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Stocktaking of the Housing Sector in Sub-Saharan Africa

Part 4: Nigeria

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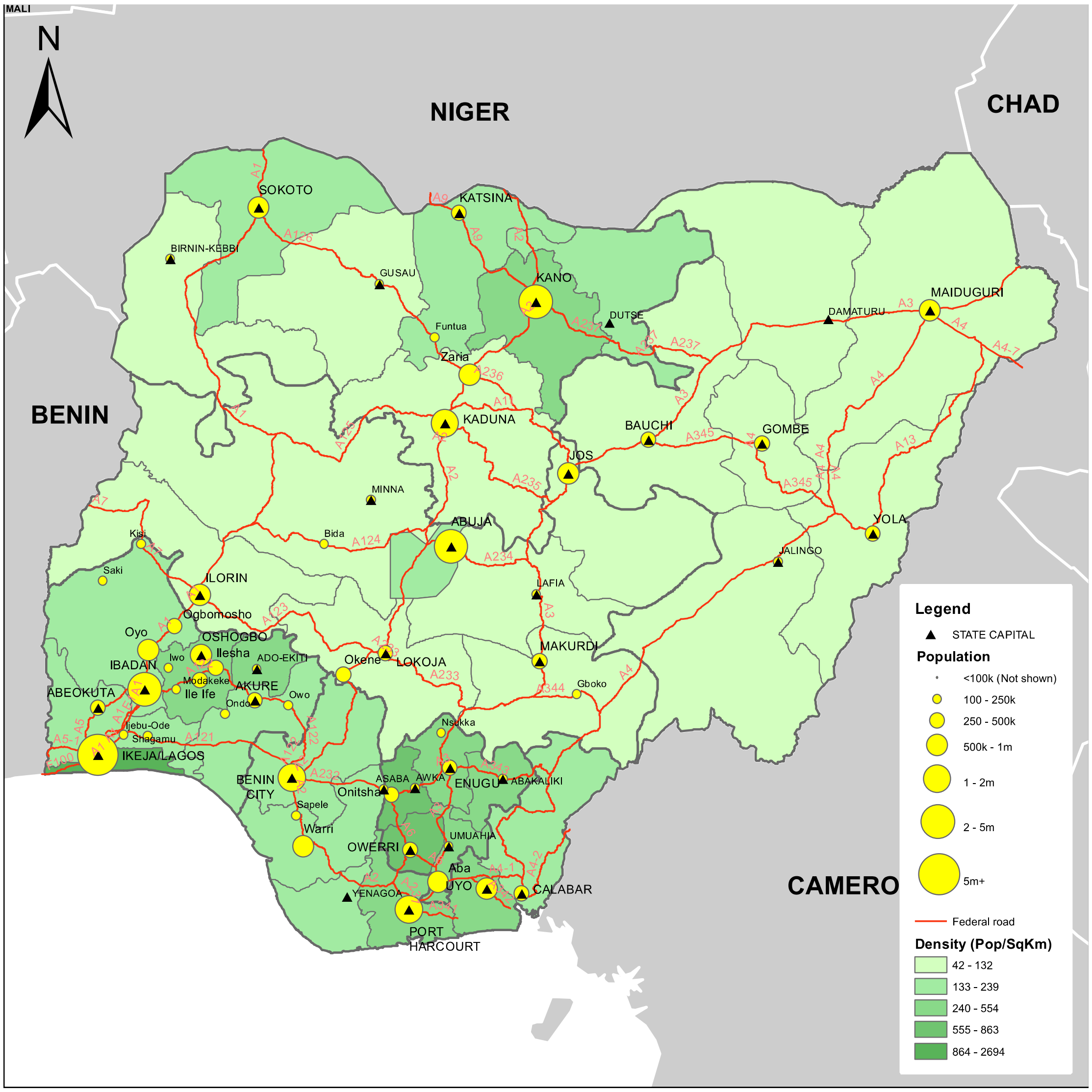

Figure 1: Nigeria: Major Cities and Population Density by State. Source: Max Locke Centre 2013.

1. Executive Summary

This report is targeted at reaching firm conclusions about the affordable housing situation in Nigeria. As is amply demonstrated in this study, the formal housing supply in Nigeria represents a very small fraction of the total (with mortgage finance playing a very small part of this) with the shortfall being met by the informal sector. By its very nature, and because most housing activity takes place below the visible horizon, there is very little data on this. In order to achieve the objectives of the report, we have drawn widely on expert opinion with significant direct experience working in this sector. We have tried to fill out the 'story' of affordable housing with this type of information, for example through case studies and, where available, local urban surveys.

As will be evident, there is a great geographical and economic diversity across what is a very large country with by far the largest population in Sub Saharan Africa. The danger is that general conclusions are drawn on the basis of limited experience of a narrow range of the housing market in Nigeria, in particular the larger cities such as Lagos and Abuja where rental tenure dominates as opposed to owner occupancy that dominates outside of the main cities and amongst the majority of the population. This study draws on the widest possible range of sources to provide a balanced view of the housing ecosystem across Nigeria and the institutional constraints to providing affordable housing to a decent standard across the country, particularly in its rapidly expanding, but largely unplanned and under-serviced cities.

Any analysis of Nigeria's housing sector must begin by recognizing a fundamental dichotomy:

- Housing that is formal is unaffordable by most and extremely difficult and expensive to produce.
- Housing that is informal is both easy to produce and affordable (though largely unserviced).

This divergence means that:

- On the one hand, focusing exclusively on the formal sector (either its current stock or its ecosystems of production and financing) inevitably paints only a small fraction of the picture, leaving the rest invisible.
- On the other hand, codified knowledge of the informal sector is scarce, resources delivered to or in support of the informal sector are even more scarce, and policy initiatives are largely lacking.

Many of the challenges cited below are consequences of the long-standing and destructive Land Use Act of 1978 (the LUA), an imposition by Nigeria's then-military government, which has had the enduring effect of stifling or disrupting everything to do with the supply side of housing, and undermining the emergence or growth of Nigeria's demand side (principally mortgage finance). While the LUA's repeal is unlikely in the short term, no one should underestimate the damage it does to Nigeria's housing situation; all recommendations or programs presented below are at best work-arounds to or compensations for this Act.

A. Findings and implications

Our investigation and analysis yield the following principal findings:

1. *Land is the key issue* – access to land, affordability of land and security of tenure are the drivers of the housing market (with finance running a close second). Land is also the primary channel by which housing is subsidised by the government but the land allocation system is slow and skewed in favour of the 'connected' few, which effectively drives the majority into the informal market. The informal land market is not necessarily cheaper than the formal market, just more readily accessible. The formal land allocation system is unattractive to both buyers and sellers

alike, because of its slow speed, inequity, and the fact that it offers below market rate compensation when acquired by government. The key features are:

a. The Land Use Act 1978 (LUA): The LUA was passed in 1978, under the urging of Nigeria's military government, after a series of reports and government papers pointed to a need for the government to have access to land in order to implement the National Development Plans. A blunt land administration instrument entirely unsuitable for urban markets or expanding peri-urban areas, it confers all powers of ownership of lands on the state governors and their Land Use and Allocation Committee (LUAC). The LUA in essence reduces all claims on land to leasehold status and vests all ownership (freehold) in the hands of the government. Additionally, the LUA does not recognize the inherent value of land and only allows for compensation based on above-ground improvements, economic trees, and agricultural produce. While it is cumbersome to require the Governor to sign-off all land transactions, it is the non-recognition of the market-value of (particularly) urban land, which makes it an unattractive platform for a land and housing market. Land-holders (since there are no land owners, except the government) are incentivized to by-pass the formal land market and transact directly out of sight of the government. Ironically, the LUA, which was promulgated to control and streamline land transactions has had the opposite effect, by driving buyers and sellers in to an informal 'black-market' for land on the urban periphery.

b. LUAC, the land use and allocation committees: The land 'allocation' system acts as a form of housing subsidy in Nigeria, by which a lucky few are provided land with no reference to its inherent market value. This subsidy is enjoyed by favoured political patrons, as well as government supported housing schemes at the state and federal level. These include the housing commissions and authorities, NLC supported schemes, schemes for military retirees, and private sector mass housing schemes. For the most part LUACs are no longer as active as they were under the military governments, when the LUA was promulgated. In addition to not recognizing the market value of land, which rises as the urban area expands into peri-urban and rural land, the closed system of the LUAC means that ordinary ('unconnected') buyers of land are cut off from formal land access. The recourse is therefore to the informal process, whereby the buyers and sellers conduct transactions out of sight of the government or planning authorities.

c. The political economy of land: The inability of the formal land allocation process to keep up with population and urban growth, coupled with the apparent inequity of the allocation system is driving informality, as settlements begin to form on the margins of urban areas. The LUA was promulgated by a military government, which saw itself playing a very paternalistic role, exercising eminent domain and taking responsiblity for land redistribution on the basis of 'one person, one plot'. The complete blindness of the LUA to the realities of the market, whilst couched in the apparently well-meaning, state-led process of land redistribution (not uncommon at the time), has never found much purchase in practice and there has never been any serious attempt to enforce one-person, one plot in Nigeria. The LUA has thus always been out of tune with the political-economic realities of Nigeria and continues to evoke calls for its reform and amendment.

2. The rapid informal expansion of Nigerian cities is unplanned and un-serviced, but remarkably robust and solidly built. There is relatively little shanty (generally) and there are well-established (informal) land administration systems (community/chief moderated). This *is* Nigeria's

affordable housing sector; not formally recognized, but not going away any time soon either. This sector has a number of characteristics:

a. Informality is not anarchy and there is order in the community/self-built housing sector – established practices, processes and recognized authority figures (local chiefs).

b. Unplanned land administration, un-serviced by infrastructure, yet robust building, even if not to the highest standards of construction and finishing.

c. Institutionally, and in terms of building capacities, there are four things that can be done to make this operate more effectively as a sector:

    i. Planning authorities should work through the LGA planning structure, to provide local land selling chiefs and individuals with basic standards for setting out plots, and demarcate space for local roads and basic infrastructure (drainage, sewerage, water & electricity connections), fitting in with urban area-wide structure plans.

    ii. Investment in training provision: Improved standards will largely come through better trained and skilled workers in all branches of the building trade. Similarly, there are far too few well trained professionals and technicians for the effective production and implementation of plans and development control at the local level.

    iii. Local planning authorities should aim to enforce basic house-building standards and development control. This may imply a different (lower threshold) of building control standards for peri-urban and rural development, compared to central city areas, and require zoning of the city growth areas accordingly.

    iv. Adopt an incremental approach to building control, which might, for example, require a certain level of basic structural soundness at the start (foundation & structure) then, over the next years, an incremental improvement where services/utilities are added to the basic frame structure. By giving home-owners a chance to gradually improve their homes, they will be able to save and improve as they go, rather than expecting everything to be in place from day-one.

3. The overwhelming need in the Nigerian affordable housing market is not for new houses, but for improvement, upgrading and retrofitting of infrastructure and municipal services. Beyond this corrective action, there is a need to intervene before the informal layouts are carved out of the peri-urban farmland as cities grow in an uncontrolled and unplanned manner.

4. In principle, there is enough structure and legitimacy involved in community-level land transactions to enable them to benefit from housing micro-finance programmes, where loans are not covered by title documents. Local chief-moderated transactions may lack detailed records, but they are often undertaken in the open and with many witnesses, and should, within an appropriate legal and institutional framework, be able to support housing micro finance (HMF) transactions.

    a. Government already acknowledges the informal land and housing system through the process of 'formalisation' or 'regularisation', by which informal development can, in principle, apply for a Certificate of Occupancy (form of title) retrospectively.

    b. We have evidence, for example, of the Urban Development Authority in Kaduna approving the building plans of houses built on land acquired through an informal land market. The land's informal status is not questioned, as long as it has local chief endorsement and, by implication, the government accepts the system. Whilst a plausible 'community/chief moderated' semi-formal system needs further study, it might include the following elements:

i) Most likely it would be undertaken on a state-by-state (rather than 'national') roll out/model. States where there is already similar activity going on could lead the way, such as Kaduna, Kano/Dilalai (informal land agents), Enugu/Nike (indigenous, original land owners). Even Abuja has acknowledged the place of original inhabitants, by not demolishing their 'illegal' settlements. There is a negotiable space where the formal and informal systems already meet that could be explored as the basis of a sustainable framework for land use planning and management.[1]

ii) The approach would be to follow, rather than try to lead, the current and historical land management processes in the respective states/cities. In other words going with the grain of established practice rather than attempting to impose a system based on the formal land laws per se; working with, rather than against, the Land Use Act (such as the GEMS3 systematic land titling being promoted by the Presidential Technical Committee on Land Reform – see box).[2]

iii) Using the structures and provisions of the LUA, such as the provision for state governor-approved regulations, the state government would give approval for a funding structure that would be designed to incorporate housing micro finance products.

iv) Government would need to recognise more formally the role of local chiefs/communities in their land administration role. Chiefs are in fact appointed and 'employed' by the state government (they are typically nominated by the community, but the appointment is approved by government and their salary is paid from the government treasury). Incorporating them more formally in a land administration role is therefore very conceivable.

v) HMF schemes that are community-driven should incorporate the recognized local/traditional community structures. Indigenous/traditional community structures still carry the legitimacy that externally imposed structures would lack and, with some means of ensuring their legal status as community-based organizations (CBOs), the necessary 'bankability'.

B. Context: the status of housing in Nigeria

There is little evidence in Nigeria's burgeoning urban areas of mass homelessness, or even widespread shantytowns, per se. By one means or another the population manages to house itself, mostly as owner occupiers (in a limited sense), with notable exceptions such as Lagos and other major cities where most and/or growing numbers of people rent. The main challenge is a poor standard of housing: a lack of

[1] This 'space' is particularly important on the urban periphery of Nigeria's burgeoning cities, with informal peri-urban development evident in any city of any size. Virtually all 36 states have a growing capital city. In the case of Greater Lagos and Abuja, the urban expansion is very most rapidly in adjacent states, Ogun in the case of Lagos and Niger and Nasarawa in the case of Abuja.

[2] GEMS3: SLTR – Systematic Land Titling & Registration. http://gemsnigeria.com/working-with-gems3/

planning, a lack of basic infrastructure and services (water, sanitation, power and solid waste management) and poor or absent local government administration (citizen engagement, record keeping and data management). Affordable housing, such as it is, is largely provided informally through family savings and self-building, normally with minimal government participation in the process.

There is no extensive secondary housing or primary housing developer-led market. Any nascent market that exists is extremely small and concentrated in a few cities, primarily Lagos and to a lesser extent Abuja and Port Harcourt. These cities are far from typical from Nigeria as a whole, and represent around 10% of the total population, and 20% of its urban population.

Over most of the country, urban and rural, these markets are largely non-existent. Nigerians tend not see their homes as 'collateral assets' (something to be traded or financed against), but rather as intergenerational 'use' assets (valuable for their utilization, not for their resale) to be preserved in the family. The concept of a 'property ladder', where people trade up their home as their income base grows, is uncommon. The secondary housing market is constrained not only by cultural but also by structural issues (the need for all land transfers to be signed off by the Governor under the 1978 Land Use Act), as well as legal impediments such as a lack of a clear foreclosure law, which makes lenders very risk-averse and adds to the high cost/short tenor of mortgages and housing development loans.

Each step of the formal housing value chain (land acquisition, layout planning, primary/trunk infrastructure provision, land subdivision and titling) adds a premium and eventually takes the cost beyond the reach of the majority of those needing improved housing. The formal housing market is therefore fundamentally 'rigged' against the low to middle income segment of the population that are driving the demographic wave of urban population growth.

It is not an exaggeration to state that the informal housing sector *is* the affordable housing sector of Nigeria, as it provides housing for at least 80%, possibly as many as 90% of Nigerians (see below). Numerous attempts to undertake low-cost and mass housing for the majority of Nigerians have failed over the past 40 years,[3] yet the informal sector has probably turned out over 20m dwelling units in that same time.[4] For the most part these largely informal housing developments, whilst 'affordable', lack basic infrastructure, utilities and services.

By default the affordable housing market is informalised because this is the only mechanism by which the end housing products can be achieved affordably. Generally, house building is a gradual, incremental process, taking place largely in unplanned settlements on the urban periphery and rural transition zone.

Nigeria's dwelling unit 'housing deficit', however it is calculated, needs to be understood in the correct context, based on the findings of the 2006 Housing Census. The census would indicate that Nigeria is for the most part and outside of the main cities, an 'owner-occupier' housing nation, with over 80% of

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[3] Beginning in earnest after the Nigerian civil war (1967-1970) with the National Housing Programme in 1972, which was part of the 2nd National Development Plan, 1970-1974. At this time the Federal Housing Authority was established, in 1973. (Source, National Housing Policy, 2012). According to informed sources, these schemes also failed because their allocation went too often to well-off government officers, and the numbers in which they were built, although large, were small compared to the stated purpose of mass low cost housing for the masses. Many estates now lie derelict due to bad locations far from town centres, poor construction and lack of maintenance – political rather than needs based decision-making. Furthermore, their uniform basic internal and external design was totally unsuited to the Muslim style of living – the overwhelming majority in the north.

[4] Assuming the population has grown by 120 million over that period (http://esa.un.org/unpd/wup/CD-ROM/Default.aspx), an average household size of 5-6 and 90% of households housed informally.

regular households living in family owned dwelling units.[5] This is at a broad, national level, and may be different in specific cities and regions where the level of rental housing is much more evident. However, while families own the houses, very rarely do they own the land the houses sit upon, a distinction that is critical as far as access to formal housing finance is concerned.

Commercial/investment mortgages and home improvement micro finance facilities need to be targeted at the rental market and growing urban areas, as owner-occupiers are less likely to be motivated to borrow or invest in family owned and occupied property, which does not have much income generating potential.

A mechanism is needed to bridge between the formal and the informal housing systems; a combination of reformed legal and institutional structures, financing mechanisms, business models, community leadership, technical and financial assistance, and urban planning. Neither a purely formal nor an informal approach will be effective in bringing about the transformation required to enable Nigeria keep up with its urban growth, by which some cities are predicted to double in size in less than 20 years.[6]

The failure to address the key urban development issues reflects much wider issues of governance and political economy that Nigeria has faced. Nigeria remains substantially a 'rentier state' because of its continued dependence on oil exports, although the national economy is diversifying as it grows. State governments have considerable autonomy, notably in the infrastructure, housing and urban development sectors. However, in general their budgets rely heavily on the Federal allocation of oil revenues, and internal revenue generation is weak and poorly incentivized.

States draw much of their revenue from oil and gas revenues and internal revenue generation is limited. The revenues are paid to a Federation Account that allocates these to a sharing formula as follows:[7]

- Federal Government: 56%
- States: 24%
- Local governments: 20%.

Despite powers given under decentralization-related legislation, in the majority of states local government autonomy is more notional than real and local governments are subject to state government influence or control; the possible exception is in land management where traditional authorities exert considerable influence through the activities of district and ward heads.

There is acute political wrangling over the allocation of these funds, as well as the percentage devoted to them from the Federal Government's 'excess crude account' (revenue derived over and above a price fixed in the budget). Together with the massive alleged fraud, corruption, and general rent seeking behavior associated with oil and gas revenues,[8] and the general distortion of the national economy with the undermining of local industries and agriculture in the face of resulting cheap imports, this is among the reasons why Nigeria has been seen as a prime example of the 'resource curse'.

In principle, the States have ownership of the land but the mechanisms for generating revenue from this asset are under developed or undermined by complex local tenure arrangements and lack of property registration. Property taxation and capture of development value added are virtually non-existent. With

[5] 2006 Census, NBS Survey (2007 to 2010)

[6] It also does not address the issue that land in any given state is rarely allocated to non-indigenes of that state for housing or any other purpose.

[7] Allocation of Revenue (Federation Account, Etc.) Act. http://www.placng.org/lawsofnigeria/node/19

[8] See for example: http://www.bbc.co.uk/news/world-africa-26535530

the notable exception of Lagos and increasingly, Abuja. With their capacity to collect other forms of revenue equally stunted, the State Governments have little interest in addressing the housing and infrastructure needs of the urban poor, and there is little power on the part of the citizens to leverage them do so.

In her keynote address to the 6th Global Housing Finance Conference at the World Bank in May this year,[9] Nigeria's Minister of Finance, Dr Ngozi Okonjo-Iweala, emphasized the central importance of the housing sector to the national economy and queried why it had assumed such a low profile in terms of the focus of policy-makers, multilateral institutions, and the private sector in Nigeria. She listed among the challenges; complex land tenure systems, incomplete property registers, costly, slow and bureaucratic land titling, and inefficient foreclosure and property transfer processes. All of these and more apply to Nigeria, alongside a large dose of vested interest that benefits from maintaining things the way they are.

The minister noted that the housing and construction sector in Nigeria accounts for only 3.1% of its rebased GDP, where in a developed country like the United States, the housing sector, including housing services represents around 18% of the economy.[10] Her assessment of current housing production was around 100,000 units per year but it can be seen that, as average household sizes appear not to be growing, then the informal sector is filling the gap of up to 900,000 units per year.[11]

In the UK and the US mortgage finance to GDP ratio is close to 80%, across Europe the average is about 50%. In South Africa mortgage finance represents 31% of GDP, and in Ghana 2%. The mortgage market in Nigeria grew from $342 million in 2006 to $1.42 billion in 2011 but still accounts for only 0.5% of GDP and mortgage loans accounted for less than 1% of the total assets of commercial banks.[12] Given the extremely high lending costs and tendency of Nigerians to use banks to hold their money in short term deposit accounts, this is not surprising. Most families build their houses incrementally, using informal sources of finance – cash savings, loans from families and friends, savings clubs, remittances.

As Dr Okonjo-Iweala notes, Nigeria's Federal Mortgage Bank manages a National Housing Fund with contributions from public sector workers, ,a total of 3.8 million eligible contributors, but over the course of 30+ years only about 12,000 mortgages had been provided – in other words, for every borrower, there are 316 depositors – and the various State Government housing development agencies have had very limited impact.

The 2012 Roundtable on the Housing Sector and Retreat on Housing Finance, convened with Presidential support, brought together real estate developers, banks, multilateral institutions and DFIs, and Federal and State Government institutions including the Federal Ministry of Finance, the Ministry of Lands, Housing and Urban Development, the Central Bank of Nigeria, and the Federal Mortgage Bank.

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[9] http://urban-africa-china.angonet.org/content/unleashing-housing-sector-nigeria-and-africa-keynote-speech-6th-global-housing-finance

[10] Ibid

[11] According to UN projections, Nigeria will be adding around an average of 4.5 million to its population from 2010 to 2015. The average household size of 4.6 has remained fairly constant indicating that nearly 1 million new households and being formed and housed (frequently in shared provision) each year on average over this period.

