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DEQUATE HOUSING DELIVERY IN NIGERIA-FINANCIAL MANAGER'S PERSPECTIVE

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ABSTRACT

The rate of urbanization in Nigeria has witnessed tremendous increase in the last two decades. The national population is now estimated to be about 160 million with the urban population constituting about 30% (Appendix 1). In Nigeria, a National Housing Policy was introduced in February 1991 with the goal of ensuring that every Nigerian owned or had access to decent housing accommodation at affordable cost. The major challenges facing the sector include dearth of long-term funds, absence of mortgage refinance/liquidity, weak capital base and inadequate branch network of primary mortgage institutions (PMIs), poorly designed National Housing Fund (NHF), inadequate capital, weak corporate governance structures and high cost of building materials. Since 1991, the problem has not simply been shortage or poor access to housing finance but also the absence of a reliable, stable and adequate public-private partnership with a clear-cut division of labour for the achievement of adequate housing in Nigeria. To accomplish this feat, the Federal and the State Governments would spend about N6 trillion on provision of 17 million housing units for 160 million populace by the end of 2012. This paper examined the major issues which have over time constituted obstacles to housing financing in the country. On the basis of the stated financial implications of housing delivery in Nigeria, the paper proffered solutions and/or recommendations in line with the thinking that good housing finance policy implementation would lead to adequate housing delivery in Nigeria.

Keywords: ***Urbanisation, Gross Domestic Product, Affordable Housing, National Housing Fund, Credit Expansion, Functional Design.***

TRODUCTION

en the expected increases in urban population, the magnitude of housing problem in Nigeria is enormous. phenomenal rise in population, number and size of our cities over the past few years have manifested in acute shortage of dwelling units which resulted in overcrowding, high rents, poor urban living ditions, and low infrastructure services. The rapid up-swing in the prices of building materials in the last years has further reduced the affordability of housing for most Nigerian. The latest GDP per capita bers (2010) have been released by the International Monetary Fund (IMF), latest numbers suggests that ca has rebounded since the recession of 2008 and is on track to experience broad based growth. For a try like Nigeria GDP per capita for 2010 was $2,422. That means that each person produced around 0,000 worth of goods and services last year. Some Nigerians spent/earned more than this amount last others spent/earned less. For young middle class Nigerians living in cities and working in finance, ry and the ICT sector this ($2,422) could be their monthly income (see Appendix 2). Except the em of how to finance the construction of housing for all income groups is effectively addressed, the ing problem is bound to further escalate.

objective of this paper is to give an insight into the financing option for the construction of housing in ria given the existing financial structures and the framework specified in the New National Housing y. Construction materials and housing design play a crucial role in this overall financial framework.

USING IN THE NATIONAL ECONOMY

may perhaps be tempted to ask why emphasis is being placed on housing. First of all, man's basic s, housing arguably, constitutes and indeed poses the greatest challenge.

ndly, a vigorous and buoyant housing sector is an indication of a strong programme of national stment and is indeed the foundation of and the first step to future economic growth and social lopment. The gross housing delivery is therefore a major factor in the nations' gross domestic product P) and indeed reflects the mirror and the barometer of the state of health of the Nation.

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Economic activities are well known to encompass all aspects of human endeavour that are directed towar the creation of wealth. It is also known that one of the bases of human needs is to seek to enhance our se worth by improving our living standards. Economic growth is therefore a natural pursuit in any human se up and as such improvements are expected to lead to increased wealth and prosperity both for individu and the whole nation.

In order to moderate the acute shortage of shelters in the country today, the expectation is 17 million housi units for 158.3 million populace. In addition, to accomplish this feat, the Federal and the State Governme would spend about N6 trillion on housing provision by the end of 2012. Despite all these interventions a huge investments in housing provisions from the colonial times to date, Nigeria's housing problems st remain intractable. In fact, access to decent shelter has worsened for increasing segments of the urba population in Nigeria. For instance, it was estimated that about 85 per cent of urban population live in singl rooms, and the number of occupants per room range from 3 to 6 with adverse effects on sanitation an health (Vision 2010 Main Report). The deteriorating housing situation in Nigeria, especially at the urba centres is too critical to leave for government alone to redress.

