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## New Strategies to Addressing Housing Need in Nigeria

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### ABSTRACT

Housing is an important component of human settlement which renders tremendous service to humanity thereby serving as an important and indispensable element of human settlement. Despite the number of political and social, initiatives taken by the government in the past, a great proportion of Nigerian population still live in substandard and poor houses and in deplorable, unsanitary residential environments. Government intervention to ameliorate housing problem dated back to 1960 before political independence from Great Britain to date. Housing problem in Nigeria still remains intractable as many rural and urban populations in the country do not have access to decent, safe, and affordable housing. This paper ascertain the need for housing in Nigeria, highlighted the nature of housing problem in Nigeria, Reviewed Nigerian government intervention in housing provision and reviewed new tested and proved strategies to addressing housing need. The paper suggested that measures to improve housing supply and finally concluded that continuing improvements in the quality of life, particularly for the poorest and most disadvantaged, demand a long-term commitment of resources.

### INTRODUCTION

Decent housing (adequate shelter) is one of the basic needs of every individual, the family and the community in general, as one of the physiological pre-requisite to man, housing ranks second only to food. Housing has a profound influence on the health, efficiency, social behavior and general welfare of the society as it is the best physical and historical evidence of civilization in a country. (Onibokun, 1985).The conception of a house as a home, a place of comfort and security, has taken root in many areas of world especially as increasing proportions of the population have come to own their houses. This view of shelter reinforces the idea that many other qualities derive from the place where one lays their hat; more than a roof over one's head, the home has come to symbolize family, stability, wealth. As the largest single investment for most families, and the driver of

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demand in enormous sectors of the economy, housing has also played a huge role in the economies of these nations.

There has been an increasing awareness in both the developed and developing nations, since the last three decades the need to provide more housing to rapidly growing population. However, the adequate provision of this basic need in the face of rapid urbanization of the population in Nigeria, this situation goes on unabated, reaching a highest peak in the urban center. This phenomenal growth rate among urban population in Nigeria, according to Adeniyi (1974), has contributed to scarcity of the housing stock in most urban centers which in turn results in overcrowding, slum condition and development of squatter's shacks. Coupled with this ugly development is the growing deterioration of the housing environment. The situation becomes so unbearable that many residential environments result in unhealthy for human habitation, especially that of the low income group. And more so, is the lack of adequate financial and personnel resources to develop land on such a scale as would meet the demand of the teeming population. In the light of the above, urban housing problems, especially those that relate to quality of life, poses the greatest challenge in the face of rapid urbanization. There has been an increasing emphasis on the housing sector by different governments of the Less Developed Countries (LDCs). Yet the adequate provision of the basic need eludes a high proportion of the population of these countries. Although rural housing conditions are generally far from satisfactory, the problem attains its most acute proportion in the urban centers of the LDCs. A number of factors account for this including the accelerated rate of urbanization in the LDCs since the 1950s (occasioned primarily by rural urban migration and secondarily by natural increase within the urban centers themselves). Non-renewal of dilapidated structures, poor facilities in existing houses, poor environmental conditions of dwellings and insufficient supply of new housing units. The United Nations (UN) in 1965 estimated that between 8 and 10 housing units/1000 population were necessary in order to meet the housing deficiency as well as the future housing needs of the urban population in the LDCs (United Nations, 1965 p.3). However, none of the countries was able to achieve anything near this target. It is perhaps worthy of note that even in the more developed countries, achievement in the provision of new housing during the 1960s was between 6 to 7 dwellings/1000 populations (Franklin, 1968, p.67).

An ad hoc United Nations group of experts on housing in 1970 noted with regret that every few nations were able to realize the minimum and

modest housing needs suggested by the United Nations Development Decade. Furthermore, in addition to extremely low level of new housing construction, there has been a parallel poor record in the construction and provision of physical facilities and community services for the residential environment' (United Nation, 1971, p.1).

The importance of providing adequate housing in any country cannot be overstated. It is a stimulant of the national economy, while decent housing can be regarded as the right of every individual, a great proportion of the population of Nigerian live in sub-standard, poor housing, in deplorable, and unsanitary residential environments. In recent years, rapid urbanization and economic growth have compounded the problems of inadequate housing for increasing population in Nigeria. In most developing countries like Nigeria the housing difficulties, particularly of low income groups have been complicated by conditions peculiar to developing countries-rapid growth, inflated real Estate values, speculative activity, and an influx of poor immigrants and lack of planning. The problem of housing is not limited to urban areas. Rural areas equally suffer from the lack of adequate and decent housing. Consistant relative increases in rents were recorded for all the major urban centers in Nigeria. Lagos is regarded as the most expensive city in the world an annual rent for a house in Victoria Island will be enough to buy a decent house in the modern suburb of Washington, D.C U.S.A (Omibokun1981).

