annual income did not exceed five thousand Naira (N5,000). The Federal Mortgage Bank (FMBN) as a vehicle for Housing delivery in Nigeria, was combining the functions of primary and secondary mortgage institutions. The Federal government separates the two functions by creating the Federal Mortgage Finance of Nigeria (which is now phased out). The FMBN was therefore left to operate exclusively as a secondary mortgage market and open the primary mortgage market to the private sector. Many leveraged that opportunity to go into mortgage banking. But their impact on the built environment has been short of expectation. With the FMBN operating as the secondary mortgage market, the next problem was where to source the money to lend to the Primary Mortgage Institutions (PMIs). In 1992, the Federal government enact a policy which made it mandatory for every Nigerian earning up to N3,000 monthly to contribute 2.5 per cent of his monthly salary to a National Housing Fund (NHF) (Thisdayonline, 2009). This fund was to be managed by the FMBN, from which it could lend to the PMIs. The contributors to the fund were also entitled to borrow money from the fund, through the PMIs, after six months, to develop houses. The Federal Mortgage Bank of Nigeria, a scion of the Nigerian Building Society, the FMBN has undergone several transformations since it came into being in the 1970s. It is today Nigeria's secondary mortgage institution, charged on the one hand with managing the NHF; and on the other hand, with lending money to housing developers through the PMIs. The bank has taken a number of measures in the recent times to ensure that estate developers can build to target prices.

With the NHF policy, and subsequent decree, in place, the NHF had about N12 billion, out of which only about N3.4 billion has been disbursed. Contrary to expectations, however, this strategy did not solve the problem of scarcity of housing in the country. The national development planners had then targeted the year 2000 as the year by which Nigeria would achieve the objective of having provided shelter to all citizens.

Akinlusi (2007) strongly advocate for mortgage facilities as vehicles for mass housing delivery in Nigeria

National Housing Programme (NHP 1994 – 1995):

1994-5 National Housing Programme was designed to provide 121,000 housing units nationwide, for all income groups. The cardinal objectives of the programme included the following: to increase the housing stock in the country; provide easy access to home ownership; translate the national housing policy

objectives into reality; and enhance resource mobilization. Others were: to establish permanent housing delivery system which will be self-sustaining and enduring, without reliance on the government treasury, after an initial take-off grant; strengthen institutions within the system to render their operations more responsive to demand; and encourage greater private sector participation in housing development. The programme, nevertheless, failed due to reasons of inadequate funding, white elephant scale, inadequate planning and conception, flaws in execution, attenuated public confidence, problems of access to the NHF, under-pricing and costing, inflation etc. In view of this, the FHA and the Federal Ministry of Works and Housing were jointly appointed the executing agency of the NHP at its inception (Thisdayonline, 2009).

CURRENT HOUSING DELIVERY APPROACH

In 2003, the federal government also established the Federal Ministry of Housing and Urban Development, and Proposed a Housing Reform, in view of the fact that there were not many affordable houses in Nigeria. There was an illusion that houses were available. But most of them were high-priced. Mabogunje (2004) opined that a number of other legislation needs to be amended substantially to bring their provisions in line with the new housing regime. The touchstone in such reviews is to reduce red-tape and ensure that various legislations are compatible with demands of a free and robust market economy.

The period 2003 – 2004 witness a Housing policy that recognized the private sector on the driving seat of housing delivery in the country, the key features of this policy include the placement of the private sector in a pivotal position, for the delivery of affordable houses, on a sustainable basis; assignment to government of the responsibility for the development of primary infrastructure for new estate development; and review and amendment of the Land Use Act to ensure better access to land and speedier registration and assignment of title to developers. Others are the development of a secondary mortgage market, involving the FMBN and the establishment of a new mortgage regime, under the NHF, to facilitate more favourable mortgage terms; and a five-year tax holiday for developers (Thisdayonline, 2009).

AFFORDABLE HOUSING SCHEME

There are several affordable housing schemes that are either fully funded by government or in partnership with the government under the Public Private Partnership (PPP) scheme. In some cases selected developers were given some kind of concession by government with the aim of providing affordable housing for instance, in the Federal Capital Territory. Such efforts were further complemented with the Private Finance Initiative (PFI). Jibrin (2009) further argued that while the quality of the existing stock is also under a heavy scrutiny in term design and desired functions including acceptable livable neighborhood, 87% of the existing stocks are backlogs which are stocks that do not meet the minimum quality requirement.

Site and Services Scheme

The pressure for this came from the international lending community and in particular the World Bank. Given the rising figures of ‘spontaneous or squatter settlements’, in cities all over the third world, in the face of tight planning control, regular demolitions, and high-cost construction programmes, the World Bank argued for a new approach to urban development which incorporated various forms of aided self-help (World Bank, 1972) the two ‘packages’ which received the most support were sites and services scheme, and upgrading schemes. Essentially, the first provided low-income beneficiaries with serviced plots including tenure security and help to build their own houses; the second approach helped house-owners in existing squatter areas obtain tenure to their land, and to improve their dwellings. Many of these sites exist all over the country essentially provided by the government. And, in spite of the fact that they may help to improve tenure security, the programme is capital-intensive in nature and the initial target population, low-income, usually do not benefit from them. Aluko (2002) opined that the cost attached to each plot is usually beyond the reach of the urban poor.

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