[12] http://urban-africa-china.angonet.org/content/unleashing-housing-sector-nigeria-and-africa-keynote-speech-6th-global-housing-finance

The diagnostic assessment that arose out of these meetings focused on 4 key issues to unlock the housing market in Nigeria:[13]

1. Conducive macroeconomic policies, providing for stable and low inflation; low interest rates; and stable exchange rates;
2. Improved access to long-term finance, in particular by deepening liquidity of the housing finance
3. Simplified transactions in land registration and foreclosure processes
4. Promoting good quality and efficient building and construction at reduced costs: producing houses at affordable costs; and investing in the training of skilled labour for the housing sector.

Out of this discussion was formed a Housing Finance Programme Committee which led to the recent founding of the Nigeria Housing Finance Programme (NHFP) with a $300m World Bank facility. One component of the NHFP includes $250m to float the Nigerian Mortgage Re-Finance Company (NMRC) offering mortgage lending banks increased liquidity and access to long term funding. Other components are; $15m to support housing microfinance, $25m for mortgage guarantees, and $10m for technical support and capacity building the sector. On pressing land reform issues, the Presidential Technical Committee on Land Reform is deliberating on how to address the inheritance of the 1978 Land Use Act, through improving process of land registration and proposals to introduce sectional land titling to accommodate properties in multiple ownership.[14]

Meanwhile, the delivery of informal, incremental housing to the mass of the population continues apace, offering affordable, entry level dwellings, subsidized (in effect) through the informal, autonomous housing market, which by-passes the formal value chain and brings buyers and sellers together outside of any legislated frameworks, with deflated land costs and an absence of basic infrastructure services.

The policy innovations at the Federal level are to be welcomed but the infrastructure deficit liability is growing, along with the economic and environmental costs of uncontrolled and fragmented urban sprawl on the urban periphery. Retrofitting infrastructure is far more expensive than planning for it properly in the first place so interventions to help facilitate and better manage this existing supply model, as set out in this study, remain essential prerequisites of a managed supply of good quality affordable housing in Nigeria. This includes new and improved procedures and mechanisms for city governance, aid and advice for community-based organizations (CBOs), greatly increased investment in infrastructure, and more capacity for improved land management, and better planning of new urban settlements.

GEMS Systematic Land Titling and Registration (SLTR) process

An opportunity to integrate with formal micro-finance for neighborhood upgrading and regeneration:[15]

The DFID/World Bank/Federal Ministry of Trade and Investment Programme Growth and Employment in States (GEMS) in Nigeria, under its GEMS3 element (supporting the business environment through improved land, tax and investment reform) has derived a workable local land administration system that works from plot-by-plot ‘ground-truthing’ at a ward level to allow the results to transcend upwards to formal state-level land title. As a system it can pave the way for greater recognition of individual land

[13] Ibid
[14] http://allafrica.com/stories/201305270241.html
[15] http://gemsnigeria.com/working-with-gems3/

ownership. In the Nigerian context, that can be the basis of identification of recipients for housing micro-credit since it formalizes a process that has hitherto been ad hoc.

The GEMS3 process employs a 10-step field procedure which has so far been implemented in Kano and Kaduna States. It involves the coordination of a parcel index map; the corroboration of land bureau existing records ; planning procedures at the local level with community involvement, including land dispute resolution; a very public display of findings that overcomes external interference; and a final land adjudication with a public certification ceremony. In this way, citizens publicly participate in the processes that can ultimately lead towards local government regeneration, and an integrated process linked to better city planning. Involving the micro-finance operations in the same process would ensure that a coordinated and funded approach to improvement could be achieved and monitored, with the financal institutions assured of the legitimacy of the process.

2. Overview of Housing Market

Although there is unquestionably a shortage of quality formal housing in Nigeria, quoted deficit figures are not necessarily helpful indicators of that deficit, because (i) they take formal housing as the sole lens to count deficits, thus excluding millions of informal but structurally acceptable units; (ii) by excluding informal housing from the inventory calculations, they invite the conclusion that only massive and financially unsustainable production levels can address the deficit (thus encouraging the belief that the problem is unsolvable; and (iii) by assuming a static metric, rather than dynamic change from both population growth and expected rural-to-urban migration, they set up a false target.

A. Housing demand and affordability

A huge gap exists in Nigeria's housing demand (and 'effective demand') in that rural housing will be quite affordable (as it is often self-built and nearly always informal), but urban housing can be expensive; and that the growth of housing is concentrated in cities, with Abuja, Lagos, and Port Harcourt facing urbanization challenges qualitatively different from much of the rest of the country.

I. Housing needs and demand

According to a commonly quoted recent estimate, Nigeria had a gross housing deficit of 17m units in 2012.[16] For a country with a current population estimated at over 178m[17] this apparently striking, even daunting, figure needs to be un-packed in order to be put in to some perspective. Also, even more significantly, Nigeria is one of three countries projected to contribute 37% of urban population growth globally by 2050, with a further increase in urban population of 212m being projected.[18]

This latest deficit figure was estimated during the drafting of the First Implementation Plan of the Nigeria National Vision 20:2020 in 2009, by the Central Working Group. The estimate assumed a number of factors, based on Nigeria's population at the time, including; i) the estimated proportion of Nigerians living in informal settlements ('slums'), ii) an assumed 'ideal' occupancy rate (6 persons per dwelling unit), which were then extrapolated to generate a notional 'housing deficit'. Various studies over the

[16] Federal Republic of Nigeria. National Housing Policy, 2012.

[17] 178,517,000: see UN Department of Economic and Social Affairs, World Urbanization Prospects: The 2014 Revision [highlights] http://esa.un.org/unpd/wup/Highlights/WUP2014-Highlights.pdf

[18] Ibid.

last decade initially estimated the deficit at about 16m[19], but this was subsequently revised upwards, based on the assumed population growth (of about 2.5% annually), to the current, frequently quoted estimated deficit of 17m dwelling units.

This anecdotal description of the process by which Nigeria's housing deficit estimate was generated poses a number of methodological and conceptual problems, which means that rather than being an estimate of actual housing need, the figure represents an idealized estimate of 'housing want'. In other words it is an estimate of what it might take to formally house all Nigerians (urban and rural included) at an 'idealized level of occupancy' in non-slum (better termed non-sub standard) conditions. It speaks more to a deficit of housing *quality* than quantity.

Updating the estimate to 2014 at the assumed population growth rate of 2.5% gives a figure of around 20 million. However, the occupancy rate of 6 persons per dwelling is well above the average household size for the country as a whole so there is a question whether this can be taken as an ideal. The 2013 Nigeria Demographic and Health Survey Final Report (2013)[20] put the average household size of the country as a whole at 4.6 (4.2 in urban areas – see p19). If the same original and not unreasonable assumption of 80% living in informal, mainly unserviced dwellings, is taken as a starting point, and the average household size is taken as the 'ideal', then the total rises to nearly 30 million.

What the housing deficit is *not* is i) a measure of housing need in a statutory sense, since Nigeria does not have any legal or legislated basic housing standards; nor ii) a measure of effective housing demand, since it is not related to affordability or willingness and ability to pay. It is an aspiration, an estimate of the number of housing units that need to be provided in order to house all Nigerians in decent, adequate shelter.

Nor is it most certainly, iii) any indication whatsoever of the number of new dwellings that need to be built in Nigeria. In general, by far the majority of Nigerians live in substantially, but informally and incrementally, built properties – mud brick and increasingly cement concrete blocks in urban areas, and sheet metal roof are the norm. The majority of these lack some of the basic networked, infrastructure services, particularly in the more than 50% of households that still live in rural areas, but also substantially in the cities.

There was an increase in the average household size from 4.5 to 4.6 between 2008 and 2013 according to the 2013 Demographic and Health survey.[21] This is indicative of possible small increase in the incidence of overcrowding and reduction in effective household formation, although the 2013 survey figure is down from the 2003 DHS when the average household size was 5.0. If new households were formed to maintain the lower 2008 figure, then there is currently a housing deficit of about 0.9 million dwellings. However, the 2013 DHS shows that proportion of households using one room for sleeping has fallen from 43% to 39%, which indicates a decrease in overcrowding as well as a general improvement in living conditions.[22]

The data on overcrowding in Nigeria is thin but as far as the main cities are concerned (the Federal Capital excepted) surveys from various planning studies indicate that typically 20-30% of the population live in slum conditions in the densest, poorest neighborhoods, and another 15-30% in planned middle or

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[19] http://www.boleat.com/materials/nigerian_financial_system_strategy_2020.pdf

[20] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[21] Ibid.

[22] Ibid.

upper class neighborhoods. Most of the latter households will not have piped sewage connection but are much more likely have piped water, flush toilets and generous space standards.

Planned rehousing of the several million families[23] from the worst urban slums, together with the upgrading of those areas, is thus probably the highest priority. Beyond this are the remainder of the 13 million existing households who either share, or have no existing, facilities that can be improved to the necessary standard. A massive scaling up of micro credit to address the immediate sanitation and water needs of this sector is indicated. A wider set of measures is needed to meet the demands of around 10 million new households that are projected to be formed in the next ten years to prevent these adding to legacy of poorly planned, sub standard housing.

Outside of the joint World Bank-Lagos State Government $200m slum upgrading programme,[24] there is little evidence of substantive public policy to address the issue of those in greatest need. Planned new serviced housing layouts are directed almost exclusively at upper and lower middle class households and not affordable for the urban poor. Developer-built housing with on-site infrastructure, is invariably located on gated sites and rarely found outside of Lagos, Abuja, and some of the wealthier towns in the south. This is also true of the relatively small number of multi-family housing units that the Federal Government is building.

The headline on the demand side for Nigeria is that its rapidly growing economy coupled with challenging demographic factors offers both opportunities and threats.

[23] 20% of the urban population of 83.8 million with a household size of around 5 = 3.35 million households.

[24] 'The Lagos State Government in conjunction with the World Bank has adopted a new approach to improve the living conditions of over one million people residing in nine slum areas.' Punch, 'W'bank, Lagos in new approach to slum upgrading'. September 22, 2013, http://www.punchng.com/business/wbank-lagos-in-new-approach-to-slum-upgrading/

Figure 2: Population Characteristics [25]

***Population*: 178,517,539 (2014 est.)[1]**

***Area:* 923,768 sq km (356,669 sq m)**

***Population density:* 189 persons/sq km**

***Median age:* 17.9 years**
male: 17.4 years
female: 18.4 years (2013 est.)

***Population growth rate:* 2.54% (2013 est.)**

***Birth rate:* 38.78 births/1,000 population (2013 est.)**

***Death rate:* 13.2 deaths/1,000 population (2013 est.)**

***Net migration rate:* -0.22 migrant(s)/1,000 population (2013 est)**
Age distribution:

0-14	**years:**	**43.8%**	**(male**	**39,127,615/female**	**37,334,281)**
15-24	**years:**	**19.3%**	**(male**	**17,201,067/female**	**16,451,357)**
25-54	**years:**	**30.1%**	**(male**	**25,842,967/female**	**26,699,432)**
55-64	**years:**	**3.8%**	**(male**	**3,016,896/female**	**3,603,048)**

65 years and over: 3% (male 2,390,154/female 2,840,722) (2013 est.)

More than half of women (56%) and men (54%) age 15-49 are under age 30.

***Marriage status:* 71% of women and 50% of men are currently married.**

***Education*: 38% of women and 21% of men have no education, while 45% of women and 62% of men have a secondary or higher education.**

***Literacy:* 61.3% of total population age 15 and over can read and write: 72.1% male and 50.4% female (2010 est.) 93% of women in the highest wealth quintile are literate.**

Ethnic groups:* Nigeria has more than 250 ethnic groups the largest of which are: Hausa and Fulani 29% [33%], Yoruba 21% [14%], Igbo (Ibo) 18% [14%], Ijaw 10% [2%], Kanuri 4% [1.7%], Ibibio 3.5% [2.3%], Tiv 2.5% [2.4%] *(DHS estimates in brackets)

***Religions:* Muslim 50%, Christian 40%, indigenous beliefs 10%. [DHS 2013: Islam 51.5% Catholic 11.5% Other Christian 35.6%]**

***Languages:* Main languages – English (official), Hausa, Yoruba, Igbo (Ibo), Fulani, plus more than 500 additional indigenous languages**

Nigeria has the largest population of any country in Sub Saharan Africa by far, currently estimated at 178.5 million.[26] This is more than twice as large as Ethiopia at 85 million, the country with next largest population. The UN projects a population of 183,523,000 by 2015 at which point the population growth rate is projected to peak at 2.8% falling back to 0.9% by the end of this century.[27] The same year is

[25] http://www.indexmundi.com/nigeria/demographics_profile.html, unless otherwise noted; sourced from: https://www.cia.gov/library/publications/the-world-factbook/

[26] Ibid.

[27] UN Department of Economic and Social Affairs, World Population Prospects: The 2012 Revision: http://esa.un.org/wpp/

projected to see the median age of the country at its lowest, 17.7 years (projected to rise to more than 32 years by the end of the century).

According to the UN's medium variant projection, the population of Nigeria will reach nearly 914 million by 2100, overtaking the aging and declining population of China in the process. In the medium term, at the current projected rate of growth, the population of the country will double to more than 440 million by 2050.[28]

The population model that the UN uses is highly sensitive to assumptions about future changes in fertility. In the case of Nigeria, with the demographic transition now being projected to last until the end of this century and beyond, this results in a far higher population increase than previously projected. The UN estimates of a couple of years ago were projecting a population of 290 million by 2050 compared to the current projections of 440 million.[29]

Nigeria's rapid population increase is driven by a high fertility rate which has fallen only marginally from 6.05 to 6 children per woman over the past 10 years, from a peak of 6.6 over the period 1985-90. The 2013 DHS indicates a fertility rate of 5.5 (4.7 in urban areas and 6.2 rural areas with significant regional variations).[30]

The UN's demographic model assumes that fertility will fall over time following the global trend towards replacement level with the recent stabilization seen as a blip on a strongly downward curve. This recent halt in the long-term trend is marked in Nigeria and is reflected to a lesser extent elsewhere in Western Africa, although not in Sub Saharan Africa as whole.

The fertility rate has remained alarmingly high, particularly in the north of the country. This has been driven in part by the extremely high child mortality rate. Infant and under 5 mortality rate fell very little in Nigeria during the 1990s although it has assumed a downward fall in the first decade of this century, currently standing at 76 and 122 per thousand respectively.[31] Continuing poor health care and nutrition in rural areas accounts for part of this, and high fertility represents an 'insurance policy' for families working in agriculture. The high child mortality rate contributes to the country's low life expectancy at birth of 52.3 years, which is expected to increase only slowly over the remainder of this century.[32]

Urbanization

Urban population: 49.6% of total population (2014 est.)[33]
Rate of urbanization: 3.75% annual rate of change (2010-15 est.)

Nigeria is undergoing a demographic transition resulting in growing urbanization. Currently, a little over 50% of its population, just over 90 million, live in urban areas.[34] By 2050 this is projected to rise to 71% (312 million) with more than 220 million added to the current urban population. [35]

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[28] Ibid.

[29] These long-term population estimates should be regarded with caution, as projections are likely to vary very widely as new data becomes available and new assumptions are fed into the model. They are also projected from various Nigerian census counts, which may not in themselves provide reliable baselines.

[30] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[31] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[32] Ibid.

[33] UN Department of Economic and Social Affairs, World Urbanization Prospects: The 2014 Revision [highlights] http://esa.un.org/unpd/wup/Highlights/WUP2014-Highlights.pdf

The urban population has more than doubled in the last 20 years and will double again in the next 20 years with a huge and already evident impact on the demand for housing. The ever-expanding population expects to live an urban life, with all of its perceived benefits including rising income, with better housing and livelihood opportunities.

Currently around 34% of the urban population live in cities of more than 1 million. This figure is predicted to rise to 40% in 2025 as many medium size cities expand to a metropolitan scale. Nigeria currently has 10 cities with more than a million people. By 2025 this could be 24, with another 22 between 500,000 and 1 million and a still substantial 40% population living in smaller urban areas as existing villages swell into towns.

Major cities and their growth

All the major cities, with the exception of Abuja and Port Harcourt, are projected to grow more rapidly than previously and all the cities are growing above the projected average annual growth in urban population of 3.61% and doubling in size every 18 years as the share of the urban population living in agglomerations of more than 1 million continues to rise.

Table 1: Major Cities Growth

	Population	Growth rate 2015-20
Lagos	13.1 million	3.75%
Kano	3.9 million	3.92%
Ibadan	3.4 million	3.95%
Abuja	2.7 million	4.21%
Port Harcourt	2.3 million	4.12%
Kaduna	1.8 million	4.07%
Benin City	1.6 million	4.11%

(2015 estimate: World Urbanization Prospects, the 2011 Revision)[36]

The demographic transition and dependency ratio[37]

Falling family size associated with urbanization will lead to a falling dependency ratio. The 2015 dependency ratio is projected to be 89 for every 100 people of working age, up from 87.8 in 2010, when 44% of the population were under 15 years of age.[38] However, the UN projects a decline in this figure to around 52 by the end of the century with a rapid increase in old age dependents as opposed to children.

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[34] UN Department of Economic and Social Affairs, World Urbanization Prospects, the 2011 Revision, online database. http://esa.un.org/unup/Maps/maps_urban_2025.htm

[35] Ibid.

[36] Ibid.

[37] http://www.indexmundi.com/nigeria/demographics_profile.html, unless otherwise noted; sourced from: https://www.cia.gov/library/publications/the-world-factbook/

[38] Bloom et al (2010) <http://www.ntaccounts.org/doc/repository/BFHMOS2010.pdf>

Total dependency ratio: 89 %
youth dependency ratio: 83.8 %
elderly dependency ratio: 5.2 %
potential support ratio: 19.3 (2013)

The growing proportion of adults of working age in the population as a whole in the coming decades represents a potential 'demographic premium' of the kind that is fuelling rapid economic growth in Asia and could lead to economic take-off in Nigeria (to some extent already evident) resulting from a decreasing dependency ratio.[39] In this respect the south of Nigeria has done much better so far than the north, in part due to its higher level of urbanization, in turn spurred by more rapid economic development.

Failure to realize this premium through adequate investment could lead instead to an acceleration of social discontent, growing conflict, and environmental threats within and beyond Nigeria.

The 'Demographic transition model' suggests development and improvements in nutrition and health care bring with it a declining mortality rate.[40] The fertility rates lag behind declining mortality rates (and increasing life expectancy). This leads to rapid population growth and a growing population 'bulge' of children and young people (and resulting high dependency ratio) in countries in the earlier stages of the demographic transition. Over time, fertility and birth rates in rural areas decline as families adjust to the reality of declining child mortality (large families are no longer necessary to insure the labor force).

Rural-urban migration and related urban population growth

Furthermore, population pressures in the countryside and on the 'carrying capacity' of the land, as well as the mechanization of agriculture and improving transport links between rural and urban areas lead to migration and urbanization. Urbanization brings with it greater economic pressures on family size, as well as improved standards of education, particularly for females, and more widespread use of contraception.

In general, while first generation in-migrants to cities may have large families in line with established practices in rural areas, subsequent generations have much smaller families and fertility rates in urban areas fall off quickly. Easier access to better health care means that more infants are likely to survive (and more mothers survive childbirth) with improvements in health care resulting in greater life expectancy and diminishing death rates. According to the previously mentioned model, these combined factors lead eventually to 'replacement level' family sizes.

Given the rural-urban differences in fertility and family size, large scale rural-to-urban migration places a huge strain on city housing and infrastructure. However, as the family size of subsequent generations falls off rapidly, rapid urbanization can arguably be regarded as a largely beneficial form of population control. Without it the strain on resources in the countryside of the burgeoning rural population would be far worse.

[39] Ibid.
[40] Ibid.

Ideal family size:[41]

Although falling, fertility rates also remain higher than might be expected in urban areas (fuelled by continuing rural-in-migration with first generation rural migrants having large families) and urbanization is not having as much impact as it should (through better health care, better educated females, improved access to contraception and increasing costs associated with larger family sizes with space at a premium).

Numbers of children are 6.5 for all women and 7.1 for currently married women. On average, Nigerian men want 8.0 children for all men age 15-49. Among all women, the mean ideal number of children increases with the number of living children, from 5.3 for those without any children to 8.8 among those with six or more living children. Nevertheless, 50% of women in urban areas with 6 or more living children want to limit their family size, compared to 36% in rural areas. This rises from 19% in the North West to 79% in the South West, from 14% in those with no education to 71% to those with more than secondary education, and from 22% in the lowest wealth quintile to 65% in the highest quintile.

Urban populations are increasing faster than projected because of both continuing rural in-migration (particularly in the north) and rapid natural growth. This is holding back the realization of the 'demographic premium' noted above.

Nigeria was about 10% urban in 1950 and subsequent urbanisation has been relatively rapid reaching a level of about 50% today.[42] The late 50s and early 60s was the period of fastest urban population growth in Nigeria with urban population growth rates between 6 and 8%. At the same time the national population growth rate had not yet peaked and was just over 2%.[43] The rapid increase in urban population in this period can be largely accounted for by rural-urban migration.

As cities grow in size, the population growth resulting from natural increase rises in proportion to that produced by in-migration. The 1965 urban population of 10 million represented about a fifth of the total. Assuming the natural population growth rate was broadly similar in both rural and urban areas (with higher death rates offset against higher birth rates in rural areas), then nearly two thirds of the population increase in urban areas from 1960 to 1965 could be accounted for by in-migration from rural areas.

By 1980-85 the national population growth rate stood at 2.7%[44] and about half the urban population increase was accounted for by in-migration and about half by natural increase.

By 2005-10 using the same assumptions as previously (equal natural growth in rural and urban areas), about 40% of the urban population increase is estimated to be due to in migration and 60% to natural population increase.

The demographic transition in the urban areas is more rapid, with the major decline in fertility and family size linked to access to better health care and the additional costs associated with large families in urban areas. The demographic data show that average household sizes in urban areas In Nigeria are markedly smaller than in rural areas (and smaller in the south than the north) and falling faster in size in urban areas.

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[41] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[42] World Urbanization Prospects, the 2011 Revision, online database.
http://esa.un.org/unup/Maps/maps_urban_2025.htm

[43] Bloom et al (2010) <http://www.ntaccounts.org/doc/repository/BFHMOS2010.pdf>

[44] Bloom et al (2010) <http://www.ntaccounts.org/doc/repository/BFHMOS2010.pdf>

Migration may play a somewhat greater role in more recent urban population growth than the estimates above indicate but is unlikely to affect the overall trend towards greater internally generated population growth in Nigeria's cities.

International migration

Immigration:[45] The number of immigrants residing in Nigeria more than doubled in from 477,135 in 1991 to 971,450 in 2005[46] and projected to have increased to 1.1 million by 2010[47]. However, this represents less than one per cent of the total population.