### **The Necessity for Housing**

There can be little argument about the enormous need for housing, along with food and clothing. It is recognized as a basic human necessity. By the year 2000 there will be population of nearly one billion people to be accommodated in urban settlements in the developing countries. The vast majority of these people will be poor. The impending explosion of urban population will occur in cities which are already in desperate physical, economic and social straits. Some ninety percent of all urban households have monthly income of \$50 (U.S.) or less. Unemployment averages fifteen to twenty percent of the labour force. Almost half of all urban household have no piped water service. Illiteracy, in absolute number, may be increasing.

New capital investment of almost one trillion dollars will be required to provide minimal housing, infrastructure, facilities and jobs for this population. Urban development is only one priority among many development areas such as agriculture, rural development and defense, and

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capital investment is usually much less than operating expenses in most national budgets. In most urban centres land is subject to speculation, causing land value increases ranging from ten to twenty-five percent annually. Land speculation causes aberrations which affect the entire urban development process. It catalyzes uncontrolled spreading of the urban area and raises the costs of public services. Most damaging of all, speculation excludes the low income family from land ownership, thereby giving rise to squatting.

The public sector in most developing countries is ill-equipped to respond to these enormous urban challenges. There is a fundamental lack of skilled technical and administrative capabilities, in addition to obvious financial difficulties. The public sector frequently operates on obsolete legislative bases, reminders of the colonial periods when emphasis was on control of habitat for the benefit of the colonial elite, rather than on stimulating development opportunities for the general population. This heritage perpetuates cumbersome, often counterproductive administrative and management practices, and supports the over centralization of decision making.

### **The Nature of Housing Problem in Nigeria**

In Nigeria, even though there are no accurate data on the nation's housing stock, earlier studies and observations strongly suggest quantitative and qualitative housing problems across the country (Onibokun, 1983; Abumere, 1987; Federal Office of Statistics., 1997; Agbola, 1998; Egunjobi, 1999; Adeagbo, 1997; Olatubara, 2008; Mabogunje 2003; Ademiluyi & Raji, 2008)in Ademiluyi, I. A (2010). Ademiluyi, I.A (2010).quoted Fadahunsi (1985) that policymakers in Nigeria are not really aware of the magnitude of the housing problems facing the low income earners in the country, Olateju (1990) was of the view that the increasing high rent is a pointer to the fact that there is a decrease in housing stock. Ademiluyi, I. A (2010) highlighted the study by Onibokun (1990) estimated that the nation's housing needs for 1990 to be 8,413,980; 7,770,005 and 7,624,230 units for the high, medium, and low income groups, respectively. The same study projected the year 2000 needs to be 14,372,900; 13,273,291 and 12,419,068, while the estimates for the year 2020 stands at 39,989,286;33,570,900; and 28,548,633 housing units for high, medium and low income groups, respectively (Agbola, 1998; Olokesusi & Okunfulure, 2000), Again, the national rolling plan from 1990 to 1992 estimated the housing deficit to increase between 4.8 million to 5.9 million by 2000 The 1991 housing policy estimated that 700,000 housing units

needed to be built each year if the housing deficit was to be cancelled. The document, in fact, indicated that no fewer than 60 percent of new housing units were to be built in the urban centers (Ogu&Ogbuozobe, 2001; Federal Republic Nigeria, 1991). This figure had increased at the time the 1991 housing policy was being reviewed in 2002. In 2006, the Minister of Housing and Urban Development declared that the country needed about ten million housing units before all Nigerians could be sheltered. Another estimate in 2007 by the president put the national housing deficit at between 8 and 10 million (Yar'adua, 2007). Despite this confusion as to the number of new additions, it has been quite obvious that a critical gap exists between the housing supply and demand; the reasons why successive governments have made policy statements, enunciated, and have made efforts to actually deliver new housing units. However, out of their targeted provision, a very minute percentage is always met. This could be attributed to the fact that most government housing programs have been frustrated by corruption, politicization, insufficiency of technical staff at building sites, and lack of infrastructure (Olokesusi&Okunfulure, 2000).

Housing conditions, especially those portrayed by the availability and efficiency of facilities and utilities, have been worsening since 1980 (Olokesusi&Okunfulure, 2000). Toilet facilities, for instance, have more pit constructions than other better and more ideal provisions. This is evident from the construction quota, which increased from 25.6 percent in 1980/81 to 63.3 percent in 1993/94 and 62 percent in 1995/96. Existing data shows that while 72.4% of urban households were connected to electricity in 1980/81, this proportion declined to 54.34% in 1995/96 (Federal Office of Statistics, 1999). The same trend existed for most neighborhood facilities and utilities within the country, especially those concerning water supply road construction, sewage, etc. In response to these housing challenges, Nigerian governments, since pre-independence, have shown a remarkable concern for housing. Also, successive governments in Nigeria have intervened in a number of ways in the housing sector in order to bring about the much needed improvement and transformation.

