

NEW WINE IN OLD WINESKINS: THE ANOMALY OF INTERNATIONAL HOUSING POLICY TRANSFER – THE CASE OF SUB-SAHARA NIGERIA

ABSTRACT

Over the years, there has been an increasing shift towards expanding the role of markets in the social and public policy delivery systems of nations. The pro-market shift has gained ascendancy largely due to the increasing dominance of western neo-liberal economic thinking, which emphasise market dynamism and efficiency in national economic management. Increasingly, most developing countries are being coerced by international lending agencies such as the World Bank to pursue pro-market housing policy reforms, which will align with their broad austerity policy packages in macro-economic structural adjustments. Nigeria, offers a classic example of a typical Sub-Saharan African Country where the adoption of market housing policy reforms has put the ‘assumed’ housing policy goal of ensuring ‘adequate housing for all’ further beyond reach.

This study examines the nature of urban housing affordability problems of households within the context of the current Nigerian national housing policy reform. The data used are based on the Nigerian Living Standards Survey 2003-2004. Such findings as variation in the nature of problems confronting different housing affordability quintile groups, deficiency in housing supply, the prevalent low household income and savings amongst the majority of households suggest strongly that current dominant private and unregulated housing markets in Nigeria do not work for the overwhelming majority of households.

Given the country’s weak institutional capacities to provide effective framework for enabling and mediating market housing delivery structures and systems, which is typical of Sub-Sahara African Countries, the imposition of ‘sophisticated’ market housing reforms could be likened to pouring new wine into old wineskins – a recipe for disaster. In Nigeria, the current national housing policy reform appears to serve ‘interests’ other than those for whom it is meant to serve – the Nigerian Households. Therein lays the danger of international housing policy impositions or transfer upon nations. Thorough understanding of local realities and context should guide policy and not just the ever changing generalized conventional wisdom of the time or the adoption of ideas that may be persuasive in countries with fundamentally different socio-economic and geo-political contexts.

INTRODUCTION

1.1 Introduction

Over the years, there has been an increasing shift towards expanding the role of the market in the social and public policy delivery systems of nations. As a result, the notion of the need for a welfare state as theorized by Wilensky and Lebeaux (1958), Kerr et al. (1960), Dennison (1967), Wilensky (1975), Barr (1992) amongst others to guard against ‘market failures’ is gradually diminishing in the face of increasing shift towards the market-end of the state-market

continuum (Tosics, 1987; Lundquist, 1992). Previous systems which emphasized the central role of public agencies in physical planning and production of housing are thus giving way to market-based approaches where the private sector plays central roles (UNCHS, 1988; World Bank, 1993; UNCHS, 1996, 1997a). The pro-market shift has gained ascendancy largely due to the increasing dominance of *western* neo-liberal economic thinking, which emphasise market dynamism and efficiency in national economic management (Baken and Linden, 1993; Pugh, 1994; Jones, 1996; Fine, 1999).

Within the international housing policy discourse, this thinking implicitly requires the creation or the restructuring of a housing delivery framework in a way that will *enable the market to work*. It advocates creating housing policy frameworks that strongly propel market forces (i.e. market demand-supply-price mechanisms) to determine the production, distribution and consumption of housing. On the supply side, it favours private sector housing development and cost-recovery infrastructure financing. On the demand side, it promotes mutual credit association for housing financing, market-rate mortgage lending by banks and other financial intermediaries while avoiding any form of direct public housing grants, assistance or subsidies by the state (World Bank, 1993). Increasingly, most developing countries are being coerced by international lending agencies such as the World Bank to pursue these types of policy reforms, which will align with broad austerity policy packages in macro-economic structural adjustments of these nations. These dominant international financial institutions discourage and condemn direct government involvement in housing as *distortions that hinders market efficiency* insisting that pro-market policy reforms promote market efficiency and stimulate economic growth (Pugh, 1994).

Nigeria, as a Sub-Saharan African country, offers a classic example of a nation whose policies have been directly affected by these changes. In 1986, the IMF/World Bank succeeded in convincing the then Nigerian military government into adopting Structural Adjustment Programme. Public enterprises were deregulated; government intervention in the economy became discredited; monetary and fiscal policies of government were over-hauled while protective mechanisms in international trade gave way to free trade. To keep-up the external pressures towards pro-market reforms – the country's capacity or political will to implement incisive structural reforms (or lack thereof) has remained a major talking point in its dealings with institutions such as the IMF and the World Bank. For instance, the Nigeria - Paris Club debt relief deal of November 2005 was predicated on and subject to stringent IMF reviews. This deal involved the elimination of \$18 billion of debt in exchange for \$12 billion in

payments - a total package worth \$30 billion of Nigeria's total \$37 billion external debt (CIA, 2008).

It was therefore no surprise that the current housing policy has strongly shifted towards a more stringent pro-market emphasis than the previous policy it replaced. However, this shift towards the market has raised doubt about the feasibility of the housing policy goal, which is to “ensure that all Nigerians own or have access to decent, safe and sanitary housing accommodation at affordable cost with secured tenure” (Federal Government of Nigeria, 2002, p.1). The scepticism feeds off the evident increase in urban housing affordability problems and decline in housing conditions for the majority of urban dwellers (UNCHS, 1997b, 2001), which seems to question the efficacy of the market reforms being advocated given that market forces cannot be relied upon to guarantee equitable redistribution of resource within any society (Baken and Linden, 1993; UNCHS, 1993b; Jones, 1996; UNCHS, 1996). This increasing concern underscores the need to rigorously assess the appropriateness of contemporary market-based housing policies and their underlying assumptions, especially as exported by such institutions as the World Bank to developing countries. This is especially so when most of these countries seem to pursue the housing policy goal of ‘provision of adequate shelter for all’ as endorsed at the Earth Summit in Rio within the framework of Agenda 21 and consolidated by the Istanbul global commitment with Habitat II Agenda (United Nations Conference on Environment and Development, 1992; UNCHS, 1997a). Housing policy with such primary goal of ‘provision of adequate shelter for all’ implicitly requires effective government mediation in the housing market to ensure a more equitable access to housing for all segments of the population. Thus, it does seem that pursuing drastic pro-market reforms alongside egalitarian housing policy objective of shelter for all is actually sending out two conflicting signals for the housing policy of nations. It renders such housing policy objective meaningless and further weakens the capacity of these countries to effectively galvanise available resources into combating their respective enormous housing problems challenges.

1.2 Statement of Problem

Given the increasing imposition of market-driven housing policy reforms that were essentially developed in Western developed economies on many Sub-Sahara African Countries, it has become increasingly important to rigorously assess the suitability of these types of housing policy reform prescriptions to achieve the housing policy agenda of “ensuring adequate housing for all” in these countries. Beyond the troubling concerns on “how” these policy

prescriptions are being imposed and the dissatisfaction of those with contrary ideological views, it is very important, even for those supporting such policies to actually assess their appropriateness. It is increasingly becoming obligatory to do so, given the already established doubts within literature on the efficacy of such policy prescriptions to protect the interests of especially the lower income and vulnerable households - the bulk of whom constitute the majority populations in most of these countries. Such rigorous assessment of these policy prescriptions will more constructively deepen understanding on what works and what do not work; and the conditions and requirements necessary for such policy transfers/imposition to work.

Theoretically, the World Bank market-based framework is based on the believe that the housing markets must be managed (in a more efficient manner); security of tenure should be guaranteed; action on the supply side of markets should be emphasised; and easy entry into the housing market should be guaranteed. The World Bank hopes that these operational instruments will stimulate housing demand (through developing property rights, developing market rate mortgage finance systems and rationalising housing subsidies) and will facilitate the process of housing supply (through private sector provision of infrastructure for residential housing development on cost recovery basis. Allied to the reform of the regulation of land and housing development and organising the building industries along lines that insures greater competition and market efficiency), thus will create an overall institutional framework for managing the housing sector.

Following the imposition of the current housing policy reform that came into inception in 2002, there has been move towards a more stringent market-oriented framework consistent with the World Bank housing reform model for developing countries. Some major elements of that framework as currently implemented in Nigeria include; rationalization and monetization of subsidies, emphasis on private-sector driven housing delivery system (minimization of governmental role) and mobilization of housing finance market along with little or no substantial supportive frameworks that addresses the need of those with little market power or those areas where the market do not work.

