

## Effects of Governance and Policy Reforms on Affordable Housing in Nigeria

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**ABSTRACT:** This paper reviews Governance Policy on Housing, by evaluating the reform agenda of successive government from colonial administration to President Goodluck Jonathan's New Housing Policy. What are the achievements and failures in the pursuit of affordable housing? Drawings lessons from experiences in housing in the UK, China, South Africa and other developed economies, the paper affirm that preceding housing policies of Government were largely unsuccessful due to observed order of nepotism, corruption, poor political will in implementation strategies, lack of transparency and due process. The concept of social housing in Nigeria is acclaimed, but can it be the much awaited answer to Nigeria's housing problem? The paper affirms in strong terms that success is a possibility if necessary factors required for its achievement are in place and strengthened. Paper in conclusion, suggests measures for achieving affordable housing in Nigeria.

**KEYWORDS:** Affordable Housing, Housing Finance, Housing Policy, Land Access, Social Housing

### 1 INTRODUCTION

Most scholars and researcher are of the view that the housing policy initiative by President Shagari in 1979 on the concept of 'Affordable Housing', was unable to meet the nation's housing needs because it was, based on the principle that houses will be, provided by government. Though commendable, this policy is viewed by many scholars and researchers as the variance in the 21<sup>st</sup> century Nigeria that we as a nation must resolve, in order to meet the nation's housing aspiration. According to Ajanlekoko (2001), amongst human basic needs, housing arguably represents the greatest challenge. A buoyant housing sector is an indication of a strong base for economic growth and social development. This importance of housing demands resolute commitment, intelligent planning, and effective implementation strategies for developmental programs. A rational and effective policy must therefore be developed to shape the foundation and framework for the much-needed housing development. This paper, which is presented, in interrelated parts examines Governance Policies, its reforms agenda, condition of housing, land Access, Housing delivery and affordability; impact of policy reform on components of housing and National Development, and the new policy of social housing. Lessons from other nations are understudied to deduce probable solutions for the nation's quest for affording housing for all. Housing Policy of government at state and local government, is not a subject of discuss in this article. A particular significance in view is the effect of Government policy reforms on housing delivery and affordability.

#### 1.1 POLICY

Merriam-Webster's Dictionary defined policy as a definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions. Also, it is a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body.

## **1.2 HOUSING POLICY**

A housing policy is a set of guidelines provided by government aimed at meeting the peoples housing needs through a set of appropriate strategies, which involve fiscal, institutional, legal and regulating framework. Grisgby, et al (1975) opined a national housing policy as the “result of multitude of laws, administrative regulations and actual administrative practices” for effective housing delivery.

## **1.3 HOUSING AND NATIONAL DEVELOPMENT**

In a major way, housing fulfils the psychosocial needs of a society, and serves as a hope where an individual is able to express his or her need for privacy and territoriality, psychological and social security, refuge and protection against natural elements of climate. In addition, housing serves as the avenue where an abundant flow of socio-cultural interaction and services are accessible (place for social interaction, education, recreation, sports, social welfare, health, shopping and transportation). National Planning commission (NPC, 2009), reports 15% - 40% of the monthly expenditure of a household in Nigeria is spent on housing. Kenyl (2007),opined that housing contributes 30% - 40% of gross domestic product (GDP) in emerging economies and accounts for 60% - 80% in developed economies; whereas in private and public investment, housing accounts for 15% - 35% of total investment nationwide (NPC, 2009) and employs diverse class of skilled and unskilled labor. Improvement in the sector will boost the living standard of the public resulting in economic growth and national development. Thus, economists now see development in housing as greatly importance to the wider macro economy and several studies have been undertaken on how development in the housing sector affects macro economic growth and development (Ogbuefi and Adesanmi, 2004).

## **1.4 HOUSING DELIVERY AND AFFORDABILITY**

What must Nigeria do to achieve affordable housing for public needs? This is a question researchers, scholars, stakeholder and government have tried over the years to answer. In today's contemporary world, Housing delivery and affordability is, a concern of all stakeholders- prospectors, individual, groups, professionals, and government. Agbola (2005) define a house as an economic resource, providing space for production and access to income-earning prospects. It is an institution, created for a wide-ranging purpose. Ownership of a house is important in most societies as it confers some forms of privilege. Efficient housing delivery and affordability therefore, will enhance the quality of life.

