

## **CHALLENGES AND OPPORTUNITIES IN PUBLIC-PRIVATE PARTNERSHIPS (PPPS) FOR HOUSING LOW-INCOME EARNERS IN NIGERIA**

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### **ABSTRACT**

Since 2002 when the Nigerian government gave official recognition to public-private partnerships (PPPs) in housing, several PPP housing projects have been implemented in this country. However, the challenges and opportunities in PPP for housing the low-income urban residents who incidentally have the most critical housing needs in Nigeria are not clearly understood. This paper examines the challenges and opportunities in PPP for housing the low-income urban residents in Nigeria. The paper relies on a systematic review of research literature and empirical data derived from oral interviews with 27 experts in nine PPP housing projects in Nigeria to achieve its goal. The paper reveals that the PPP experience in the Nigerian housing sector has mainly been in the provision of housing for the high-income earners; and also that the main reasons why PPP has not made any significant contribution to housing for the low-income earners in Nigeria were poor access to housing finance and developable land, the lack of uniform national policy on PPP in housing and over emphasis on housing for the high-income earners by the operators of PPP housing projects. The paper argues that although these challenges are not new to the Nigerian housing sector, PPP in housing for the low-income people presents a plethora of opportunities in promoting popular participation in public housing provision, encouraging the adoption of realistic housing standards; the use of local building materials; and leveraging the existing huge housing supply deficit in Nigeria to achieve efficiency in large scale production of affordable housing. The paper concludes

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by suggesting that further research is needed to explore how Nigeria can take maximum advantage of these opportunities in PPP in housing for the low-income earners.

## INTRODUCTION

As the global human population grows rapidly, much pressure is on the existing housing stock and infrastructural services. In order to reduce or slow down the rate of expansion and multiplication of informal housing, overcrowding, and slums, especially in the global South, there is urgent need to increase housing production at a rate that would be in tandem with the demand. A recent report by the UN-HABITAT (2016) observes that although housing accounts for about 70 percent of land use in most cities, over 881 million people are estimated to be living in urban slums where there are appalling housing and living conditions. This suggests that every country in the world has its own share of housing problems. However, the most critical housing challenges are in cities in the global South where there is rapid urbanization and a huge housing and infrastructure supply deficit.

Nigeria, with an estimated population of 183 million people and urbanization rate of 50 percent (Bloch *et al.*, 2015) has housing supply deficit of about 17 million units. As a result, between 60 percent and 70 percent of the country's 80 million urban residents live in slums and informal settlements with life-threatening housing conditions. According to Okonjo-Iweala (2014), although Nigeria needs to produce a minimum of 700,000 housing units annually to close her housing supply gap, the yearly housing production in this country is about 100,000 units. It was in a bid to address this situation that the federal government of Nigeria budgeted ₦40bn (\$134.06 million) to finance her housing construction projects for 2016 fiscal year. The central government planned to build 250,000 housing units, while the 36 State governments were expected to collectively construct another 250,000 housing units in 2016. These translate to 500,000 housing units, and are 200,000 units less than the estimated annual minimum production requirement of 700,000 units.

Given the diminishing reliance on government-funded programmes to support housing development for the low-income people in Nigeria, addressing this housing supply deficit requires a huge investment in housing production. Current realities indicate that it is practically impossible for the government to shoulder this responsibility alone without the help of the private sector. In recognition of this, the Nigerian government has identified the need for public-private-partnerships (PPPs) in the provision of affordable housing for the low-income households (Federal Republic of Nigeria (FRN, 2002).

Some authors (including Emerole 2002 and Ikekpeazu, 2004) have espoused the possibility of increasing the supply of low-cost housing in Nigeria through PPPs, while others (Ibem 2011a; 2011b; Ibem and Aduwo, 2012; Ukoje and Kanu, 2014; Olofa and Nwosu 2015) have examined the PPP experience in the Nigerian housing sector. Furthermore, Onyemaechi *et al.* (2015) investigated the critical success factors for PPP in housing projects, and yet Oladokun and Aluko (2012) studied stakeholders' awareness of PPP in housing, while (Ibem, 2010; Taiwo *et al.*, 2014) examined the roles of partners in PPP in housing in Nigeria. The consensus in the existing studies by these authors is that the PPP experience in the Nigerian housing sector is more in housing for the high- than the low-income earners. Hence, they concluded that thus far, PPP was yet to make any significant contribution in

resolving the lingering urban housing crisis in this country; and that further steps needed to be taken to address this situation.

In spite of the insight gained from the existing studies on PPP in housing in Nigeria, the reasons why there is increasing emphasis on housing for the high-income earners than that for the low-income people by the operators of PPP housing projects; and the opportunities PPP in housing for the low-income residents hold in Nigeria are not clearly understood. This is because there has been very little attempt to properly articulated these issues in the existing literature. It is against this background that this paper examined the challenges and opportunities in PPP for housing the low-income earners in Nigeria. As the search for sustainable solutions to the burgeoning urban housing crisis intensifies in the global South, authors of this chapter are of the view that PPP for housing the low-income earners provides a plethora of opportunities that need to be explored by stakeholders in the housing sector in order to achieve the desired result in Nigeria.