Thus, there are genuine concerns and doubts about the efficacy of these pro-market operational instruments in Sub-Saharan country as Nigeria where housing markets are characterised with inherent and embedded large scale market imperfections largely driven by supply constraints and sustained speculative tendencies. These problems are further exacerbated by high levels of poverty, massive levels of unemployment, highly-skewed income

distributions, restricted purchasing power and huge gaps between what most people can afford to pay and the market price that could attract private-sector investment initiatives especially, in the lower-end of the housing market. It is therefore a common experience that the fundamentally profit-driven formal private sector housing market has always been attracted to the much bigger return on investment prospects of higher-end housing that satisfy only the privileged few and thus may not be appropriate as an effective policy framework to adopt by countries such as Nigeria. It is these concerns that provided the justification for this study.

This paper attempts to rigorously explore the nature of urban household's housing affordability and its key components such as household income, housing expenditure and other related issues within the context of the current market-based housing policy reform regime in Nigeria. This is done with the view to not only gain insights into the nature of housing affordability problems and performance of the urban housing market in Nigeria but also the suitability of the current national housing policy reforms especially in relation to ensuring adequate housing for all at affordable cost. Although the study is focused on Nigeria, its findings could offer some insights into housing policy reform problems and challenges confronting most Sub-Saharan African Countries that share similar development histories including geographic, cultural, political, social and economic backgrounds.

1.3 Methodology

This paper is largely based on a broader study that used relevant sections of the Nigeria Living Standards Survey 2003-2004 database to extensively examine the "Urban Housing Affordability of Households and Housing Policy Dilemmas in Nigeria" as carried out by the author. Thus, availability and accessibility to a detailed Nigerian household survey database (Nigeria Living Standards Survey 2003-2004) was the major component that facilitated this study. Of the overall sample size of 21,900 households contained in the database, urban households which consist of 4,662 households of 19,679 persons were isolated and used in the study analyses (Federal Office Of Statistics, 2004). From this database, many of the relevant variables that were initially identified were modified, standardised, transformed and recombined with other variables to generate other secondary and composite variables analysed in the study.

Findings discussed in this paper, is part of a broader study that examined the nature of urban housing affordability of households across various groups with respect to the current housing policy dilemmas in Nigeria. Details on how most of the findings discussed here were derived

including the various analytical and statistical techniques employed are outside the scope of this paper. However, for the detailed discussions in deriving these findings - see Ndubueze (2009).

1.4 Structure of Paper

This paper is organised in three further sections. Section 2 examined the nature of aggregate housing affordability and other related issues as household income, housing expenditure in the study area. Various aggregate housing affordability quintile groups were examined especially those with housing affordability problem. This section also discussed the housing affordability of major housing tenure groups and implications for policy. This section highlights the current inadequacies and limitations of the current national housing policy. Section 3, discussed such other relevant findings that impedes market-based housing delivery such as adverse housing finance market, difficulties in guaranteeing land accessibility and security of tenure and current Federal Civil Service monetization policy. Section 4 concludes the study by summarising the unsuitability of current housing policy in Nigeria and likely housing policy reform needs of the country.

2. Examining the Nature of Urban Housing Affordability of Households and Other Related Issues in Nigeria.

2.1 Housing Affordability Classifications of Household Using the Aggregate Affordability Index

Aggregate housing affordability variable referred to in this paper was developed based on the composite approach [for details see (Ndubueze, 2009)]. Study findings based on the analyses of Nigeria Living Standards Survey 2003-2004 database and application of the composite approach to measuring housing affordability of households showed that households without housing affordability problems constitute 39.43% of all households while the remaining 60.57% constitutes those experiencing aggregate housing affordability problems. This suggests that 3 out of every 5 households in the study area cannot afford their housing.

Multilevel modelling technique was used to examine the relationship between aggregate housing affordability and a set of key variable, household income, housing expenditure and household size.

Following the general equation, the aggregate affordability model can be expressed as follows;

$$\text{AggHaffdindx}_{ij} = \beta_0 + \beta_1 \text{TOTAHHINC}_{ij} + \beta_2 \text{THOUEXPDR}_{ij} + \beta_3 \text{CTRY_ADQ}_{ij} + e_{ij}$$

Where j refers to the level 2 EA unit and i to the level 1 household unit.

In order to make the interpretation of the intercept term in the model easier and more meaningful, the independent variables (i.e. household income, housing expenditure and adult equivalent household size) were centred. Therefore in this analysis, the derived intercept term can be interpreted as the predicted value for the dependent variable (aggregate housing affordability) when the values of the independent variables are fixed at average values (rather than fixed at zero). The result of the analysis as shown in Table 1, details the sequential introduction of the independent variables (Xs) into the model so that their individual impact of both the between EA-levels 2 and the within EA-level 1 can be recorded and assessed.

The detailed results for the fixed part of the model show that the recorded intercept term (β_0) value is -0.00232 with standard error of (0.00286). Therefore any household of average household size, with an average household income and average housing expenditure would almost be at the neutral housing affordability datum of zero (0). Household income variable had a coefficient of 5.59e-006 with standard error of (9.01e-009). Therefore if the influence of housing expenditure and household size are held constant at average values, a unit increase of (one Naira) in the income of an average household would lead to a corresponding unit increase of about 5.6e-006 in aggregate housing affordability. In other words, if household income increases by 10,000 (Naira), on average the aggregate housing affordability of the household increases by 0.0559 affordability unit provided housing expenditure and household size are held constant at average values. Therefore, if the median aggregate housing affordability household that has a negative housing affordability status with -0.2089 affordability score maintains a constant housing expenditure and household size, such a household will require an income increment of about ₦37,366.73 (Naira) per annum on top of its current income of ₦186,057.80 (Naira) in order to resolve its housing affordability problems. This translates into about 20.1% income increase for this household and will lower its current housing expenditure to income ratio from 26.7% to about 22.3%. Conversely, the housing expenditure variable had a negative (partial regression) coefficient of about -1.20e-005 with standard error of (6.09e-008). Thus, if household expenditure decreases by ₦10,000 (Naira), on average the aggregate housing affordability of the household increases by 0.120 affordability unit provided housing income and household size are held constant at average values. The median aggregate housing

Table 1 Showing the Results of the Multi-level Model of Aggregate Housing Affordability

Parameter	Y (single level)	Y (multi-level)	Estimate (s.e.)	Estimate (s.e.)	Estimate (s.e.)
	A	B	C	D	E
Fixed					
constant β_0	0.05578 (0.00000)	0.04354 (0.02917)	0.00338 (0.01387)	0.00026 (0.00496)	-0.00232 (0.00286)
Household Income (x_1)			4.1e-006 (1.1e-007)	5.41e-006 (2.94e-008)	5.59e-006 (9.01e-009)
Household Expenditure (x_2)				-1.26e-005 (1.36e-007)	-1.20e-005 (6.09e-008)
Household Size (country equivalent) (x_3)					-0.0991 (0.00119)
Random					
Level 2					
σ_{u0}^2 (between EAs intercept)		0.36869 (0.05612)	0.10346 (0.01293)	0.01327 (0.00124)	0.00706 (0.00049)
Level 1					
σ_e^2 (between HHs intercept)		1.62757 (0.26660)	0.32477 (0.03990)	0.04363 (0.00205)	0.00412 (0.00027)
σ_{e01} (single level variance)	2.1563 (0.00000)				
% of between EAs variance explained		18.47	71.94	24.46	1.68
Cumulative % of between EAs variance explained			71.94	96.40	98.09
% of between HHs variance explained		81.53	80.05	17.27	2.43
Cumulative % of between HHs variance explained			80.05	97.32	99.75
-2*loglikelihood	16127.670	15863.930	8553.033	-492.862	-9770.080

affordability household will therefore require a housing expenditure decrease of about ₦17,407.50 (Naira) per annum from its current estimate of ₦49,765.46 (Naira) in order to reach the neutral housing affordability mark.