74% of immigrants in Nigeria are from neighboring Economic Community of West African States (ECOWAS) countries, in particular from Benin (29%), Ghana (22%) and Mali (16%)[48].

Emigration: although large numbers of Nigerians are known to live in the UK and USA, as well as in other countries, the actual size of the diaspora is unknown and estimates vary widely. However, the World Bank had ranked Nigeria as the fifth in the world among the top recipients of diaspora remittances and at more than $20 billion in 2012 indicating that those sending them from abroad run into the millions.

Household composition

The 2013 average household size was 4.8, up from the 2008 DHS figure of 4.4 persons, but lower than the 5.0 persons in the 2003 NDHS. The average household size was lower in urban areas (4.2 persons) and higher in rural areas (4.9 persons). The household size fell by nearly 13% in urban areas and by about 10% in rural areas between 2003 and 2008. This would suggest there are currently around 36.5 million households in Nigeria.

The National Bureau of Statistics ranks household size by state for 2010. This varies from 3.1 in the South Western state of Ondo and adjacent North Central state of Kogi to 6.6 in Jigawa in the North West and 6.0 in Bauchi in the North East. In general the poorer northern states have larger households than those in the better off south. The capital, Abuja sits in the middle, close to the average in terms of household size with 4.5 persons per household.

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[45] Migration in Nigeria: A Country Profile 2009 <http://www.iomdakar.org/profiles/content/migration-profiles-nigeria>

[46] NPC, 1991

[47] UNPD, 2009

[48] DRC, 2007

Table 2: Household composition[49]

Percent distribution of households by sex of head of household and by household size, mean size of household, and percentage of households with orphans and foster children under age 18, according to residence, Nigeria 2013

Characteristic	Residence: Urban	Residence: Rural	Total
Household headship			
Male	77.1	84.8	81.5
Female	22.9	15.2	18.5
Total	100.0	100.0	100.0
Number of usual members			
0	0.2	0.1	0.2
1	19.2	13.6	16.0
2	12.1	11.9	12.0
3	14.6	13.1	13.8
4	13.9	12.9	13.3
5	12.7	12.3	12.5
6	10.0	10.5	10.3
7	6.1	8.0	7.2
8	3.9	5.6	4.9
9+	7.3	11.9	9.9
Total	100.0	100.0	100.0
Mean size of households	4.2	4.9	4.6

II. Household costs and affordability

The economy[50]

This year (2014) Nigeria became Africa's largest economy and the 26th largest economy in the world with the rebasing and re-benchmarking of its Gross Domestic Product. According to the Nigerian National Bureau of Statistics (NBS), and based on the Central Bank of Nigeria's average exchange rate for 2013, the reviewed GDP estimate of $509.9 billion (N80.2 trillion) for 2013 was 89.2% higher than the previous estimate and made it the 26th largest economy in the world and largest in Africa, overtaking South Africa's $372 billion for the same period. As a result of the revision, 2012 GDP per capita in current US$ increased to US$2,689 from US$1,555.

Nigeria has the 11th largest labour force in the world and offers a large market for consumer goods and services. About one third of this its population consists of young people. Too many of these are un- or under-employed. The overall unemployment rate is over 21%. Employment: The highest unemployment rates are in the South and North Eastern parts Nigeria, substantially above the average of 21.4% for the country as a whole. It is substantially below the average in many North Western and North Central states (less than 4% in Nassarawa and Kwara). 62% of women are currently employed.

Nigeria is rated 147th on the World Bank's Ease of Doing Business Index for 2014 and suffers a major infrastructure deficit, with an inadequate power supply of just 4GW, continuous fuel scarcity (in the 5th largest oil producing country in the world), high and rising inequality, a poor Human Development Index and a per capita income at $2,688 that remains well below that of South Africa.

[49] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[50] This section draws on data from the World Development Indicator Database. http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators#>

The rebased GDP figures show Nigeria's economy is much more diversified than previously portrayed. Agriculture's previous share of the GDP reduced from around 33% to 22%, the oil and gas sector share of the GDP was reduced by more than half to about 16%. The services sector, including information and communications, entertainment and arts, real estate, financial services, education and health services expanded significantly from 26% of to over 51% of GDP. Sectors like film and entertainment industry and the telecoms and internet services sector which respectively contribute 1.42% (N1.1 trillion) and 8.69% of the rebased GDP have been entirely absent from the country's national accounts. Today, there are about 120 million mobile lines in Nigeria, double the entire population of South Africa.

The debt-to-GDP ratio, reduced from 19% to 11%, suggesting untapped opportunities for further borrowing. The reduced oil and non-oil tax revenue-to-GDP ratios from 20% and 7% respectively to 12% and 4% suggest an economy that is leaking on a major scale. A more diverse economy combined with truer picture of its GDP figures should lead to an upturn in Foreign Direct Investment and further reduction on oil dependency.

Nigeria is classed as a lower middle-income country (with a per capita GNI below $4125 in 2013) on its way to becoming an upper middle income within the next 5 years according to IMF projections (already falling into this category if the PPP per capita income is used).

This has followed more than a decade of rapid expansion with average growth rates of 6 or 7% or more, which in turn followed a period of several decades which saw very little economic growth at all.

According to the data, economic growth has not been matched by the reduction in poverty as seen in Asia for example. The World Bank suggests this is partly because in many countries the source of growth is non labor-intensive commodity production primarily oil and gas, and not in labor-intensive sectors such as agriculture or manufacturing.

However, the rebasing of the nation's GDP raises questions about the poverty data given in the above table taken from the World Development Indicator database. Taking the share of income or consumption for 2010, only by using the total current income (not adjusted for PPP or rebased) can anything approaching the poverty figures in the table above be approximated (and even this suggests those living below $1.25 constitute less than half the population). At PPP, those living below $1.25 fall to less than 10% in 2010. They do not register at all in 2013, assuming a similar income distribution and rebasing of the economy, with less than 10% of the population living below the $2/day poverty line.

Income share, poverty and inequality measures[51]

Table 3: Income share

Income share:	
Income share held by second 20%	8.3%
Income share held by third 20%	13.0%
Income share held by fourth 20%	20.3%
Income share held by highest 20%	54.0%
Income share held by highest 10%	38.2%
Income share held by lowest 10%	1.8%
Income share held by lowest 20%	4.4%
Poverty, national 2010	
Poverty headcount ratio at $2/day (PPP) (% of population	84.5%
Poverty headcount ratio at $1.25/day (PPP) (% of population)	68.0%
Poverty gap at $2 a day (PPP) (%)	50.2%
Poverty gap at $1.25 a day (PPP) (%)	33.7%
% Population in poverty below the poverty line:	
National (2010)	46.6%
National (2004)	48.4%
Rural (2010)	52.8%
Rural (2004)	56.6%
Urban (2010)	34.1%
Urban (2004)	37.9%
GINI index	48.8%

Clearly there are very many poor people living a subsistence farming-based lifestyle in cash poor rural areas, and in crowded, infrastructure and service poor urban neighborhoods. Extreme inequality is very evident and alternative measures of poverty may need to be employed to capture this, but, even allowing for methodological differences and the massive siphoning off of income by the rich elite is not fully captured, the new data suggest that there are much larger numbers of emerging lower and existing middle class households in Nigeria than previously estimated.

The evidence of informal but substantial house building on a massive scale on the periphery on most Nigerian cities would confirm the existence of such a sector of the population, with its house building activity drawing mainly on informal cash-based finance – borrowing from family and friends, through Nigeria's huge inflow of remittances, or though savings clubs.

[51] World Development Indicator database.
http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators#>

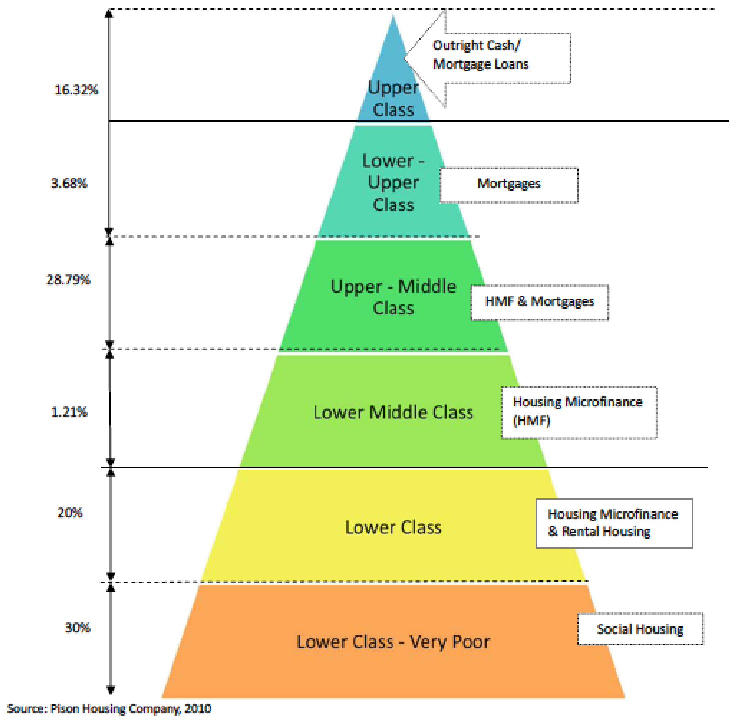


Figure 3: Housing Accessibility Pyramid[52]

Household wealth and inequality[53]

The DHS uses a wealth index to indicate inequalities in household characteristics in Nigeria. The following table from the main report shows wealth quintiles by residence and geographical zone. In urban areas, 43% of the population is in the highest wealth quintile, compared to rural areas where only 5% of the population is in the highest wealth quintile. The wealth quintile distribution varies greatly according to geographical zone, indicative of the scale of regional inequality across the country. Nearly half of the population in the South West is in the highest quintile, with 31.3% in the South-South zone and 27.9% in the South East. A significant proportion of households in the North East and North West are in the lowest quintile (40% and 35%, respectively).

A small proportion of households possess a means of transport. 34% of rural households own a motorcycle or scooter versus 27% for urban areas and 23% own a bicycle versus 13% in urban areas. 14.4% of urban households own a car or truck versus 4.3% in rural areas, where 5% of households use animal drawn carts. Half of all households own agricultural land (78% rural and 31% urban) or farm animals (29% urban and 65% rural).

The Gini coefficient indicates greater inequality in rural as opposed to urban areas and lesser inequality in the most developed zones of the South West and South-South compared to the rest of the country.

[52] http://www.housingfinanceafrica.org/wp-content/uploads/2013/09/CAHF_smallpdf.pdf

[53] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

Table 4: Wealth quintiles[54]

Percent distribution of the de jure population by wealth quintiles, and the Gini coefficient, according to residence and region, Nigeria 2013

Residence/region	Wealth quintile: Lowest	Second	Middle	Fourth	Highest	Total	Number of persons	Gini Coefficient
Residence								
Urban	3.0	6.6	16.3	30.9	43.3	100.0	70,422	0.18
Rural	31.3	28.9	22.5	12.8	4.6	100.0	106,541	0.35
Zone								
North Central	11.3	21.3	32.1	20.5	14.8	100.0	27,368	0.32
North East	40.4	26.1	15.0	11.2	7.4	100.0	26,927	0.25
North West	35.4	28.7	15.9	12.7	7.4	100.0	56,512	0.28
South East	4.7	13.3	25.5	28.5	27.9	100.0	18,777	0.24
South South	0.5	10.1	25.9	32.2	31.3	100.0	19,893	0.29
South West	1.7	6.6	13.4	28.5	49.8	100.0	27,486	0.18
Total	20.0	20.0	20.0	20.0	20.0	100.0	176,963	0.29

The formal housing market – housing, land and rental costs

Renaissance Economics carried out a survey of 1,000 middle class Nigerian households in 2011. Their definition of 'middle class' was households earning between $6,000 and $7,000 per annum.[55]

The Renaissance study quotes African Development Bank figure of 23% of Nigerians being classified as middle class (about 38 million people in 2011). In fact the African Development Bank in their Market Brief of April 20, 2011, The Middle of the Pyramid: Dynamics of the Middle Class in Africa, records three classes 'floating' $2-$4, 'lower middle' $4-10 and 'upper middle $10-20'. In 2010 they put just 9.9m in the $4-$20 range and another 12.9m in the floating class range. $4/day for a household of 3.7 is $5,402 per annum and $10/day is $13,505 so their estimate of the size of the lower middle class about 6m of which those in the income range $6-7,000 represent a fraction. (56% floating, 27% lower middle, 17% upper).

By this measure the Renaissance definition of 'middle class' which is not given is on the high side. However, the survey is not representative of the middle class as a whole as it was carried out only in Lagos, Abuja and Port Harcourt which represent about 10% of Nigeria's population and 20% of the urban population. Additionally, these are by far the most expensive cities to live in in Nigeria and the income range is probably reasonable representative of the middle class in those cities. However, the size of this group is almost certainly less than 10% rather than the more than 20% implied by the study.

The main findings of the Renaissance study are that the average household size of 3.7 is smaller than the national average of 4.8, with an average of 1.6 children per household as opposed to 3 nationally. Most households rented (68%) with only 27% being owner-occupiers. Most lived in a flat (60%-70% in Lagos) or single or double room (15%-23% in Lagos). 9% lived in a detached or semi detached house and another 11% in a flat or house within a gated community (25% in Port Harcourt where security concerns are highest). This compared with the national breakdown of housing stock where more people live in houses (usually informally built) rather than flats which are more common in these particular urban areas.

Dwellings are reasonably spacious, with an average of 7 rooms (assuming this includes non-habitable spaces, and given the number of households in single or double room, it probably implies around 4

[54] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[55] http://www.fastestbillion.com/res/Research/Survey_Nigerian_middle_class-260911.pdf

habitable rooms per unit). All had mains electricity, 90% had a flush toilet, 68% had piped water from a municipal supply network, and 27% accessed water via an electric pump from a borehole. Other data suggests that septic tanks rather than a trunk sewage connection is the norm. Air conditioning is used by 47% of households but most have an electric fan and 89% own a refrigerator. 55% own a car.

Most have a university education, work in the public sector (76%) are professionals (33%) or senior or middle managers (12.6%). 27.5% own a business. Note that there is still a residue of government employees who also run their own businesses (commonplace following the structural freeform measures in the 1980s) and this continues to play an important role in the overall households livelihood strategy.

Nigerians trust their banks on the whole but use them mainly for depositing their money. Little use is made of the banks for borrowing. 93% have a bank account, but for 81% 'saving money is the reason to hold a bank account.' With banks paying very low interest rates on deposit accounts only 17% mention earning interest. Only 20% see banks as being there to provide loans. 84% of Nigerians have never applied for a loan, and 75-80% of the sample had no intention of applying for a loan on either a one- or five- year horizon.

Home ownership is low, and there are almost no mortgages. The main issues are: 1) concerns over property rights; and 2) the duration of banks' funding. Most banks are funded by cheap deposits with durations of less than one year. It's difficult to grant a 20-year mortgage given this asset-liability mismatch. As noted in the report, once this is addressed it may give rise to a private sector debt boom.

Mortgages are available in Nigeria with interest rates ranging from 15% to 25% per annum excluding fees and other charges. Both First Bank and Standard Chartered Bank are currently offering 20% for up to 20 years with an equity contribution of 20-30%.

Given the low rate of mortgage take up there are very few properties for sale in the market. A review of online estate agents (see below) suggests that most houses or flats for sale in Lagos or Abuja, or Port Harcourt (few are available in other cities) are upwards of N20m ($125,000). Flats or bungalows below N10m ($62,000) are very rare and are usually located in low income neighbourhoods (e.g. N7m $43000 for $1120+659 =$1800 p.c.m three or four times the monthly income 7m mortgage repayment $560 = total monthly income of household, so totally unaffordable).

This possibly explains why the purchase of a piece of land, with or without title (normally without) is really the only affordable option for a family aiming to end up with an incrementally built place of their own in the foreseeable future.

Conservatively, 89% of the Nigerian middle classes would deposit a large sum of money that they do not intend to spend immediately in a bank. On the contrary, when the large sum of money is to be spent immediately, 67% would purchase land/build a house, suggesting a great deal of potential demand for real estate. In terms of investments plans for the next 12 months: starting a business 19%; Investing in land 17%; Purchasing a property 15%, with 48% planning to invest in existing business activity.

Rental values in Abuja

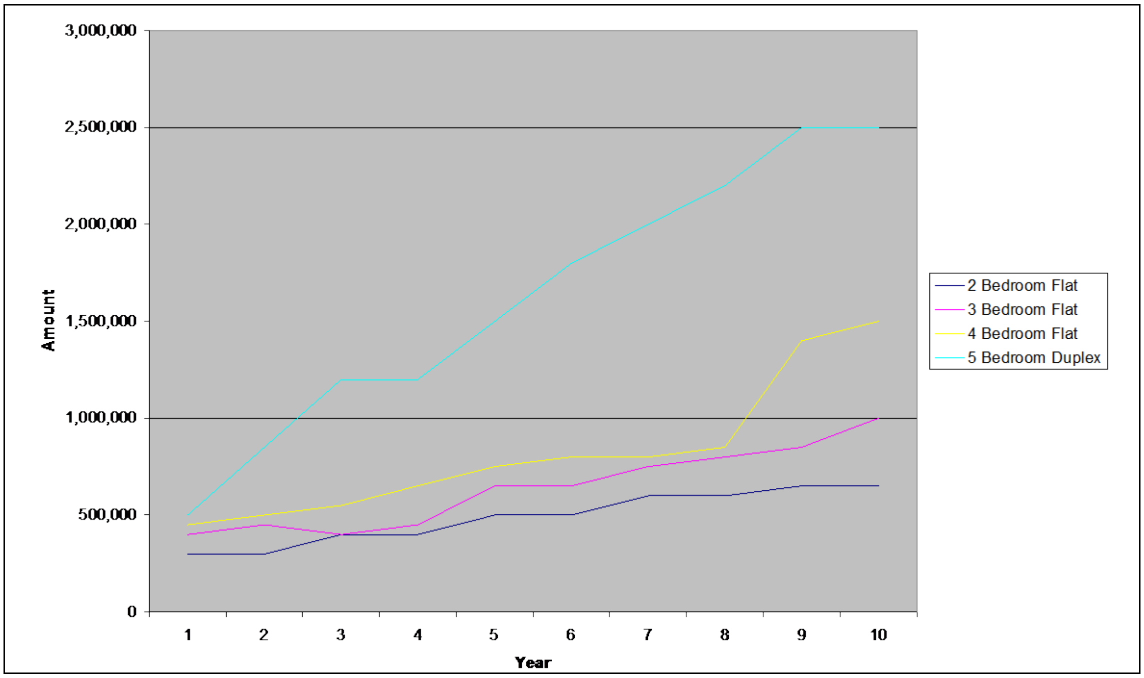


Figure 4: Increase in average rental values in Abuja over a 10-year period from 1998-2007 (based on a survey of estate agents in six major Districts of Abuja: Wuse Zone, Garki, Maitama, Asokoro, Utako and Wuse 2)[56]

Assuming rentals continue to increase at the same rate, a rental for a 2-bedroom flat in Abuja would now be more than N1 million ($6,200) (equivalent to the annual income of most of the middle class households surveyed by Renaissance Capital). The very cheapest rentals in a survey by privateproperty.com.ng in the Abuja area are in the range N400-500,000 (still nearly half of the total household income, and this normally paid one year in advance).[57] These are all in the poorer 'satellite towns' on the outskirts of the conurbation.

Table 5: Cheapest property to rent in selected urban locations[58]

1. Ibadan (Sango, Moniya and Eleyele)	N150,000-N200,000 p.a.
2. Lagos (Ikorodu, Agege and Ebute Metta)	N150,000-N250,000 p.a.
3. Uyo (Idoro and Ikot-Ekpene road)	N200,000-N250,000 p.a.
4. Enugu (Abakpa and Asata)	N250,000-N300,000 p.a.
5. Port Harcourt (Ada George, Iwofe and Woji)	N350,000-N400,000 p.a.
6. Kaduna (Barnawa, Narayi, Nassarawa and Kabala)	N500,000-N600,000 p.a.
7. Abuja (Nyanya, Karu and Kubwa)	N400, 000-N700,000 p.a.

[56] TS 18 –Land Development B. Makama and D. Ishaya Tre Residential Property Markets in Nigeria Empirical Evidence in Abuja. Coastal Areas and Land Administration – Building the Capacity 6th FIG Regional Conference San José, Costa Rica 12–15 November 2007.

[57] http://www.privateproperty.com.ng/news/feature/7-affordable-places-to-rent-a-property-in-nigeria.htm?id=1050

[58] Ibid.

The properties advertised on this web site were reviewed by the authors in August 2014. The site claims to be Nigeria's 'busiest property web site' with a national coverage. There were 6812 listings of residential property for sale of which only 75 were below N5 million ($30k) and 222 below N10 million ($60k) i.e. around 10 times the average middle class income as defined above. By comparison, there were more than 2,000 properties in the range $60-$300k and another nearly 2,000 above the $300k level. It should be noted that around 80% on the properties listed were in the Greater Lagos area and another nearly 15% in Greater Abuja. This is for a country of nearly 180 million, and compares with a typical listing of around 1 million properties for a national property web site in the UK[59], which has a little more than one third the population of Nigeria.

B. Current Housing Stock

I. Housing typology[60]

According to Nigeria's 2006 Population and Housing Census, the national population was at that time 140,431,790, made up of 'regular households' living in 28,197,085 housing units.[61] Based on these figures, Nigeria's gross occupancy ratio at the time was therefore about 4.98 persons per housing unit.

The housing census of 2006 therefore provides a different set of criteria than that which was apparently used to generate the housing deficit number. The census identifies the following housing typology:

i) 'House on a separate Stand or Yard' (50.62%) – a house or compound on a distinct plot footprint;
ii) 'Traditional/Hut Structure' (13.99%) – a building composed of traditional materials in a communal, 'village' setting (as opposed to a marked plot);
iii) 'Flat in a Block of Flats' (9.8%) – multi-dwelling structure;
iv) 'Semi-detached House' (9.36%), v) 'Rooms to let' (13.7%) – multi-roomed compound, for rent, common in lower income areas;
v) 'Informal/improvised Dwelling' (0.56%) – shanty or other such structures; and
vi) 'Other' (1.98%) – various, non-specific buildings used as housing.

[59] http://www.zoopla.co.uk
http://www.primelocation.com
http://www.rightmove.co.uk

[60] The following section is based on data from the 2006 Housing and Population Census: www.nigerianstat.gov.ng/pages/download/71

[61] Ibid.