This chapter relies on systematic review of published literature and empirical data derived from a research conducted between December 2014 and March 2015 involving oral interviews with experts in nine PPP housing projects in the six-geopolitical zones of Nigeria. It contributes to knowledge by improving understanding of the PPP experience in housing in Nigeria and the opportunities in PPP in housing for the low low-income earners in urban Nigeria. The chapter proceeds in five distinct sections. The first is an overview of urban housing challenges in Nigeria, followed by a discussion on the PPP experience in the Nigerian housing sector. Next is a critical examination of the challenges and opportunities in PPP for housing the low-income Nigerians, respectively. The chapter ends with some concluding remarks and recommendations.

## OVERVIEW OF THE URBAN HOUSING CRISIS IN NIGERIA

The roles of housing in promoting economic development, employment generation, mitigation of natural disaster, and enhancing the productivity and well-being of individuals and households are well documented in the literature (see UN-HABITAT, 2006a and 2006c). Moreover, the UN-HABITAT(2012) specifically noted that where homes are located, how they are designed, constructed, and integrated with the existing environmental, social, cultural and economic fabrics of the society have significant influence on the daily lives, health, security, wellbeing and productivity of people. This means that in every society and culture, housing plays a crucial role in determining the quality of life and standard of living of individuals, households and communities. This explains why housing has remained a topical issue in Nigeria and globally.

Over the past three decades, rapid urbanization and the quest for industrialization and modernization have resulted in a growing demand for housing and infrastructure across the globe. In Nigeria, for instance, successive governments have attempted at ensuring that adequate housing was provided for a majority of the citizens at affordable cost (Ademiluyi, 2010; Ibem *et al.*, 2011; Federal Republic of Nigeria, 2012). Unfortunately, several logistic and administrative challenges have hindered the achievement of this goal. This has partly contributed to ensuring that there is a gap between the demand and supply of housing, particularly, for the low-income people who incidentally constitute a greater percentage of the

urban population in this country. The crux of the matter is that the provision of housing and other basic infrastructure needed to ensure good life and enhanced productivity of the citizens has consistently not kept pace with the rate of population growth. For example, Table 1 shows that there has been a steady rise in the number of people living in urban slums in Nigeria between 1990 and 2010. Although the data in Table 1 indicates that the percentage of urban population living in slums between 1990 and 2010 has declined from 77.3 percent to around 62 percent, the truth is that the actual number of people living in urban slums has increased from about 25 million in 1990 to around 48 million, in 2010.

**Table 1. Urban slum Population in Nigeria**

Year	Urban Population (thousands)	Urban slums Population	Percentage of Urban Population living in slums
1990	33,325	25,763	77.3
1995	42,372	31,127	73.5
2000	53,048	36,930	69.6
2005	65,270	42,928	65.8
2007	70,539	45,309	64.2
2010	78,845	48,805	61.9

Source: UN-HABITAT (2010).

Arising from this, governments at all levels in Nigeria are under tremendous pressure to meet the housing and basic infrastructure needs of the people. Aduwo *et al.* (2016) explained that the poor and the low-income people are the most affected by the urban housing crisis in Nigeria. This is mainly due to two main reasons. The first reason stems from the increasing level of poverty due to a decline in income level, which has made it impossible for an average worker to afford to build, buy or rent a befitting housing in most urban centres in Nigeria. The present economic situation in this country has degenerated to the extent that over half of the estimated population of 183 million Nigerians live on less than US\$1 a day, while the rate of unemployment increased by 13.3 percent in the first quarter of 2016, which is the highest since 2009. Coupled with this, the minimum wage remains at ₦18,000(US\$51.43) per month, and this is not adequate in meeting the basic needs of most households in Nigeria today.

In addition, the increasing cost of building materials, the lack of adequate housing finance; scarcity of skilled artisans (Ademiluyi, 2010 and Ibem *et al.*, 2011) and stringent loan conditions by commercial and mortgage banks have contributed to the escalating cost of housing in this country. A recent report by the Center for Affordable Housing Finance in Africa (2016) reveals that a large number of people residing in informal settlements are more than those who live in decent accommodation in high-density urban areas in Nigeria. This submission appears to support the data in Table 1 as previously discussed. One of the key issues emerging from here is that the low purchasing power of most urban residents and the high cost of housing largely account for the growing number of people who live in poor housing environment in most Nigerian cities.

The other reason is that many of the public housing programmes by successive governments targeted at the low-income earners since political independence in 1960 had not made any significant contribution in ameliorating the housing situation of this group of people. This development has been attributed to several factors including, low organizational

capacity of public housing agencies (Ibem and Solanke, 2012), the lack of collaborations between public agencies and private sector organizations, corruption, poor implementation of housing programmes and rapid urban population growth (Akinmoladun and Oluwoye, 2007; Ibem et al., 2011). What this means is that the burden of urban housing challenge in Nigeria is increasing unabated and concerted efforts are needed to resolve it. This is why the government is exploring alternative strategies such as the PPPs in an attempt to resolve the growing urban housing challenges confronting a high majority of her low-income citizens.