This would mean about 35% decrease in the housing expenditure of this household, which will reduce its current housing expenditure to income ratio from 26.7% to 17.4%.

In the same way, household size variable recorded a coefficient of -0.0991 with a standard error of about (0.00119). It would therefore require a decrease of about 1.98 (approximately 2) persons in the size of the same median aggregate housing affordability household from its current 4.45 persons if they are to reach the neutral affordability datum, provided they maintained constant household income and housing expenditure values. This translates into a 44.5% decrease in household size for this median affordability household.

Two key points can summarise the above findings;

- i) If an average Nigerian households maintains the weighted national mean household income of ₦216,261.30 (Naira); the weighted national mean household expenditure of ₦50,545.63 (Naira); and the weighted national mean household size (country adult equivalent) of about 3.57 persons; such a household would only barely fall below but almost at the neutral housing affordability mark.
- ii) It would require an equivalent of 2 person decrease in the household size or a ₦17,407.50 (Naira) per annum decrease in housing expenditure or an increase of ₦37,366.73 (Naira) per annum in household income for the median housing affordability household if they are to solve their housing affordability problems.

These findings have important policy implications. It tends to suggests that holding all other factors constant, the financial costs of reducing the housing expenditure burden of households in order to achieve minimal desirable levels of housing affordability may be less than half the financial cost of achieving the same purpose through an increment in household income.

Thus, within the context of improving housing affordability in the study area, reducing housing expenditure cost burden of households is much cheaper than increasing the income of households.

Therefore it will likely be more cost-effective to give priority to policy strategies that would appropriately relive excessive housing costs/ expenditure burden of households. Although, it is acknowledged that subsidising housing expenditure is an indirect increase in income, one major advantage of this approach is that it appears to be much cheaper than the option of directly increasing household's income. Another advantage is that direct housing assistance often tends to be more effective than such

indirect assistance as increment in household income especially when they are properly designed to ensure that such subsidies are spent on housing. Given the finding that household income is the most important factor that influences aggregate housing affordability of households, *the point to be made here is that an increase in household income may be very important in improving the housing affordability status of households, but it is by no means the cheapest option or a guaranteed option when compared with decreasing housing expenditure of households.* Furthermore, there is an added complexity in implementing this type of policy. Such fiscal and wage/labour policy tool as increasing wages and income of households require very careful planning given the inherent danger of being counterproductive (if not carefully managed). Such policy may inadvertently serve to drive up domestic inflation which will in turn exacerbate both housing and basic non-housing expenditure to compound the housing affordability problems it is meant to improve. However, it is important to underscore the fact that increasing the household's capacity to pay for their housing and non-housing needs must be recognised as one of the key ways to dealing with housing affordability problems in the study area.

2.2 Aggregate Housing Affordability Quintile Groups in the Study Area

The study further identified the housing affordability quintile groups within the study area and examined the major differences between them especially those with housing affordability problems. To do this, an aggregate housing affordability quintile distribution was constructed and matched against major key household characteristics that includes; income, housing expenditure, non-housing consumption threshold, household size, non-housing consumption and housing quality as shown in Table 2.

The findings highlight some interesting housing characteristics of different quintile groups with housing affordability problems. The 60.57% of Nigerian households' that constitute the group with housing affordability problems were completely captured in the bottom (1st) quintile, 2nd and the 3rd quintiles of the analysis. As shown in the second column of table 2 that households in the bottom quartile has the most severe housing affordability problems with a mean aggregate affordability index of about -1.14, while those in the second and third quintiles have mean aggregate affordability indices of about -0.52 and -0.21 respectively. Findings show that the character and dimension of the housing problems faced by these quintile groups are different, therefore each of these groups may respond differently to a uniform set of policy solutions strategies. If such insights are correctly interpreted, they may aid in defining effective policy strategies to tackle existing housing problems of these groups.

Table 2 Showing the Quintile distribution of the Weighted Aggregate Housing Affordability and its Component Variables in Nigeria

Quintiles	Weighted Housing Affordability	Weighted Housing Expenditure (Naira)	Weighted Housing Quality	Weighted Household Income (Naira)	Weighted Non-housing Consumption Threshold (Naira)	Weighted Household Size (Country Adult Equ.)
Top (5 th) Quintile	1.748	49679.68	0.290	518705.00	125637.2	3.9
4 th Quintile	0.183	39090.21	0.115	208628.30	108197.9	3.3
3 rd Quintile	-0.210	38378.96	0.172	135307.60	106173.7	3.1
2 nd Quintile	-0.521	43456.54	0.009	91169.27	104115.7	3.0
Bottom (1 st) Quintile	-1.141	83888.31	-0.349	92812.15	143029.6	4.4

A) Examining the Household Income Differences between the Quintile Groups

Going by multi-level model estimates, the mean household at the bottom quintile would require an additional annual income of about ₦203,750.00 (Naira) to their current annual income in order to reach the neutral affordability datum of 0 (zero) while holding housing expenditure and household size constant. That translates into an overall increase of ₦296,562.15 (Naira) - more than three times their current average income of about ₦92,812.15 (Naira). However, under the same conditions, the mean household in the second quintile will require additional ₦93,035.71 (Naira) as extra household income (i.e. slightly more than double their current household income of ₦91,169.27 (Naira)). While the average household in the 3rd aggregate affordability quintile will require an annual income increase of about ₦37,500.00 (Naira) in order to reach the neutral housing affordability datum if their housing expenditure and household size are held constant. This represents about 27.71% increase in their annual household income. Therefore, while the mean households in the bottom quintile and second quintile have comparable household income, the mean household in bottom quintile would need a much higher comparative increase in income than those of the 2nd quintile if they are to over-come their housing affordability problems. In fact, the bottom quintile group required additional ₦110,714.30 (Naira) per annum more than the 2nd quintile group.

This is an important finding because it tends to suggest that household income is not the key element that drives the housing affordability disparity between households in the bottom and 2nd quintiles. It is most telling that as long as the representative households in the bottom and 2nd quintile groups spend anything at all on housing (no matter how minimal), they will continue to have housing affordability problems. *While policy strategies that are directed towards increasing overall household income may wholly solve the housing affordability problems of the 3rd quintile group such strategies must be used in conjunction with other measures to improve the aggregate housing affordability of the bottom and 2nd quintile groups.* Given the unlikelihood of achieving the multiple additional income increment required by households in the bottom and 2nd bottom quintiles to solve their housing affordability problems, other sets of strategies must be defined in conjunction with income increment strategies to stand any chance of success.

There is also another interesting observation in the nature of household income distribution in the study area. Although the mean household in the 3rd quintile group recorded a significantly higher household income than that of bottom and 2nd quintile groups, it still fell below the national mean household income by about 60%. In fact, the mean household income of the 4th quintile group is about 3.5% lower than weighted national mean household income of ₦216,261.30 (Naira). Therefore, of the five aggregate housing affordability quintile groups, four recorded household income averages that are below the national mean household income. If account is taken of the study findings suggesting that if an average Nigerian households maintains the weighted national mean household income of ₦216,261.30 (Naira); the weighted national mean household expenditure of ₦50,545.63 (Naira); and the weighted national mean household size (country adult equivalent) of about 3.57 persons, such a household would be almost at the neutral housing affordability mark. This suggests that the 4th quintile group was only able to record a positive aggregate housing affordability due to the fact that both their total housing expenditure and household size were below their respective national mean values. The low incomes of these four quintile groups that constitute about 80% of the entire urban Nigerian households tends to suggest a general low income levels amongst the overwhelming proportion of households.

It will be safe to assume that given the importance of household income to housing affordability, the generally low level of income in Nigeria to a large extent accounts for the high level of housing affordability problems in the country. Based on the conventional wisdom, low income amongst majority of households reduces the capacity of these households to adequately satisfy both their housing and non-housing needs. This is especially so if housing

resource allocation, production and distribution systems are mostly market-driven. Low income amongst a majority of households reduces effective demand which consequently does not stimulate market supply. This constitutes a major impediment to market-delivery framework as intended by the current housing policy.