## **1.5 HOUSING CONDITION IN NIGERIA**

Recent research findings projects nearly 80% of Nigerians living in rented housing as compared with South Africa 18%. The housing challenge in Nigeria has become a persistent dilemma compounded by unsuccessful government program to achieve solutions that encourage a broad participation in the delivery process. Housing is a universal problem, associated with the challenge of increasing cost of production (a direct cumulative effect of high cost of building materials, population growth, high-energy) and financial capacity (Adiukwu, 2011). Studies show that the national housing deficit from 1991 increased from 7million in to worrisome estimate of 12 - 15 million units in 2008 and over 16million in 2013. This represents housing for 130-140million people of which more than 65% represent the low and medium income groups of Nigeria population. This signifies about 85% of the housing demand for the nation. However most of the housing developments are not within the reach of this significant group.

## **1.6 COMPONENTS OF HOUSING DELIVERY IN NIGERIA**

The major components of housing are structured and controlled by government policies. Their appropriateness and effectiveness, therefore, depend largely on the quality of policies and implementation strategies. Agbola (1998) emphasized the idea of housing as both a product and a process, which includes economic, sociological, and psychological trend.

### **1.6.1 LAND ACCESS AND HOUSING FINANCE**

Reform in housing sector requires reforms in other sectors of the economy such as financial institutions supporting housing acquisitions. Thus, a housing reform that is, anchored on mortgage will lead to reforms in the financial sector with a view of evolving an efficient mortgage market (both primary and secondary), while reforms in land administration aims at ensuring accessibility of land to all Nigerians. Government intervention in the delivery of affordable housing includes direct or indirect policies to alter the availability, accessibility, and affordability of land and housing by the populace. This usually, may

involve a paradigm shift in social policy, land ownership laws (such as from government ownership to liberalization), housing development and ownership by government housing. These, unarguably, have created both negative and positive effects on the overall economy.

Nigerian Federal Government established a two-tier housing finance structure, with the Federal Mortgage Bank of Nigeria (FMBN) as the apex institution and a decentralized network of Primary Mortgage Market institutions such as building societies, housing co-operatives, home savings and loans associations. This aims to streamline processes and organizational relationships within the housing finance system and encourage expansion in private initiative. The legal framework for the organization and implementation of the apex role of FMBN is, defined by the Mortgage Institutions Decree No.53 of 1989.

#### **1.6.2 NATIONAL HOUSING FUND (NHF)**

The concept of the National Housing Fund as proposed in the National Housing Policy is to ensure a continuous flow of long-term funding for housing development and to provide affordable loans for low-income housing. The promulgation of the National Housing Fund Decree heralds the emergence and establishment of an array of mortgage finance institutions in Nigeria. The intention of the scheme appear as good, but the modalities of disbursement of loans to the mortgage institutions to lend to the members of the public have not been worked out and as such most potential clients have been frustrated by the high interest rate and cost of funding. The National Housing Fund was overhauled to encourage more depositors, thereby increasing the mortgage obligations. In the new arrangement, workers are, made to; contribute 2.5% of their monthly salary to the Fund. Contributors are entitled to a N5 million loan at an interest rate of 6% for a period of 30 years after six months of contribution. The capital base of Primary Mortgage Institutions (PMIs), which are charged with the responsibility of disbursing loans funded by the NHF to the borrowers, was increased to N100 million. Various reforms were, also carried out in other key sectors of the economy to encourage private investment in mortgage securities through institutional pension funds, and bank consolidation, which reversed the apathy to mortgage, and real estate financing. Despite this restructuring, a large fraction of the populace cannot secure loan from these institutions. Transaction charges and the cumbersome process of registration of titles, which make the perfection of legal mortgages difficult, are some of the major factors responsible for this low patronage (NPC, 2009). The cumulative charges of consent fees, capital gains tax, stamp duty and registration fees, cost as high as 40% of property value in some states in Nigeria. The inability of the borrower to provide a reliable guarantor and low monthly income are major shortcoming. However, as the macroeconomic policy shift influences the housing sector reforms, the implications on housing are equally enormous. This was appropriately captured by Karnad (2004) where he observed that policy orientation is being gradually altered particularly with the realization that macroeconomic stability and housing sector are inextricably linked and the ability of housing finance as a development activity has a great offshoot on the overall economy.