## **PPP IN HOUSING: THE NIGERIAN EXPERIENCE**

The application of PPP in housing is not entirely new in Nigeria because it is now about fourteen years the country officially adopted this strategy in public housing provision. The New National Housing and Urban Development Policy (NNHUP) launched in 2002 by the administration of Chief Olusegun Obasanjo gave recognition to PPP as an alternative to government-led approach to public housing. The shift of emphasis from government-provider approach was informed by the failure of the past efforts of successive governments to address the burgeoning urban housing crisis in this country. Therefore, government saw the need to promote access to decent, safe and sanitary housing accommodation at an affordable cost through private sector-led initiatives. It was made clear in this policy document that the adoption of PPP approach to public housing was to ensure that the private sector plays more active role in addressing the severe shortage and high cost of housing in this country. This explains why most public housing projects in this country in recent times have been implemented through the PPP approach.

There are three key drivers of PPP in housing in Nigeria. The first driver is the high rate of urbanization, which has contributed to a growing demand for housing beyond what the public and private sectors can meet independently. The second driver is the need to relieve government of the burden of funding public housing provisioning in the face of dwindling resources, budgetary constraints and other competing demands (Ibem and Aduwo, 2012). The third driver is the recognition that the private sector has great potentials in meeting the housing needs of the citizens due to its huge human and financial resources. This is evident in the submission by the UN-HABITAT (2006a) that over 80 percent of the existing housing stock in Nigeria is provided by the private sector. Based on these, the general believe is that the key to PPP in housing for the low-income people is creating an enabling environment for the commercial and not-for-profit private sector organisations to fully take charge in the actual production of housing units (UN-HABITAT, 2006b). The is in line with the enabling approach to housing and infrastructure provision, which has gained global acceptance and recorded significant results in many developing countries such as Malaysia, India, Brazil and the Philippines just to mention these few.

Looking at the period PPP has been applied in public housing in Nigeria, some major characteristics of the country's PPP experience can be identified. The first of these characteristics is that although the NNHUP provided the legal framework for the adoption of PPP in housing in Nigeria, current practice reveals that other pieces of legislation have been designed to regulate the activities of operators of PPP housing and infrastructure projects in this country. Among these are the Infrastructure Concession Regulatory Commission (ICRC)

Act of 2005; the National Policy on Public-Private Partnerships in Nigeria launched in 2009, the Public Procurement Act 2007; the PPP Guidelines issued by ICRC governing the PPP (ICRC, 2012), the Land Use Act 1978 as amended in 2004 and the various States' PPP Manuals and Guidelines. These pieces of legislation were formulated to ensure that PPP endeavours in this country were carried out within the framework of laid down procedures and conform with global best practices in promoting equity, transparency and value-for-money. In fact, they are part of government's efforts at ensuring that there is a favourable policy and regulatory environment for the implementation of PPP projects in Nigeria (Federal Republic of Nigeria (FRN), 2009).

In addition to these, Ibem (2010) revealed that PPP housing projects are usually implemented based on the provisions of the Memorandum of Understandings (MOUs) signed by all the partners in PPP housing projects. MOUs are regarded as the operational and legal document establishing the PPPs and help to guide their operations on each project. Among other things, the MOUs describe the nature and structure of the housing projects, the roles of the partners and their equity contributions and benefits (Ibem, 2011a). There are also the development lease agreements (DLAs), these are part of the operational documents signed by partners to PPP housing projects in Nigeria. The DLAs show the commitment of all parties to ensuring that PPP housing projects are successfully completed in accordance with the specifications outlined in the MOUs. It is important to state here that besides the generic pieces of legislation in the PPP industry, the MOUs and DLAs are the most common instruments that operators of PPP use in the implementation of PPP housing projects in Nigeria. Consequently, many operators and observers see these documents as substitutes to PPP housing policy in Nigeria. Unfortunately, this cannot be as many times it has been observed that these operational documents are fraught with difficulties in terms of enforcement by partners in PPP housing projects.

The second major characteristic that can describe Nigeria's PPP experience in housing is the institutional framework for the implementation of PPP housing projects. In recognition of the importance of a robust institutional framework in effective housing delivery process, the NNHUP also provided the legal framework for the creation of organisations that can represent the organized private sector in PPP housing projects. The three key private sector organisations established through the instrumentality of this policy are the Real Estate Developers Association of Nigeria (REDAN), the Building Materials Producers Association of Nigeria (BUMPAN) and primary mortgage institutions (PMIs). These organizations were established mainly to collaborate with government ministries, departments and agencies (MDAs) in public housing delivery. However, a careful scrutiny of the institutional framework for PPP in housing in Nigeria, one can see that there has been active involvement of federal and state government agencies (e.g., ministries, ICRC; Federal Housing Authority; State Housing Corporations); private housing developers (commercial real estate developers); financiers (e.g., commercial banks, Federal Mortgage Bank of Nigeria; primary mortgage institutions; physical development control units) in the implementation of PPP housing projects. Unfortunately, unlike the experience in other countries like Malaysia, the Philippines and Canada, where local government authorities, housing cooperatives and other non-governmental organizations (NGOs), community-based organizations (CBOs) representing the interest of the low-income people have played active roles, we have not really seen the involvement of these categories of organisations in PPP housing projects in Nigeria (Ibem and Alagbe, 2015). In addition, in spite of the fact that the BUMPAN was specifically