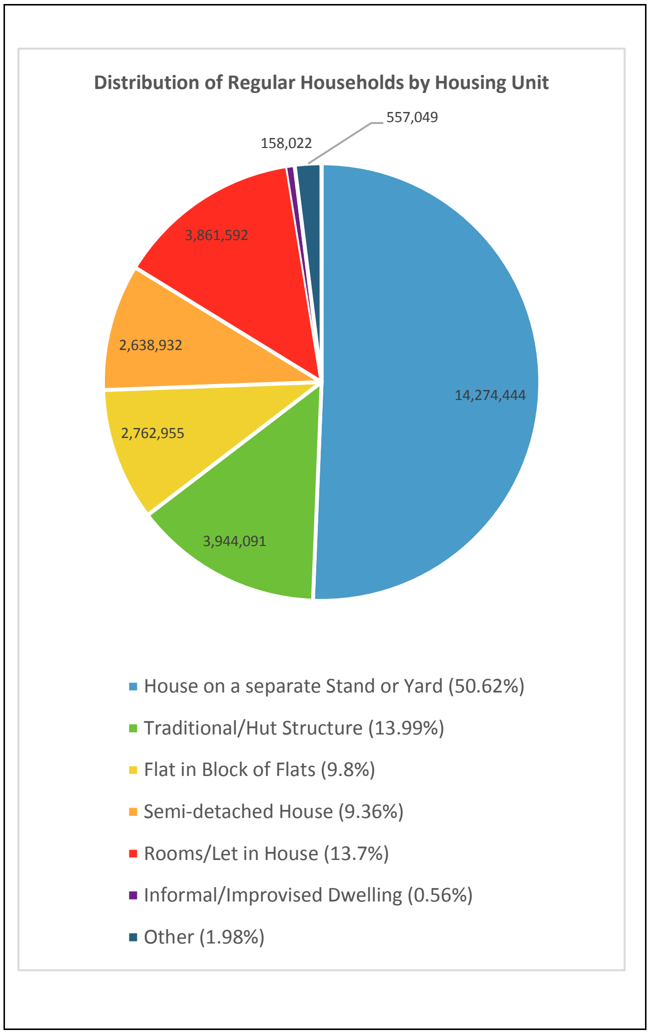


Figure 5: Distribution of Households by Housing Unit

What this data does not specify is the title status of the land on which the houses are built, or whether the settlements are planned/formal or unplanned/informal. The focus of the census was therefore on the physical fabric of the dwelling units enumerated, rather than their legal or planning status.

The census also collected data on;

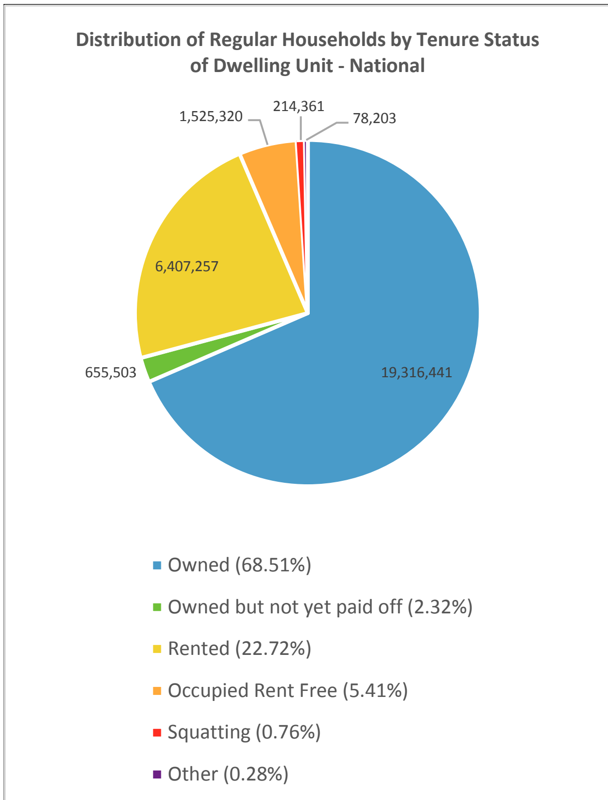
i) The number of sleeping rooms per house;
ii) The building materials used to construct the houses;
iii) The tenure status of the dwelling unit;
iv) The ownership status of the dwelling unit.
v) utilities and services (water, sanitation, cooking fuel, lighting fuel and solid waste disposal arrangements).

Further, in regards to the tenure status no distinction was made on the type of title the property owner had (whether full 'C of O', 'R of O'[62], Customary Title, or no 'paper' title). It is however clear that the overwhelming majority of households nationally live in houses they own (68.51%). The next most

[62] 'C of O' – Certificate of Occupancy, 'R of O' – Right of Occupancy (see box, p35)

significant group, those renting, account for about 22.72%. Between them these two household groups therefore represent about 91.23% of Nigeria, whilst those with mortgages or other unpaid housing loans accounted for just 2.32% (about 655,503 units nationally).

In terms of the actual ownership status of the dwelling units, about 82.58% households live in family-owned houses, which implies that some are possibly renting off other family members, as outright owner-occupiers are only 68.51%, as shown above. Those renting from a private (commercial) landlord account for 12.61% of households nationally, while those households living in houses owned by their employers, agencies or the government (such as barracks, company housing estates etc.) account for less than 5% of dwelling units nationally, as shown in the chart below:



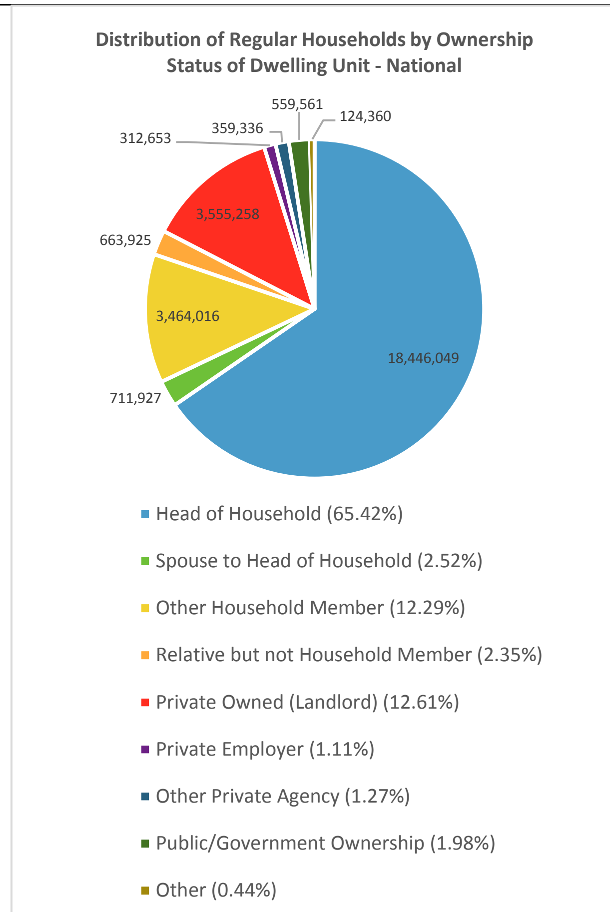


Figure 6: Distribution of households by Tenure and Ownership

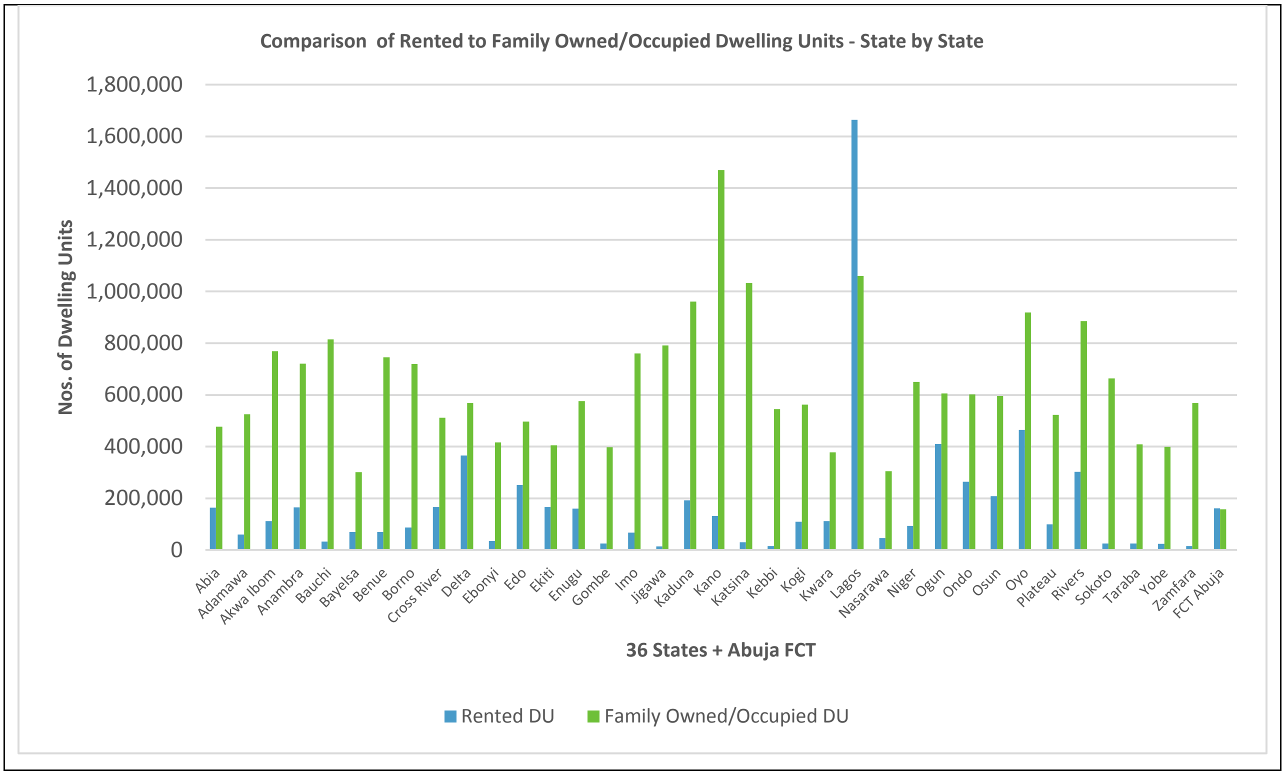


Figure 7: Comparison of Family Rental to Ownership

Home ownership at a national, aggregate level is therefore characterized by family-owned and occupied dwelling units.

However, renting is highly significant in the most prosperous cities of Lagos (75.76% Renters) and Abuja (53.31%). Other States with significant rates of renting (between 20% to 50%), include; i) Ogun (46.53%), ii) Delta (41.02%), iii) Oyo (37.22%), iv) Edo (35.92%), v) Ondo (34.64%), vi) Ekiti (33.67%), vii) Osun (28.55%), viii) Abia (27.01%), ix) Rivers (26.87%), x) Cross Rivers (25.69%), xi) Kwara (23.91%) and xii) Enugu (22.12%).

II. Slum typology[63]

Very poor, ramshackle and often very densely occupied, irregularly laid out, and informally developed settlements exist in Nigerian cities. Many are relatively new settlements of in-migrants on the urban periphery. Much more densely settled areas can be found in the inner city areas that have developed as traditional village settlements that have later been enveloped by the expanding urban area (so-called 'urban villages'

They share common features with the historic town centers – high density 'huddles' of courtyard housing linked by very narrow access ways – most often not accessible to motorized traffic. Most frequently, although these settlements may contain pockets of privilege associated with traditional rulers and their supporting infrastructure, because of the difficulty with access, such areas continue to lack basic infrastructure services. The conditions are compounded by their high density and with populations that in some cases, as in old Kano, can run into hundreds of thousands, they continue to represent substantial islands of urban poverty requiring urgent attention.

[63] Cross refer this section to Housing Typology Appendix showing a range of formal and informal urban housing forms in different Nigerian cities.

However, by far the greatest number of 'slum dwellers' live in areas that have formal layouts, though most likely informally developed without the necessary certificates of occupancy and with no provision for integrating the ultra-low-income residents (see Housing Typology appendix where these various types of layout are illustrated). These areas typically lack basic services but the plots are sufficiently generously sized to overcome some of the problems associated with the difficulty of access associated with the previously described slum types.

How many slums dwellers?

As noted previously 'slums', as conventionally understood as shanty towns, are quite rare in Nigeria (though evident in central and waterfront areas of some southern cities such as Lagos, Warri and Port Harcourt). The use of the term 'slum' is used more broadly (often in a derogatory way) to describe the unplanned, generally sub standard residential development (which are better termed informal housing areas, settlements or neighborhoods). Nevertheless, within the official UN definition and according to UN estimates, the majority of Nigeria's urban population lives in slums and the proportion has fallen only gradually between 77.3% in 1990 and 64.2% in 2007. Over this period the estimated urban population expanded hugely from 33 million to more than 70 million so that the absolute number of slum dwellers over this period, according to these estimates, has risen from 25.8 million to 45.3 million, more than a third of the total population of the country.

The UN Millennium Development Goals, Goal 7 ('Ensure environmental sustainability') requires participating national states, including Nigeria, to work towards achieving a target of a 'significant improvement in lives of at least 100 million slum dwellers, by 2020'. The definition of a slum is quite widely drawn to include households deficient in any of the following areas:

- Access to improved water
- Access to improved sanitation
- Sufficient-living area
- Durability of housing
- Security of tenure

Based on the 2006 census data available, of the five UN Habitat/MDG 'slum' criteria only two, those relating to access to improved water and sanitation, can easily be applied to Nigeria. That said, as a starting point, basing such a definition on this criteria (the so called WAT-SAN) is a credible means of distinguishing and defining slums or informal housing, which do not meet a standard definition of 'adequate housing'.

There is a deficit of adequately serviced housing with only 15% of dwelling units having flush toilets and about half of all dwelling units using pit latrines nationwide. Additionally, over one third of Nigerian households live in dwelling units that use 'unimproved' water sources.

Although subject to large geographical variation, the data indicate that overall certainly less than 20% of the urban population, mostly far fewer, live without access to the services those in the developed world take for granted - piped water, flush toilets connected to sewerage systems, on tap electricity from a reliable power grid. For most formal land title is also conspicuously absent and access to formal lines of credit for housing purposes non-existent.

Not all of those who live in informally developed housing are poor. Many are middle class, some quite well off, comfortably able to provide on-site services. Flush toilets connect to regularly cleared septic tanks, clean water is pumped from a safe source, noisy but reliable diesel generators fill any gap in mains connections. However, even where the population does not have to make do with poorly managed pit latrines, the dangers of cross contamination of drinking water from wells, to walk long distances to use a toilet or fetch water, to struggle to meet the costs of on-site electricity generation or steal it from the grid through illegal connections, the social and environmental costs are high.

Such neighbourhoods will remain underserved by infrastructure until they reach a critical mass of sufficient density to make it economically worthwhile. Even then, normally only those that are well off and have sufficient means to demand efficient mains utility provision, receive it.

Better city planning with enforced standards for the provision of basic infrastructure services in new development is the ultimate answer but runaway urbanisation has currently rendered it largely useless. In time, the capacity for good planning may emerge. In the meantime the inheritance of underserviced city neighbourhoods continues to grow and with it the challenge of retrofitting them with infrastructure.

At present, the provision of piped water is limited by the absence of an affordable, reliable electricity supply to the machinery required to pump it. An improved power supply is therefore critical to the provision of both power and water utilities. With piped water comes the requirement for better drainage systems. These are linked with the provision of paved roads which are largely absent outside of middle class areas so an integrated approach is necessary.

Assuming that existing single household-use pit latrines can be improved through educational programs and at relatively low capital cost to the individual household, the target is the 65% of the urban population who either share or have no existing facilities that can be improved to the necessary standard. This is nearly 57 million people or 13 million households.

Typically, poor Nigerian urban homeowners rent out space in their property and this is the likely reason for most shared household facilities. Whether this is acceptable depends on the relationship between households and the numbers sharing but generally any sharing between households is unwelcome. Building and environmental health could help address this issue but enforcing these under current conditions, particularly post hoc, is not really feasible.

What is needed is a way of identifying households with the most unacceptable conditions, either because of excessive sharing or because of absence of facilities. Where clusters of poor and overcrowded households can be identified, upgrading can be done on an area basis so those most in need can be targeted.

Only 6% of the urban population have toilets that connect to sewers and these must count among the wealthiest. Where the developed world thinks automatically in terms of sewerage systems in cities, without massive development assistance or sufficient state government resources, and universal sewer-based system for most Nigerian cities is a long way off.

Septic tanks are not cheap and require space so the 11% of the urban population with access to these count among the middle class. Unfortunately septic tanks can be problematic from a public health perspective, as they tend to overflow into the stormwater drainage system in heavy rain. Similar problems can occur where households have sufficient water to flush/pour flush to pit latrines.

Once piped water is provided to premises such problems can proliferate. Local sewerage systems are one way of addressing the problem in areas which are densely developed and plots lack space for additional improved pit latrines or properly designed and managed septic tanks.

Paradoxically then, it is the households that can least afford it that may require the most expensive infrastructural solutions. Households in those overcrowded properties where pit latrines are shared and in danger of contaminating on site wells are most at risk. An external water source can reduce the health risks to the occupants but if pour flush toilets are then used connecting only to on-site pit latrines, the on-site health problem can become a public one.

One solution tested in India and elsewhere involves slum networking and decentralized infrastructure provision solutions. Another route is self-help through economic improvement, with recent evidence from South Africa suggesting that, as income levels grow so communities find a way of ensuring investment improving infrastructure service provision.[64] A better way of oiling the wheels of self-help though improved micro credit facilities is indicated.

Overcrowding: The data on overcrowding conditions in Nigeria is scarce but as far as the main cities are concerned (the Federal Capital, Abuja, excepted) surveys from various planning studies indicate that typically 20-30% of the population live in slum conditions in the densest, poorest neighborhoods, and another 15-30% in planned middle or upper class neighborhoods. Most of the latter households will not have piped sewage connection but are much more likely have piped water, flush toilets and generous space standards.

III. Housing standards

Nigeria has not formally adopted any housing standards, which could be used to measure the quality of housing and by implication, the cut off measure of what constitutes a 'slum' or 'adequate' housing. A starting point for such a housing quality index might be to use the UN definitions previously described (which have been adopted as part of the MDGs measurement) as a basis for specifying objective metrics for assessing a basic level of decent and adequate housing.

IV. Housing supply

As previously noted, Nigeria's Minister of Finance recently assessed current housing production at around 100,000 units, while this study suggests that the informal sector is filling the gap of nearly 900,000 units per year.

Institutional housing supply

Nigeria's institutional housing framework in the post-colonial period (1960 to date) began in earnest in 1972 with the first National Housing Programme, which was to be driven by the Federal Housing Authority (est. 1973), to deliver 15,000 units in Lagos (the then national capital) and 4,000 units in each of the other 11 state capitals – a modest target of 59,000 units nationwide. This government-led programme was part of the 2nd National Development Plan (1970-1974) and was a response to the post-civil war (1967-1970) and oil boom surge in urbanisation and demand for housing in growing urban centres.

In the 3rd National Development Plan (1975-1980) even more ambitious targets were set; 202,000 units nationwide, comprising 50,000 units in Lagos and 8,000 units in each of the (now 19 nos.) state capitals. According to the National Housing Policy 2012, by the end of the plan period only 15% (approx. 30,000 units) had been delivered nationally. To date the FHA has delivered about 41,000 units in its 41 year history[65].

During the 3rd NDP a number of panels and papers explored issues relevant to housing policy (The Committee on Standardization of House Types and Policies, 1975; The Rent Panel, 1976; The Land Use Panel, 1977; and in 1979 the Federal Mortgage Bank of Nigeria, FMBN, was formed). The most significant of these, which would have the most lasting, though not necessarily positive, impact on land

[64] See Bannerjee and Duflo (2007).

[65] Source: Federal Housing Authority, Abuja, 2014.

and housing in Nigeria was the Land Use Act (1978 see below). These discussions were inconclusive, and, in the end, the conference decided to back away from the LUA and maintain the status quo[66].

C. Current Land Stock

The 1978 Land Use Act remains an enormous barrier to both the supply of housing (because land release for development is a tortuous and unreliable undertaking) and the affordability of that housing (because without valid mortgage collateral title, most PMIs cannot make secured real estate loans against individual homes).

I. Legal frameworks for land

The Land Use Act (1978) is arguably the fulcrum of the land and property market and the processes of land administration in Nigeria. Its retention in the constitution was earnestly debated at the recently concluded National Conference in Abuja[67]. The Land Use Act of 1978 is incorporated into the 1999 Constitution, making it difficult to revise or replace.

The Land Use Act had a number of well-meaning intentions, which it has for the most part failed to achieve. These intentions include;

(i) 'One-man-one-plot': The LUA had a noble intention of providing land to every adult Nigeria, not via a market mechanism, but through a system of land allocations by the Governor.

(ii) Land for nation-building: The LUA sought to vest powers of eminent domain in the hands of the state Governors, in order to streamline disparate forms of tenure and land ownership that were operating across the country, including customary or native title.

(iii) Defining the urban sphere: The LUA gave the state Governors the powers to declare an area urban in order to promote urban development, regulate the transfer of land and sole right to issue Certificates of Occupancy (C of O).

(iv) Land Use and Allocation Committee (LUAC): The LUA also made provision for the creation of LUACs through which the state Governors are empowered to oversee land use (urban planning) and allocation (not sale, as the law only acknowledges the state as a land owner, relegating every other user to leasehold status).

The LUA (1978), which remains the cornerstone of land management up to date, fundamentally does not recognise a land market as such. It acknowledges above ground improvements and constructions, but maintains that land is a public good to be allocated free of charge by the Governor. Within a strict interpretation of the LUA it is therefore possible to speak of a housing market in Nigeria, but not a land market, as land can only obtained on lease from the government.

Nigeria's institutional housing framework is built on the LUA, which by its very definition does not cater for an effective land and housing market. This is further complicated by the fact that the LUA is enshrined in the Constitution and therefore any attempt to amend the LUA requires constitutional amendment through the 36 states and the National Assembly. In the recently concluded National Conference the LUA was debated and attempts were made to suggest a reform process for the law,

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[66] http://fmi.gov.ng/features/52259/

[67] http://www.thisdaylive.com/articles/members-finally-vote-to-retain-land-use-act-in-constitution/183187/

The LUA was originally promulgated by the military government at the time in order to give the government the power to acquire land for nation-building projects under the 3rd National Development Plan (1975 to 1980)[68]. Its intention was to consolidate the various forms of tenure and ownership across the country under the custody of the State (Military) Governor and their appointed Land Use and Allocation Committee (LUAC). The law granted the Governor powers of eminent domain, which are intended to be used in the interests of the common good as well as an aspirations for a 'one person, one plot' idealism, which never found purchase across the country.

The good intentions of the LUA have never been fully realised due to a lack of full implementation (LUACs have not been generally implemented and even in States where this has happened they have rarely been more than instruments of convenience for the allocation of land to a favoured few). It has been argued that whereas the 'land allocation' aspects of the law have been applied, the 'land use' (or urban planning) component less so. This has manifested in the form of the unplanned, informal, expansion of urban areas to accommodate the growing urban population across the country.