B) Overall Negative and Low Household Savings

Given the low level of household income in the study area, estimates of potential savings of various representative households are indeed very low and in many cases such households record negative savings. For instance, the national median household recorded negative savings of about ₦22,513.00 (Naira) while the (top) 25th percentile of households has the potential to save about ₦63,600.00 (Naira). Households in the (top) 10th percentile have the potential to save about ₦182,877.00 (Naira). When it is considered that these estimates were derived from the gross income of households, then the marginal nature of these estimates will become more compelling. Representative households of all the major housing tenure groups in the country recorded negative potential savings. The ownership housing tenure group recorded the lowest potential to save with a negative estimate of ₦37,513.60 (Naira) while the rent-free tenure, subsidized tenure and rental tenure groups equally recorded negative estimates of ₦11,384.40 (Naira), ₦2,742.20 (Naira) and ₦12,202.40 (Naira) respectively.

These depressing estimates do not bode well for the housing finance programme of the current housing policy – the National Housing Trust Fund (NHTF), which is fundamentally designed to depend on sustaining robust individual and corporate deposits into the fund. Thus, the low income amongst a majority of households does not encourage household savings that could be invested in the National Housing Trust Fund (NHTF) to avail themselves the opportunities provided by participating effectively in the Fund. Therefore, it limits effective participation of households in the NHTF, which also shrinks the envisaged resource base of the fund, consequently limiting its effectiveness and the growth of the mortgage market in general. It also implies that the current housing policy emphasis on homeownership can hardly be justified given that the over-whelming majority of Nigerian households simply cannot afford to buy or build their own dwelling, even under the framework of the NHTF. Given the centrality of the National Housing Trust Fund to the current national housing policy reform, the problem of low household savings, raise serious doubts on the underlying premise and assumptions of current housing policy.

C) Examining the Housing Expenditure Differences between the Quintile Groups

When the household's housing expenditure distribution of the quintile groups is examined, the mean household in the bottom quintile would theoretically required an annual housing expenditure decrease of about ₦95,083.33 (Naira). Given that they currently spend about ₦83,888.31 (Naira) on their housing, it means that their housing expenditure needs to be entirely eliminated to stand the chance of improving their current housing affordability status to minimum acceptable level. In fact, even with the total elimination of the current housing expenditure burden of the bottom quintile group, they will still need additional income (that is at least 13% of their current housing expenditure) in order to reach the acceptable minimum affordability status. Similarly, the mean household in the 2nd quintile would equally need a decrease of ₦43,416.67 (Naira) per annum in their housing expenditure. Given, that they currently spend ₦43,456.54 (Naira) on their housing, it means that 99.9% of their current housing expenditure needs to be entirely eliminated, if they are to improve their housing affordability status to minimum acceptable level. These seem to suggest that the existing household income of these two quintile groups may be too low to support any level of housing expenditure if they are to stand any chance of reaching a meaningful level of aggregate housing affordability. This is an important finding that has significant adverse implication for the current housing policy that amongst other things emphasise rationalisation of subsidies and market-based housing supply.

Another striking observation is the sharp disparity in the levels of housing expenditure between the bottom quintile group and the rest of the quintile groups. For instance, while the bottom (1st) quintile group recorded the highest drastic housing expenditure that is about 40% above than national mean housing expenditure, the 3rd quintile group recorded the lowest which is about 24% below the national mean housing expenditure of households. The household income of the mean household in the bottom quintile and 2nd quintile are comparable, the housing expenditure of the bottom quintile is almost twice as much. In fact, the mean household in the bottom quintile spends more on housing than the mean household of any of the quintile groups in the study area. The group spends as much as 68.86% more than those in the 5th quintiles and more than double the housing expenditures of the 3rd and 4th quintiles respectively. When taken into cognisance that they earn a lot less than those in the 3rd quintile, less than half the income of those in the 4th quintile and less than one-fifth of the income of those in the 5th quintile, the huge housing expenditure burden of the bottom quintile

becomes more evident. Thus, while households in the bottom quintile group recorded lower levels of income, paradoxically they also record by far the highest levels of housing expenditure.

Thus, while housing expenditure comparatively represents a major problem for the bottom quintile group, it does not constitute such an intense problem for the 3rd quintile group. Moreover, the bottom and 2nd quintiles registered significantly different expenditure levels (housing and basic non-housing), while having comparable household income levels. This expenditure disparity largely accounts for the significant differences in their respective levels of aggregate housing affordability. Consequently, the disparity in housing expenditure between the bottom and the 2nd quintile groups (and all the other quintile groups) makes housing expenditure an important policy consideration in dealing with the housing affordability problems of the bottom quintile group. While the problem of high housing expenditure is most pressing in the bottom quintile group, the housing expenditure of the 2nd and 3rd quintile groups could also be deemed high given their relative low household incomes.

In this regard, the huge disparities in housing expenditure amongst households with comparable income levels in the study area must be confronted. *These challenges call for articulation of policy actions that either drive housing expenditures down or lessen the financial burden of such high housing expenditures on households especially those in the lower quintile groups.* Unfortunately, the current housing policy is not been designed to do so.

However it should be noted that while it is theoretically possible to solve the housing affordability problems of households in the 3rd quintile group by solely pursuing policy strategies directed towards achieving desirable low housing expenditure levels, they will be less effective in dealing with the affordability problems of the bottom and 2nd quintile groups. Consequent to the findings that the bottom and 2nd quintile groups will continue to have housing affordability problems no matter how little they pay or spend on housing given their current levels of household income and basic non housing expenditure, policy strategies that are only targeted towards the reduction of housing expenditure cannot be effective for these (bottom and 2nd quintile) groups. Any such policy strategies must be articulated alongside other relevant strategies to deal with the more complex dimensions of housing affordability problems of the bottom and 2nd quintile groups including issues of low income and high non-housing expenditure levels. The current policy is designed to respond to such problems and therefore is incapable of tackling such a challenge.

D) Evident Deficiency in Housing Supply

When all these attributes of the quintile groups (especially those with housing affordability problems) is considered, they provide insights into the nature of the housing market/ housing delivery system in Nigeria. One major conclusion that could be drawn from the analysis of housing affordability quintile groups is that the nature of housing affordability problems varies across different quintile groups. A closer look at these variations provides clues and possible insights into the broader nature of the housing markets and the housing delivery environment within which they operate. For instance, when the major attributes of the bottom housing affordability quintile group is compared with other quintile groups, it is not far-fetched to reach the conclusion that there are huge housing supply problems in the study area.

A situation where the bottom quintile group has less household income, lives in the lowest quality housing and yet pays much more for housing than the other quintile groups is an indication of serious constrain in housing supply, especially for larger sized households. This is a compelling case to make when the representative household in the bottom quintile group is a household that maintains the highest household size and highest non-housing consumption threshold; whose household income is comparatively within the lowest range and significantly less than the median National household income; and despite the fact that they live in the poorest quality of housing, records by far the highest housing expenditure relative to other quintile groups that enjoyed a much higher levels of housing quality. This situation should not occur in a well functioning housing market. This is a symptom of a dysfunctional housing market. All things being equal, people (as rational beings) do not normally pay a lot more money for goods and services of comparatively poorer quality or lesser utility (within the market system), unless they are constrained to do so by prevailing circumstances.

It is known that within the market system, supply and demand considerations are crucial factors in determining the price structure of goods. Consequently, high demand tends to drive up price when there is a supply constraint. Given the perennial high demand for urban housing in the country; findings in the study seem to offer clues suggesting housing supply constraints as the major reason for high housing cost/expenditures in the study area including the disparities that have been observed between the bottom housing affordability quintile group and the rest of the quintile groups.

It is also noteworthy that of all the groups, only the bottom quintile group recorded a negative the housing quality score of about -0.349 with the 2nd and 3rd quintiles recording low but positive housing quality scores of about 0.009 and 0.172 respectively as shown in table 2. In

fact, the bottom quintile group don't just live in the least quality housing but also have the biggest housing quality gap in comparison to the other quintiles groups. The housing quality gap between the bottom and 2nd quintiles is in fact more than that between the 2nd quintile and the 5th (top) quintile group. This is indicative of the huge disparity in housing quality that exists in the study area. This is not surprising, given the fact that both the formal and informal housing sectors were included in the survey. What is of concern is the fact that households in lowest quality housing seemed to comparatively pay more for their housing both in relative and absolute terms.