established to be active participant in PPP housing projects, its members have not also been actively involved as partners in PPP housing projects in Nigeria. As a result, the good intension of government to reduce the high cost of building materials in PPP housing projects through the involvement of the BUMPAN is yet to be achieved. This means that PPP in housing in Nigeria is predominantly the collaborative engagements between government agencies, members of REDAN and financial institutions.

There is also the emergence of the joint venture model as the predominant approach to PPP in housing in Nigeria. In this model, government agencies and commercial private sector organizations engage in housing projects primarily to making profits. Consequently, they have equity participation in the projects and completed housing units are sold to interested members of the public at prices that cover the cost of land and other inputs involved in the design and actual production of housing units and associated infrastructure and a margin of profit. The profits are usually shared in predetermined ratios based on the equity participation of each partners as stipulated in the MOUs. The UN-HABITAT (2006b:61) observed that housing units provided through this model are rarely affordable to the low-income households; and thus, this model might not really be ideal for housing for the poor and the low-income people unless there is significant amount of subsidies provided by the government and/or donor agencies. It however noted that the best-documented case of PPP in the production of low-cost housing using the joint venture model was in the Philippines. This was achieved by incentivising the private sector partners through appropriate product-mix and by restricting the target population to middle- and lower-middle income groups. Profitability was achieved through high volume and what they called 'fast multiple investment turnover', which allowed for lower margins and ensured affordability to the target groups.

One interesting feature of the joint venture model of PPP in housing as practiced in Nigeria is the way responsibilities, risks and profits are shared amongst the partners in PPP housing projects. The Nigerian experience as documented by authors (Ibem, 2010; 2011a; Ibem and Aduwo, 2012; Ukoje and Kanu, 2014; Taiwo *et al.*, 2014; Olofa and Nwosu, 2015) reveals that government agencies play such roles such as supplying land with title registration at subsidized cost; granting of the necessary approvals and paying compensations to original landowners (i.e., host communities). They are also involved in providing the enabling environment for the take-off of housing projects (e.g., policy, and regulatory frameworks), supervising and monitoring the projects to ensure compliance with the MoUs; providing some basic infrastructure on project sites; granting the private sector partners waivers where necessary; selecting the private sector partner and marketing of completed housing units. The private sector organisations on the other hand are responsible for providing funding for the projects; designing and constructing the housing units and infrastructural facilities; supervising projects to ensure compliance with the MoUs and DLAs; marketing of completed housing and managing and maintaining occupied PPP housing estates.

The fourth feature of PPP in housing in Nigeria deals with the strategies engaged in by the operators in the production of housing units. Studies (Ibem, 2011a; Ibem and Aduwo; 2012; Olofa and Nwosu, 2015) show that a high majority of the existing PPPs in Nigeria have thus far focused on build and sell housing delivery strategy, which involves the production of walk-in homes and selling them to interested members of the public at predetermined cost. However, few of them have also engaged in site-and-services as seen in Ikorodu, Lagos State (Ibem, 2011a) and in remodeling of old and dilapidated public housing estates as was done in the upgrading and remodeling of the old Ibarra Housing Estate in Abeokuta, Ogun State

southwest Nigeria as reported by Ibem and Aduwo (2012). Aggregate findings of these studies on housing delivery strategies engaged in by the existing PPPs suggest that apart from the site-and services that benefited many low-income households, most of the other strategies benefited mostly the high-and-middle-income earners. The site-and-services scheme in Ikorodu, Lagos State, was actually designed to benefit all categories of income earners by having plot of different sizes and prices; and making provisions for mortgage acquisition option for the low-income earners. The high-income subscribers acquired the serviced plots through outright purchase at a higher cost than what the lower-income earners paid. Thus far, there is no documented evidence of the use core housing strategy in any PPP housing project in Nigeria. Incidentally, this is one of the housing delivery strategies that promotes easy access to affordable housing among the low-income households and it is yet to be part of the PPP housing arrangement in Nigeria.

In all these, the consensus among authors is that the PPPs in housing have not made any significant contribution to resolving the urban housing challenges in Nigeria, especially among the low-income households. This development has been attributed to a number of factors. These include the lack of a uniform National Policy on PPP in housing in Nigeria, the over reliance on the joint venture model that encourages government to have equity holdings and share profits from PPP housing projects; the high interest rate on loans used to finance PPP housing projects and the high cost of building materials and construction equipment. Others are the lack of adequate incentives for the private sector partners, the use of high building standards and the non-involvement of local government authorities and not-for-profit private-sector organisations in PPP housing projects (Ibem, 2011a; Ukoje and Kanu, 2014). These issues help to explain why the PPP experience in the Nigerian housing sector has been predominantly in housing for the high-and middle-income earners. This is contrary to the experience in of other developing countries like Malaysia (Abdul-Aziz et al., 2011), the Philippines (UN-HABITAT, 2006b) and Brazil (Fruet, 2005), who have made significant progress in housing their low-income population through the PPP option.