## **2 GOVERNANCE POLICIES**

Grigsby and Rosenbug (1975) affirmed that policies are often consciously derived, and thus, have a life cycle. This policy cycle comprises principally of policy design and formulation, policy implementation and policy appraisal. Kaul (1997) supports this affirmation, and asserts that in the realm of the public sector, policy is the instrument for guiding action along the pre-determined route and limit discretionary powers of public officials.

#### **2.1 EVALUATION OF GOVERNANCE POLICY**

##### **2.1.1 COLONIAL ADMINISTRATION (BEFORE 1960)**

In this era, the major concern of the Colonial government was separating white inhabited quarters from other Nigerians. Some isolated ‘accidental events’ led to the development of some forms of legislation on housing and the urban environment. These includes-

- The Bubonic plague of 1928, which led to the creation (same year) of the Lagos Executive Development Board (LEDB). In 1929, the LEDB created to deal with slum clearance of Lagos because of the bubonic plague; had on the introduction of the African staff Housing Loans Scheme in 1956, which commenced building houses for sale to African Civil Servants in Lagos.
- The railway workers’ strike of 1945, which forced the government to develop staff quarters at Surulere in Lagos.
- During the era of internal self governance in Nigeria and in the 1950s, Regional government, bye-laws established Housing Corporations which not only produced houses for sale, but also, allocated serviced plots for private housing development and provided mortgage finance for the first time to non civil servants.

### **2.1.2 POST-INDEPENDENCE (1960-1978)**

The Housing Corporations of the Regional Governments, after independence is, strengthened and they evolved into the Association of Housing Corporations of Nigeria (AHCN). The Military regime of Gen. Yakubu Gowon set up Federal agencies on housing and urban development, example is the Federal Housing Authority (FHA) created by law in 1973, to coordinate a nationwide housing program. The Federal Ministry of Housing, Urban Development, and Environment were, created in 1975 and setup the following committees and Panels-

- The committee on the Standardization of Housing Types and Policies (1975) and their efforts resulted in the acceptance of low-income housing concepts and strategies of the World Bank and International Monetary Fund (IMF).
- The Rent Panel (1976) whose review of the structure and level of rent in the Nation resulted in the creation of State Rent Tribunals.
- The Land Use Panel (1977) which led to the promulgation in 1978 of the Land use Act. This Act was, aimed at guaranteeing easier access to land for development; however, it created a new set of problems.
- The major cause of failure of these housing programs is traceable to inappropriate policy formulation, and poor implementation of programs.

### **2.1.3 DEMOCRATIC GOVERNANCE (1979-1983)**

President Shehu Shagari's in an attempt to fulfill campaign promise, at inception of his government, set out to construct forty thousand (40,000) housing units per annum, this aggregating to one-hundred and sixty thousand (160,000) units at the end of its truncated 4-year term. However, only thirty-two thousand (32,000) units were completed (FGN, 2004), representing only about 25% of the set target. A major problem notorious in this era was widespread corruption with impunity and indiscipline of the government at all levels.

### **2.1.4 MILITARY REGIME (1985-1990)**

General Babangida initiated in 1985 a ten-man committee to formulate a new National Housing Policy with ambitious housing targets to achieving goals. Many scholars are of the opinion that the policy lacked strategic plans for implementation attributed to poor political will and unfavorable economic policies of the government like the Structural Adjustment Program (SAP), Second-Tier Foreign Exchange Markets (SFEM), etc. as a result housing became more limited in supply and costly relative to income.

