

Sustainable Housing Finance Provision in Nigeria

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Abstract

Against the background of the recognized fact that one of the objectives of Nigeria National Housing Policy of 1991 was to ensure that all Nigerians own or have access to decent housing at affordable cost by the year 2000, this paper examines Public-private sector involvement in Housing Finance in Nigeria to achieve the stated objectives.

The achievements and failures of both housing programs were analyzed and the paper found out that housing cost is still on the high side as Public housing finance in Nigeria did not yield much result. Also noticed was that housing affordability is still a mirage by the masses as housing finance provision has been left at the doorsteps of the private sector. The paper concludes by suggesting full involvement of the public sector in the provision of housing finance in Nigeria among others in order to make decent housing accessible to all.

Keywords: Public sector, Private sector, Public-Private Partnership, Sustainability, Open Space, Housing cost, Housing finance and Housing affordability.

1. Introduction

Housing is one of the three basic necessities of human being and the most important requirement for the physical survival of man after food. It is one of the best indicators of a person's standard of living and his place in the society. Housing either in unit or multiple forms is a significant component of the physical form and the structure of the community. In other words, housing covers all socially accepted ways by which man acquires a territory, and the procedures by which he retains that territory. Also, the price paid for it and the manner in which the stock of the houses are maintained and enlarged (Aribigbola, 2000). However, in the developing countries today, the problem of Housing has become an everyday discussion in all quarters of the public and private services. It has become increasingly glaring that most of the urban population live in dehumanizing housing environment while those who have access to average housing do so at abnormal cost (Dosumu, 2002).

In Nigeria, for example, housing problem is essentially an urban problem. Most authors have analyzed this from various perspectives, with most of them giving it a quantitative pre-eminence (Agbola, 2001; Agbola et al, 1992 and Onibokun, 1985). Also, they have, at different times revealed the problems associated with production. Agbola (1987) for example, recognized finance as part of housing problems but ranked land and building materials higher. Finance in this context refers to the capital provided for the construction of a dwelling; and as such, money provided to cover cost of acquiring land, procurement of building materials and labor cost (Bello, 2002).

Therefore, Agbola's submission on housing finance led to intensive research in these areas and the findings influenced government housing policies. Also, this led to the subsequent establishment of some relevant programs and Institutions like the Site and Service program as well as the National Institute for Road and Building Research meant to undertake research in the areas of housing. The dearth of information and working knowledge of Housing finance operation is a major problem today in the country; while Housing problems still persist and housing cost continues to be on the high side. Thus, in view of the high costs of erecting a house, a potential house owner has to either depend on his savings or borrow part or the entire cost of the project from the private sector.

It is against this background therefore, that the paper examines the "Time dimensional analysis of Public-Private housing finance in Nigeria". It identifies the achievements and failures of both and at the end, made recommendations towards solving housing problem in Nigeria.

2. Methodology

The descriptive research method was used for the study. The study area is Nigeria, located in the Western part of Africa consisting of black races. The country was purposely selected for the study because it is a developing country struggling to achieve housing sustainability. Data was collected from both secondary sources and personal observations.

3. Public Housing Finance in Nigeria

According to Arilese (1997); Okupe et al (2000) and Agbola (2001), the provision of Housing finance in Nigeria by the Public sector could be traced to the colonial days. During this period, the finance of housing was provided

and limited to the expatriate staff and few selected indigenous senior servants working with the colonial masters in the urban centers. Further contribution was made in 1928 to curb the bubonic plague that erupted in Lagos and this led to the establishment of Lagos Executive Development Board. Also, the establishment of the Nigerian Building Society (1956), formation of Housing Corporations between 1956 and 1960, National Council for Housing (1971) and Federal Mortgage Bank of Nigeria (1977) as well as Commercial Banks, Insurance Companies and Merchant Banks. The Federal Mortgage Bank of Nigeria took off with a capital of ₦20million which was later increased to ₦150million in 1976.

Prior to the formation of the National Housing Policy of 1991, the Federal Government of Nigeria interfered in the provision of Housing for Nigerians. This was done through National Development Plans (Federal Ministry of Work and Housing, 1991). First (1960-68), Second (1970-75), Third (1976-1980) and Fourth (1980-85). However, the most significant government intervention was during the third National Development Plan of 1976-1980 when the Federal Government participated directly and actively in the provision of Housing rather than leaving it to the private sector. Thus, a total sum of ₦2.6 Billion was allocated for the implementation of the Program. (Federal Ministry of Economic Planning, 1975 and Federal Republic of Nigeria, 1981).