## **CHALLENGES OF PPP IN HOUSING FOR THE LOW-INCOMES EARNERS IN NIGERIA**

Having examined the PPP experience in the Nigerian housing sector in the previous section of this chapter, this section examines the challenges militating against the successful adoption of PPP in housing for the low-income people in Nigeria. The focus is on the factors that have contributed most to the poor performance of PPP in housing for the low-income earners in the past fourteen years or so that PPP has been adopted in public housing delivery in Nigeria. Information presented and discussed in this section was sourced from oral interviews and interactions with 27 experts selected from nine PPP housing schemes in the six geopolitical zones in Nigeria as part of a larger research project carried out between late 2014 and early 2015 by the third author of this chapter.

As revealed from the oral interviews with experts and operators in PPP housing projects in Nigeria, despite the huge low-income housing market, a number of factors were responsible for the poor performance of the existing PPPs in housing for the low-income people in Nigeria. One of the biggest challenges faced by the operators of PPPs housing



projects in Nigeria is the lack of sustainable sources of housing finance. The operators of PPP housing projects interviewed explained that most of the PPP housing projects in this country were developed using loans from commercial banks at high interest rates. They noted that most commercial banks in this country engage in restrictive lending and borrowing practices, which make it extremely difficult for them to access funds easily for housing projects that are affordable to the low-income people without any form of subsidies from government or aid agencies. As they rightly observed, the operators need to repay loans at very high interest rates and recoup their investment as soon as possible; hence, there is a need to invest in the type of housing projects that guarantee quick returns on investments. The issue of lack of sustainable long-term source of housing finance is exacerbated by the unavailability of mortgage facilities, cumbersome mortgage application processes and poor capacity of the existing Primary Mortgage Institutions (PMIS) to meet the growing need for facilities by both housing developers and end users. As the operators pointed out, although the Federal Mortgage Bank of Nigeria (FMBN)- the apex mortgage finance institution in Nigeria, was assisting through the estate development loans (EDLs), the facilities provided through this channel were inadequate to fund large-scale projects that can make a significant impact on the current housing situation in urban areas in Nigeria.

On the part of home seekers, they are also confronted with the challenge of securing mortgage facilities because of the unavailability of such facilities in this country. Coupled with their low-income status they are unable to provide collaterals and meet other stringent and restrictive conditions required to access loans and credit facilities from the commercial banks. Moreover, the National Housing Fund (NHF), which is a FMBN -administered fund designed to provide mortgage facilities to contributors, who have consistently contributed the mandatory 2.5 percent of their monthly basic salary or income for at least six months has not been of much help to subscribers. This is because of the cumbersome processes and the unrealistic requirements for accessing the fund. For example, one of the requirements for accessing the NHF is that a contributor interested in obtaining NHF loan must apply to the FMBN through a registered and duly accredited primary mortgage institution (PMI). However, the question is how many average Nigerians know and have access to a PMI within their localities and are able to afford the service charges associated with such applications? The implication of this is that many contributors to the NHF are not able to gain access to the facilities provide by the scheme. It can be inferred from the foregoing that indeed, both the operators of PPP housing projects and home seekers in Nigeria are confronted with the age-old challenge of poor access to housing finance. This has no doubt partly contributed to the current performance of PPP in housing for the low-income Nigerians who are in dire need of decent and affordable housing.

Another factor identified as having debilitating effect on PPP in housing for the low-income people is the poor access to land for low-cost PPP housing projects in Nigeria. There is no doubt that land is one of the key housing inputs globally and because the supply of this vital commodity is fixed, there is tremendous pressure on land resource. In fact, studies (UN-HABITAT, 2006b; Abdul-Aziz, and Jahn-Kassim, 2011) have revealed that government assistance in the supply of land at subsidized cost is one of the critical success factors for PPP in housing for the low-income earners. This is because access to developable and unencumbered land is a major attraction for private sector participation in PPP in housing. Unfortunately, there appears to be hindrances in making land available to private sector developers to construct housing units under the current PPP arrangement in Nigeria. There is

a consensus among authors that the Land Use Act (LUA) of 1978 as amended in 2004, which vested the power to administer and control the use of land on the government alone constitutes a major hindrance to smooth access to land for housing development in Nigeria. One would have expected that access to land could have been easier under the PPP arrangement since government is in control of land administration and at the same time a partner in PPP housing projects. Unfortunately, securing access to land acquired from indigenous landowners by government for development projects such as housing has been fraught with difficulties in Nigeria (UN-HABITAT, 2006a). This situation is least expected given the role government is expected to play in eliminating the challenges that have militated against effective land management practices in Nigeria in the past three decades.