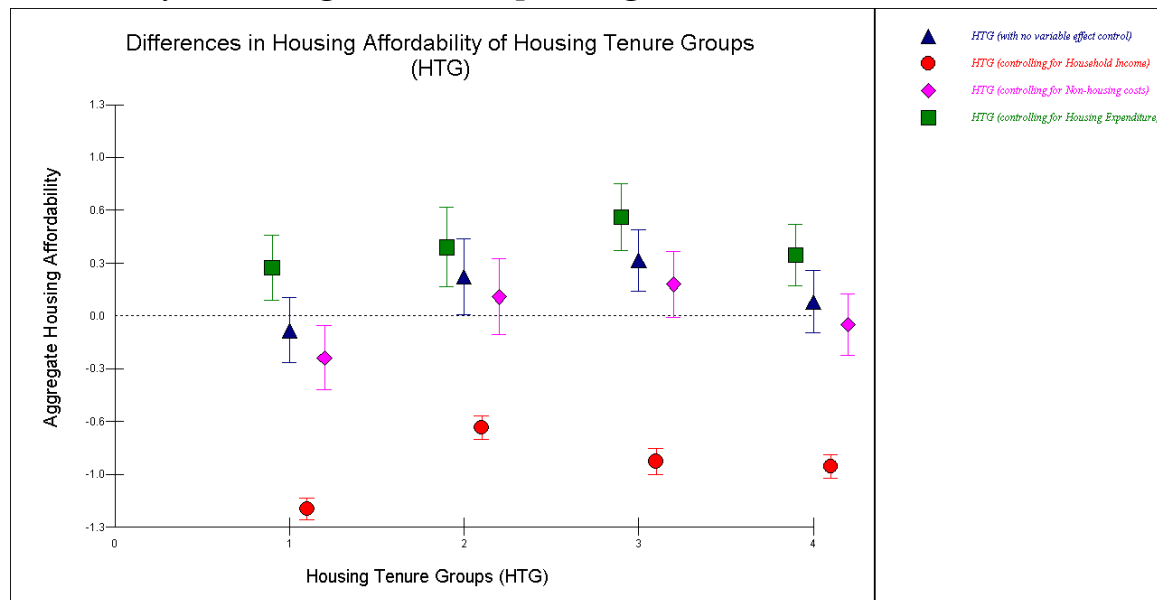
Thus, the current housing policy that seems to only encourage the delivery of higher-end housing to the very rich who do not largely have housing affordability problems neither address nor focus resources where they are most needed. Such a policy would in the long run exacerbate housing quality and shortage problems for the majority of households. This is hardly the type of policy that the country needs at time given the enormity of current severe housing shortages and unmet backlogs of housing needs.

2.3) Aggregate Housing Affordability of Different Tenure Groups

The aggregate housing affordability differences between the housing tenure groups were also examined. Four housing tenure groups were identified for this purpose in the study and they are as follows; Ownership tenure (HTG1), Rent-free tenure (HTG2), Subsidized tenure (HTG3) and Rental tenure (HTG4). Findings suggest that there is a significant housing affordability differences between each of the groups with the exception of the Rent-free tenure group (HTG2) and Subsidized tenure group (HTG3). Analyses which includes - Analysis of Variance, Wald tests and confidence interval tests indicated that only the Rent-free tenure group (HTG2) and the Subsidized tenure group (HTG3) have significantly positive aggregate housing affordability with their lower confidence interval bound lying above neutral zero (0) affordability datum (as shown in Fig. 1 indicated in blue colour). It is important to note that Fig.1 also contained other findings (represented in green, pink and red colours) that controlled for household income, housing expenditure and non-housing expenditure which are outside the immediate scope of this paper. While the aggregate housing affordability mean of the Rental tenure group (HTG4) was above the datum line, its lower confidence interval bound fell below the neutral zero (0) affordability datum. The Ownership tenure group (HTG1) was the only groups that its housing affordability mean registered below the neutral zero (0) affordability datum. The Subsidized tenure group (HTG3) recorded the highest level of

housing affordability amongst the groups, while Ownership tenure group (HTG1) recorded the lowest housing affordability in the study area with high level of housing affordability problems.

Figure 1 Showing the Confidence Intervals Plots of the Aggregate Housing Affordability of Housing Tenure Groups in Nigeria



The dotted horizontal reference line represents the population mean of 0 in aggregate housing affordability.

These results clearly suggests that only the housing tenure groups that benefit from some form of housing subsidy, reducing their housing cost, have positive aggregate housing affordability. These and other findings tend to suggest that that major emphases of the current pro-market housing policy such as rationalisation of subsidies, focus on home ownership, lack of emphasis on rental housing, etc. are at best doubtful. Some of these issues will be briefly highlighted under subsequent discussion of findings on each of the tenure groups.

A) Ownership Tenure Group

The ownership tenure group who were the largest of all the tenure groups in the study area with about 45.16% of total urban households was shown to have the most severe aggregate housing affordability problems. Findings showed that about 70% of homeowners in the study area have housing affordability problems. The group recorded the highest housing expenditure and household size levels while living in the poorest housing. These findings are particularly interesting in policy context because they counter the conventional notion that homeowners are mostly well-off individuals who do not pay but rather receive (imputed) rents for their

housing and therefore have little housing affordability problems. The study revealed that the ownership tenure group has the most pressing housing affordability problems with as much as 28% of its households in the bottom housing affordability quintile group. *The study has therefore revealed the enormous housing affordability predicament of the homeowners in the study area contrary to conventional belief.*

Furthermore, an attempt has been made earlier to explain the relationship between low quality housing and higher housing expenditure of households. Findings showed that the tenement/single room house types that make up as much as 66% of housing in the study area that falls under the ownership tenure. This house type is prevalent in low-income neighbourhoods and informal settlements, and therefore likely to explain the low housing quality of the ownership tenure group. Unfortunately, lower quality housing often requires high maintenance cost ratio, which serve to drive up the housing expenditure of households. Housing that is located in neighbourhoods lacking basic infrastructure such as pipe borne water, electricity, waste disposal, roads and sewer drainage, often transferred the burden of providing alternatives to such infrastructure/services at additional costs to homeowners and landlords. Thus, the housing expenditure of households in such housing (in many cases) ends up being relatively high when compared with others in better serviced neighbourhoods.

Moreover, homeowners are comparatively made up of older household heads with larger household sizes, which accounts for the higher basic non-housing expenditure of this tenure group.

These explanations of the poor housing affordability status of the ownership tenure group have some important implications for the direction of housing policy reform in Nigeria. *It suggests the failure of the successive Nigerian national housing policies including the current one that have emphasized and focused on homeownership as the preferred choice of tenure in the study area.* Over the years, these successive housing policies have elusively pursued the notion of providing affordable homeownership for all (FGN 1990; 2002). The housing policy bias towards homeownership is partly fuelled by the assumed superior advantages and importance of the ownership tenure to individuals, households, communities and the larger society. These include the fact that it tends to promote higher quality residential neighbourhoods; often represents the single largest financial asset and investment of households; stimulates economic growth; promotes household's well-being and happiness; promotes household status, upward mobility and accumulation of wealth; stimulate civil participation within neighbourhoods and communities; and often represents an important life-time aspiration. (Cox, 1982; Tipple and Willis, 1991;

Wachter and Megbolugbe, 1992; Megbolugbe and Linneman, 1993). Many of these benefits of homeownership will remain elusive if the costs of home ownership continue to be unaffordable for a majority of households; or if such housing becomes a major financial burden or source of housing affordability problems for owners.

Nevertheless, the findings that the ownership tenure group recorded the lowest comparative housing affordability while living in the poorest housing quality in the study area calls to question the strategic viability of emphasising home ownership as a means to ensure adequate housing for all. This is especially so, given the increasing realisation that majority of households (given their very poor savings status and low income) cannot participate effectively in the NHTF programme designed to promote home ownership. The scale of the problem demands urgent re-assessment of the current housing policy priorities on home ownership. The associated poor state of home ownership tenure and the severe housing affordability burden of homeowners make compelling case to seriously consider shifting policy emphasis or giving equal policy priority to development of other housing tenures. The option of expanding other tenure groups may offer a more viable way to complement home ownership as means towards achieving the vision of ensuring adequate affordable housing for all Nigerians.