The National Housing Policy of 1991 on its own explicitly spelt out the role of financial institutions in the provision of housing (Federal Mortgage of Nigeria, 1998; Federal Mortgage Bank of Nigeria News, 1998; Federal Republic of Nigeria, 1992). In spite of all these government interventions, the institutional housing finance system is still not well developed and equipped to mobilize and channel savings to the housing sector.

3.1 Achievements and failures of Public Housing Finance in Nigeria

The high hopes, noble pledges, huge sums of money and goodwill which welcomed the various public intervention programs were not sufficient to prevent their failure. For example in the third plan, out of the anticipated 202,000 housing units, only about 20,950 units were actually completed, a success rate of only 13.3 percent.

So colossal was the failure of each successive public housing programs that experts spared no pains at advancing reasons for their poor performance despite the fact that housing needs were estimated (Tables 1 and 2)

Table 1. Estimated Housing needs Nigeria (1999 – 2001)

	Urban areas	Rural areas	Total
Housing stock 1991 ('000 units)	3,373	11,848	15,221
Estimate no of households 2001	7,289	15,295	22,584
Required output 1991 – 2001 ('000)	3,916	3,447	7,363
Required annual output, 1991 – 2000	1391.6	344.7	736.3

Source: UN – HABITAT, 2002.

Table 2: Estimated Housing Stock, by dwelling types in Nigeria (1991).

	Urban	Urban	Rural	Rural	Total	Total
	%	Units	%	Units	%	Units
Maisonnette	2	67	0	12	1	79
Duplex	3	101	0	-	1	101
Detached Bungalow	10	337	20	2289	17	2,627
Semi – detached	12	67	1	60	1	127
Flat	15	506	0	-	3	506
Room	65	2,194	77	9,200	74	11,393
Others	3	101	2	287	3	388
Total	100	3,375	100	11,848	100	15,221

Source: UN – HABITAT, 2002.

Which include the excessive and unnecessary delays in the planning, execution and construction of housing project which invariably add to housing costs, speculation and subsequently limit the number of units that can be built with the same capital; there is also the disregard for alternative avenues of housing provision other than direct construction. Site and services, core housing and the like were part of the explicitly stated housing policy objectives of the third and the fourth plans, only a handful of states experimented with them. Even where those houses were built, evidences abound to show that many remain inhabitable and thus unoccupied. The target population, taste and preferences were not articulated in the first instance before the standard; almost stereotype

designs that have no relation to the immediate cultural environment were adopted. These amongst other reasons account for the colossal failure of public housing in Nigeria.

It is not surprising; therefore, that the contribution of the public sector to the total stock of housing is only about the quarter of the housing needs estimated for the country. The implication of this is that Nigeria cannot rely on the conventional methods (direct housing construction) to supply the people of this country with decent housing.

4. Private Housing Finance in Nigeria

The private sector has been taking active part in the provision of housing finance. According to Olotuah (2005), the private sector is the major supplier of Housing in Nigeria. The organized private sector in most cases supplies the middle and upper income groups and does little in meeting the housing needs of the poor because the profits that can be made from low- income housing are relatively small. Such Private sectors include Commercial banks like the United Bank for Africa and the Union Bank, Nigeria. Insurance companies like British American insurance Company PLC, Money lenders, Cooperative societies, large scale Departmental stores, trading organizations like United African Company, SCOA etc. In Nigeria, only very few with strong financial base engage in housing provision. The major players in the private sector partnership are G. Cappa, Taylor Woodrow, Julius Berger and some indigenous contracting outfits. Recently, some large scale estate developers e.g. Aima Beach developers joined them.

The private sector is faced with a lot of difficulties in housing (Olotuah, 1997) which hampers its performance. The poor quality of housing provided by the private sector (in particular the popular sector) is symptomatic of these hurdles. Some of these are difficulties in obtaining planning and building permissions, lack of access to urban services and infrastructure as well as inadequate finance. In order for private sector to operate optimally, these bottlenecks have to be removed decisively. Also, improvement in the economic climate of the country is imperative for greater private sector involvement in Housing. However, the Private housing finance system is characterized with high interest rates compared to the Public housing finance system while there is also the problem of short period of loan repayment. The advantage of Private housing finance system includes easy accessibility to finance, regular availability and the amount of finance that has no relationship with income.