One of the key issues with land administration in this country is that the existing legislation that is the LUA is promoting dual ownership and double purchase of land as noted by Akinmoladun and Oluwoye (2007). Consequently, even government that has the authority to administer land has to pay compensations to indigenous landowners for land acquired for physical development projects, including housing. As the operators of PPP housing projects noted, the process of paying compensations most often takes very long time to complete, and the financial cost associated with this is usually included as part of the production cost, and is passed unto the eventual buyers of the housing units produced by the PPPs. They also revealed that the host communities where PPP housing projects are located most often take the issue of compensation seriously. Instances abound where personnel and workers of developers on project sites were violently attacked by youths of the host communities because of inadequate compensation for land, leading to the disruption of the progress of construction work. What this means is that the challenge of poor access to land for mass housing projects is yet to be addressed in the PPP housing strategy in Nigeria, as government seems not to be doing enough in addressing this age-old challenge.

The issue of the lack of enabling PPP laws in the housing sector in Nigeria also came up as a major challenge in PPP in housing in this country. The PPP experience in the Nigerian housing sector shows that since 2002 when the NNHUD policy was launched, several other National Housing Policies adopted in 2004, 2006 and 2012 recognised PPP as one of the ways through which the governments in Nigeria seek to make housing affordable and accessible to a majority of Nigerians who need housing. However, there has not been any further attempt to develop a good policy framework to guide PPP in housing in this country. Notably, there are existing national policies on PPP for the health and infrastructure sectors, but there is none to guide the stakeholders in the housing sector. Although the National Policy on PPP in Nigeria (FRN, 2009) recognises housing as one area government is to form partnerships with the private sector, it has no specific provisions for PPP in housing. Consequently, in the fourteen years of experience with PPP in the Nigerian housing sector, operators have implemented PPP housing schemes based on guidelines that promote housing for the rich. The study by Fruet (2005) had also identified similar challenge in the PPP housing sub-sector in Brazil.

However, in countries like India, Malaysia and the Philippines that have recorded significant success in PPP for housing the poor and low-income people, they have well-articulated PPP policies tailored to meeting the housing needs of their poor and low-income citizens and residents. Therefore, the absence of a national policy on PPP in housing has contributed to ensuring that operators of PPP housing projects do so with no specific obligations to invest in the production of housing units for the low-income population in this

country. This means that one of the major gaps in the practice of PPP in housing in Nigeria is the absence of a national policy on PPP in housing. Indeed this is a major issue that needs to be addressed if Nigeria expects to maximise the benefits of PPP in housing for her low-income population.

The focus of the existing PPP model on housing for the high-income earners was also identified as a major challenge in PPP for housing in Nigeria. As described in the section on PPP experience in the Nigerian housing sector, the adoption of the joint venture model helps to explain why the current emphasis of the PPPs is on housing for the high and middle-income earners. This is seen in the type and the cost of housing units provided by the PPPs. The consensus among housing experts and scholars is that the current situation where it is the joint venture model of PPP that is recognized and operated in Nigeria is detrimental to the success of PPP in low-cost housing. This is because the operators of this model are motivated by profits and thus, it lacks adequate social content to meet the housing needs of the low-income households. The implication of this is that the chances of PPP making significant contribution to meeting the housing needs of the low-income people is very slim as long as the joint venture model remains the predominant PPP housing approach in Nigeria.

From the preponderance of evidence in the existing studies on PPP in housing in Nigeria cited in this chapter, it is clear that a combination of several factors account for why the current emphasis of the PPPs is on housing for the high- and middle-income earners. These factors as identified in this paper include inadequate supply of land by government, poor access to long-term housing finance and high cost of building materials. Following from this discussion is the view that the unfavourable policy and micro-economic environment in the PPP housing sub-sector in Nigeria has contributed to encouraging the operators of PPP housing projects to focus more on housing for the high-income than that for the low-income population in Nigeria. This situation needs to be addressed by the stakeholders in the housing sector in Nigeria. This country should draw some useful lessons from other developing countries who have made and are still making significant progress in housing their low-income citizens through the PPP approach.

## **OPPORTUNITIES IN PPP IN HOUSING FOR LOW-INCOME EARNERS IN NIGERIA**

In the published literature, there are sound arguments to support the view that opportunities abound in the application of PPP in the provision of housing, fixed infrastructure and other public services hitherto provided solely by the government (see for examples Ikekpeazu, 2004; Brown *et al.*, 2006; UN-HABITAT, 2011). From partnership literature, we understand that the synergy derived from collaborations between governments, the commercial and not-for profit private sector organisations can engender the delivery of high quality services at lower costs than what is obtainable when any of these sectors act alone (UN-HABITAT, 2006b; Pinnegar *et al.*, 2011). The fact that government can leverage private sector involvement in funding and managing infrastructure projects has the benefit of delivering higher quality services at reduced cost. This is feasible by bringing together the strengths of the public and private sectors in an atmosphere that encourages the sharing of resources, technologies, ideas, skills and risks in a cooperative manner in the provision of

housing and infrastructure (UN-HABITAT, 2006b and 2011). Indeed, authors (Otiso, 2003 and Moskalyk, 2008) have demonstrated that when governments and non-governmental organisations (NGOs) collaborate in an atmosphere devoid of political interferences, flexibility and effectiveness are built into project delivery process resulting in cost saving outcomes and improved service delivery beyond what government agencies would have achieved acting alone. This perhaps explains why there is increasing attention on PPPs as new ways of delivering vital public infrastructure and services across the world.