Nigeria is the 6th largest producer of crude oil in the elite league known as OPEC, whose members accoun for over two –third of the world's total supply of this commodity. Also the country's estimated reserves of natural gas runs into billions of metric tonnes and the first train of the Liquefied Natural Gas (LNG) has recently being shipped out with the production all fully committed to purchases from abroad. In terms of revenue earning capacity and potential, it is worth mentioning that Nigeria to date has realised over US200 billion from crude oil sales.

For a country that could boast of such huge amount of resources, it is very sad and disturbing to note that very little of the earnings has been put into use to boost the state of the Housing Industry. The industry should have seen a lot more activity and government support, in large scale development schemes, and improvement and provision of infrastructure; provision of large scale social housing, creation and expansion new towns. A cursory look at the present state of the housing provision tells a glaring tale of a huge paradox - A paradox of achieving so little with so much endowment! This is an indictment on the government that ought to provide the lead. Hence, today the housing provision is in a state of comatose, neither dying nor living!!!

HOUSING FINANCE AS MEASURE FOR ECONOMIC DEVELOPMENT

Housing provision is an important measure of social welfare and economic development in any nation. Some argue that access to adequate housing is an international human right. History reveals that governments of developed countries at every level have at different times played active roles in housing and economic development.

In Nigeria, the government has, at different periods, incorporated various policies aimed at affordable housing into its economic development plans. But suffice to realize that the sheer weight of housing delivery for the country's vast populace cannot be borne by mere politicking.

Every country that has succeeded in its housing finance policies has had to engage housing finance experts and professionals at the highest level of policy making. Housing has the ability to be a leading sector for stimulating economic growth and development in a depressed or stagnant economy and raising the standard of living of the people.

It is a key driver of social and economic development and there is evidently a positive correlation between such indices as home ownership rates, contributions of housing sector to GDP, proportion of total mortgage loans to bank lending on the one hand, and a country's level of development on the other.

The example of the United State of America, which attained rapid socio-economic development through its proactive policy of aggressively pursuing home ownership for her citizens, is most instructive. The US rea estate industry is a major contributor to the national economy, providing millions of Americans with jo (1.7 million paid employees in 2001), and generating hundreds of billions of dollars of economic outp every year (Adelino, Manuel and Kristopher, 2009).

If we must understand the potentials inherent in housing and housing finance in the national economy an especially in fighting unemployment, it is expedient to understand the various perspectives of econom development.

According to Nube (2011), in Nigeria various governments since independence have come up with differe poverty alleviation/eradication programs and projects, the latest being Poverty Alleviation Program (PAP and National Poverty Alleviation Program (NAPEP). Various Institutions have also been created to solve the problem of poverty, unemployment and inequality. These include the River Basin Development Authorities National Directorate of Employment (NDE), the Directorate of Foods Roads and Rural infrastructure

181

FRRI), among others. Unfortunately, these programs and projects would seem not to have solved the blems of poverty, unemployment and inequality as these seem to be on the increase in Nigeria.

e effectiveness of housing sector policy and performance go beyond just the housing sector. Indeed, the ationship between the housing sector and the broader economy is reciprocal. If housing market and using finance systems fail to supply the kinds of services that are requisite, the entire economy suffers. r instance, the recent failure in the US housing and mortgage markets, which are the most active in the rld, resulted in a slowdown in the US economy and the world at large. GDP growth in 2007 which was timated at 2.2 per cent was a mere 0.9 per cent in 2008, down from the 10-year average of 2.8 per cent heaton, 2010).

e case of a developing country like Nigeria, where currently, total housing contribution to GDP is about per cent, shows how poor performance of the housing sector can inhibit the growth potentials of the onomy.

using can be highly labour intensive, thus providing employment for a substantial part of the labour force. has the potential to stimulate industrial activity through its strong backward and forward linkages to ipment, building materials and other consumer durables. A large proportion of the population depends ectly or indirectly on real estate for their means of livelihood making it a significant determinant of rate of nomic growth and development.

the Nigerian housing sector, many factors have been identified as constraints on the ability of most erians to achieve their desired housing goal. Some of these factors are: increasing land cost; high ancing cost (manifested in the high interest rates and service charges); inadequacy of mortgage loans; pled with zeal for higher standard of dwellings among Nigerians.