An unintended consequence of the LUA and its provisions to limit compensation for compulsorily acquired land to improvements and economic trees and crops only (rather than a negotiated or agreed market valuation) is that it has stimulated the informal land market. Land holding communities on the peri-urban fringes of growing urban areas are not waiting for the government to create layouts, pay compensation and allocate plots, but are selling land (in contravention to the provisions of the LUA) directly to mostly lower to middle-income builders and developers. The government allocation system tends to favor the more established formal developers, who have the means and connections to benefit from the formal land allocation process. However, for those at the lower end of the income scale there is more certainty and control by negotiating directly with land-holding communities, despite the inherent risks of working outside the letter of the law.

In many cases across the country the LUA is not being implemented in letter, and what has emerged are variations of informal but generally accepted practices, which differ in interpretation and application in the various land use jurisdictions (the State governments and their Governors). In Kano, for instance, the *Dilalai* (local land agents) have been engaged by the State Government's Ministry of Lands and Physical Planning and even provided office space, in an attempt to provide a bridge between government land policy and local communities land market practices. In Enugu, the indigenous Nike community's rights are respected, as original inhabitants, which is similar to the Gbagyi and other indigenous communities of the Abuja FCT. There are regularization (or formalization) provisions in State government land statues, which provide a path for informal settlements to achieve formal status and secure title. Thus there are any number of 'work-arounds', which have evolved across the country to circumvent the LUA and its implementation (or lack of).

Yet despite general agreement on the imperfectness of the LUA, there is no consensus on how it should be reformed, as the debate at the recent National Conference demonstrated, where the final recommendation was to retain it within the Constitution with minor amendments only.

Urban land administration: The 1978 Act[69]

"The 1978 Land Use Act delegated authority over land allocation to the 36 states and their local governments in an effort to ensure that rural and urban populations had access and secure tenure to land. Land-allocation advisory committees were intended to assist in the issuing of customary

[68] https://www.fig.net/pub/accra/papers/ts18/ts18_02_olayiwola_adeleye.pdf
[69] USAID Country Profile: Property Rights and Resource Governance.

certificates of occupancy to applicants, reducing speculation and streamlining access. Most observers believe that not only have the objectives of the Land Use Act not been achieved, but that the law has contributed to further distortions and abuses of citizens' rights to access and own land.

The objectives of the Land Use Act were to: (1) make land accessible to all Nigerians; (2) prevent speculative purchases of communal land; (3) streamline and simplify the management and ownership of land; (4) make land available to governments at all levels for development; and (5) provide a system of government administration of rights that would improve tenure security.

The effort to replace the customary system made land less accessible to most people. Allocation procedures are highly discretionary, allowing opportunities for corruption and self-dealing by state and local government officials and politicians. Individuals can obtain land use rights, but they have no foundation of communal land holdings and no presumption of inheritance within families or lineages.

Registration of Certificates of Occupancy under the Land Use Act is costly, time-consuming, and places the land-certificate holder on the tax rolls. Customary law continues to govern land tenure for the majority of Nigerians, even though tenure security in urban areas (and as against the government and community outsiders in rural areas) is low. Land rights are transferred mostly in informal markets.

Under the Land Use Act, individuals and entities can obtain a statutory right of occupancy for urban and non-urban land. Statutory occupancy rights are granted for a definite term, which is set forth in the certificate (C of O). Rights are transferrable with the authorization of the state governor (RON Land Use Act 1978).

Local governments may grant customary rights of occupancy (R of O) to land in any non-urban area to any person or organization for agricultural, residential, and other purposes, including grazing and other customary purposes ancillary to agricultural use. The term for customary rights (which is contained in the application form and not the legislation) is 50 years, and may be renewed for a second 50-year term. Recipients of customary rights of occupancy must pay annual tax on the land and cannot transfer any portion of the rights absent approval of the governor (for sales of rights) or the local government (other transfers) (RON Land Use Act 1978; Kuruk n.d.).

In contrast to the occupancy system in the Land Use Act, Nigeria's customary land tenure system allows for flexible leases, rentals, pledges, and borrowing arrangements that adapt to the needs and circumstances of different communities, such as new or temporary populations in a remote community (e.g., migrant laborers), or relocated populations of professionals residing in urban areas and seeking land to farm on the outskirts of cities. Other types of arrangements apply to specific crops such as palm oil, setting payment as a percentage of yield. Customary holdings have been increasingly individualized and in many areas may be transferred and sold (Ike 1984; Lloyd 1962; Arua and Okorji 1998).

An estimated 80% of urban landholdings in Nigeria are in informal settlements and considered by residents to be governed by customary law. The landholdings are individualized at the family or individual level, and landholders routinely exercise the rights of owners, asserting rights of exclusive possession and control over the land and freely transferring the holdings.

II. Land supply

The formal land market is very small and confined largely to Greater Lagos and Abuja where land costs can vary enormously, depending on location. Even in these locations, truly formal land transaction represent a tiny proportion of the total (see box). Since most of the land market is informal, transactions are not recorded and there is no reliable data.

Land markets and investments[70]

Nigeria has three types of land markets:

1. Allocations of certificates of occupancy from the government (formal market);
2. Transfer of land rights documented by certificates of occupancy (formal and informal markets); and
3. Land that has no certificate of occupancy (informal market). Formal markets are limited.

A study of land allocations and transactions in Lagos and Kano states found that only an estimated 1% of land allocations and transactions occur on the formal market, i.e., in compliance with the Land Use Act. Roughly 25% of urban land transactions involve land for which there is a certificate of occupancy but the transactions are done without the required consent, payment of taxes, and registration. The balance of transactions involve land for which there is no certificate of occupancy. Almost all rural land is in this last category.

Nigeria's informal land market is vibrant in urban and many rural areas of the country. Population growth, urban development, the increasing commercialization of agriculture, and the expansion of the money economy have spurred the evolution of customary tenure based on families to individualization of land rights. In the northern states, taxation of individuals has created an additional pressure for the commoditization of land. Rural land that used to be held in perpetuity for a family or lineage is increasingly available for lease or purchase by third parties, particularly in areas of high population concentration and fertile land…

The Land Use Act itself is considered by many observers to be a primary barrier to the development of a formal land market. The high cost and time required to obtain certificates of occupancy and the right to transfer them has kept most land transactions within the informal market and increased land prices while reducing security of tenure after the sale. Fraudulent transfers are commonplace, and with only a very small percentage of transactions registered, disputes over the validity of land transactions are frequent…

The Land Use Act was intended to curb speculative purchases of land. Non-farmers bought up large tracts of land and left it idle while waiting to capitalize on rising land values, and those with information about government development plans purchased land in order to profit from land acquisitions. Observers suggest that the Act simply drives speculative practices underground.

[70] USAID Country Profile: Property Rights and Resource Governance.

D. Key Players

	Land	Trunk Infrastructure	Site Layout	Design and Home Configuration
PUBLIC: National	Federal Ministry for Lands, Housing & Urban Development	Federal Ministry of Works	Federal Ministry for Lands, Housing & Urban Development	
PUBLIC: State	State Ministries for Lands, Housing and Planning;	State Ministries of Works	State Urban Development Authorities & State Housing Agencies (parastatals)	
PUBLIC: City	[There is no city-level administration in Nigeria, only Federal, State (Regional) and Local Government Areas (LGAs): most large cities sit within a number of LGAs]			
PUBLIC: Sub City	Local Gov'ts not directly involved with land allocation	Local Governments rarely get directly involved in direct housing or infrastructure provision, only occasionally in conjunction with State Governments		
LOCAL: Commercial	Land agents/developers	Housing developers/mass housing providers.		
LOCAL: People	Individuals, communities, local chiefs/district heads,		Individuals and communities engaged in informal/incremental house-building.	

	Risk Assumption	Construction	Off-take	Management
PUBLIC: National	Federal Ministry for Lands, Housing & Urban Development			
PUBLIC: State	State Ministry for Lands, Housing & Urban Development; State Urban Development Authorities & State Housing Agencies (parastatals)			
LOCAL: Commercial	Land agents/developers	Housing developers/mass housing providers.		
LOCAL: People	Land developers and individuals and communities engaged in informal/autonomous house-building.			

Legend
National
Regional
City
Sub-City
Local

3. Supply-Side Value Chain

A. Land

The 1978 Land Use Act defines urban and rural land and sets out the powers of States and Local government Areas (LGAs). Designated Urban Areas within each State are mapped and gazetted as Land Plan numbers with detailed descriptions using roads and survey coordinates (in some cases) showing their boundaries. They are usually shown as circles with radii of 5, 10, 15, 20 or 30 kms from the centre of an urban area depending upon the size or legal status and classification. Not all designated Urban Areas are circles, for example, the Urban Area of Kaduna is a rectangle, but these boundaries although legal, tend to be totally arbitrary and unrelated to actual development pressures on the ground or administrative areas for which some (limited) data is collected.

Planning responsibility within those defined areas is with the urban development authority or board of each state. A Lands and Planning ministry has no legal responsibility for planning in defined urban areas although it is responsible for the general oversight and policy of the state urban planning and development authority.

Urban and Regional Planning laws state the procedure for the approval of Master Plans and responsibilities for preparing plans at different spatial levels and the mechanisms for their implementation.

Under the National Law all Draft Master Plans (DMP) are to be subjected to public presentation and comments taken before the Final Master Plan is presented to the State House for approval. This approval makes the Master Plan a Statutory Development Plan as a legal instrument for development control and implementation. Even when placed in Government House, a Draft Master Plan is a temporary arrangement until legislated by the State Assembly.

State governments are the principle institutions responsible for urban management. (Although theoretically empowered by decentralisation legislation, local governments are currently very weak and marginalised in the area of city management). Although the state governments are, in the main, physically located in the major cities and given to channelling expenditure into the state capitals, this money is not always spent effectively and is driven by short term political motives and a sprawling diversity of state-wide political and sectoral ministry demands rather than the targeted longer term economic development interests of the cities themselves.

In general, city administrative areas and the focused administrations to run them do not exist in Nigeria. State governor level constitutional and Land Use Act responsibilities for urban development are currently challenged by the pace of urban development and are failing to realise potential growth of city economy productivity. Urban management structures currently comprise state urban development boards or authorities, and the (stymied) local government machinery, but there is an essential gap at the major city level – there is no city manager, or executive in the form of an executive mayor or equivalent.

With a few exceptions (Port Harcourt, part of the Greater Lagos urban area) most existing urban master plans date from decades ago and are long overdue for review, but even if there were firm and up to date development plans in place, there is a lack of planning capacity to administer and implement them. There is a pronounced lack of development control (although the legislation makes provision for it at both state and local government levels). Similarly there are generally no co-ordinated approaches to investing in basic infrastructure and services, rather a generally uncoordinated approach to producing housing layouts, with or without basic infrastructure that goes nowhere towards meeting the actual need of land for housing or the services to support the (mainly informal) communities that are emerging.

The national capital, Abuja, has a master plan dating from 1979 and there is a much stronger development control and conformance with the Plan within the Federal Capital Territory than anywhere else in Nigeria. Nevertheless, the majority of residential development associated with the city is now taking place in largely unregulated urban development in the satellite towns outside the FCC.

The informal expansion of Nigeria's cities is likely to continue due to the growth in urban populations and the inability of the government to keep pace with infrastructure investment and the provision of affordable housing through the formal housing delivery system.

As the urban expansion fringe approaches peri-urban and rural areas market pressures and rising buyer interest and prices mean that land-holding communities are more likely to sell and less likely to be attracted by the formal process, which would limit their compensation to above ground improvements only. Secondly, the process of formal acquisition of land, layout planning and allocation is lengthy and uncertain and for those not fortunate to get the initial allocation directly from government, whilst the prices of the land on the open market become less affordable. In this manner both the potential buyers of land and the land-holding sellers are both incentivized to 'beat the system' by engaging in informal land trading for self-building their affordable housing.

In this manner the informal housing market at urban fringes has for the most part become the affordable housing market. In the absence of government or private sector provision of affordable housing, individual self-builders and small-scale developers are driving what might be described as an *autonomous* housing market, which is unplanned and 'informal', but increasingly (and inevitably) acknowledged by the government. So even though these informal settlements are without layout planning, infrastructure or services, they are still required to get their building blueprint plans approved and, in time, the State governments are in many cases acknowledging their legitimacy by retro-fitting basic infrastructure; roads and drainage, electricity and water supply.

I. Security of Tenure

The 2006 housing census does not specify whether or not home owners had paper title for their property or indeed what form of claim/title they had, so little comment can be made on this criterion. Suffice to say that over two thirds of Nigerians (68.51%) of Nigerians consider themselves to be owner-occupiers and a large majority nationally (82.58%) live in family-owned housing, whether free or paying rent. As noted previously in this report various forms of title/tenure are recognized under the Land Use Act (1978), including; Certificate of Occupancy (C of O), Right of Occupancy (R of O) and Customary Title.

Following the 2006 National Population and Housing Census, the National Bureau of Statistics[71] undertook social surveys, of (amongst other data) housing tenure and generated the following numbers; Owner-occupiers in - 2007, 67.1%; 2008, 71.7%; 2009, 66.0% and 2010, 68%. With slight annual variance the rate of owner-occupation tenure levels therefore appear fairly consistent. What is less clear is what the levels of formal ('papered') tenure are.

[71] www.nigerianstat.gov.ng/pages/download/168

B. Trunk Infrastructure[72]

I. Access to Improved Water

In addition to the general definition of 'improved water' above, a more specific metric has been developed by WHO/UNICEF.[73]

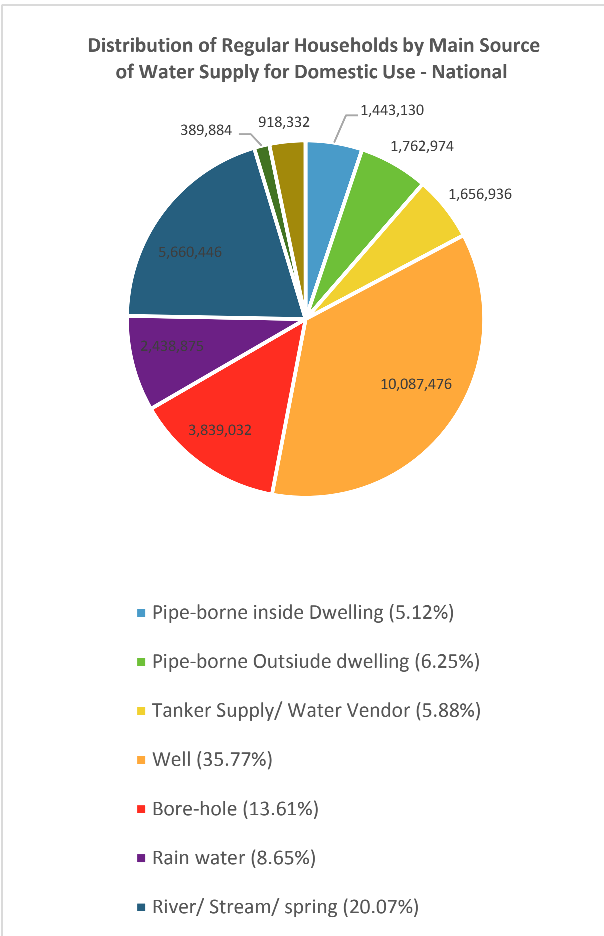


Figure 8: Household Sources of Water

[72] www.nigerianstat.gov.ng/pages/download/168

[73] http://www.wssinfo.org/definitions-methods/watsan-categories/

"Improved" sources of drinking-water:

- Piped water into dwelling
- Piped water to yard/plot
- Public tap or standpipe
- Tubewell or borehole
- Protected dug well
- Protected spring
- Rainwater

"Unimproved" sources of drinking-water:

- Unprotected spring
- Unprotected dug well
- Cart with small tank/drum
- Tanker-truck
- Surface water
- Bottled water

Based on these definitions, an interpretation of the 2006 census is as follows; of the 9 categories of water source for regular households captured in the housing census only four clearly meet the 'improved' classification by WHO/UNICEF, representing 33.63% (9,484,011 dwelling units), or about one third of dwelling units, of household water supply in Nigeria, these are; i) Pipe-borne inside dwelling (5.12%), ii) Pipe-borne outside dwelling (6.25%), iii) Bore hole (13.61%), and iv) Rain water (8.65%).

Over a third (35.77%) of dwelling units in Nigeria depend on wells for their water, which may or may not conform to the definition of an improved water source, depending on the mode and quality of their construction. Only those wells which are properly lined or have casing, a raised edge above ground and are fitted with a proper cover or lid meet the criteria.

Just under another one third (30.59%) of dwelling units clearly do not meet the criteria to be classified as improved water sources, including; i) Tanker supply/Water Vendor (*Mai Ruwa*), ii) River or stream supply, iii) Dug out, pond or lake pool, and iv) Other sources of water supply.

Table 6: Drinking water source[74]

Improved: **urban:** 74% of population **rural:** 43% of population **total:** 58% of population ***Unimproved***: **urban:** 26% of population **rural:** 57% of population **total:** 42% of population (2010 est.)

According to the Nigeria Demographic and Health Survey (NDHS), in 2013 61% households in Nigeria had access to an improved source of drinking water (76% of urban and 49% of rural households). Only 5.5% of urban households have piped water to the dwelling with another (9% having access to piped water on the yard or shared public standpipe). Over 20% of households in the South Eastern states of Osun and Ekiti have piped water to the dwelling falling away to less than 1% in the Southern State of Edo and in the capital Abuja which registers the highest number of households 17% with water piped to the yard.

44% of households use a borehole and another 13% a protected well. Most non-improved urban water is purchased. Only 24% of urban households and 17% of rural households have water on the premises, which suggests that a substantial proportion of those using a borehole or protected well are sharing

[74] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

with their neighbors. 20% of urban households and 27% of rural households need to spend more than 30 minutes fetching water.

II. Access to improved sanitation[75]

The WHO/UNICEF definition of improved sanitation is as follows;

"Improved" sanitation:

- Flush toilet
- Piped sewer system
- Septic tank
- Flush/pour flush to pit latrine
- Ventilated improved pit latrine (VIP)
- Pit latrine with slab
- Composting toilet
- Special case

"Unimproved" sanitation:

- Flush/pour flush to elsewhere
- Pit latrine without slab
- Bucket
- Hanging toilet or hanging latrine
- No facilities or bush or field

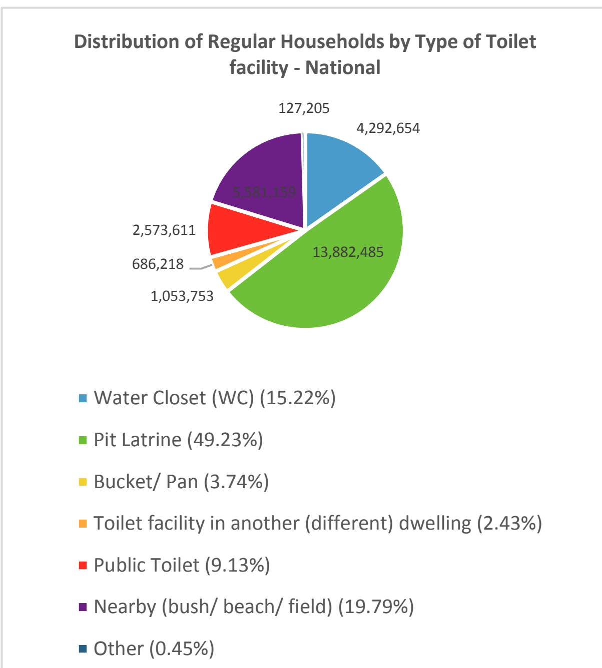


Figure 9: Household Sanitation Types

Applying these criteria to the 2006 Nigeria housing census provides the following insights:

[75] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

Only 15.22% (4,292,654 dwelling units nationally) clearly meet the criteria for improved sanitation, being flush toilets. Just over 60% are indeterminate, as their exact construction would need to be examined in order to determine if they qualify as improved. For example pit latrines may be considered improved if they are robustly constructed, with a slab cover or other material which ensures that the inside of the pit is not exposed. There are almost a quarter (24%) of dwelling units whose toilet facilities either do not exist (use of nearby bush etc.) or otherwise do not conform to the WHO/UNICEF *improved* standard.

According to the NDHS (2013), 30% households have an improved toilet facility that is not shared with other households, 36% in urban areas. Just 3.5% have a flush/pour toilet connected to a piped sewer system (6.1% in urban areas).

Table 7: Household Sanitation Types

Improved: **urban:** 35% of population **rural:** 27% of population **total:** 31% of population
Unimproved: **urban:** 65% of population **rural:** 73% of population **total:** 69% of population
(2010 est.)

Another 11.2% of urban household have a toilet connecting to a septic tank and 3.6% connecting to a pit latrine. The remainder of those not sharing use improved types of pit latrine or composting toilets.

A further 21% of urban households share some form of pour/flush toilet (with just 3.1% connected to a piped sewer) and 15.5% have no facility whatever (40% in rural areas).

In 2009, the total number of households with use of a pour flush toilet connected to a piped sewer varied across the country from 34% in mainly urban Lagos State to less than 1% in Gombe in the mainly rural North East. In Abuja and Abia State in the South East nearly 30% of households have access to a pour/flush toilet connecting to a septic tank (with Lagos at 22%) whereas in Bauchi and Gombe this drops to less than 1%.

III. Access to electricity and fuel for cooking[76]

56% households have access to electricity, nearly 84% in urban areas and 34.4% in rural areas.

Wood continues to be the main type of cooking fuel in Nigeria (64%) more in rural households (83%) than in urban (38% with nearly 48% using kerosene).

C. Site Layout

Given the huge size of the country and variations in topography and physical conditions, site conditions vary accordingly.

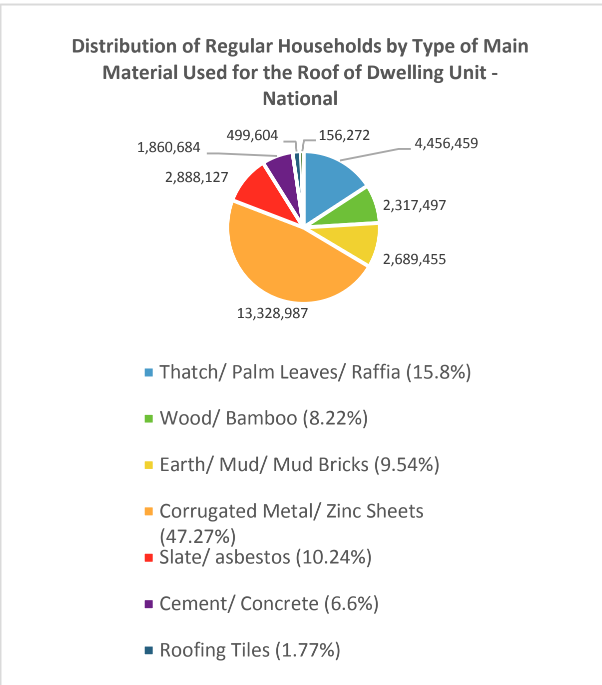
[76] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

D. Design

Each state has their own set of building codes and there are no national guidelines as such. The most advanced development control manual is that for Abuja and this sets the standards for others to follow.