As it relates to the housing sector, PPP has been viewed as an effective way to attract greater private sector participation in the development of housing projects that meet the needs and expectations of all categories of households (Brown et al., 2006; Aziz and Hanif, 2006; Pinnegar *et al.*, 2011). Stakeholders in PPP in housing for the low-income people are diverse and may include governments at all levels, real estate and infrastructure developers, professional consultants in the built environment, financial institutions and the people. Therefore, PPP in housing can offer a plethora of opportunities to all stakeholders provided there is a spirit of collaborative engagement and alignment of efforts in achieving the desired goal of producing decent housing units that meet the needs and aspirations of the target population at affordable cost.

The report by the UN-HABITAT (2006b) on PPP in housing reveals that PPP has been widely adopted in several countries in housing for the low-the income population. This is primarily due to its unique characteristics in providing the opportunity for risk sharing amongst the government, commercial and non-for-profit private sectors, reducing public sector administrative cost; and shortening the gestation period of housing projects. Studies (Otiso, 2003; Kinyungu, 2004; Aziz and Hanif, 2006; Moskalyk, 2008) have also shown that by pooling together the expertise, resources and skills of the different actors (i.e., public, commercial and not-for-private sectors) based on their areas of core competencies, partnerships were able to deliver housing and infrastructure projects that meet that needs of the low-income people effectively and efficiently. This is because there was role identification and commitment by each partner in achieving both individual and corporate goals. The implication of this is that PPP for housing the low-income people can help to foster division of labour and engenders the maximization of the benefits of comparative advantage and interdependence of public, commercial private and not-for-profit private sectors in housing provisioning.

In line with the above, the UN-HABITAT (2006b) explained that in a typical PPP arrangement, government is expected to create an enabling policy, political and economic environment for the commercial private sector to engage in the actual production of housing units, while the not-for profit private sector plays intermediary role between the commercial private sector and the end users. In essence, this implies that PPP in housing for the low-income earners can encourage the evolution of other innovative models other than the joint venture that thrives on state-market partnerships. The alternative model can create a platform for popular participation in public housing as the not-for-profit private sector organizations such as non-governmental organizations (NGOs), community-based organizations (CBOs) and faith-based organizations (FBOs) can effectively participate in PPP housing projects. In addition to fostering the division of labour, and opening up other channels of housing finance options, this can also promote inclusiveness in institutional framework for public housing delivery and promote access to decent and affordable housing by a majority of urban residents in Nigeria. By ensuring that specific project risks are allocated to the partners best able to

manage them in a most cost effective manner, housing projects would be delivered on time and in line with the expectations of the stakeholders. Therefore, one obvious area of opportunity in PPP in housing for the low-income people is the increasing chances it has in ensuring that every sector of the society contributes its quota based on its area(s) of comparative advantage, in the provision of affordable housing.

There is also the opportunity in PPP in housing for the low-income earners to engender greater commercial private sector participation in public housing in Nigeria. The PPP experience in housing in Nigeria has shown that the commercial private housing developers are unwilling to invest in housing for the low-income earners where the return on investment is minimal. This is understandable because the joint venture model as practiced in this country encourages the transfer of risks from the public to the private sector. Consequently, the commercial private housing developers prefer to invest in the production of housing units for the high-and-middle-income households, which of course, brings quick returns on investments. To encourage private sector participation in PPP housing for the low-income earners, there is a need for a uniform national policy on PPP in housing that would provide guidelines on several contending issues that contribute to make low-cost housing a difficult task for the PPPs in Nigeria. Among the several issues to be addressed by the policy are the focus stakeholders and partners; and risk allocation and sharing principles in PPP housing projects. In order to enhance the participation of the commercial private sector in PPP housing projects for the low-income earners, there is also a need for government to provide incentives that can help to reduce the risk borne by private developers. Incentives such as the provision of basic infrastructural facilities in housing projects and reduction or exemption of taxes and duties on imported construction materials among others can help. This can significantly reduce construction-related costs and increase the confidence of the private sector investors in low-cost housing projects. In addition, this can encourage innovation by motivating the private partner to develop new methods and approaches for project delivery that meets the requirements of low-cost housing.