re importantly, however, is the fact that Nigerian housing finance system over the years has remained ely undeveloped and ill equipped to mobilize and channel savings to the housing sector and as such ld not significantly facilitate the purchase, rental, construction and improvement of homes for the ulation as a whole. As a result, the problem of housing in Nigeria has remained enormous and complex the country's housing need put at 17 million units.

sing and housing finance is a veritable source of a continuous stream of income for government and its cies. Income generated through taxation of the value of housing constructions and services can provide stantial revenues to government with which social welfare and economic development programs are nced. Construction of new homes expands the tax base and so increases property tax revenues. In the ted States, 70 per cent of all tax revenues raised by local municipalities come from property taxes. Aside n tax revenues to governments, the desire to purchase housing is a primary motivation for the generation ousehold savings in the financial system.

is a sure and effective way of promoting the habit of saving among low-income earners, which in the run contributes to their welfare and the growth and development of the economy.

IEW OF EXISTING FINANCIAL FRAMEWORK

sing Finance Requirements:

sing finance by its very nature is a capital intensive venture which if it is to be financed through personal cial resources will require slow and tedious accumulation of savings. However, since housing provides fits over many years, long-term credit financing is a more logical option as it will spread the repayment en. But this requires the availability of long-term funding, and for which must be institutional capacity, ture and mechanism that will allow a convenient and effective linkage between the savers/investors and nsumers of such funds.

out an effective finance system, no housing policy can be effectively implemented. A financing ework which facilitates financial intermediation for housing finance consists of institutions as well as relationship and the processes involved. However, the emphasis in this review will be on relevant tions and their activities. Indeed the framework must effectively reconcile the affordability limitation seholds with viability requirement of financial institutions.

geria, housing is typically financed through a number of institutional sources:

etary appropriations, Commercial/Merchant Banks, Insurance Companies, State Housing Corporations, Federal Mortgage Bank of Nigeria (FMBN) and now the newly established Mortgage Institutions. All e constitute the formal institutions. Informal institutions such as thrift and credit societies, and money ers who have contributed and are still contributing substantially to the finance of housing construction persists. The impact of these informal institutions however cannot be properly quantified because they rgely uncoordinated, scattered and varied in scope and operational depth.

BUDGETARY APPROPRIATIONS

For various reasons, the expansion in the external sector of the economy as well as the consequent expansion in the financial system did not translate into any significant improvement in the level of financial intermediation for housing finance. A major reason has been, until very recently, the nature of Government intervention. With resources allocated by the various development plans especially the Third and Fourth National Development Plans, the public sector embarked on the direct construction of mass housing; major housing projects were financed directly from budgetary appropriations. This emphasis on budgetary appropriation was mainly during the oil boom periods of 1973/76 and 1980/81. Little or no role was allowed the Private sector in Housing Finance. The results were insignificant impact on housing need and attendant cost inefficiencies. There were few peculiar features of implementation in the respective periods of the plans which have had a direct bearing on housing finance activities:

(a) Fiscal policy alternated between stringent and liberal control on imports, depending on the buoyancy of hard currency earnings. Given the import dependence on building materials, cost of housing construction oscillated.

(b) Apart from its regulatory role, government at the Federal and State level also engaged in direct housing construction. How realizable this scheme is only time will tell. Definitely it all boils down to finance for this scheme to be realisable.

(c) Although the Third and Fourth plans placed emphasis on a housing sector, there was no adequate allocation of funds.

(d) The institutional structure for mortgage finance did not evolve beyond rudimentary stage. In the event, there was little evidence of financial presence from the private sector in public sector housing finance activities. In consequence, the operational dependency and sophistication which a greater presence from the private sector could have induced in the Housing finance system did not take place. The situation was compounded by the strict regulation of credit expansion which, until the recent deregulation, has compelled the financial institutions to remain largely in the short-term end of the credit market.

INSURANCE COMPANIES

Insurance companies have funds appropriate for financing housing construction. However, under the current insurance decree, only up-to 25% of life and 10% of non-life policies can be invested in real estate. Life premiums are not only long-term but relatively cheaper than deposits. However, the investment emphasis of these institutions have been short-term due to the preferences of these companies and to a lesser extent the legal restriction imposed.