### **Previous Government Interventions in Housing Provision**

Because shelter is necessary to everyone, the problem of providing adequate housing has long been a concern not only to individuals, but to governments as well. Ademiluyi, I. A. (2010) Thus, most nations, in one form or another, continue to place access to affordable housing at the top of their priority lists (Encarta Interactive World Atlas, 2007) in Ademiluyi, I. A.

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(2010). Ademiluyi A. I. in (2010) highlighted the major steps taken by Nigerian government towards solving the housing crisis in the country includes to include:

- (i) The establishment, in 1928, of the Lagos Executive Development Board (LEDB). The Board was empowered to carry out slum clearance, land reclamation, and the development of residential and industrial estates.
- (ii) The setting up of Nigerian Building Society (NBS) in 1956 to provide housing loans to both civil servants and the Nigerian public.
- (iii) The creation of the National Site and Services Scheme (NSSS) in 1986 to provide land with essential infrastructural facilities, such as roads, drainage and sewage system, water supply, and electricity for housing developments in well-planned environments. The schemes are planned to provide well laid-out and serviced plots in each of the 36 state capitals of the federation, including FCT Abuja.
- (iv) The establishment of the National Prototype Housing Program (NPHP) by the Federal Ministry of Works and Housing (FMWH) to complement the objectives of the National Site and Services Scheme (NSSS). The project was embarked upon to demonstrate the feasibility of constructing functional, effective, and affordable housing units through imaginative designs, judicious specification of materials, and efficient management of construction.
- (v) The setting up of the State Housing Corporation (SHC) to provide housing to the populace at affordable prices.
- (vi) The creation of the Federal Mortgage Bank of Nigeria (FMBN) in 1977 to finance housing loans to prospective housing developers at minimal interest rates.
- (vii) The setting up of the National Housing Program (NHP) in 1991 and the National Housing Fund (NHF) scheme by Decree No 3 of 1992 to provide self-loans to prospective housing developers and also monitor developments in the housing sector.
- (viii) The deconsolidation of the Federal Mortgage Bank of Nigeria (FMBN) through the establishment of the Federal Mortgage Finance Limited (FMFL) to take over retail mortgage portfolios previously handled by the bank and also to facilitate effective management of the National Housing Fund (NHF) Scheme.
- (ix) The setting up of a Housing Policy Council (HPC) to monitor development in the housing sector and also to set up the machinery for the review of the 1978 Land Use Decree (LUD) in order to make

- more land available for large scale land developers. (x) The creation of the ministry of Housing and Urban Development in June 2003.
- (xi) The review of the mandate given to the Federal Housing Authority (FHA) to include provisions of the National Social housing as part of the strategy towards meeting the Millennium Development Goal. The authority also plans to facilitate the provision of two million housing units within the next four years.
- (xii) Others are the formulation of the National Housing Policy (NHP) in 1984, the establishment of the Infrastructural Development Fund (IDF) in 1985, and the Urban Development Bank (UDB) in 1992 (Federal Republic of Nigeria, 1997).

Furthermore, on the legal and regulatory framework for enhancing housing delivery, eight (8) housing related laws are now before the National Assembly. They are:

1. The Federal Mortgage Bank of Nigeria Act 1977 (replacement)
2. The National Housing Fund Act 1992 (replacement)
3. The Mortgage Institution Acts 1992 (replacement)
4. The Social Insurance Trust Fund Act 1993 (amendment)
5. The Investment and Securities Act 1999 (amendment)
6. The Trustees Investment Act 1962 (amendment)
7. The Insurance Act 2002 (amendment)
8. The Land Use Act 1978 (amendment)

In addition to the above, virtually all the introduced National Development Plans (NDPs) from 1962-1985 and the National Rolling Plans (NRPs) from 1990 to date explicitly recognize the importance of providing adequate housing in the country as a tool for stimulating the national economy (Gbolagade, 2005). The First National Development Plan (1962-1968) accorded low priority to housing with focus on accommodating government staff in the regional capitals and Lagos. A low proportion/percentage achievement was recorded. In the Second National Development Plan (1970-1974) the target was to construct 60,000 housing units (15,000 units in Lagos and 400 units in each of the remaining capitals). There was marginal improvement at the end of that period. Efforts were intensified in the Third National Development Plan (1975-1984) to improve the condition of the housing. Highlights of the programs include: direct construction of low-cost housing units by both the federal and state