Another area of opportunity in PPP for housing the low-income earners is that it can encourage a review of building standards and enforce the use of local building materials. The Nigerian experience in PPP in housing has also shown that there is the adoption of high building standards and extensive use of imported building and construction materials (Ibem, 2011a; Ibem and Aduwo, 2012). It is surprising to note that housing developers, including the operators of PPP housing projects still rely on unrealistic building standards developed about five decades ago to produce mass housing units in Nigeria today. The account by the UN-HABITAT (2006a) reveals that the adoption of unrealistically high housing standards was one of the key factors responsible for the inability of the several previous public housing programmes to resolve the lingering urban housing crisis in Nigeria. In view of the fact that there has not been a major review of building standards, except of course the 2006 National Building Code; which was developed after the British standards, there is strong evidence that the current housing standards used in the provision of housing by the PPPs in Nigeria are too high and unsuitable for low-cost housing. This partly explains why the housing units produced through the PPPs are not affordable to the low-income population in Nigeria. Related to the adoption of high building standards is the extensive use of imported building materials in the PPP housing projects. With over 65 percent of the cost of housing development spent on the cost of building materials, it is obvious that the cost of building materials constitutes a greater proportion of the total cost of housing development in Nigeria.

This situation has been exacerbated by the increasing over reliance on imported building materials by housing developers in Nigeria. The crux of the matter is that a reasonable proportion of the building materials used in this country are imported using scarce foreign exchange. Going by the current exchange rate of the local currency to the US dollar, the prices of most building materials in Nigeria have become so high that it is difficult to construct low-cost housing with such materials. It is therefore not a surprise that the cost of PPP constructed housing is far beyond what an average worker in Nigeria can afford. Again, this may help to explain the current emphasis on housing for the high-income earners by the PPPs in Nigeria.

In this current situation, what Nigeria needs are PPPs devoted to housing for the low-income earners. This is because the existence of such PPPs would encourage the relevant authorities to review downward the current high building standards and enforce the use of local building materials through legislative actions and processes. For examples, local byelaws and building codes on setbacks, thickness and height of walls, sizes of rooms and plots among others can be reviewed downward to meet the requirements for low-cost housing. Therefore, any conscious effort by the PPPs to engage in the production of houses for the low-income earners in Nigeria would definitively lead to a comprehensive review of the existing building standards. This would enable us have a more realistic building standards that are consistent with the socio-economic imperatives of the Nigerian society of today. After all many emerging economies such as Malaysia, South Africa, India, the Philippines and others have been able to make progress in housing for their low-income citizens through the PPP approach by developing separate housing design and construction standards for this group of people. In addition to conserving the scarce foreign exchange, enforcement of the use of local materials would promote the adoption of innovative construction technologies by the operators of PPP in housing and at the same time encourage the establishment and growth of local manufacturing industries thereby creating employment opportunities for the teeming unemployed youths in this country. This would ultimately bring down the cost of building materials and by extension, the cost of housing units constructed through the PPPs in Nigeria.

From another perspective, the existing literature on urbanization in the global South tend to place emphasis on the consequences of rapid urbanization as manifested in poor housing conditions and inadequate access to basic infrastructural facilities. However, rapid urbanization can be beneficial in terms of creating a huge housing and infrastructure market for the PPPs to thrive. What is being said here is that the fact that Nigeria has a supply deficit of about 17 million housing units is a blessing that should motivate the operators of PPPs in the housing sector to leverage on economies of scale to organize their activities in a way that drives efficiency and maximizes returns on investments. Again, the fact that the low-income earners constitute a greater percentage of the population of urban dwellers in Nigeria means that there is a huge demand for low-cost housing and basic infrastructural facilities, which ought to spur the PPPs to reduce costs per unit and increase the number of units produced. The point being made here is that it is high time operators of PPP in housing saw the huge low-cost housing supply deficit in Nigeria as an investment opportunity rather than a disadvantage as current literature portrays it.

## CONCLUSION

In this chapter, attempt has been made to provide a better understanding of Nigeria's experience with PPP in housing in the last fourteen years or so. From the discussion, it is obvious that this country's experience in the application of PPP in housing has mainly been in the production of housing for the high-and middle-income earners, while the low-income people that constitute a greater percentage of the urban population have been neglected in most PPP housing schemes. The evidence presented in this chapter also shows that the main reasons why the housing PPPs in Nigeria have not made any significant contribution to addressing the housing needs of the low-income population are not far-fetched. These include poor access to long-term housing finance; inadequate supply of developable land; the absence of specific and uniform policy on PPP in housing, and over emphasis on joint venture model by the operators of PPP housing schemes.

Against this background, the authors have noted that these challenges are not new to the Nigerian housing market; and that PPP in housing for the low-income people provides a plethora of opportunities in promoting popular participation in public housing delivery; encouraging greater private sector participation through multiple incentives; reviewing building standards and enforcing the use of local building materials as well as leveraging on economies of scale to reduce costs per unit and increase the number of low-cost housing units produced. In view of these opportunities PPP for housing the low-income earners offers, there is a need for all the stakeholders in the housing sector in Nigeria to work together in realising the goal of PPP in housing as stated in the New National Housing and Urban Development Policy (NNHUDP) in 2002. Further, there is also the need to go beyond the rhetoric and identify how best PPP in housing for the low-income people can be actualised so that Nigeria can benefit maximally from PPPs in addressing the housing challenge faced by a majority of her citizens. This calls for more research into the application of PPP in social housing provisioning in Nigeria.

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