B) Rental Tenure Group

With about 36% of urban households, the rental tenure group is the next most important tenure group in the Nigeria. While their marginally positive aggregate housing affordability level is not statistically significant, their aggregate housing affordability is still significantly different from those of the other tenure groups. While the rental tenure group has comparable household income with the ownership tenure group, their housing expenditure is substantially lower despite enjoying higher levels of housing quality. About 13% of those with rental tenure fall into the bottom quintile of housing affordability compared to about 28% of those with ownership tenure. Thus, compared to households with ownership housing tenure, households in the rental group have greater potential to being assisted out of housing affordability problems with comparably less resources. Thus, given the size of the rental tenure group and their inherent characteristics, the rental tenure deserves more policy attention and support than it has received under the current Nigerian national housing policy. *Given the level of Nigerian socio-economic development; financial resources and enormous housing affordability problems of urban households, it is probably more realistic to pursue the vision of adequate housing for all through a more invigorated expansion of affordable rental housing than the current emphasis on home ownership.* More concerted effort should be

focussed on lower-income rental housing development as opposed to the present situation where most of the organised private sector housing initiatives have concentrated on higher-end upper income housing. There needs to be a radical policy shift from its present bias in favour of higher-end upper income housing. For instance under the section for mobilising private sector participation, the new housing policy (FGN 2002, p.39) argues that any policy that can improve the housing situation of the upper and middle income groups is bound to have a 'trickle down effect' on the lower income sector of the market. This frame of thinking is in line with the notion of *filtering*, where the lower-income housing needs will be mitigated by relieving the housing pressure on higher and middle-income groups. The enormous housing problems of the lower income group cannot be effectively tackled through such an approach. The idea of using filtering as a real tool to deal with the housing problems of the lower-income housing is not supported by the realities of the study area. In fact, the entire volume of public housing has been too little to trigger any significant filtering in rental housing in Nigerian cities (Ozo, 1990). Often most of the vacancy chain that will be produced by higher income households moving into better newly built housing will be broken before they can significantly benefit the lower-income households given the high unsatisfied demand for decent housing by the overwhelming majority of households. Assuming filtering was to work perfectly as theorised, it is difficult to see how satisfying all the housing needs of the very small proportion of the high-income households who need better housing will make any significant impact in filling the enormous backlogs of housing deficit and needs of the very large lower-income households in the study area.

Again, assuming that filtering works, it will have the indefensible distributional effect of concentrating poorer households in the lowest quality housing (Lansley, 1979). Therefore, such thinking exposes the lack of depth in the articulation of the current housing policy in not giving due consideration to the realities of the Nigerian housing market.

Another instance where the provision of the current policy may have had adverse housing affordability impact for rental households is on the issue of rent control. Whereas the previous housing policy of 1990 stated that it will "continuously review the concept and operations of the rent control measures to encourage the private sector in the provision of rental accommodation" (Federal Republic of Nigeria, 1991, p.26); the current housing policy pivoted towards the extreme ideological pro-market position of total eradication of rent control. It stated that it will "ensure that rent control measures are never introduced as they militate against market delivery" (TCHUD 2002, p. 39). Such a rigid ideological pro-market position

does not in any way protect rental households from unnecessary exploitation by unscrupulous landlords and real estate agents. Granted that in some situations, extreme rent control can have depressing effect on private sector housing supply; the total abolishment of any form of rent control in a country like Nigeria with enormous backlog of unmet housing needs especially in lower income housing markets may serve to encourage undue exploitation of rental households. Earlier findings that show lower income households in the bottom affordability recording very unreasonably high housing expenditure levels clearly show that large proportion of households are in situation where they are compelled to pay a lot more than they can afford for their housing. For instance, in Lagos it is not unusual to be asked for an advanced rental deposit of more than two to three years and other ancillary fees in some parts of the city whereas about six months to one year deposit or less are normally required in some other states. Therefore, such a blanket ban of any form of rent control may serve to exacerbate housing affordability problems of households instead of reducing it indirectly through encouraging additional housing supply. It is often assumed that removing rent control barriers will stimulate the private sector to develop more housing. However, any policy to roll back rent control must ensure that it is carried out within a framework that guarantees that rental households are not unfairly exploited by unscrupulous landlords and estate agents, which is clearly not the case in Nigeria under this current housing policy. Contrary to this pro-market blanket ban of rent control, the situation calls for a leasing/tenancy reform in Nigeria to ensure that rights and obligations of all the stakeholders in rental housing are clearly defined and enforced.

C) Subsidized and Free-Rent Tenure Group

The Subsidized tenure group and Free-rental tenure group whose weighted proportions approximate about 7% and 12% of households respectively, were the only groups that recorded significantly positive aggregate housing affordability in the study area. The Subsidized tenure group enjoy the highest level of aggregate housing affordability and housing quality in the study area, while having comparable housing expenditure with the rental tenure group. Of all the tenure groups, they maintained the highest average household income of about ₦270,817.40 (Naira), which is significantly higher than the national average. This is based on the fact that majority of households in the rental tenure are from the higher socio-economic groups. Given that they have comparable housing expenditure levels with the Rental tenure group; it could be assumed that the housing subsidies enjoyed by these households help to

keep their housing expenditure within manageable bounds given their relatively higher level of household income. In other words, the housing expenditure of the Subsidised tenure group could have been excessive if they were to maintain similar housing without such subsidies. The subsidy framework gives benefiting households the opportunity to enjoy higher quality housing at comparable costs with the Rental tenure group.

It can therefore be argued that housing subsidies have positively influenced desirable aggregate housing affordability of households in the study area. If the goal of the subsidised housing tenure is to improve housing affordability of households, it clearly succeeded in Nigeria. This beneficial aspect of the direct public housing provision by government is not often acknowledged. However, it is also clear that the subsidised tenure housing system have largely benefited the 'wrong' households - the higher income households. One of the problems of subsidised public housing allocation in Nigeria is that houses that are built for the lower income have often gone to the higher income households. The findings in the study support such claims.

Thus, while it should make more sense to drastically expand the subsidised housing tenure in the study area in order to stand any chance of achieving the housing for all policy goal, such programmes should be more effectively designed and targeted towards the lower income and lower socio-economic households, who need them most.

The Subsidised tenure group and the Rent-free tenure group make interesting contrasts in comparison, which offer valuable housing policy insights. While the subsidised tenure group has the highest household income in the study area, the rent-free tenure group has the lowest household income of about ₦179,668.20 (Naira), which is significantly below the national average. Furthermore, the rent-free tenure group recorded the lowest housing expenditure in the study area of approximately ₦26,000.00 (Naira). Thus, while they have the lowest household income in the study area, their housing expenditure was at such a low level to guarantee them a positive aggregate housing affordability. It is therefore evident from this finding that even the lower income households can attain positive housing affordability status, provided their housing expenditure burden is reduced to a level that is commensurate to their income. The positive affordability of the rent-free housing tenure group shows that housing subsidies can be an effective tool in tackling the housing affordability problems of the lower income groups in the study area. Given the ample evidence that housing subsidies are effective in reducing aggregate housing affordability problems of households; and being mindful of the inefficient, wasteful government intervention experiences in the past through direct public

housing provision, it is pertinent to innovative housing assistance measure that are effective while reducing inefficiencies that are usually associated with subsidies.

3. Other Relevant Findings of Study

3.1 Adverse Housing Finance Market Environment

Housing finance is crucial consideration in housing development programme. Hence, the National Housing Policy (NHP) 1990 which precede the current housing policy extensively restructured the housing finance system in the country with the view to making it more effective. The policy created a two-tier housing finance structure. The Federal Mortgage Bank of Nigeria (FMBN) became the apex institution with monitoring and wholesale (i.e. bulk lending to other mortgage institutions) portfolio while the Primary Mortgage Institutions (PMIs) at the lower-level were responsible for retail mortgage lending portfolio. It was expected that these changes would make the mortgage banking services more accessible. In furtherance of this objective, the Federal Mortgage Finance Limited (FMFL) was established in 1993 to inherit the retail portfolio of FMBN and to provide credible and responsive housing finance services. The housing policy also created the National Housing Fund (NHF) with the aim of creating and making cheap and long-term housing finance more readily available for individuals and corporate developers who participate in the programme. However, the central question is to what extent have these reforms succeeded in creating the anticipated multiplication of housing finance institutions, enhancing mobilization and growth of long-term funds and making loans affordable to more borrowers? There is no doubt that these policy provisions have the potential to improve the housing finance market in the country but their implementation has been fraught with debilitating problems that have severely limited their impact.