I. Durability of Housing

This criterion is also subjective and in need of local specification, in order to be meaningfully interpreted for Nigeria. The UN definition quoted earlier describes a durable house as a; *permanent and adequate structure in non-hazardous location*. The data collected by the housing census was not designed to go in to this level of detail, so it is difficult to apply this criterion in a meaningful way. The categories of building materials for walls and roofing are captured in the figures below.



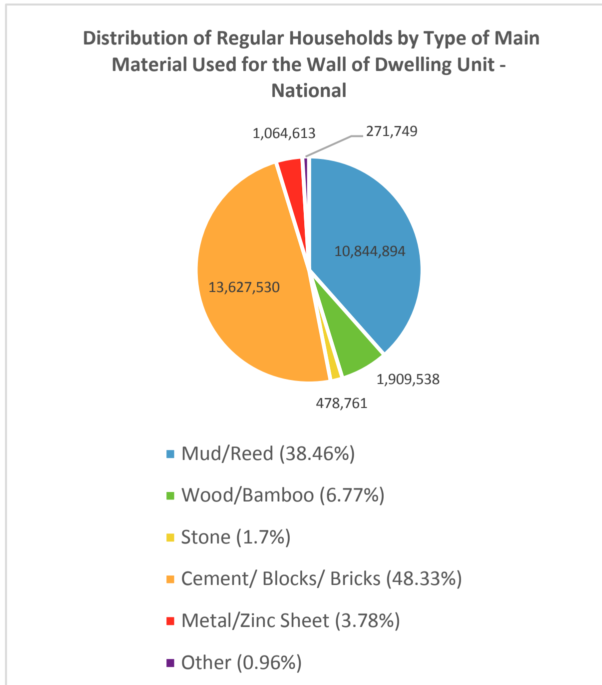


Figure 10: Household Building Materials

II. Sufficient Living Area

The UN MDG definition of sufficient living area is set at two persons sharing a sleeping room. Again, this is a very subjective measure that each country or policy domain would need to assess and decide whether it is realistic for their particular social and cultural context. In order to extract the room occupancy levels from the census data, this would require an examination of the detailed household data collected at the individual dwelling unit level, which is not currently in the public domain at either the National Bureau of Statistics (NBS) or the National Population Commission (NPC).

The previously referenced small increase of in the average household size from 4.5 in 2008 to 4.6 in 2013[77] is indicative of possible increase in the incidence of overcrowding and reduction in effective household formation. However, the 2013 DHS shows that proportion of households using one room for

[77] Nigeria Demographic and Health Survey (2013)

sleeping has fallen from 43% to 39%, which indicates a decrease in overcrowding as well as a general improvement in living conditions.[78]

The data on overcrowding conditions in Nigeria is scarce but as far as the main cities are concerned (the Federal Capital, Abuja, excepted) surveys from various planning studies indicate that typically 20-30% of the population live in slum conditions in the densest, poorest neighborhoods, and another 15-30% in planned middle or upper class neighborhoods. Most of the latter households will not have piped sewage connection but are much more likely have piped water, flush toilets and generous space standards.

45.5% of urban households and 33.6% of rural households have one room for sleeping. 28.2% of urban households and 32.8% of rural households have two and the remainder have three or more.

'Overcrowding:

Overcrowding is recognized as a hazard to health. Definitions of what constitutes overcrowded housing conditions vary, and depend to a degree on climate. The UN Millennium Development Goals say a house is considered to provide a sufficient living area for the household members if not more than three people share a habitable room of at least 4 sq. m.

In England, for example, the minimum floor area for one person is 6.5-8.4 sq. m. and 10.2 sq m. for two people.[79] In disaster conditions, the internationally recognized area is 3.5 sq. m. per person.[80]'

E. Risk Assumption

Since most developers across Nigeria are involved mainly in the sub division of agricultural land into lots and the marketing of these new lots, their level of risk is limited. Higher levels of investment and risk are involved in some places, notably Lagos, where relatively highly serviced land, often subdivided into quite small lots, is on offer to meet what is a very high level of demand. Standard size lots (generally 50' x 100' – 15m x 30m) tend not be serviced but offered to buyers, as they find and can afford them.

The growing success of housing developers in Lagos, Abuja, Port Harcourt and other better off cities in the provision of both single and multi-family housing is encouraging greater financial support from the commercial banks. In Nigeria, a developer can get a construction loan from a bank (at 16-20%) and will sell homes 'off plan' (that is, based on drawing and before there are any houses). The buyer will put down 20%, which is held by the bank, and then disbursed to the developer to pay for land cost or construction loan interest. In other words, the home buyers' money is entirely at risk, and the developers are getting 20% of their cost funded by 'non-interest-bearing high-risk equity' (though of course the home buyers don't think of it that way).[81]

Data in both the formal and informal sectors is scarce, but some indication of the processes involved and their scale is given in Section 5.

The key to understanding the Nigerian housing ecosystem is in understanding that this is a self-build housing economy for the most part. Developer and government built houses account for a very small percentage of housing (100,000 units per annum formally built, compared to up to 900,000 informally built, noted earlier). Even within the formally built housing a large proportion is self-built (autonomous)

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[78] http://dhsprogram.com/publications/publication-FR293-DHS-Final-Reports.cfm

[79] http://england.shelter.org.uk/get_advice/repairs_and_bad_conditions/overcrowding, 2009

[80] www.sphereproject.org/content/view/103/84/lang,english/

[81] Smith and McVitty (2013)

housing, where the individual home-builder plays the role of developer, project manager, materials supplier and so on. Autonomous housing is not just something engaged in by the 'the poor'. Middle-class, professional and university-educated people are also self-builders. They will buy land (formally or informally), engage an architect, obtain building consent (the one aspect of formality that persists, even when layouts are not planned) and start to build.

Even when people buy houses through developers, there is anecdotal evidence that what they are really buying is the land, which they otherwise might not have access to, since it is allocated by the government to developers. Upon buying these developer-built houses, they then strip them out (or sometimes demolish the whole building, because the build quality is often unacceptable) and remodel the entire house to their own taste and standards.

In order to make sense of housing value chains (whether formal or informal) it is vitally important to appreciate that this (Nigeria, and much of SSA) is a self-build housing economy. Not only is housing perceived as a family asset, rather than a tradable asset, the process of building is based on savings, is incremental, and controlled by the owner/builder. Value chain analysis of housing in Nigeria (both formal and informal) only makes sense when viewed through this *autonomous* housing model lens.

The Nigerian political-economy of housing (as with that of education, healthcare, water supply, even security) is one in which the individual does not depend on the government for essentials; they provide these basic services for themselves. People fix their own roads, provide their own electricity and water – all things that are conventionally assumed to be the responsibility of the state. Unless approached from this angle, the lived-in realities of the Nigerian political-economy, it is difficult to make sense of value chains using formal, developed-world frameworks and assumptions.

F. Construction

The Nigerian construction industry is divided into the organized, "formal," and the unorganized, "informal" sectors of the industry.[82] As noted by Nigeria's Minister of Finance, Dr Ngozi Okonjo-Iweala, the housing and construction sector in Nigeria accounts for only 3.1% of its rebased GDP, where in a developed world country like the United States, the housing sector, including housing services represents around 18% of the economy.[83]

The unorganized sector, for which no accurate and reliable data is available, comprises simple residential buildings and similar structures built by private citizens and constructed with local gangs of skilled/semi-skilled artisans and laborers, hired mainly using owner supervised construction. The government has almost insignificant influence on the operations of this sector and receives little or no revenue thorough taxes; hence, it is very difficult to obtain reliable statistical data about this sector.

The organized sector of the construction industry consists of major, legally registered companies, which carry out organized construction projects using skilled labor and operating under set rules and regulations, including adherence to national laws on taxation, and employment.[84] However, outside of Lagos and some other cities, where there is major ongoing real estate development with commercial and residential apartment buildings and estates, office buildings, hotels and government buildings, and

[82] Dantata S (2008) General Overview of the Nigerian Construction Industry, MIT

[83] http://urban-africa-china.angonet.org/content/unleashing-housing-sector-nigeria-and-africa-keynote-speech-6th-global-housing-finance

[84] Dantata S (2008) Op cit.

a growing development of shopping centers, most of the construction industry is focused on major, publicly funded infrastructure projects.

G. Offtake

As previously noted, a ‘secondary market’ in existing housing is largely non-existent, as most Nigerian households prefer to transfer their homes within the family, from one sibling to the next or one generation to the next. Formal market transfers are not well reported but appear to operate largely on a cash basis.

Given the non-transparent nature of much of the marketing of property in Nigeria and the lack of market research data, the process by which developers identify buyers, obtain commitment to buy, and transfer ownership to them is often hinged with uncertainty.

With respect to new developments, the predominant feature is offtake failure: it is not unusual to see building developments scattered across the landscape in an unfinished condition, and in one celebrated case two years ago, a developer had completed three homes, only to be informed after the fact that a former land owner claimed a defect in the title, and was able to cause the government to raze all 300 homes.

Unreliability of offtake is exacerbated by the difficulty of securing mortgages for individual homes, so many offtake commitments are in buyer cash or similar pledges. Off-plan sales are common, with buyers putting down as much as 20% of the purchase price, placed with a PMI that may be providing the land development/ construction loan to the developer. Under Nigerian law, however, these PMIs are not required to escrow the funds, and often use the purchasers’ deposits as a capital source to insulate their own construction loan, thus transferring risk that in a developed market would be borne by the construction lender, a sophisticated institution with monitoring and intervention capacity, to a scattered and uninformed set of potential home buyers, who have little practical ability to recover their deposits if the development scheme aborts. Unsurprisingly, therefore, off-plan sales are viable only for strong developers with well-established track records.

Another structure, reported anecdotally, involves a developer securing a bulk offtake commitment from a large employer (say, a unit of government such as the local police force), that will be providing housing for their loyal employees.

H. Management

Informal housing is self-maintained and self-managed, often by landlords who may rent a room or two informally to other individuals or households. Lagos and Abuja feature large informal rental markets and the landlords there provide such maintenance as they believe maximizes their intermediate-term property value.

Some upper-end formal developments are gated communities with homeowners’ associations, de jure or de facto; often these are oriented around security (armed guards), plus usually rubbish collection and intra-development utility maintenance.

Condominiums and co-operatives, if any, are rare.

I. Gaps and Opportunities

As discussed elsewhere in this report, supply side delivery consists of more broken or dysfunctional value chain links than functional ones. Principal obstacles include:

- Difficulty of securing formal land title (even to leasehold interests). If the Land Use Act cannot be repealed or amended, anything that would loosen its grip on urban land would be welcome. Possibilities include:
    - Allowing land to be held in inventory by a State-level entity, with release subject to a long-term leasehold not requiring the governor's signature.
    - Creation or approval of a Medium Term Residential Lease, similar to a UK leasehold interest, whereby the owner of a plot could grant a lease right to another user that builds a home on the plot, where the lessor inures to the lessee's rights as land user. Then conformance with Nigerian banking or PMI requirements (as might be issued by the CBN) that such an MTRL will be considered acceptable collateral for sales of residential debt instruments to the Nigerian Mortgage Refinance Company.
- Unreliability of local utility infrastructure provision, resulting properties that may be completed but cannot achieve Certificate of Occupancy (see the inset box on the *Land Use Act of 1978*), further disrupting offtake.
- Development finance is expensive, to the extent that PMIs who lend to property developers become de facto equity partners in the venture.
- Offtake commitments are based on transferring completion risk to individual buyers, who have no consumer-protection recourse.

4. Demand-Side Value Chain

A. Eligibility

Either you live in the countryside and mostly 'own' your house, although not the land it sits on, or you live in the town and mostly rent and/or are building a house on the outskirts. Houses in GRA type areas are mainly for the elite and are extremely expensive if they come up for sale, which is very rarely. Most the urban poor and lower middle class rent a flat or rooms. Renting a whole house requires a full year's rent in advance which is a sizeable sum. Plots are accessible for the poorer sections of the population, although only in remote areas without services.

B. Application

Given the massive scale of informal development, word of mouth plays by far the greatest part in application, and advertising very little. As an illustration of Nigeria's topsy-turvy land markets, in many parts of Nigeria it is generally more common to see a sign saying "this property *is not* for sale" than one that says "property for sale."

Real estate brokers (estate agents) and land development agents, whether operating openly or on the black market, are playing a huge role in the delivery of land for housing, as documented elsewhere in this report (see case studies). Housing developers play a much more limited role although increasingly important in cities like Lagos and Abuja.

As marketing is largely informal, traditional heads play a central role in both land purchase (identifying and arranging buyers) and land sale (validating the transfer, at least culturally).

C. Subsidy and Finance

I. Subsidies

Nigeria has no explicit demand-side subsidies, but use of hidden subsidies, chiefly for the well connected, abound.

For reasons that are undoubtedly good and valid as macroeconomic policy, the Central Bank of Nigeria has held short-term sovereign interest rates at high levels (the benchmark rate is currently, Sep-14, at 12.0%); meanwhile, base inflation is running well below that figure, in the vicinity of 8.5%[85], resulting in wide domestic spreads for utterly safe Naira deposits. The result is that two forms of 'hidden' interest subsidy can be used, and frequently are used, to deliver effective affordability to target groups:

- Use of deposits. Nigerian savings deposits pay rates well below inflation; the resulting internal bank floats are wide.
- With commercial borrowing rates for residential development running between 16% and 20%, any form of fixed-rate end-user financing (such as FMBN's 6% mortgage loan, referenced in the Brick City case study below) represents a substantial de facto subsidy that can be conveniently delivered with high precision.

These subsidies are further appealing, in the sense of political economy, as these subsidies are effectively off balance sheet as well as being unobvious to the public eye.

II. Household access to finance

Overall, 35% of households have a bank account, with 56% of urban households and 18% of rural households. With the rebalancing on its GDP, and with less than 30% of individuals over 25 holding a bank account, Nigeria sits below the trend curve for financial inclusion.[86] The following table shows the headline data on financial inclusion for Nigeria for those aged 15+ in 2011:

Table 8: Household Access to Finance

Account at a formal financial institution:	30%
Account at a formal financial institution, female:	26%
Account at a formal financial institution, income, bottom:	14%
Account used to receive wages:	12%
Account used to receive government payments:	6%
Account used to receive remittances:	16%
Saved at a financial institution in the past year:	24%
Saved using a savings club in the past year:	44%
Loan from a financial institution in the past year:	2%
Loan from family or friends in the past year:	44%
Debit card:	19%
Credit card:	1%

[85] http://www.tradingeconomics.com/nigeria/inflation-cpi, accessed 1 Sep 14

[86] Global Financial Inclusion database - Findex, World Bank (http://www.worldbank.org/globalfibder) cited in Filmer, D and Fox L (2014) Youth Employment in Sub Saharan Africa, African Development Forum. Washington: the World Bank.

Overall, only 1.7% of those surveyed has an outstanding loan for home construction (about the same in both urban and rural areas) and less than 1% of women, this being highest in the bottom 40% (nearly 2%) and about 1.5% in the top 60%.

In 2012, personal remittances amounted to $20.633 billion, about 4.5% of GDP and averaged about $20bn and 7% of GDP over the 5 years from 2008 to 2012 inclusive. This is more than ten times as much as the country has recently received in official overseas development assistance, which peaked at 8.1% of GNI in 2006.

Mortgages account for less than 0.5% of GDP, N224Bn (2011), or less than US$1.5Bn. only 5% of the 13.7 million housing units in Nigeria are currently financed with a mortgage.[87] With the Central Bank benchmark interest rate stuck at an all-time high of 12% and having averaged 9.49% since 2008, any unsubsidised housing-related loans from a formal institution, for mortgages, self-build or development of dwellings for sale, is inordinately costly.

Table 9: Lending Interest Rates

2013	16.7%
2012	16.8%
2011	16.0%
2010	17.6%
2009	18.4%

D. Credit Underwriting

Formal mortgage finance in Nigeria is so small a population segment that lenders are, and can afford to be, extremely risk averse. As discussed on the supply side, most mortgage lending in connection with new production is related to off-plan sales, where the borrower 'pre-qualifies' by putting up a large pre-sale reservation payment that the bank holds (and which it will often use as insulation for its own land development/ construction loan). Property collateral is given limited value and the underwriting is oriented to consumer finance: that is, borrower earnings, including formality and likely durability of employment.

Informal underwriting follows typical microfinance principles and ignores residential property improvements; this can pose a challenge because, according to Smith and McVitty (2012), home-based workers often use the proceeds of a microfinance loan to improve their home, and hence their work environment, but this information is discouraged by MFI regulators and so it largely untracked by MFis themselves.

E. Loan Closing

Formal loan closings are handled by notaries and officials of the Primary Mortgage Institution (PMI) involved in the property development. Consumer protections are minimal.

Informal loan closings happen as in standard microfinance.

[87] Africa Housing Finance Yearbook (2012)

F. Funding

Until recently, Nigeria had no liquidity sources whatsoever: Primary Mortgage Institutions (PMIs) had no outlet for their loan book, and hence were forced to fund their activities from their internal resources, including share capital and deposits. This led, perhaps inevitably, to a proliferation of very small PMIs, many of them undercapitalized and undermanaged and little more than storefronts, that set up shop, collected deposits, and then gradually became moribund. To bring this to a halt, starting in 2012 the Central Bank of Nigeria imposed new higher capitalization requirements on banks and PMIs, N5 billion for national institutions and N2.5 billion for state level institutions, and over the ensuring two years it has approved recapitalization of roughly 40 such institutions nationwide[88]. This is a welcome development as undercapitalization of PMIs placed depositors at overall systemic risk with virtually no protections and thus was acting as a major impediment to expansion of residential real estate lending.

The World Bank's recent $300 million IDA loan has as its principal purpose the setting up of a national mortgage liquidity facility, the Nigeria Mortgage Refinance Company, with $250 million of the loan allocated for that entity's initial capitalization. NMRC is expected to issue its own asset-backed securities (ABSs) whose collateral will be pools of confirming mortgages NMRC will purchase from participating PMIs. The NMRC plan follows on the successful Tanzanian liquidity facility[89] and is expected to follow a similar course to success.

G. Loan Servicing

Formal loans are generally serviced monthly, in some cases via pay-slip electronic debiting from the principal employer, in others through check payments from the borrower. The recapitalized PMIs are in general capable of handling this form of servicing.

Microfinance loans are normally paid weekly and collected in person by the MFI's agent.

H. Enforcement

Nigeria lacks a clear and enforceable foreclosure law; as a result, lenders place little weight on the potential recovery value of post-foreclosure housing, so mortgage finance is more akin to secured consumer finance – predicated on borrower income and likelihood of maintaining repayment rather than foreclosure, eviction, and property resale. This results in even mortgage loans having short tenors and high interest rates (as noted above, upwards of 16% annually).

Informal financing via microfinance operates consistently with global microfinance: rates above 30% (normally computed as 3% to 3½% monthly), short tenors (less than 12 months), and tied to personal consumer credit (i.e. not to chattel as a collateral source). Enforcement is mostly tied to credit freeze-out, not recovery.

I. Gaps and Opportunities

Nigeria's affordable housing delivery and finance ecosystems have an unusually large number of gaps:

Housing delivery in Nigeria is provided by either the Government or private sector, but 'Federal production is projected at no more than 4.2% of the annual requirement', while 90% of urban housing is

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[88] http://boardroomng.com/cbn-releases-list-approved-recapitalized-primary-mortgage-banks/, 25 Feb 2014.
[89] See http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/GHFC_2021_Rished_Bade.pdf .

produced by private developers, mainly informally with the general perception is that housing is so expensive people cannot generally obtain it by legal means.[90]

Supply side challenges include the following:[91]

1. Development land is scarce and costly.
2. Land ownership and mortgage collateral is constrained by the Land Use Act of 1978
3. Scarcity of capable real estate developers.
4. Supply-side development finance is poorly established, with the Primary Mortgage Institution in the business acting in effect as secured-collateral co-developers.
5. PMIs lack of liquidity, which is a principal focus of the main World Bank loan.
6. Over 60% of raw materials are imported leading to high building costs, which fluctuate in price with the exchange rate. The cost cement prices had almost doubled to N 2,800 (US$18) for a 50kg bag of cement until government intervened to increase local production capacity.
7. Most greenfield developments is in peri-urban areas that lack of basic infrastructure, adding as much as 30% to the cost.
8. High nominal inflation makes forecasting development costs difficult and banks can obtain high returns from purchase of Treasury notes, avoiding more risky development
9. Inefficient processes. Other major factors affecting housing in Nigeria include limited access to finance; slow bureaucratic procedures; and the high cost of land registration and titling.

According to Smith and McVitty (2013)[92], housing microfinance (HMF) can fill the need for demand-side housing finance products and business models but does not yet exist as a ready-to-expand business. 'Instead, a handful of Nigeria's leading innovators in microfinance are seeking to move into the business space – interested in the market segment, innovating products that address the need.'

Evidence suggests strongly that there is enormous effective demand for affordable housing (between N5.0m and N1.5m, $35,000-$10,000).[93]

'Even as efforts are being placed into mortgage finance and formal development, the scale of urbanization and the housing backlog (especially in the growing cities) makes housing microfinance an essential complement – in fact, more likely to help more families faster than any efforts for formal finance.'

Nigeria's Autonomous (Self-build) Housing Economy

In Nigeria as in much of SSA, most people build their own houses, rather than buy them off developers or contractors. Government or contractor-built housing arguably accounts for less than 10% of housing supply, based on analysis earlier in this report. Given this reality it is important that the self-built housing value chains be given some consideration as a key part of the overall housing *ecosystem*.

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[90] Nigeria: Housing Microfinance – Urgently needed, not ready to scale, Worthy of incubation and development David A. Smith, Josephine McVitty, Affordable Housing Institute, World Bank, February 2013
[91] Ibid.
[92] Smith and McVitty (2013)
[93] Ibid.

Autonomous housing cuts across the formal/informal spectrum as well as the income categories. It is not limited to a particular socio-economic class (i.e. 'the poor'), as middle-class (professionals, university educated) individuals as well as wealthy patrons will commission architects, assemble a build team, supply materials and project manage their own projects. In the self-built/autonomous housing economy the property owner is the developer/financier (and often then the owner-occupier). The incentives for self-building include cost savings (by shortening the supply chain), better control (of people, processes and the timeline), and the possibility of creating a bespoke product, to their specific taste (or lack of!) and meeting their specific needs.