### **2.1.5 MILITARY REGIME / DEMOCRATIC GOVERNANCE (1991-2001)**

A new National Housing Policy was, launched in 1991 and spanned about six (6) years, involved all the relevant stakeholders in the housing sector. A major aspect of this new policy was the re-organization of the housing finance sector as the pivot of this policy. Despite the acclaim granted the policy, the National Housing Policy – NHP - (2004) stated that by the beginning of 1999, housing development had been, neglected and that a “no-housing” situation existed in Nigeria, as about 60% of Nigerian are said to be “without house”. The failures of the housing programs of this period were not, blamed on the formulation of policy. It was evidently, a problem of poor implementation strategies and widespread corruption.

### **2.1.6 DEMOCRATIC GOVERNANCE (2002 – 2007)**

The administration of Chief Olusegun Obasanjo, in its determined effort to alleviate the deterioration housing situation in Nigeria laid the foundation of a more articulated and pragmatic policy. This aims to evolve a more practical approach to solving housing problems. The year 2002, National Housing and Urban Development Policy provided a legal framework for the housing sector reform in the nation. The National Housing Policy (2004) enunciates the configuration of the Nigerian urban settlements of the future and the housing policy for the nation. The policy represents a major shift in government view on how to promote mass housing for the citizens and involves a large number of private sector, real estate developers and State Housing Corporations in the development of estates with houses for sale at affordable rates. This promoted the growth of many small and medium scale industries, in providing local construction materials, with the aim of keeping the cost of housing production within reasonable limits. This put the private sector developers as the fulcrum of housing delivery in Nigeria. Thus, in line with changing global trend of economic liberalization, and to foster greater private sector participation, government facilitated the development of large number of private sector real estate developers, and building materials

manufacturers. This gave birth to Real Estate Developers Association of Nigeria (REDAN) and Building Materials Producers Association of Nigeria (BUMPAN). The other vital elements of the reform involves proposal for the reform of legal, institutional and regulatory provisions that currently inhibits mass housing delivery, housing market efficiency, finance and private sector participation. As part of reform, a new Federal Ministry of Housing and Urban Development was, established with a task to regulate, promote, monitor, coordinate, and supervise a private sector-driven housing delivery. By 1999 about 60% of Nigerians are said to be homeless (Federal Republic of Nigeria, 2004). This led to the formulation of a new housing policy with the policy of a private sector led economy. The three (3) key areas of the policy are Public-Private Partnership (PPP), Monetization Policy, and Mortgage Financing Restructuring. The next subsection will briefly discuss the PPP initiative of Government.

#### **2.1.7 PUBLIC-PRIVATE PARTNERSHIP (PPP)**

Public-Private Partnership is a policy, which cedes majority of housing delivery to the private sector. The role of the government is to provide an enabling environment of site and services for the private sector to invest and operate in a free market. The program tailored to attract private capitals is to include innovations like Build, Operate and Transfer (BOT) and Repair, Operate and Transfer (ROT). The fundamental problem observed with this initiative is equating housing need to housing demand and when housing is included among the production of goods, it then becomes a product. The rationale for the policy shift is a response to perceived failures in the public sector and the better performance of private ownership (Barylliss, 2006). Thus, widespread privatization became part of a global ideological shift in emphasis towards a more efficient and market-driven economy.

### **3 NEW HOUSING POLICY 2012**

In a move to address the housing challenge faced by the nation, President Goodluck Jonathan approved a new national housing policy aimed at ensuring the construction of one million houses annually to boost infrastructural development. A new dimension in the policy is the idea of social housing, a situation where every citizen ‘counts’ in the provision of affordable housing. The concept of social housing is contentious. A school of thought believes the government should drive it by making housing available and free for certain people as is done in the UK. The government differs, insisting that it would rather provide an enabling environment for the private sector to drive the concept. Housing policy approach in Nigeria has tended to alternate as most scholars concur, between the ‘welfare mixed economy’ and the ‘free market model’. (Akeju, 2007) affirms Government needs to focus on providing favorable investment climates, infrastructure and mortgage facilities.