Although NHF was quickly instituted with the enabling Decree No. 3 of 1992, it is yet to enjoy the full support of all interest groups and institutions that were supposed to participate in it. Thus, the Fund is yet to benefit from huge investment funds expected from the commercial and merchant banks that were supposed to invest 10% of their loans and advances with FMBN at an interest rate of 1% and the insurance companies that were supposed to invest a minimum investment of 40% of life funds and 20% of non-life funds in NHF under the NHP 1990 (Bichi, 1998). Recently, the current NHP 2002 rescinded these mandatory investment requirements for these financial institutions. However, the policy stated that such institutions as Banks, Insurance Companies, Pension Funds, and Nigerian Social Insurance Trust Fund

should be encouraged to fund housing development by investing in the Federal Mortgage Bank of Nigeria through tax incentives and exemptions from withholding tax.

Beyond the poor participation from institutions, the problem of non-contribution also extends to the expected mandatory individual contributions. Available data shows that the number of contributors to the NHF has been relatively small compared with the national work force of which there are about 9 million workers who are yet to be registered and are therefore not making any contributions. There are also alleged cases of diversion of workers contributions to the fund by employers to other investment purposes. In fact, it is the contributions of mostly government workers (whose salaries are deducted from source) and some self-employed workers that constitute the source of funds currently available to the NHF. As a result, the NHF has at November 2000, only 1.8 million registered contributors and a fund of only ₦5.8 billion (about US\$58 million) contrary to the several hundreds of millions of dollars that were initially expected to tackle the huge housing challenge in the country. In 2000, these problems led the Nigerian Labour Congress (the umbrella labour union with membership of virtually all Nigerian workers) to start lobbying for the scrapping of the scheme in order to stop the compulsory deduction of 2.5% of their workers monthly salary (Obayuwana and Ayeoyenikan, 2000). The survival and success of this scheme depends on how effectively it could muster and disburse commensurate funds to match demand and significantly moderate the existing distorted and skewed housing finance market.

The current NHP 2002 sought to tackle some of the observed weakness of the previous policy (Federal Republic of Nigeria, 1991). Some of the key changes include the extension of the amortization period for NHF loan repayment from 25 to 30 years, while recommending a 24 months loan repayment period for developers, the reduction of interest rates charged on NHF loans to PMIs from 5% to 4% while loan lending rates to contributors have now been reduced from 9% to 6%. Contrary to the previous policy, the new housing policy currently permits a graduated withdrawal of contributors who may not obtain loan under the scheme and also makes contribution into the scheme optional for persons earning less than the national minimum wage (Aribigbola, 2008). However despite these efforts, there seems to be a growing consensus that the Nigerian housing finance market is on the decline. As attested by the Governor of Central Bank of Nigeria, Sanusi (2003) at 9th John Wood Ekpenyong Memorial Lecture:

“...there is evidence of declining activities in housing finance generally. The average share of GDP invested in housing declined from 3.6 percent in the 1970s to less than

1.7 percent in the 1990s. In addition, between 1992 and 2001, the volume of savings and time deposits with the banks and nonbank financial institutions grew by 604.94 percent from N 54 billion to N 385.2 billion. However, the proportion held by the housing finance institutions declined from 1.4 percent to 0.22 per cent in 1998, indicating a fall in the flow of funds into the housing finance sector.”

In a bid to promote security of investments in administering the Fund, the FMBN set out rigorous procedures for securing money from the Fund by contributors, which inadvertently had a backlash effect of severely restricting the access of contributors to securing mortgage loans. For instance, from the commencement of the fund in 1992 to 2000, only about 631 contributors have been able to secure mortgage loans of about N375 million through 20 PMIs from the Fund (Bichi, 2000).

The continuous devaluation of the country’s national currency against major international currencies has also impeded the effectiveness of the Fund as its loan ceiling has routinely been subjected to upward review. Given the high inflation rate in the country, the initial N80,000 loan ceiling that was stipulated by the housing policy (Federal Republic of Nigeria, 1991) has been progressively increased to N250,000, N500,000 and is currently pegged at N1.5 million. Given the present cost of building materials and labour, the sum of N1.5 million is still inadequate to finance the construction of an average low-income dwelling in any urban area within the country. However, given the current low wage levels in the country, further upward increases of the loan ceiling to accommodate high construction costs would only serve to alienate not just the low and lower-middle income groups from the fund but crucially the majority of workers whose contributions constitute the bulk of the money within the Fund. It is however noteworthy that the new housing policy introduced the establishment of a secondary mortgage market to allow for the trading of mortgage instruments in the possession of the PMIs in order to increase liquidity in the primary market (Federal Government of Nigeria, 2002, p.28).

Without doubt, some of the problems discussed above have negative implications on the operations of the PMIs. Findings of Ojo (2005) on mortgage borrower’s assessment of lenders requirements indicate that collateral / title deed, affordability criteria, and repayment schedules and criteria constitute the most difficult requirements for borrowers. Other major problems facing the mortgage finance market include, the low interest rate offered by the NHF, the macroeconomic environment, the non-vibrancy of some PMIs, a cumbersome legal regulatory framework for land acquisition and the structuring of bank deposit liabilities around current

short term lending practice (Sanusi, 2003). The poor housing finance market exacerbates the very stifling environment within which the current housing policy operates. Without the basic institutional structures and operations of the finance market in place, the premise of the adopting this type of policy will remain largely undermined leading to further market failures. This seems to be the case with the current housing policy.

3.2 Land Accessibility and Security of Tenure Difficulties

Creating an adequate and equitable urban land market has remained a most difficult problem in Nigeria. The current NHP 2002 observed that the main problem of availability of land for housing in Nigeria is that of accessibility, ownership and use. The chronic difficulties in making urban land easily accessible to potential developers have entrenched systemic urban land speculation, which often drives up land prices beyond the reach of an average household. It was to resolve these problems and provide a coherent uniform framework for land regulation and management in the country that necessitated the promulgation of the 1978 Land Use Decree (LUD) in the country. After three decades, the failure of the LUD to create easy accessibility to urban land for development is increasingly apparent with prohibitive costs of serviceable urban land, difficulty of government acquiring urban land for development, ineffective identification and inventory of urban land systems and the increasing growth and expansion of informal settlements. These problems are not unconnected with such the continued resilience of customary land tenure system, prevalent scarcity of serviced urban land, increase in urban land speculation, the difficulty in securing urban land tenure and cumbersome, time-consuming and expensive land titling and registration procedure etc. The literature assessing the performance of the LUD within the context of existing and emerging urban lands problems in Nigeria is quite extensive [see for example (Okpala, 1982; Udo, 1990; Okolocha, 1993; Rakodi, 2002; Ikejiofor, 2005; Aribigbola, 2007)]. Given both that the LUD is intrinsically part of the Nigerian Constitution and that there are deep political cum ethnic tensions and disputes surrounding the rights to access and use of land resources; attempts to review the LUD, despite continued and prevalent calls to do so has remained intractable. In cognisance to the demands of the new housing policy, the proposed amendments of the LUD by the PCHUD were rejected as unconstitutional by the government. Indeed, it has been very difficult to expunge the LUD or parts of it from the National Constitution to allow for its amendment

or review. The task of facilitating the proper review the LUD has been given to the Nigerian Law Reform Commission and is assumed to be in progress.