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governments; increased construction of housing quarters for government officials, expansion of credit facilities to enhance private housing construction, and increased investment in domestic production of cement. A sum of N2.5 billion was allocated to the housing sector with a target production of 202,000 units (50,000 units for Lagos and 8,000 units for each of the, then, 19 states). At the end of the period, a success of 13.3% was recorded. During the plan period, the Federal Ministry of Housing, Urban Development, and Environment was created while the Federal Government bought over the shares held by the Commonwealth Development Corporation in the Nigeria Building Society and converted it to the Federal Mortgage Bank of Nigeria (FMBN) with an enlarged capital base from N21 million to N150 million to provide loans to individuals, state housing corporations, and private estate development firms. During the Fourth National Development Plan (1984-1985) period, three schemes were embarked upon: the direct housing construction, under which 2,000 housing units were to be built in each state annually, while the FHA was to construct about 143,000 low cost housing units across the country. Site and Services Schemes were also to be provided. At the end of the plan period, a success of 20% was recorded. During the 1990-1992 rolling plan periods, efforts were intensified on the sites and services scheme. About 2,892 serviced plots were provided in Anambra, Lagos, Imo, Kano, Kwara, Ondo, and Rivers states, while the second phase commenced in other states. On prototype housing schemes, 72 housing units were constructed and allocated in 1990, while the construction of 218 units commenced in Lagos and Abuja.

During the plan period, the National Housing Fund Decree No. 3 of 1992 was promulgated and Primary Mortgage Institutions (PMIs) were licensed. The Housing Policy Council was also set up to monitor development in the housing sector. The 1993-1995 rolling plan period witnessed allocation of about 10,474 plots of the three residential categories to the public. The impact of FHA was also felt in Lagos and Abuja. During the 1994-1996 rolling plan, the national housing program was launched with the target of constructing 121,000 housing units of various models all over the country by the end of 1996. However, by the first quarter of 1997, fewer than 2,000 housing units had been completed. The federal and the state governments were expected to spend N2.0 billion on housing provisions during the 1996-1998 National Rolling Plan (NRP). Over N3.00 billion was expected to be spent by the two levels of governments during the 1999-2001 National Rolling Plan (Federal Republic of Nigeria, 1998; Federal Republic of



Nigeria, 2000). As part of the efforts to increase houses for the masses in the country, the Federal Government in 2004 pledged to adequately fund research pertaining to the manufacture and the use of local materials in the sector, with the aim of providing 40,000 houses with at least 1,000 per state before year 2007. However, as observed by Ademiluyi & Raji (2008) in Ademiluyi, I. A (2010). That little had been done to meet this target barely two months into the year 2007. Despite these interventions and efforts by the governments, actual achievements in terms of providing adequate housing in the country remain essentially minimal for a number of reasons. These include:

1. Problem of plan implementation. There is often a wide gap between what is on paper and what is happening on the ground. For example, only 13.3% achievement was recorded in the federal government's housing program in the Third National Development Plan (Mabogunje, 2002).
2. Lack of adequate data relating to the magnitude of the problem, due partly to the absence of the national data bank on housing.
3. Inconsistency in government policies and programs, including frequent changes of policies with changes of government and without proper assessment of the existing ones.
4. Lack of efficient and sustainable credit delivery to the housing sector.
5. People's incomes are relatively low in comparison with house market prices, resulting in an affordability problem.
6. High cost of building materials. For example, a recent survey has shown that a 50kg bag of cement has risen from N650 in 2000 to about N1,600 today.
7. The rapid annual growth rate of the Nigerian population, which was estimated at 3.3% on the basis of annual birth rate of 49.3 per 1,000. Coupled with the rapid population growth/urbanization is the problem of an increasing poverty level among the citizenry, which has risen from 65% in 1996 to about 70% in 2007, according to UNDP and World Bank estimates.
8. Lack of effective coordination among Housing Agencies. While all the three tiers of the government are involved in one way or the other in housing matters, their activities are hardly coordinated.
9. Politicization of housing issues, including government involvement in what Onibokun (1983) referred to as the 'game of number'. For instance, between 1974 and 1980, there the plan to deliver 202,000 housing units to the public, but only 28,500 units representing 14.1% were delivered. Also, out of 200,000 housing units planned to be

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delivered between 1981 and 1985 only 47,200 (23.6%) were constructed. Under the National Housing Fund (NHF) program, initiated in 1994 to produce 121,000 housing units, it was reported that less than 5% was achieved. In spite of a series of government policies towards improved housing delivery, one thing that is clear is that successive governments in Nigeria have not been able to match their words with action. In fact, the situation in the Nigerian housing sector remains like that of a child to whom much is promised but little is delivered. It is no surprise, therefore, that there exists a gap between housing supply and demand.

## **New Strategies to Address Housing Need**

During the 1980s the role of the state was re-conceptualized both as the result of economic problems in some southern countries and under pressure from international development assistance agencies, structural adjustment programmes were widely adopted especially in Latin America and Asian countries. This shift was promoted in part by the fact that the kinds of problems faced by housing agencies were being widely replicated within other state agencies. Whatever the reasoning, stabilization and structural adjustment programmes sort economic stability and the restructuring of economies to promote long term growth. The immediate consequences were restricted levels of state investment, as governments reduced their budget deficits and closure of some state housing and housing finance institutions.