In the UK the self-build (or custom-build, as it is now known) sector accounts for about 8%[94] of all new builds annually, about the lowest rate in Europe[95], which is almost an inversion of the Nigerian self-build/pro-build ratio.

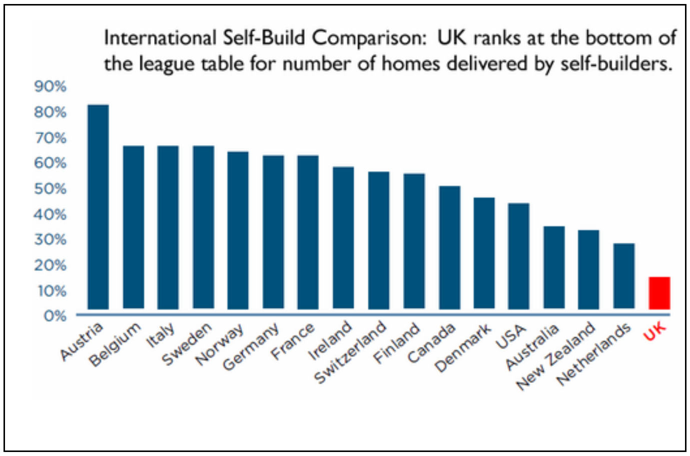

Figure 11: Percentage of Self-built Dwellings, International Comparison

A key driver for self-building in Nigeria/SSA is affordability and flexibility. By dealing directly with the purchase of land, appointment of professionals and building contracts a number of add-on costs are avoided and the home-builder is able to deliver an affordable home, at their own incremental pace, based on available savings and finances.

Because the autonomous housing model is so ubiquitous this presents an opportunity for innovative financing approaches and (in particular) for appropriately tailored housing microfinance (HMF) products. The expectation for HMF is that it should enable credit to be provided without any conventional collateral, such as formal title documents, in the spirit of microfinance generally. There are a number of entry points for HMF, even in the lower-income/informal urban peripheral growth areas, including;

(i) Established Ownership: Even where land transactions and changes of ownership take place outside the formal process there are clear, locally respected frameworks for establishing ownership and land invasion or illegal occupation is relatively low in Nigeria. Even untitled land will usually have either family or community/chief recognized ownership, which is considered legitimate and provides a platform for transactions. In some cases this platform may comprise of nothing more than a Sales Agreement, signed and witnessed, which is then endorsed by the local chief or family representative. Once ownership can be established to

[94] http://www.nacsba.org.uk/

[95] http://www.houseplanninghelp.com/hph019-how-does-self-build-in-the-uk-compare-to-germany-with-mark-brinkley-author-of-the-housebuilders-bible/

the degree considered legitimate by the local standards of practice, this should be sufficient to back up a HMF transaction, even in the absence of formal land title.

(ii) Rental Valuation: A conventional mortgage is securitized based on the forced-sale value of the property, so that in the event of default, the lender is able to recover their investment by selling off the property. A HMF equivalent (given that the sums of money involved are proportionately smaller – say, $2,000, rather than $20,000) may be to set the HMF loan against the potential rental income on the property extension or completion for which the micro-loan is being granted. The mechanism for granting the HMF loan then becomes a tenancy agreement, rather than a loan agreement. In other words, when granting the HMF 'loan' it is documented as the lender renting the property or room/extension for which the loan is being granted. Built in to the tenancy agreement is a clause for sub-letting the same room/extension, which either the property owner or a third party may undertake.

(iii) For example: A property owner borrows $2,000 (N320,000) to extend a self-contained additional bedroom to their house, which has rental potential of $30 per month. After adding charges and interest to the principal amount the $2,000 loan is equivalent to renting the room extension at $30/month for 120 months (10 years), a total repayment of $3,600.

(iv) The homeowner signs a tenancy agreement for 120 months (which may be terminated any time the 'loan' is paid off) and receives $2,000 to undertake the extension. The tenancy agreement has a clause in it which allows the tenant (in this case the HMF lender) to sub-let the property. If the homeowner wishes to occupy the room they simply 'sub-let' the room from the HMF lender. On the other hand, a third party may be willing to sub-let the room for (say) $50/month, in which case the loan will be paid off in 72 months (6 years) only.

(v) The bottom line is that by basing the HMF transaction of the rental value of the property, two things are achieved; firstly, there is an assured repayment mechanism for the loan, which is not dependent on the home-owners usual income stream, and secondly, the property is never in peril of repossession and there is no need for foreclosure provisions (which is just as well, since Nigeria's foreclosure law is largely ineffective.

(vi) Urban ('slum') Upgrading: HMF can become an effective means of introducing urban upgrading in peri-urban growth areas and informal settlements by introducing standards and more effective building controls. Adherence to basic building standards, acceptance of regular inspections and approvals by planning authorities and even the introduction of service standards (for water, sanitation, drainage, set-backs etc.) can all ride on the back of the HMF agreement and the process of funding housing improvements may be woven in to a wider neighbourhood upgrading programme.

(vii) Value-for-Money (VfM): By making HMF payments directly to the home owner/borrower, they are able to haggle and get better mileage out of the micro-loan, as the profit element that a contractor/developer would expect has been eliminated. The borrower engages artisans or builders directly, arranges for the supply of materials and ensures that they get the most for their money. Waste, corner-cutting and graft (all features of the current developer/contractor supply chain) will be reduced greatly, even if not completely eliminated, because the owner is the developer – they have no real incentive to do a bad job, as it is their own house they are building.

(viii) By focusing on the self-build/autonomous housing model, as illustrated above, a more cost effective supply chain can be achieved, and one which aligns with the current practices and informal strategies for achieving affordability. In this case however, rather than being undertaken out of sight of the planning authority, through an appropriately designed HMF product and lending approach, the process represents a bridging strategy between the formal and informal sectors.

5. Three housing supply case studies (Public, Private, People)

Three affordable housing sectoral case studies have been used to draw out and illustrate the issues, challenges and actors in the affordable housing political economy in Nigeria; i) Public (government led), ii) Private (developer led), and iii) People (community/informally led) housing provision.

A. Public Sector Housing: Federal Housing Authority (FHA)

Background/Overview

The Federal Housing Authority (FHA) was established in 1973 as one of a number of 'nation building' parastatals under the 2nd National Development Plan of the then military government. It began as a publicly funded entity and was subsequently granted partial commercial status in 1988. Following further reform in 2002 it became fully commercialized in the sense that it began meeting all its financial needs internally, no longer depending on the government central treasury for its salaries or funding.

To date it has built over 41,000 housing units in its 41 year history. The majority of these fully and partly completed units are in Lagos and Abuja (about 29,082, or 72%), which are the former and present capital cities of Nigeria. The FHA was used as a vehicle for delivering mass housing notably on the outskirts of Lagos (11,419 units in Festac Town, begun to house the festival of the same name in 1977, and completed around 1980), as well as kick-starting large-scale housing estates before the housing market had evolved in Abuja (notably over 10,000 units in the FHA estates in Kubwa, Lugbe and Gwarinpa up to the early 1990's).

As a public housing provider FHA has historically played the role that would be expected of the government in spear-heading new housing developments in areas which are not yet ripe for private sector investment, such as undeveloped urban outskirts and new towns. As an agency of government it has access to land allocations, which are its main advantage, and it has land and property holdings in almost every State in the country. The usual practice of FHA is that the estates usually have a single title document (C of O) and buyers of the individual houses are given Allocation Letters or Deeds of Assignment. The response of banks to FHAs letters of allocation is that they have been known to be accepted as collateral because they are perceived to be backed by the Federal Government and are therefore underpinned by the so-called 'Federal Might'. It is a common experience in Nigeria that individuals and financial institutions often have more confidence in government owned or backed assets than those in private ownership for this same reason. The FHAs considerable land and property holdings makes it arguably 'Nigeria's No. 1 landlord', as it holds title on all its properties across the country.

Today FHA engages the private sector in development partnerships and engages less in the direct construction of housing. The government is still in the process of full commercialisation of FHA, this is being undertaken by the Technical Board for Commercialisation. It is expected that when this process is complete, FHA will become formally recognised as a commercial housing delivery entity and in a better position to obtain funding from the market, as well as engaging in development partnerships with the private sector and affordable housing with local communities.

A criticism of FHA is that in its efforts to fulfil its 'full commercialisation' status it has moved away from an important aspect of its mandate – providing affordable houses for Nigerians. The cheapest units currently on offer are sold for N5.5m ($33,000 USD). Assuming this unit was bought through the

NHF/FMBN, which offers the most competitive mortgage rates in Nigeria (10% deposit, 6% interest, over up to 30 years), this would make the monthly repayments about N30,000 ($182), almost twice the national minimum wage.

Prospects and potentials

The conventional wisdom is that ‘government has no place doing business’, which it is said, should be left to the more efficient private sector. However, it is precisely the profit motive (arguably the source of the more efficient business model), which makes the private sector in Nigeria less suited to the delivery of affordable housing. Even after housing has been built affordably, the prospects of it remaining so diminish as market forces and rising land and property values kick in to stimulate gentrification and rising values and rents. Potentially however, FHA has two notable advantages as a provider of affordable housing; i) it does not have a profit motive, as it is a public goods delivery vehicle, and ii) it retains ownership of the land on which it builds estates, so that it has an on-going interest and control (freeholder status) in all its property, so it can control subsequent conditions of sale and home rental.

Land allocated by central government to FHA is thus quarantined from land speculators and land market forces and mechanisms can be put in place in its conditions of sale, which could have the same effect as rent control laws in other countries.

A second area that may be explored is that FHA enters in to partnership agreements not only with the private sector for the construction and delivery of homes, but with indigenous, land-holding communities, by which these communities may retain a shared-owner interest in any land developed through FHA facilitation. The benefit to FHA/government is that the usual compensation due to the community could be waived, in return for a number of unit within the scheme or an on-going shareholding in the property, as co-landlords with FHA. The community would have the assurance of being in business with the government (with whom communities have a long-term and on-going interest and relationship), as opposed to a purely business relationship with a private sector developer who is more interested in paying off the community and extinguishing their claims on the land. A Public-People relationship benefits both parties, allowing government to fulfil its mandate to provide affordable housing and offering the community an opportunity to keep their options on ancestral lands open.

I. Recommendations

1. FHA to focus on exploiting their comparative advantage (over the private sector) as providers of affordable housing:

   As a Federal Government parastatal FHA’s land holdings have perpetual titles (freehold), rather than the 99-year leases, which the usual C of O title document have. This privilege may be used to protect housing developments from market forces by capping rents and re-sale prices of FHA housing estate.

2. FHA to explore land development partnerships with local land-holding communities: Although under the letter of the Land Use Act all land is vested under the State Governor this power is being increasingly challenged by communities and the government often pay close to market value for peri-urban land acquisitions. More often than not communities are not waiting for government and are going ahead to parcel and develop land informally, creating unplanned, unserviced informal settlements. By entering formal agreements with communities these poorly developed settlements can be averted and communities can get more value for their indigenous lands holdings.

B. Private Sector Housing: Urban Shelter Ltd.

Background/Overview

Urban Shelter is a privately owned limited liability property developer that set up in Abuja in 1991, initially focusing on providing office and commercial space for the growing city of Abuja. With time they diversified to undertake other major developments including markets and manufacturing their own clay bricks. These clay bricks form the major structural building material for their 'Brick City' affordable housing project after Kubwa on the Abuja-Zuba Expressway, 40 Km west of Abuja city.

The first phase of Brick City delivered about 221 housing units of mostly two and three bedrooms. It was sold to group off-takers (such as the Police) who purchased large numbers of units for their housing cooperative members. Urban Shelter tends to target group off-takers as this guarantees them quick sales and guaranteed development finance using the off-takers' deposits. Their experience has shown them that catering to individual buyers is both difficult and risky, whereas when dealing with a public institution they are guaranteed perpetuity and redress.

Urban Shelter are also unable to get their sales price below about $27,000 (N4.5m) for a 1-bedroom house, but they ensure that their maximum price remains within the N15m limit allowable by the FMBN.

The delivery strategy for Brick City Phase 1 was to negotiate with their off-takers for 30% advanced payment, which meant that they undertook the construction with the purchasers' deposits paid through the FMBN who were underwriting the project. The individual mortgagees were given 70% mortgages by FMBN through their PMI, at 6% interest. The partnership between institutional off-takers, the mortgage provider and the company (buyer, bank and seller) ensured that the houses were delivered at the lowest possible cost.

Figure 12: Brick City, Phases 1 and 2.

Prospects and potentials

Urban Shelter have learned much from their growing experience in mass housing, as is evident from the comparison between the Phase 1 and Phase 2 of Brick City illustrated above. What is also clear however is that they are (perhaps inevitably) moving their housing products up-market, both in terms of quality and cost. The only rational basis on which they and others in their position will be able to continue to target the affordable housing sector will be through some form of housing subsidy, applied either on the supply or the demand side.

Recommendations

On the supply side the provision of land by the government in effect represents a form of housing subsidy in Nigeria, with favoured people allocated land at next to no cost. The equitable allocation of land by the government may be the easiest means by which affordable housing can be subsidised, or cross-subsidised, by ensuring land for housing aimed at the private market does not enjoy this subsidy, whilst land for affordable housing is allocated as such.

C. Private Sector Housing: the informal housing development process in Nigeria – the case of Rafin Guza, Kaduna[96]

Background/Overview

Housing developments in informal areas usually occur in the emerging parts of a Nigerian city, on the periphery. Housing in such an area could take place in formal layouts with roads or in an informal area without a proper layout. Plots in layouts are usually more expensive than plots without a layout. In the case of Kaduna, a northern metropolitan city which is explored below, plots (usually 15m x 30m) within a formal layout vary in price from N200,000 to N1,000,000 ($1,200-$6,000). Plots within an informal layout may vary from N100,000 to N300,000 ($600-$1,800) depending on their location[97].

Kaduna, together with Kano, the two wealthiest and largest cities in the North West Zone of Nigeria, despite the current economic and political problems[98], are still expanding rapidly though natural growth combined with in-migration. The evidence from planning studies is that informal housing development on the urban periphery in both cities is increasing at a stupendous rate and this is where most new households in these cities are being housed.

Land in customary tenure/ownership is being sold on the 'free' market and turned into 'informal' layouts without the official recognition of or approval by government.

A field survey carried out in 2009 as part of the Review of the Kaduna Master Plan (currently in draft form) indicated that 2,286 ha of land in the periphery of Kaduna has been subdivided into plots. The Kaduna survey noted that this area of land was still in agricultural use, but had generally been sold off as plots for development ('agricultural land sub-divided for development')[99].

This is equivalent to nearly 40,000 standard plots of 15m x 30m. Taken together with a similar number of vacant plots on partially developed land, there were nearly 80,000 plots available for residential development.

Plots in Kaduna are generally developed as compounds with each compound on average containing around two households. This average hides many compounds in low rent areas with 10 or more

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[96] Lloyd-Jones, T., Theis, M., Adenekan, S., S and Mutter, M., (2014). *The informal housing development process in Nigeria – the case of Kaduna.* [online] London: Max Lock Centre, University of Westminster. Max Lock Centre Working Paper. Available from: <http://www.westminster.ac.uk/max-lock-centre/publications> [Accessed 03 September 2014].

[97] As noted by Tpl Sam Adenekan urban planning and housing expert, Max Lock Consultancy Nigeria Ltd.

[98] Both cities are being regularly targeted by Boko Haram

[99] World Urbanization Prospects, the 2011 Revision estimate the average growth of Kaduna at 3.65% between 2010 and 2015. The growth rate it likely to be revised upwards in the 2014 Revision, where urban agglomeration data has not yet been published. However the overall urban population growth rate has been upped by 24%. A similar increase in Kaduna's growth rate would indicate a growth rate of around 4.5%

households per compound having high degrees of shared sub-standard cooking, bathing and toilet facilities (only one third of Kaduna households have access to piped mains water on the compound and this is by no means regular in supply or tested for quality – a not unusual feature of most Nigerian urban areas)[100].

If the plots are fully developed to this average population density (around ten persons per compound), there was capacity for around 615,000 people at the time of the survey, equivalent to around 50% of the estimated population of the urbanized area at that time. Around 300,000 may have been added to the population of Kaduna since 2009. By far the greatest proportion of this population increase will have been accommodated in these informally sub-divided, peri-urban areas.

Verified hearsay evidence in Kaduna indicates that comparatively large sums of money were being paid in 2009 – often by the not so wealthy through private loans of various kinds – in 'purchasing' plots of land (figures of N100,000 to N500,000, per plot ($600 to $3,000) per 30m x 15m plot have been quoted in different areas)101. As part of this study, in the peri-urban district of Kamazou (2014), we were quoted up to N2.5m ($15,000) for a plot (15 x 30m) facing the main highway, about N1.5m for a plot 'backing' the highway (behind the facing plot), dropping down to N150,000 ($900) for farmland further from the main road.

Further research is required, but the implication is that, in Kaduna at the time of the 2009 survey, individual investments totaling anywhere from N15bn to N25bn ($100m to $167) in the purchase of plots alone have been made in these areas by individuals, at the time (and certainly a lot more 5 years later), whether legally or not[102].

I. Prospects and potentials: the house building process

There is evidence of some land subdivisions being ill-conceived and in obscure locations, such that they are not being developed and may not have even been sold to individual investors. On the other hand, reasonably well-located land subdivisions on the urban periphery are being developed at a very rapid rate in both cities (and most other large urban centers in Nigeria, besides). The image below shows the rapid pace of housing development in Rafin Guza, a peri-urban area of Kaduna (from January 2008 to February2009)[103], with an initially undeveloped area being subdivided and developed to probably 10-20% of its capacity within the space of a year, and the going densification of the neighborhood immediately to the south.

Typically, in order to establish presence and ownership, a plot owner will erect a dwelling shell, with or without a compound wall around it (and according to cultural practices) as soon as they can afford it. Thereafter, investment will occur as and when funds are available in the way of 'incremental' or 'progressive' housing described elsewhere in this study.

Costs of housing development vary. A mud material constructed 2-bedroom flat may cost N1,000,000 ($6,000) including roofing with corrugated zinc sheets[104]. A 2-bedroom flat built with hollowed cement blocks and roofed with corrugated aluminum sheets may cost between N1,500,000 and N2,000,000

[100] Max Lock Consultancy Nigeria Ltd (2010). Op cit

[101] Max Lock Consultancy Nigeria Ltd (2010). Op cit.

[102] Ibid.

[103] Max Lock Consultancy Nigeria Ltd (2010). Ibid.

[104] Lower cost constructions are typically roofed with zinc and more expensive cement block buildings with aluminium.

($9,000-$12,000) depending on the finishing. A 3 -bedroom flat in any of these areas adds between N500,000 ($3,000) to N1,000,000 ($6,000) to the cost. These prices do not include internal decoration and furnishing, or the cost of plot acquisition and transfers (alienation)[105]. These costs are indicative and it is impossible to give a simple answer to the question of 'what are housing costs in Nigeria'? There are too many variables: plot costs, security of title, costs of construction, location, standard of materials and finishing, etc.

Figure 13: Rapid housing development in Rafin Guza, a peri-urban area of Kaduna (from January 2008 to February2009)

However, a bottom of the range, cement block, 2-bedroom flat built on a cheap plot in an informal layout might cost in the order of N1.6-2.5m ($10-15,000). By contrast, a Federal Government Housing Authority-developed 2-bed room flat in a condominium some 15 km out of Kano (comparable in many ways to Kaduna although twice the size) is priced at N7m ($40,000). Similarly, a 'high density, low

[105] As noted by Tpl Sam Adenekan urban planning and housing expert, Max Lock Consultancy Nigeria Ltd.

income' 3-bedroom house on a nearby State Government development was recently priced at twice this sum, compared to $15-25,000 for a similar sized dwelling that has been informally developed. Even with some level of subsidy, the public housing (available for the select few) is up to 4 times as expensive. It is the case that many such 'low cost' housing estates built by various northern state governments in the past, often far from urban settlements they are meant to serve, dot the landscape and lie deserted.

I. Recommendations

This case study amply illustrates the need for new mechanisms to engage the informal housing development sector that are described elsewhere in this report and in the 'Theory of Change' set out in the concluding section below.

6. Conclusion : Recommendations and Policy Implications

A. A Theory of Change for Affordable Housing in Nigeria

The challenge is to develop tools, mechanisms and market interventions which can bridge the gap between the formal and informal housing systems and markets. Housing microfinance (HMF) is one such 'bridging' or 'hybrid' mechanism, which seeks to provide micro-loans to borrowers who lack land titles to offer as collateral. The thinking has been that HMF would be used for small extensions and home improvements that would boost rental income in low income homes and by which the borrower is then able to repay the loan.[106]

Some elements of a theory of change for Nigeria's affordable housing sector may include the following:

(i) Engagement with the autonomous (self-build) housing sector: if informal housing represents the affordable housing sector (up to 80% of housing altogether)[107] then that must be the starting point for large-scale intervention by the government and private sector in Nigeria. Informal housing has often been portrayed as something that needs to be replaced or removed and the principal instrument of urban 'renewal' has too often been the bulldozer[108]. If affordable housing is to be provided at the scale required to not only upgrade and improve the existing stock, but to keep pace with the anticipated urban growth, then engagement with the informal sector is inevitable. The aim should be to develop strategies to improve the quality of the output of the informal or autonomous housing sector, rather than stigmatizing it.

(ii) Housing sector transformation from within the Land Use Act: The challenge of providing sufficient, adequate housing would be boosted by land law reform, but this should not be a precondition, by any means. There are a number of latent provisions within the LUA that could be activated by a willing State Governor, which would transform the provision of affordable housing, including:

   a. Land Use and Allocation Committee (LUAC): The law provides that suitably qualified persons be appointed by the Governor to this committee, including estate professionals, land officers and legal practitioners. To these may be added urban planning professional

[106] http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/GHFC_2021_David_Smith.pdf
[107] http://www.boleat.com/materials/nigerian_financial_system_strategy_2020.pdf
[108] http://www.serac.org/publications/reports/published-reports

and other stakeholder representatives (community leaders etc.). By providing the Terms of reference for the LUAC, delegating specific powers (i.e. signing property transfer and title documents) and incorporating a land use planning function, the committee would have the full range of functional powers it needed, whilst remaining under the Governor's authority.

b. Setting Urban Boundaries: The Governor has the exclusive power to declare areas as being either urban or rural. These demarcations would provide for the creation of economic growth areas for effective land use planning, infrastructure investment and housing development. A well-defined urban area would become an arena for the creation and operation of an effective land and property market. A clear, protected city boundary allows for better targeting of infrastructure, collection of property taxes and the provision of municipal services. Within this protected economic area (the city) banks, mortgage institutions and developers would have an enhanced space to plan and provide for affordable housing alongside other developments.

c. City Administration: There is no municipal (city-specific) level tier of government in Nigeria. However, some states have adopted the Abuja 'Capital Territory' model, either as an independent Ministry of the State Government (Bayelsa State), or an independent Authority under the Office of the Governor (Enugu State), both headed by Commissioners. These examples may well be the fore-runners of city government in Nigeria, which may one day be headed by a Mayor, with specific powers to provide municipal services and affordable housing to for the city. The State Governor, having set up the fully functional LUAC and set the urban boundary (city administrative area), can then create an administrative, service delivery 'Mayor'-type function to deliver services.