#### **3.1 SOCIAL HOUSING**

Social housing is a term used to describe housing owned and managed by the state, and are not intended for profits, with the noble intend of providing housing for the less privileged of the society, in so case affordable rental housing. It is the provision of affordable, non-profit driven, mass produced houses for low income earners. For many Nigerians, housing is a big challenge. They cannot afford to rent a house let alone build one. Presently, there is a housing gap of 16 million. How does the nation bridge the gap? This is the difficult issue to which the government seems not to have an answer. Article 25 of the Universal Declaration of Human Rights states that “everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, medical care and necessary social services and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”. Those who cannot afford a roof over their heads are those who don’t earn income (the elderly, single parents, orphans and the unemployed). In the United Kingdom (UK), such people are provided free housing. In order to ensure mass housing, options in alternative materials that de-emphasize or minimize the use of cement is a focus in the new policy reform. It is an open secret that cement is a strong factor in the escalating cost of housing production in Nigeria. The author disagrees with the position of government on some aspect of social housing, because Olotuah (2000) reiterates the social responsibility of government in housing and the dangers inherent in abdicating its social duties in housing provision, moreover the concept worldwide is government providing housing free to the underprivileged citizen (single mothers, orphans, elder citizens and the unemployed). Many scholars and researchers had argued that as a signatory to the United Nations Declaration of Human Rights which recognizes housing as a human right, Nigeria must join her developed counterparts in putting in place policies that will boost homeownership among Nigerians and develop social housing for the no-income and low-income earners). A means the government can deliver social housing many scholars concur is by allocating free land to developers and controlling the price either for sale or rentals at the completion of the houses. This could come in the author’s view of percentage like 30 per cent of the houses built allocated for social housing while 70 per cent at a cost.

### **3.2 LESSONS FROM OTHER ECONOMIES IN MANAGING THEIR HOUSING CRISIS**

China's affordable Housing Strategy policy focused on solving the housing problems of low and medium income citizens and was able to deliver 12 million housing units within a 5 years period through the adoption of an integrated and sustainable housing development program. A recent reports from South African indicates over 50% of her populace living in their own wholly paid houses, attributed to the success of the South Africa Housing Strategy in the Reconstruction and Development Plan (RDP) program where 2.3million houses were delivered at the cost of R29.5billion for 15 years. The government introduced a zero tax (transfer duty) policy on housing that cost less than R500, 000 and 5% for units costing R500, 000 and R1million. Here, Government Housing subsidies played a key role for more than 2.8million households benefited from such subsidy.

### **3.3 LESSONS FOR NIGERI**

Given the socio-economic and political significance of housing and infrastructure, government at all level and their agencies must be involved in housing delivery. Many scholars and researchers have advocated that government use the PPP concept as an effective tool. To achieve this, a government policy that supports the needed framework must be in place and strengthened. This should include more participation of the private sector with government intervention by subsidies. However, the balance is changing in response to economic and political policies that are supporting the development of independent social housing institutions. Government should therefore complete the mortgage sector reforms and encourage in strong terms Housing Cooperatives to transform into Real Estate Investment Trust (REITs) or Primary Mortgage Institutions (PMIs) as concurred by many scholars and researchers.

## **4 RECOMMENDATION**

- Government should accord necessary priority to housing in budgetary allocation yearly in order to meet set targets of providing affordable housing.
- Administrative constraints within the operations of mortgage housing institutions, on land acquisition and mortgage finance should be waived.
- Political aid necessary for effective performance of housing institutions is imperative and need to be strengthened and corruption discouraged.
- Nigeria needs strong institutions to evolve and sustained thus transparency, due process and accountability should be strongly strengthened.

## **5 CONCLUSION**

The paper thus examined Governance Policy within the framework of socio-political and economic conditions of the nation. It is, observed that a major index of failure of policies is corruption; the housing policy that presently concedes the major aspect of housing delivery to private developers is still inadequate, in the context of social housing. This is because majority of the houses provided by developers are beyond the reach of the masses due to the exorbitant price tag on them. The best policy option in the author's opinion, and shared by many scholars and researchers is that which facilitates self-help ownership at affordable price. Nigeria's housing finance system needs reinforcement through enabling laws and institutions that guarantee the urban and rural citizens easy access to credit facilities; consequently the housing reforms of government have had far-reaching effects on the psyche and socio-economic life of the people and the nation.

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