As significant was the re-conceptualization of housing policies towards those with stronger market-led allocation process and away from supply-side provision (i.e, constructing houses). The emphasis within state policies shifted support low income household strategies for improving their own housing. In Latin American context, this was first realized through attempts to improve the working of private construction sectors, encouraging the provision of low income housing and reducing the cost of provision. The Latin American development Bank summarized the implication of this ideological shift for housing policy this” under the enabling approach, the key public sector is to create a condition that improve the performance of the private sector. This is possible through the elimination of unnecessary regulations and the government direct production and financing of low-cost houses, as well as the improvement of the land tiding and registration regime, the elimination of the obstacle for executing guarantees and the removal of rental regulations. Success in

implementing these approach does depends solemnly on the housing policies and related reforms, rather it depends on microeconomic stability essential to reduction of interest rate and term of mismatch risk and availability of long term financing in local currency.

The interest in housing goes well beyond authoritarian states. More recently, the newly democratic government in South Africa prioritized housing investment in 1995, with announcement of capital subsidy programme that has now reached just under two million allocations (Bauman 2007). Housing investment has remained a significant commitment by the state despite a significant shift away from redistributive policies in general (Peet 2002). The recent downturn in the scale of new subsidy-financed housing in South-Africa reflects constraints in the construction sector rather than declining interest in housing investment on part of the state. There are other new extensive programmes in India, Thailand, Mexico and Brazil (Saryanarayana 2007)

The tensions inherent in this situation, the degree of the state to respond to citizen's need for shelter, the broader pro-market context and its emphasis on demand responsiveness, and the reluctance to accept incremental development have all resulted in a number of specific programmes outcomes. The following sub-sections described five types of programmes all of which the portfolios of state and development agencies. These programmes, are test and proven strategies that improve access to shelter, these programmes differ in strategy and with respect to target groups.

### **Down- Marketing mortgage Finance**

Significant trend the is emerging in both Latin America and Asia is the effort to enable low income group to secure mortgage financing, thus expanding the market for commercial housing finance and increasing formal home ownership. In some cases such as Thailand, this trend has been within state institutions. However, in the context of present microeconomic policies, more significance is being placed on encouraging private sector institutions. There has being notable success in some Asian countries (Watanabe 1998) exemplified by Indonesia and India. In Indonesia, The housing Finance market grew at an annual rate of more than 20% between 1993 and 1996 (Seki and Watanabe 1998) In India, since the 1990s, the market has expanded rapidly and has frown at compounded annual rate of 32.% between 1999 and 2005, with several nonbanking financing companies provided loans. The outstanding portfolio of retail housing finance for commercial banks alone

stood at US\$42.3 billion as of March 2006 (Satyanarayana 2007). States have been proactive in making market conditions more favourable; for example in Philippines, as elsewhere, the government has sought support private commercial mortgage lending through creating secondary mortgage market.

### **Capital Grants to Access Mortgage Finance**

The shift to demand responsive to market mechanisms has result to re-orientation of state support for housing away from direct provision towards capital grants for low income household (which promotes demand in the housing market). Capital grants are offered to low income household to increase the affordability of completed homes and in some cases help them access housing loans. Many of these household cannot be able to purchase a complete house without a subsidy, although they may have formal salaries and to be able to afford to contribute significantly to shelter improvements. The commercial housing loan component has become less significant in some cases, as the problems of affordability and default have become more evident. As the result there has been greater effort to put more emphasis on sweat-equity component for the lowest income household (UN-HABITAT 2005).

The capital grants are conceptualized with a number of distinct characteristics. They target th lower income household through entitlement base upon household income. These are seen as encouraging the integration of those in need of shelter within conventional financial market, hence the emphasis of saving as a requirement for the programme entry and in taking up loan from sector. There are seen as a means of increasing the familiarity of both lenders and borrowers with each other, leading to financial market expansion and credit opportunities. As experience with this programme has grown, a number of problems have become apparent. in relation to the target group it can be difficult for lower income household to participate due the need to accumulate savings.

### **Housing Subsidies:**

At the heart of any public financial policy for housing is the issue of subsidies. The subsidy level in public housing programmes for the low and middle income groups may be as high as seventy five or eight-five percent of the total unit cost. Subsidy will increase in the years ahead as the real income of the target group lags behind the ever-increasing costs of construction. Government use of subsidies acts to the detriment of the overall housing sector. It tends to limit the amount of housing which can be

built over time by the public sector, and it discourages the private sector from meeting the needs of middle and low income groups because they cannot compete with the subsidized pricing policies. Although it may not be possible for a country to terminate all subsidies abruptly, the objective should be to phase them out and establish viable, self-financing public sector housing institution. The first steps are to initiate cost accounting of the subsidies currently provided, and to move away from interest rate subsidies (which require annual contributions during the life of the mortgage) toward one-time only subsidies. Modest specialized subsidies which have some national purpose might be appropriate in a few clearly defined situations. The reason so many housing professionals and international agencies are not in favor of subsidies is not a lack of concern for the poor, rather, most subsidies substantially damage the viability of the public house-building agencies and question their ability to continue operations over the long run.