HOUSING CORPORATIONS

The State Housing Corporations operate largely as property developers and they depend mainly on Government budgetary allocations. The housing units are usually sold outright as they usually do not provide mortgage finance to buyers. The number of housing units produced has not been significant relative to demand. Their role would have been effectively implemented if they were operating as financial intermediaries. It has been noted elsewhere that for reasons such as availability of Government funding, housing corporations do not operate savings schemes; and those that have such schemes have marginalised them. It was in realization of the enormity of the housing problem relative to declining resources capacity available to the Public Sector, that the previous Governments decided to facilitate construction by the Private Sector institutions. Consequently the new National Housing Policy was established.

NEW NATIONAL HOUSING POLICY

Realizing that the enormous public sector efforts have not effectively addressed an expanding housing deficit and escalating construction costs, and that such efforts must be substantially collaborative with the Private Sector, government decided to establish a framework within which such collaboration can effectively address the housing problem. This was articulated in the National Housing Policy in 1988. The policy attempts inter alia; to create a new housing finance system, encourage the linkage of the housing sector to the capital market, establish a National Housing Fund, and expand Private Sector role in the housing delivery system. The most significant differences between the new policy and the previous ones are: First, that housing is now seen in context of the overall national development. Previous policies had tended to regard housing as a social service and a natural fall-out of the national economic development.

Secondly, the policy has identified the fact that different household both within and between income groups tend to have different demand for housing. This is evident from the ultimate goal of the policy which is to ensure that all Nigerians own or have access to decent housing accommodation at affordable cost.

18

irdly, the focus of the policy seems to be to remove all barriers to the supply of housing and to provide ntives to all parties involved (governments, private sector and individuals) in the housing delivery ystem.

EW STRUCTURE FOR HOUSING FINANCE

e new housing policy has established a two-tier housing finance structure, with FMBN as an apex titution and a decentralized network of Primary Mortgage Market institutions such as building societies, using co-operatives, home savings and loans associations. This structure aims to streamline processes and ganizational relationships within the housing finance system and encourage expansion in private initiative. this regard, the legal framework for the organization and implementation of the apex role of FMBN has en defined by the Mortgage Institutions Decree No.53 of 1989.

TIONAL HOUSING FUND (NHF) – WAS ESTABLISHED IN 1992

e concept of the National Housing Fund as proposed in the National Housing Policy is to ensure a ntinuous flow of long-term funding for housing development and to provide affordable loans for low ome housing. The promulgation of the National Housing Fund Decree heralded the emergence and ablishment of a battery of mortgage finance institutions in Nigeria. Good as the intention of the scheme pear, the technicalities and modalities of releasing the loan from the mortgage institutions to the members the public have not been worked out and as such most potential clients have been frustrated by the high erest rate and cost of funding. Most of the mortgage institutions on their own have been mobilizing funds accepting deposits and savings at very high interest rate in a highly competitive marketing environment. st customers on the other hand are prepared to wait for the National Housing Fund than take loans at high erest rate which is presently being dictated by the money market condition.