5. Public – Private Partnership in Housing Finance in Nigeria

Little is known on the involvement of public – private partnerships in Housing Finance in Nigeria. Public – Private Partnerships, according to McCoy – Thompson (1998), is risks – spreading tool. It spreads the three Rs namely: risks, responsibilities and rewards. However, it must be stated that its adoption has its own inherent risk. Since housing is land-oriented/situated venture, land policy has had significant impact over housing production (albeit housing finance) in Nigeria (Taylor, 2000). This is because current land policy in Nigeria, brought about by the Land Use Decree of 1978 and Land Use Law of 1980, has vested land ownership on the government. Akpan (2010) posited that governance involves the manner in which allocation and regulatory mechanisms are exercised in the management of resources (natural, economic and social) and broadly, it embraces the formal and informal institutions by which authority is exercised. Governance as a concept has become a useful tool for understanding and addressing question of equity in the distribution of amenities, sharing of oil resources benefits as well as responding to environmental degradation (Roger and Hall, 2003). Extending the foregoing concept to Public – Private Partnerships could be imperative for property development especially housing finance in Nigeria (Gbadegesin et al 2011).

It should be noted that rapid population growth and growing needs of real estate trigger the adoption of Public – Private Partnerships as a means of accommodating local and foreign investors, especially in housing. Public – Private Partnerships provide an important empirical site for the examination of the new imaginaries of self – governance because they are the points at which private commercial interests are invited to interact with government in the pursuit of public policy objectives (Bakare et al, 2008).

The term *partnership* refers to the process and machinery for consultation and collaboration between public agencies and private sector representatives on government policies, regulations and procedures or more broadly, government action to improve the enabling environment for firms and Non – Governmental Organizations (NGOs). Bennett (1998) further described the term as economic activities in which government and private agencies share in the costs and/or risks (joint investment) such as industrial joint ventures, concessions for the delivery of infrastructure services, and by extension, housing finance.

6. Recommendations

The general goal of Sustainable development is to meet the essential needs of the world's poor while ensuring that future generations have an adequate resource base to meet theirs. It is thus geared towards meeting the needs of the present generation without compromising the ability of future ones to meet their own needs (WCED, 1987).

Achieving sustainability in Housing requires major societal changes, restructuring of institutions and management approaches. It requires the appropriate political will based on the conviction of responsibility of government to its citizens and the need to create a humane and decent environment for dignified living. In order to realize sustainable housing provision, the housing needs of the Nigerian population have to be put into proper focus and a coordinated program to achieve this should be thoroughly worked out. Sustainable housing provision is thus contingent on a number of underlying factors. These are Policy formulation and decision making, Policy execution and monitoring and social acceptability and economic feasibility. Also, the task of providing adequate and affordable housing for the urban poor could be tackled by the increased use of alternative building materials such as laterite bricks/ stabilized bricks, cement- fibre roofing materials and bamboo. These materials have been shown to have lower cost advantages over conventional building materials. The efforts of the Nigerian Building and Road Research Institute (NBRRI) and some local companies in Nigeria have yielded suitable equipment such as VS Cinva ram press, a multipurpose brick making equipment as well as interlocking brick press. These efforts should be encouraged. The lack of willpower and general acceptance has been the bane of the use of alternative building materials in Nigeria. Government could set the right examples by building prototype houses using indigenous approach for mass housing schemes.

In housing production, particularly housing finance, better attention should be given to addressing landscape aspect of housing. This is because housing is not the building alone, but includes the surrounding open spaces. In this dispensation of global concern for and adoption of “Quality of life Concept” as a veritable tool in enhancing environmental quality to sustain and enrich human life across the world, adequate provision of open space and maintenance of same deserves careful consideration and high values on grounds of its enormous potential to contribute to overall cityscape qualities (Akingbohunge, 2006). In the same vein, Kim (1996) averred that good outdoor environmental features, quality landscaping and street furniture confer higher status on housing environment and aesthetic. Fadamiro (2000) also corroborated this view when he submitted that provision of outdoor spaces in development is an essential and integral contributor to quality of life.

In addition to this, Adedeji (2005) posited that architectural structures and their residual (open) spaces together with the layout of infrastructure supporting them are complementary, mutually enhancing and central to the quality of the environment, just as Akingbohunge (2003a) remarked that they exact profound impact on the lifestyle, health, happiness, integrity and productivity of residents.

This will make housing finance more meaningful and contribute to more decent housing. Decency in housing includes adequate open spaces which enhance residents’ psychological, health, economic and physical well-being. Therefore, there is the need to provide dynamic and culture – centred open spaces and to educate the citizens on the importance of open spaces to their lives and their right to it.

7. Conclusion

This paper has shown that there is problem with Housing in Nigeria. The cost of Housing is on the high side as the provision of finance is largely on the side of the private sector. Therefore, government should take more active part in order to increase housing stock in the country as well as making decent housing a reality for all in order to achieve Sustainable development.

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