### **Capital grants to access mortgage finance**

The shift to demand responsiveness and market mechanisms has resulted in a reorientation of state support for housing away from direct provision and towards capital grants for low-income households (which promote demand in the housing market). Capital grants are offered to low-income households to increase the affordability of completed homes and, in some cases, to help them access housing loans. Many of these households cannot afford to purchase a completed house without a subsidy, although they may have formal salaries and be able to afford to contribute significantly to shelter improvements. The commercial housing loan component has become less significant in some cases as the problems of affordability and default have become more evident. As a result, there have been greater efforts to put more emphasis on sweat-equity components for the lowest-income households (UN-HABITAT 2005).

This approach associate particularly with Chile and Costa Rica, and later adopted by other countries such as Colombia, Ecuador, Guatemala, Peru, and Panama, involves the restructuring of traditional relations between the state, the private sector, and the community with respect to housing (IDB 2006). Some 20% of Inter-American Development Bank lending for housing has been allocated to supporting these programs, which is indicative of their significance (ibid, 9) and the popularity of this subsidy system continues to grow, for example, the Philippine government is interested in introducing this approach (I-lanto 2007). In South Africa, there were early attempts to replicate this model with the Cape Town Housing Company in the late

1990s. More recently the restructuring of the housing subsidy has aligned the government's approach more closely with this model, with a savings requirement that is structured as a sweat-equity component for the lowest-income households (Haumann 2007).

These capital grants are conceptualized with a number of distinct characteristics. They target the lowest-income households through entitlements based upon household income. They are seen as encouraging the integration of those in need of shelter within conventional financial markets, hence the emphasis on savings as a requirement for program entry. And, in taking up loans from the commercial sector, they are seen as a means of increasing the familiarity of both lender and borrower with each other, leading to financial market expansion and credit opportunities. As experience with these programs has grown, a number of problems have become apparent. In relation to the target group, it can be difficult for the lowest-income households to participate due to the need to accumulate savings. In relation to the building process, the scale of increased demand (through capital subsidies) has an impact on the nature of supply. Private construction companies have provided directly for this market, but quality has been a problem (due to the division between financial provider and client) (Cummings and Dipasquale 1997, Jiron and Fadda 2003. Tomlinson 2002; Gilbert 2004). Moreover, there has been a tendency, reported in both Chile and South Africa, for contractors to maximize construction income and minimize land costs, resulting in remote locations and potentially high public costs to provide basic services (Cummings and Dipasquale 1997; Jiron and Fadda 2003. Tomlinson 2002; Gilbert 2004; Rodriguez and Sugranyes 2007).

### **Shelter Microfinance**

The third strategy, which is currently attracting considerable interest is that of shelter microfinance. The significance of microfinance was widely recognized even before Mohammed Yunus received the Nobel Peace Prize for his work with the Grameen Bank. The use of microfinance loans for housing investment has developed more slowly than loans for enterprise development, in part due to the larger loan size. Lenders have also been deterred by a concern that housing investments are not productive and hence will not generate an income to assist with loan repayments. However, experience has demonstrated that small-scale lending for housing finance can be successful; in part this learning has resulted from enterprise loans being diverted into housing. In some cases, loans for housing investments

have directly improved incomes by providing rental accommodation or by financing investment for home-based enterprises. As a consequence of these experiences, microfinance for shelter has emerged as a new strategy during the last five years, although experimentation among both traditional microfinance agencies and NGOs has been going on for a significantly longer period. Many leading microfinance agencies in Latin America have been drawn into housing microfinance, and these include Banco Sol in Bolivia, BancoSolidario in Ecuador, Mibanco in Peru, BancoAdemi in the Dominican Republic, Calpa in Honduras, and Genesis Empresarial in Guatemala (Ferguson 2003), 26-27). One study identifies 57% of Latin American microfinance agencies as offering housing loan (Escobar n.d, 21). Similar trends are evident in Asia, with the Grameen Bank having had a housing loan program for many years.

There has been some interest in investing in similar programs in Africa, although economic conditions there are less favorable.