Beyond the legal and bureaucratic bottlenecks of the LUD, the effort to facilitate urban land accessibility through site and services programmes at both the Federal and State levels has been less than satisfactory. Under these schemes, government usually acquires large tracts of land, subdivides it into individual plots, and provides essential utilities (such as roads, electricity and water) before allocating the serviced plots to individual/developers. This programme has in the past been seen as a viable way of making serviced urban land more readily available for housing development. Issues such as rationalization of housing subsidies, cost-recovery considerations and land sharp practices in land allocation have tended to stifle the proper implementation and effectiveness of such schemes. It was estimated that between 1986 and 1991, less than 1% of the plots provided under this scheme were actually developed (UNCHS, 1993b, p.48). The housing policy provides for the continuation of site and service schemes to facilitate the access of low income group to serviced plots at reasonable cost (Federal Government of Nigeria, 2002). However, land accessibility and guaranteeing security of tenure have remained an intractable problem. Without a system that guarantee easy accessibility to land for housing development and security of tenure and property rights, it is difficult the how the current market-based housing policy will function anticipated. This constitutes a major institutional weakness in adopting the current housing reform and impedes the capacity of private-sector to deliver affordable housing under the current policy.

3.3 Federal Civil Service Monetization Policy

In Nigeria, there are residential houses owned by the Federal or State Government or rented by them for their employees. These housing are usually allocated to Civil Servants and government employees or certain grades and category of staff at a small fixed rent which are deducted monthly from their salaries. About 25% of civil servants are provided accommodation through this type of housing (Talba, 2004). There are essentially two distinct type of government owned housing namely the government residential areas (GRAs) and the low income staff housing for workers in government parastatals.

However, with the policy shift to minimise the role of the federal government in housing provision and in keeping with the on-going pro-market civil service reform, the government is currently implementing the residential housing monetisation policy in the Federal Civil

Service where the fringe benefits (such as subsidized housing) being enjoyed by Civil Servants as part of their remuneration package and conditions of service are converted into cash benefits. This policy involves selling-off to the highest bidder by public auction all government-owned quarters and government-rented quarters that it provides to about 25% of Civil Servants at subsidised rates. Under this policy, every single Civil Servant in the Federal Civil Service is now to provide for his own accommodation but will be paid between 50% and 75% of Annual Basic Salary as an accommodation allowance, depending on seniority level (Talba, 2004). While the federal government has argued that such a policy represents a more efficient allocation of resources and equity in the provision of amenities for Public Officers, it directly corresponds to substituting direct housing supply subsidy with a pro-market oriented housing demand subsidy. One of the major criticism and reservation with the policy is that the Government's desire to sell these houses at current market rates makes such houses unaffordable to the civil servants who used to occupy them prior to this policy, thereby forcing them to look for sub-standard accommodations in less desirable locations and neighbourhoods (Talba, 2004). While it remains to be seen how such policy will represent a more significant efficient allocation of resources, it is clear that for most civil servants that benefited from the erstwhile subsidised housing programme, the present monetisation policy would in fact worsen their housing conditions.

4. Conclusion

Under current Nigerian national housing policy, there is a growing corporate private sector participation in housing, which, as might be expected, has concentrated on the provision of more profitable higher-end housing for the wealthy. This tendency tends to reinforce the limits of the private sector within the market delivery mechanism in ensuring a more equitable housing delivery system. As has been attested by UNCHS (1998, p.339);

“The tendency in market economics on short-term optimization at the expense of longer-term investment and planning is of concern as is the lack of attention paid to the influential role of interest groups and other non-economic factors in manipulating the way markets work to the advantage of some and the detriment of others. These and other observations encourage a re-emphasis on the limits of market mechanisms and reassert the importance of strong government and social action.”

Whereas the enablement approach advocates a move towards the private sector and the market in housing delivery, it clearly stated that such a move should be pursued “within a framework that addressed those areas where the private and unregulated markets do not work” (UNCHS, 1996). In fact, the successful implementation of the enablement approach will likely depend on how such housing policies identify those areas where the private and unregulated markets do not work and adequately provide for such affected households outside the framework of unregulated markets. Such an approach is lacking in the current Nigerian housing policy.

In Nigeria, about 61% of households (those with housing affordability problems) belong to the group whose housing interests cannot be guaranteed by the private and unregulated markets. Furthermore, within the two remaining quintile groups (i.e. 4th and 5th groups) that have no housing affordability problems, the rent-free tenure group and the subsidised tenure group collectively accounts for about 49% and 55% respectively. Thus about half of the households that do not have housing affordability problems were able to achieve such status as a result direct subsidies. *It can therefore be argued that at present, the dominant private and unregulated housing markets in Nigeria do not work for the overwhelming majority of households.*

The fact that the present housing markets have not worked for the overwhelming majority of Nigerians does not mean that it cannot work for them, given adequate incentives and regulatory frameworks. However, it is difficult to envisage a situation where the unregulated housing market will adequately provide affordable housing at market rates to the bottom and 2nd housing affordability quintile groups in Nigeria. *If the private and unregulated markets do not work*

for the overwhelming majority of households in Nigeria, why then should it be imposed on Nigeria households?

Arguably, it would be more reasonable to adopt a housing policy approach that would work directly for the majority of households with the caveat being that the market should be maintained only in areas where they work.

It must be accepted that while there is an important role for private and unregulated markets in providing housing, given the current nature of the housing problems in Nigeria, that role is rather limited. It is limited to the small proportion of households that can compete effectively and secure suitable affordable accommodation within such a market. Within the context of this small group, a private and unregulated housing market would offer a more efficient resource allocation than the Nigerian experience where government have provided public housing or subsidized housing to such higher income, households who do not need such housing assistance. It should be borne in mind that the private sector has always dominated the Nigerian housing market providing over 90% of existing housing stock. So much of the existing housing problems in Nigeria could be ascribed to market 'failures'.

An enablement approach to housing should not be crudely interpreted to over-emphasis the role of unregulated market and the need to enable such markets. Often, realities on the ground do not give much optimism for successes of market-driven enablement strategies as currently pursued by the Nigerian national housing policy and in many Sub-Saharan African Countries. Indeed it has been observed that enabling strategies that are focused on market actors can produce highly uncertain outcomes (Miraftab, 2004; Mukhija, 2004). Given this contention, Mukhija (2004) has advised on the need for a more cautious, circumspect and varied policy approach in the adoption and implementation of market enablement strategies especially in the developing countries.

Given these considerations, it could be seen that the national housing policy reform in Nigeria appears not to have been thought through by policy and decision makers in the country. There is the need to move away from the existing trend where decision and policy makers tend to conveniently accept the ever changing generalized conventional wisdom of the time, which more often are a sort of "hand-me-down" ideological strait jacket that reflect dominant interests other than the interests of people to whom such policies are meant to protect and serve (Onibokun, 1983). The widening income disparity, the prevalent low household income amongst the majority of households, low household savings, excessive housing expenditure and the deteriorating housing conditions of households suggest strongly that current housing policy reforms should have been focused towards enabling appropriate

demand and supply subsidies to stimulate and invigorate the housing delivery system in Nigeria. This would provide a more effective means of ensuring that the housing interests of all are taken into consideration within the current housing policy reform in the country.

Given that the nature and dimension of housing problems in the developing countries are different from that of most western developed countries and do in fact differ from country to country and even within a given country, there is the inherent need to conceptualise and design housing policies in a way that is responsive to local context. For instance, the poor financial housing market and intractable land accessibility and security of tenure difficulties in Nigeria reflect very adverse institutional environment that impedes market-based private-sector housing delivery, suggesting that such policies are not suitable to the Nigerian context and thus cannot be expected to be effective. As has been noted by Pugh (2001, p.414) many housing problems in the developing countries 'originate from supply inadequacies in land, finance and construction, rather than in the inadequacy of demand.' Thus, there is the need to design both demand and supply subsidies in ways that they can effectively complement each in ensuring that both affordability and supply issues are properly addressed. This is consistent with the contention of Keivani and Werna (2001) in advocating for a more pluralistic approach in developing housing policies in developing countries rather than narrowly focusing on just enabling the market as is the case with Nigeria and many Sub-Saharan African Countries. The external imposition of such stringent market-oriented housing policy is as ill-advised as pouring new wine into old wineskins. It is an anomaly that intensifies rather than improves existing housing problems in such Sub-Sahara countries as Nigeria.

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