MMARY, CONCLUSION AND RECOMMENDATION

MMARY

e major concern of the housing finance system in Nigeria today is to secure a larger volume of funds for a nger-term lending for housing construction. This is to facilitate substantial increases in the housing stock d to extend housing finance services to the majority of Nigerians at affordable cost levels.
ee issues that merit consideration in this context are the escalating prices of building materials, the traints in the land delivery system and the high physical standard which militate against the affordability these groups. This situation must be reversed quickly if the housing pressure is not to assume a crisis portion during this new millennium.
Establishment of Construction Bank: Part of the problem of the industry is the liquidity i.e. in essibility to credit facilities. The Commercial Banks are not setup to loan money on long term bases. The blishment of the Construction Industry own bank where lending is a lot easier and interest rates are er than commercial rate and the Minimum Rediscount Rate (MRR) would not only boost construction ity but would help launch the young players in the industry. Part of fund that could be made available his Bank could be pension funds from government agencies and parastatals which are currently being ed through wrong usage. It is important to note that regardless of the availability of long-term lending the appropriate institutions to render the required services, housing finance can only become effective a substantial proportion of the population can be served. The problem is to appropriately finance the ing needs of middle and low income groups that constitute the majority through this medium. It shall be vate sector led-bank with government just having an equity interest.
The Use of Local Building Materials: The use of local building materials and intermediate technology be followed with the provision of other basic infrastructure like safe drinking water, roads, electricity y and other social amenities especially to improve the quality, liveability and attractiveness of low cost ng. Presently, houses are built solely on cement. The nation needs more than 9.5million metric tonnes y. While our cement companies are only able to produce about 4-5million metric tonnes. This short fall ways accounted for the galloping cost of cement every year. There is also the campaign to use less of nt blocks in housing construction especially the low-income housing. A further savings has been ved to be made with the use of bamboo shoots. Thus financing the construction of housing for all me groups require creative framework through – localized design and packaging as opposed to imported gn.
Evolution of Simpler Form of Design: There is a need to do away with over – designing and concentrate on functional design. The local architects have to take the lead in this regard. A more cost effective is highly desirable at this point in time if mass and cheap housing is to be assured.

(iv) Review of land use Decree of 1976:- Whereby all lands in government ownership is freed in order to enhance intense private sector participation in the industry by making access to land very easy. This would help in the empowerment of the real sector and thus an active and vibrant industry. Social housing would become a child's play if more land is freed or ceded to the private sector.

CONCLUSION

In conclusion, government should undertake steps by all appropriate means and to the fullest of funds at its disposal to achieve progressively the tenets of adequate shelter for Nigerians especially the vulnerable group. This must be done without discrimination as to status, sex, tribes and without fear of favour. It is indeed hoped that the above framework which is indicative of bright prospects for financing housing construction will rapidly expand the quantum of finance available and dampen the high cost of funding and construction. With the restructuring of the domestic economy, it is my belief that there is a bright prospect for housing financing large scale in Nigeria in this new millennium. It is recommended that more emphasis be placed on providing low and medium income housing units in Nigeria using earth blocks and intermediate technology. It is also expected that to avoid the take-over of these houses by the high income group, national or state monitoring groups made up of NGOs, government institutions and other public and private stakeholders be established to monitor progress and make sure that target populations benefit. The use of simple walls using stabilized blocks, reinforced concrete in beams and lintels and combining this with corrugated roofing sheet would reduce construction cost by about 60%. It should be noted that reduction in unit cost would produce more units so as to meet up the 17 million units required to adequately house the Nigerian population by the end of the year 2012.

RECOMMENDATIONS

There is the need for the Central Bank of Nigeria (CBN) to embark on a holistic reform of the nation's housing sector that would involve restructuring of the housing and mortgage finance system in order to achieve desired economic development.
It should set up a robust financing system and measures that would check the high cost of housing in the country, noting that the current state of mortgage finance contributing less than 1 percent of the nation's GDP is appalling, when compared with situations in some emerging markets. In Malaysia it accounts for 24.7 percent of GDP, 29 percent in South Africa, 85 percent in New Zealand, among others.
The appalling situation has continued to prevail despite attempts by all tiers of government to facilitate access to housing finance. The CBN should engage all stakeholders in the sector to drive the needed reforms as well as develop strategies that would expand the availability of affordable housing to the low income group in the country.
The proposed reform agenda for the sector would entail strategic re-positioning and strengthening the primary mortgage banks as a vehicle for housing delivery and home-ownership in Nigeria, as well as promoting a robust housing/mortgage finance system through market support initiatives to unlock home equity in both urban and rural areas to finance micro, small and medium enterprises.
Measures to be put in place include: appropriate legal framework, accelerated development and production of affordable houses, development of an institutional framework, establishment of a mortgage refinance/liquid company and possible introduction of a national housing intervention fund. The apex bank would ensure adequate financing of the project.
The major challenges facing the sector in Nigeria include dearth of long-term funds, absence of mortgage refinance/liquidity, weak capital base and inadequate branch network of primary mortgage institutions (PMIs), poorly designed National Housing Fund (NHF), inadequate capital and weak corporate governance structures, inadequate skilled labour, and high cost of building materials.
In the face of these challenges and given that housing and mortgage finance is a key component of the financial service industry, it has become imperative for the CBN to champion reform efforts in the sub-sector. It should engage all stakeholders in the sector to drive home the needed reforms and develop strategies that will expand the availability of social and affordable houses to eligible Nigerians.