Shelter microfinance supports the incremental development process for households with reasonably secure land tenure. Most housing loans are between US\$ 5,000, repayable over to eight years (CGAP 2004). Loans are generally taken to build additional rooms, to replace traditional building materials with concrete blocks and tiles, to otherwise improve roofs and floors, and to add kitchens and toilets. Lending for land purchase is very rare because of the high costs and other problems with individualized solutions to tenure and infrastructure needs, and also because some degree of land security is generally a prerequisite for such loans. Lending for service development is rare because it requires a collective loan.

The contribution of shelter microfinance to addressing housing needs is limited by the focus on those who are able to afford microfinance investments and who have reasonably secure tenure. However, its value remains significant, as it speeds up the improvement process thus enabling the consolidation of housing assets. In many cases, microfinance agencies provide loans on a commercial basis, demonstrating the potential for expanding financial services in this area. There are an increasing number of formal financial institutions interested in lending for shelter, for example, the Colombian BancoDavivienda (Forero 2004, 41) and ICICI in India (Saryanarayana 2007).

### **Neighborhood upgrading and the provision of service sites**

The upgrading of existing low-income settlements that have insecure tenure and inadequate service is a well-established strategy for shelter

improvements, and interest appears to be growing. For example, IDB has recently signaled interest in increasing support for neighborhood upgrading (Green and Rojas, forthcoming). Recent evidence of its growth in popularity is indicated in country reviews that identify emerging programs in the Philippines and Malawi and established programs in Central America (I-Lanto 2007); Manda 2007, Stein 2007). The momentum behind these programs is partly linked to the greater emphasis on land regularization that has emerged from de Soto's analysis, although it should be recognized that the accuracy of this analysis has been questioned and many programs predate this interest (Gilbert 2002b; Bromley 2004).

Neighborhood upgrading requires building a relationship between low-income communities and the state. The state has to engage with low-income communities through issues related to both the legalization of land tenure and the regularization of plots, so that they comply with regulations and other legislation. The provision of subsidies (for infrastructure improvements and sometimes, other investment) also requires involvement with the state to establish beneficiary rights and entitlements. The growth of participatory planning mechanism has helped to consolidate positive relationships between the residents of low-income settlements and their local government. Neighborhood upgrading programs offer secure tenure, which encourages residents to upgrade their housing with greater confidence that they cannot be removed. Basic services are provided with the expectation that residents will be able to cover the costs of service delivery and that health standards will improve when water use increases and sanitation is provided. Programs have now become linked with microfinance for shelter to enable higher-income households to improve their dwelling at the same time as their neighborhoods are being upgraded. One of the greater advantages of such an approach is the minimal disruption to livelihoods and existing shelter investment. However, some of the most vulnerable settlements may not be entitled to support because it is not possible to upgrade them in situ, and relocation is required. Settlements with very high densities may also be difficult to upgrade in an inclusive fashion, and some relocation is likely to be required in order that all the residents are accommodated at legal densities without the expense of medium-rise buildings. The service charge from upgrading may be significant and may result in some of the lowest income residents leaving the area or in mounting service debts.



## Community Investment Funds

Community investment funds provide access to subsidized loans to assist with land acquisition and investment in basic services. Community funds have emerged from the activities of a range of civil society and state agencies. The premise of such programs is that effective housing interventions require more than the transfer of a capital asset, rather, the process needs to be one that draws on residents' own skills and capacities to consolidate the neighborhood's physical and social dimensions community funds are financial mechanism that enable investment in shelter improvement and they may support activities such as land purchase, land preparation, infrastructure installation, service provision and housing construction. The most distinguishing characteristic is the way in which funding is perceived. Community funding use savings and loans activities to trigger development process, not simply to increase the access of poor to financial markets. Through savings and loan activities they strengthen the social bond between community members (building social capital), so that loan can be use more effectively. The mechanism also enables other development objectives to be secured through strong local organization by negotiation with state authorities.

The growth community fund has both paralleled and divergent from the shelter micro finance. Both approaches offer small loan to residents in low income communities and share many techniques and methods. However, in general micro finance initiatives seek to promote financial market integration and secure the benefits that can flow from borrowing. In contrast, most community funds are concerned with promoting inclusive and equitable access to tenure security and basic services (IIED 2014). Lending for tenure security and basic services generally draw these agencies and the community, they work into some engagement with local authorities. Improvements have to fit within the laws, rules and regulations that govern construction and land development and some negotiations often take place. an important and common characteristic of community funds is that some subsidy is provided, finance either through state funds or international development assistance. Although much of innovation for community funds has been developed within the NGO sector, there has been a consistent and growing interest from government programmes (Mitlin 2003): (UN-HABITAT2005).

Relatively little attention has been given to the approach, however it has been a states programme option for more than twenty five year. Programmes that seek to support community-driven urban development

almost universally work with residents own investment capacity, which is then augmented though some mix of subsidy and loan finance.

### **Suggestion on how to Improve Housing Supply**

1. The housing sector should play a vital role within abroad, long-term national urban development strategy. Although each country has formulated and implements this strategy according to its own constraints, policies, resources, culture and climate, there is a certain universality to the organization of an urban policy. It includes, in varying degrees of magnitude and importance, a number of shared dimensions. One of these is the recognition that urban development is integrally related to rural development. There is no neat way of breaking the linkages between urban settlements and their rural hinterlands each is actively dependent on the other, and both must be developed in harmony. Together they represent a continuum spanning the entire national socioeconomic development effort.
2. For effective action, there should be a typology of human settlements which recognizes differing needs and development opportunities. Each level of settlement has a particular function in the overall national development scheme. Villages and market towns can provide services to rural populations strengthen marketing channels and introduce agri-business and non-farm employment opportunities. Secondary cities and provincial capitals can be useful to achieve regional balance and population distribution, establish infrastructure for decentralization of government, urban services and industrial jobs, and provide the basis for long-term economic growth. Primate cities and national capitals ought to recognize their positive and unique contributions to national development. They should provide for large-scale absorption of marginal labor, reduce development risks, achieve economies of scale and express national aspirations. There ought to be a clearer recognition of the dual nature of most urban centres. They contain both a high-standard core area of quality buildings (residential, commercial' and industrial) with adequate levels of infrastructure and public services, and a large surrounding area of unplanned, un-serviced, marginal settlements consisting of low-quality housing, micro-commerce and cottage industry.
3. Additional high-standard modern development should be encouraged in primate cities and national or provincial capitals. Despite the fact that

the present housing crisis focuses on marginal settlement areas and low income groups, all nations need to build higher quality modern increments as symbols of their aspirations and as an essential physical, social and economic envelope for modernization. The costs of this type of development should be fully charged to the beneficiaries, the mass of urban and rural poor must not be required to subsidize it through indirect taxation, nor asked to forego their legitimate right to a fair share of the national resources.

4. Governments should stop undertaking action which are inherently counter-productive to the present situation and are harmful to the people, especially the lowest income groups. They should no longer destroy the houses of squatters and low income settlers without offering alternative residential accommodations. Nor should they discourage the hawking, marginal transport modes, micro-commerce and industry which allow low income group to make their living. They cannot allow substantial subsidies through low interest loans, below-market pricing and favorable taxation laws to benefit middle and upper income groups at the direct expense of the low income groups.
5. Projects should be initiated for low income groups in the marginal settlement areas to achieve immediate upgrading of the existing habitat. This includes programmes to improve consumption levels of public facilities and services, at whatever standard is permitted by available resources, given the total population needs. The Kampong improvement Programme in Indonesia is an example which other countries would do well to follow.
6. Governments can establish the bases for sustained improvement and expansion of human settlements through a variety of measures. They could display concentrated efforts to curtail land speculation and ensure an adequate supply of land for meeting the needs of all income groups. They might develop sites and services programmes on a scale capable of meeting population growth, and encourage programmes which generate employment in both the traditional and formal sectors. They should strive toward sustained improvements in public facilities and services, particularly in health and education, improved food supply and nutrition, and access to credit for shelter, commerce and industry (especially for the low and middle income groups).

7. Housing programmes should be integrally related to the efforts of the developing countries to formulate a general urban policy response. There is little need and little likelihood for sensational new technological breakthroughs suitable for mass application. What is needed is sustained support to the people-the greatest resource in developing countries-to use their own skills, knowledge and natural abilities to improve the urban environment.
8. There is a need to reduce the average per unit cost of formal public sector housing, in order to build more units with the same level of capital investment. By reducing the average size of dwelling units built, lowering the infrastructure standards, improving the site planning and architectural design and improving the building technologies used, this will be possible.
9. The major responsibility of the public sector is to strengthen the existing housing finance institutions and make certain that an adequate housing finance system is working throughout the country. The government should be encouraged to provide sufficient equity and seed capital to assist housing finance institutions, but the ultimate burden must be on the mobilization of private savings.
10. Public sector has both the responsibility and the opportunity to facilitate actions by the private and popular sectors. It can ensure an appropriate legislative base and therefore an effective government housing administration system, one which encourages the private and popular sectors to achieve their roles in the overall housing delivery scheme.

## CONCLUSION

Shelter remain a priority area for those concerned with addressing urban poverty, the scale of housing need is not disputed and the consequences of poor housing and inadequate access to basic services are widely recognized. At the same time housing remains on the political agenda of many governments that are anxious to be seen to be doing something to address shelter need Diana M (2011). The conclusion derived from smoothreview of constraints, strategies, and programmes affecting housing supply trends in the Nigeria are that the public sector has very little influential capacity to solving housing problems. Significant and continuing improvements in the quality of life, particularly for the poorest and most disadvantaged, demand a long-term commitment ofresources. There is an urgent need to establish policies and formulate strategies toward this objective.

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