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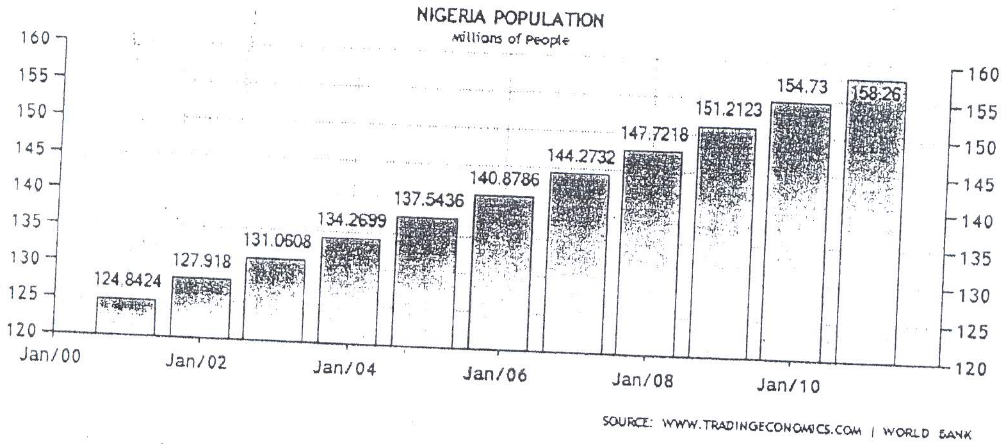
APPENDIX 1

NIGERIAN POPULATION

The total population in Nigeria was last reported at 158.3 million people in 2010 from 45.2 million in changing 251 percent during the last 50 years. Nigeria has 2.29 percent of the world's total population means that one person in every 44 people on the planet is a resident of Nigeria. This page includes a with historical data for Nigeria's Total Population.



APPENDIX 2

DISSECTING AFRICA'S LATEST GDP PER CAPITA NUMBERS – AN UNCONVENTIO LOOK

The latest GDP per capita numbers (2010) have been released by the International monetary fund (I latest numbers suggests that Africa has rebounded since the recession of 2008 and is on track to experi broad based growth.

An overview

Africa is a varied continent, some countries (Seychelles, Equatorial Guinea, Cape Verde, Botswana) living standards better than BRIC countries and comparable to certain countries in the West where as ot (Niger, Eritrea, Central Africa Republic amongst others) are very poor by recent African standards. It w be wrong to say that Africans are not productive or have poor living standards. Seventeen (17) out of two (52) African countries are more productive and better off than India, another eight (Tunisia, S Africa, Libya, Mauritius, Seychelles, Gabon, Botswana and Equatorial Guinea) a subset of the former g are better off than China and Brazil (exclude South Africa in Brazils' case). Four countries (Seyche Botswana, Equatorial Guinea and Gabon) are on par and or better off than Russia.

Average per capita income for Africa today is $4,000. Another interesting fact is that while the ric countries (Seychelles, Mauritius) have better living standards than certain countries in the West they do have strong growth prospects like the poorest (Zimbabwe, Congo DR, Malawi) who were amongst fastest growing countries in the world last year.

What is GDP per capita?

In raw terms it is the total value of goods and services produced in a country (GDP) divided by the t population. It is indicative of individual productivity and therefore can be used as a proxy for indivi income. It is used to gauge standard of living and consumer purchasing power amongst others

Interpretation in the African context

For a country like Nigeria GDP per capita for 2010 was $2,422. That means that each person produ around N360, 000 worth of goods and services last year. Some Nigerians spent/earned way more than amount last year, others spent/earned less. For young middle class Nigerians living in cities and worki finance, energy and the ICT sector this ($2,422) could be their monthly income.

Whereas every Nigerian didn't earn N360, 000 last year this is an important indicator of income purchasing power amongst others. For a developing region like Africa, the correct way to look at this da whether it rises year after year and not what it is currently.