(iii) Bridging (or Hybridisation) Strategies between Formal and Informal Sectors: The Formal/Informal Sector divide is arguably more of a perception than a reality. In practice there is much informality embedded in formal or bureaucratic systems (such as the acceptance of land sales transfer transactions by Planning Authorities, backed by local Chief's receipts), whilst informal and traditional systems are imbued with much legitimacy (in the eyes of the community), even if not explicitly backed by the letter of the law (such as customary land rights and status distinctions between indigenes and 'settlers'). The Formal/Informal Sector divide is in practice a continuum, a transition rather than a sharp distinction. However, bridging or better connecting the two poles needs to be part of creating a more responsive hybrid, which carries the best qualities of both. These bridging strategies may include the following 6-step approach;

a. STEP 1: Regularization/Formalization of Unplanned Settlements:

State governments have a process for 'regularization' of landed property developed illegally (outside the formally recognized process), which provides a path to formalization. Once there is the framework for a clear path to formalization of land and housing development, then housing finance (whether mortgage or micro-finance) and lending risk can be better assessed and managed.

b. STEP 2: Hybrid Financial Products and Services:

A new class of finance products are required, which are cross-overs between mortgage and micro-finance, which can key in to a land and property regularization framework, as suggested at (a) above. An example of such a product would be the Affordable Housing Institute's HALF (Home Asset Loan Finance) product[109].

c. STEP 3: Hybrid/Transitional Business Model:

   The Central Bank of Nigeria (CBN) has revised its Microfinance Bank Guidelines[110] (latest update September, 2013) to include the 'provision of loans to microfinance clients for home improvement, housing microfinance and consumer credits' (Sxn 2.1 (v)). By linking this provision with Sxn 3.1, d (iii), which is the 'Government-Supported Co-operative Model', there are the makings of a community level, institutional finance model for housing delivery. This third building block links with the preceding two items at (a) and (b) above.

d. STEP 4: Engaging the '4th Tier' of Government:

   Local communities, customary and traditional socio-economic structures are in many ways the '4th Tier of Government' in Nigeria. In most States there is a Ministry for Local Government and Chieftaincy Affairs (or similar), which manages the traditional institutions, including appointment and remuneration of chiefs and traditional rulers. The local chiefs have no constitutionally recognized role as a tier of government, but they are considered indispensable in the terms of governance, particularly in the democratic era. Historically the traditional institutions have always played a role in governance and they are especially involved in matters pertaining to land administration at the local or village level. Urban expansion lands on the peri-urban/rural margins of cities are typically bought and sold via the agency and authority of local indigenous chiefs and community leaders. Given that the State government employs traditional rulers and they occupy this unique position in local communities (particularly in regards to the lands and property market), their formal involvement is another a necessary step.

e. STEP 5: The Technical Facility Development Model[111]:

   Where international and multilateral donors are to be involved in the process of delivering affordable housing/finance, the Technical Facility Model offers a degree of flexibility, whilst allowing the financier a degree of control.

   > *'Delivering technical assistance through a facility is increasingly understood to be the most effective method of delivering (development) aid in an environment which is politically complex and fast moving, offering excellent value for money and aid impact.*
   >
   > *Unlike a regular technical assistance programme, a facility sees the donor (lender) define the outputs they would like to see while leaving the technical detail of the approach which should be taken fluid, placing a premium on the adaptability, connections and technical ability of the implementing partner.'*

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[109] http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/GHFC_2021_David_Smith.pdf

[110] http://www.cenbank.org/out/2013/ccd/amended%20regulatory%20and%20supervisory%20guidelines%20for%20mfb.pdf

[111] http://www.theguardian.com/global-development-professionals-network/gain-partner-zone/10-key-attributes-technical-facility-model

In this approach, the broad deliverable outputs and impacts are clearly agreed and the risks and assumptions are taken on board. However the implementing partner, working with the Client (in this case the government recipient of the finance or technical support) feels their way through the project, rather than working to a pre-arranged programme. This introduces a degree of flexibility and adaptation, which will be particularly useful in an evolving area of intervention, such as developing an affordable housing programme.

f. STEP 6: Hybrid/Transitional Planning & Development Control Framework:

In order for a hybrid or transitional model of housing and land development to emerge it will be necessary to create an urban planning platform that is flexible enough to bridge the current gap between planned (formal) and unplanned (informal) settlements. This semi-formalised approach is already in operation in many States and urban planning jurisdictions, where some places are extremely tightly regulated (such as the Abuja FCC, capital city) and other places are more loosely managed based on mutual understanding between the government and local communities (such as in Kano, where the *Dilalai* informal land agents work closely with the government). In Kaduna, the planning authority KASUPDA issues building permits for houses being built on unplanned layouts, sold by the villagers to prospective developers.

These example indicate that flexible, locally variable working relationships are already in existence around the country, so stepping this up to a semi-formalised operating framework for development control should not be too difficult. It will need to be discussed openly between the community and government stakeholders and a sensible, appropriate approach, which tallies with local custom and practice can be agreed.

B. Conclusions & Recommendations

1. Decentralizing Housing Supply through a *Federal* Housing Policy Approach:

The National Housing Policy (2012) seeks, 'encouragement of the active participation of the three tiers of Government and other stakeholders, in housing delivery' (NHP 2012, 3.2(i), pg. 44). It then sets a target for the Federal Government to, 'add 10 million new homes to the national housing sector stock' (3.3 (ix), pg. 46). The Federal Housing Authority (FHA) has delivered about 41,000 houses in 41 years of existence and the Federal Mortgage Bank of Nigeria (FMBN) has granted about 12,000 mortgages over a similar period, as the key housing parastatals of the Federal Ministry of Lands, Housing and Urban Development, in a national economy of over 30 million dwelling units. Therefore the actual performance of Federal housing institutions does not match the stated ambitions of the National Housing Policy, by a long margin.

There is a place for the Federal Government in the delivery of housing at a national scale. The FHA was very effectively used to open up Abuja when the city was in its nascent phase of development and effective demand was slow. So using the FHA to encourage undeveloped markets and fill gaps that the private sector may not be attracted to (public housing, low-rent housing, new town development etc.) remains a valid role for the body. Similarly, the FMBN is the only mortgage institution that is able to offer interest rates as low as 6%. Though the is a question of how sustainable it is, there may well still be a niche role for the FMBN, as with the FHA, in Nigeria's overall housing market.

A more decentralized (or federal) housing policy, in which the national government plays a smaller, strategic niche role as an enabler and facilitator, rather than a *national* policy approach, in which the national government is expected to deliver the bulk (10m units) of the 17m housing units deficit, is a more realistic role for the Federal Government. Aside from the very modest track-record of housing delivery by the Federal Government, there are a number of additional reasons why a decentralized approach would work better.

a. LUA domiciled with state governments, which makes the state governors the primary custodians of urban expansion land. The state urban planning boards and lands ministries are closer to the issues of informal urban expansion and better positioned to arbitrate in land ownership and compensation issues. The more that housing as a factor of national development is owned by the state (and local) governments, the better.

b. In a multi-speed, multi-cultural national economy, one size cannot fit all. Each state must find what works best for its unique social, economic and political circumstances. In the northern states there is a stronger role for local chiefs (Emirs and their appointees), in south-eastern Nigeria community-owned land is more common and in the south-west, it is families that control large land holdings. A more flexible, decentralized approach would allow housing markets to develop according to local social and economic realities.

c. In a decentralised, more federal (small 'f') approach, the national government policy would set the parameters and creates the enabling environment, negotiate multi-lateral funding and set the policy infrastructure, whilst the states would do the detailed implementation. A good current example of this approach is the National Housing Finance Project (NHFP), supported by a $300m World Bank loan. In the context of Nigeria's housing deficit $300m is only a drop in the ocean of investment required, but it could be used to stimulate the sector and to catalyse new business models and approaches. By keying into the NHFP and taking the model to scale, housing delivery programmes at the state level can replicate and expand the processes and tools developed by the NHFP.

2. Housing Micro-finance (HMF) implemented through community-level structures:

There are currently a number of different policy approaches and levels of engagement between state governments and the urban growth areas. In Kano State, the *Dilalai* (local land agents) are encouraged to be closer to the planning authorities, by providing their association with offices within the Ministry of Lands and Physical Planning. This allows the government to keep an eye on informal sub-division on the urban periphery, even if they don't necessarily endorse it as such. Similarly, in Kaduna, the urban development board (KASUPDA) recognizes land transactions arbitrated by local chiefs. In Enugu, the rights and status of the Nike as original inhabitants is officially acknowledged, as are the indigenous Gbagyi in Abuja. These examples are to be found across the country in one form or another and demonstrate that despite the LUA 1978, governments continue to work with the grain of local community expectations and moderate their legally vested powers over land and housing accordingly.

Informal settlements can be more effectively engaged with better synergy between the government and local communities, with the government providing infrastructure to compliment HMF funded housing improvement and upgrading. By creating a platform to 'reward' peri-urban communities that cooperate and develop within agreed, loose boundaries and land administration approaches, a more collaborative and less confrontational (evictions, demolitions etc.) form of urban renewal can emerge. Elements of a more collaborative approach may include;

   a. Create general boundary precincts – setting minimum subdivision size (number of plots), standard plot sizes, standard road widths, and percentage set aside for public use.
   b. A formal role for local community leaders/land agents in community-driven (i.e. 'informal' development). Examples can be found in Dilalai in Kano, the Nike community, and Enugu.
   c. Recognize that the partitioning of land is the first act of 'development', and government needs to be interested, but not stifle the process.
   d. Incorporating the actual, recognized local/traditional community structures. Indigenous/traditional community structures still carry the legitimacy that externally imposed structures would lack and, with some means of ensuring their legal status as community-based organizations (CBOs), the necessary 'bankability'.

3. Focus Federal Housing Policy triple-focus:

   Areas of focus for a more streamlined role for the state governments under the NHP may include;

   a. Regularization, Upgrading, Infrastructure Retro-fit and Planning formalization of existing 'slums' and informal settlements,
   b. Specific, targeted affordable rental housing programme (public & social housing), and
   c. Promoting private-sector mortgage and rental market.

4. '4P Approach' (Public, Private, People Partnerships)[112]: Creating synergy in the affordable housing sector by streamlining policy and implementation processes and agencies;

   a. Streamline FHA, FMBN, under FMLHUD as the Federal Public Housing institution, with a specific public/affordable housing mandate (not the current arrangement that lists 10 stakeholders, NHP 2012).
   b. Letting communities lead and own the process, not government, in order to keep housing affordable, by recognizing that the most affordable housing is self-built, not government or market provided. By directly funding individuals to build by themselves (which they are for the most part already doing), the role of the planning authorities (and government more generally) would be limited to development control and enforcement of building codes and standards.
   c. Evolving a formal housing delivery structure to mimic the informal delivery system; i) constructing houses before infrastructure (but with 'fore-planning'), ii) incremental approach, supported by HMF, iii) adapting the building control system to suit a more organic approach (breaking the development control process in to stages, building standards, and investment requirements – i.e. not all front-loaded) iv) Recognizing that in an incremental housing system, houses grow over time and may not have their end state clearly set out on paper at the outset.

[112] Also known as 'Multi-Stakeholder Partnerships'.

d. Working within the current LUA/legislative structure, by being creative and using existing policy structures. If it is accepted that the LUA is cumbersome and in need of constitutional reform, the process of reform can be on-going whilst in the interim housing policy operates within the current constraints. If the recent experience of the National Conference is any indication, the reform of the LUA may take a number of years and the national housing programme cannot wait for that to happen.

e. The approach would be to follow, rather than try to lead, the current and historical land management processes in the respective states/cities. In other words going with the grain of established practice – rather than attempting to impose a system based on the formal land laws per se; working with, rather than against, the Land Use Act (such as the GEMS3 systematic land titling being promoted by the Presidential Technical Committee on Land Reform).[113]

5. Other models and approaches that should be researched and explored include:

   a. Federally supported Commercial/Investment Mortgages: for rental property at controlled rents for a prescribed period, to create a pool of public housing (as in Singapore).

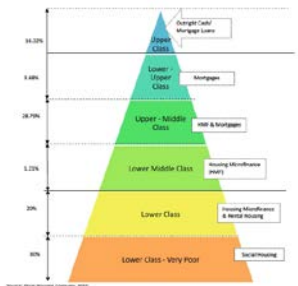
   b. Attract pensions and other long-term local funds in to affordable housing.

   c. Create shared-ownership structures between low-income earners and the FHA or other government housing providers. Rent-to-buy schemes are currently being mooted, but are yet to see the light of day in concrete terms.

7. Summary data

Category	Statistic	Year	Source
1. Population (mil)	178.5m	2014	http://esa.un.org/unpd/wup/CD-ROM/Default.aspx
2. GDP per capita	$3,010 ($5,683 PPP)	2013	http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators#
3. Gini coefficient	48.8	2010	http://data.worldbank.org/indicator/SI.POV.GINI
4. Percentage urbanized	43.5% (2010) 46.9% (2014) 52.1% of total 179.91m (2015	2010 2014 2015	http://esa.un.org/unpd/wup/CD-ROM/Default.aspx
5. Annual urbanization rate	1.86% annual rate of change (2010-15)	2014	http://esa.un.org/unpd/wup/CD-ROM/Default.aspx
6. Pop of capital city (MSA) as percentage of total country population	Using the 2015 projections, Abuja is 2.678m/1.5%. (Lagos/main city: 11.7m/13.3%)	2013	http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators# http://esa.un.org/unup/unup/index_panel2.html

[113] GEMS3: SLTR – Systematic Land Titling & Registration. http://gemsnigeria.com/working-with-gems3/

7.	Economy breakdown by industry (GDP composition)	Agriculture: 22% Industry: 19.6% Services: 58.4%	2013 (re-based)	http://www.mckinsey.com/insights/africa/nigerias_renewal_delivering_inclusive_growth
8.	Best estimates of housing shortages (mil)	16m (revised upwards to 17m by FGN) 14m 900,000 p.a. (gap in formal housing supply currently being met by informal housing – author's estimate)	2013 2010	http://www.boleat.com/materials/nigerian_financial_system_strategy_2020.pdf http://www.housingfinanceafrica.org/wp-content/uploads/2013/09/CAHF_smallpdf.pdf
9.	Housing accessibility pyramid (CAHF)			http://www.housingfinanceafrica.org/wp-content/uploads/2013/09/CAHF_smallpdf.pdf
10.	Size, m², typical 'middle-income' house			
11.	Dominant building material	Mud brick, cement block, zinc or aluminum sheet roofing	2010	Max Lock Consultancy Nigeria Ltd (2010) Kaduna: the Master Plan Reviewed 2010, Draft Report December 2010, London: MLC Press, University of Westminster.
12.	Percentage of land held in formal/ durable title	30%	2010	http://www.housingfinanceafrica.org/wp-content/uploads/2013/09/CAHF_smallpdf.pdf http://www.boleat.com/materials/nigerian_financial_system_strategy_2020.pdf
13.	Average number of days to register land	77	2013	http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators#
14.	Average mortgages % of GDP	0.5%	2013	[1] http://urban-africa-china.angonet.org/content/unleashing-housing-sector-nigeria-and-africa-keynote-speech-6th-global-housing-finance
15.	Average household size	4.6	2013	http://dhsprogram.com/Publications/Publication-Search.cfm?ctry_id=30&country=Nigeria
16.	Domestic stock market capitalization per capita	$112.4bn	2013	http://www.nse.com.ng/market_data-site/other-market-information-site/NSE%20Fact%20Sheet/Q2%20Fact%20Sheet%20-%202013.pdf
17.	Tenure mix percentages	Owners 52% Renting 39.8% Non owner rent free 8.2%	2008	http://www.housingfinanceafrica.org/wp-content/uploads/2013/09/CAHF_smallpdf.pdf

	(urban)			
18.	Price for a 50 kg bag of cement	$12	2014	http://www.vanguardngr.com/2014/04/cement-producers-petition-presidency-high-cost-commodity/
19.	Corruption index	25/100	2013	http://www.transparency.org/country#NGA
20.	Total volume of microfinance loans	$175m	2009	http://www.cenbank.org/OUT/PUBLICATIONS/REPORTS/DFD/2009/SECTORAL%20%20DISTRIBUTION%20OF%20SMEEIS%20INVESTMENTS,%20JUNE,%202009.PDF
21.	All inward remittance flows per capita	$20bn	2012	http://www.worldbank.org/globalfindex
22.	Colonial heritage	Independence in 1960 after more than 100 years of British colonial presence/domination		https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
23.	Age of constitution	15 years		https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
24.	Total mobile telephones in the country	113m	2012	https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
25.	Religious breakdown	Muslim 50%, Christian 40%, indigenous beliefs 10%	2010	https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html

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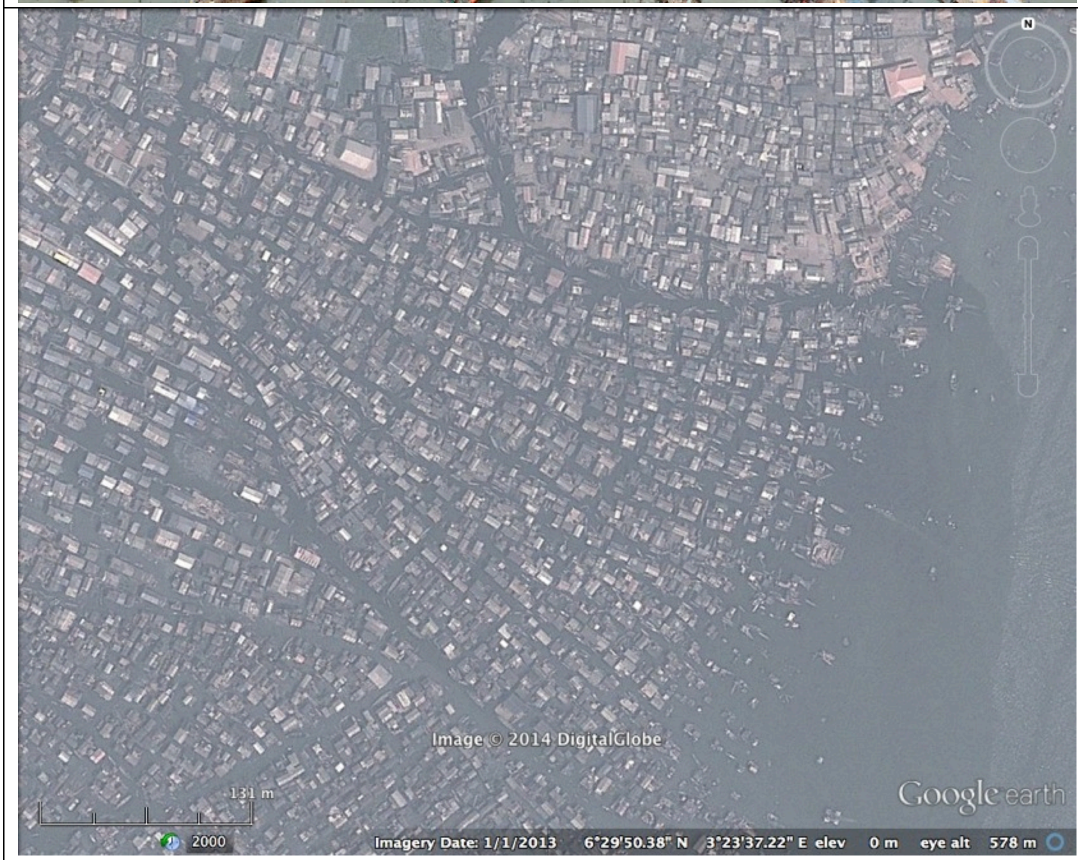
Appendix 1: Housing Typologies in Nigeria



Makoko, Lagos (‘floating slum’)

Ikeja, Lagos State: long house, tenement development on 50’ x 100’ lots (informal)

Central Ibadan (traditional, informal layout)

Eastern Ibadan (50’ x 100’ lots – informal)

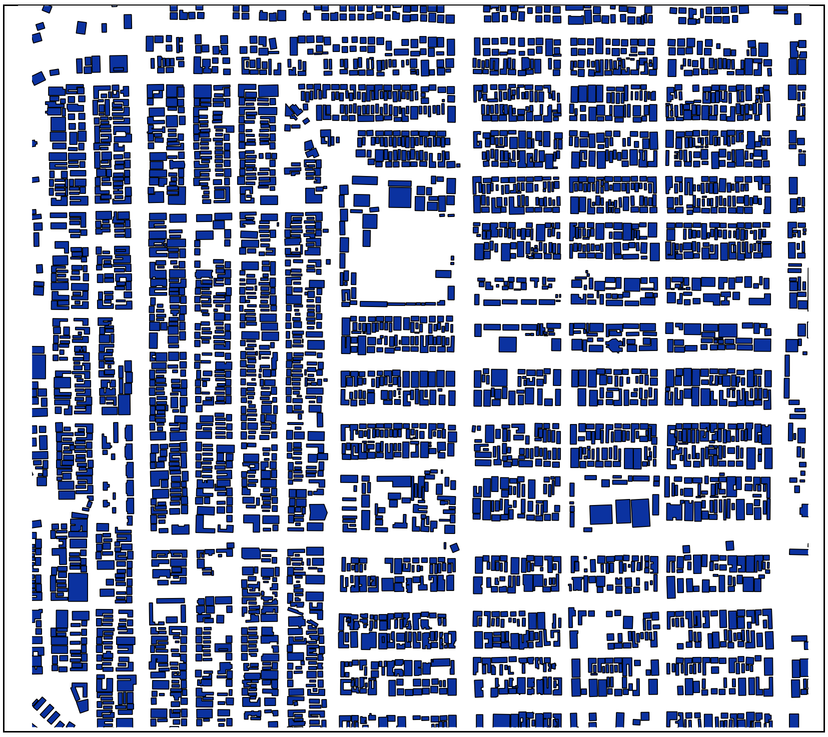
Greater Lagos, Ogun State (60’ x 120’ lots – informal)

Kano City: historic centre (traditional, informal layout)


High density, low income district, Kurna, Greater Kano (50’ x 100’ lots – informal)

Central Abuja: multi-storey condominiums (formal)

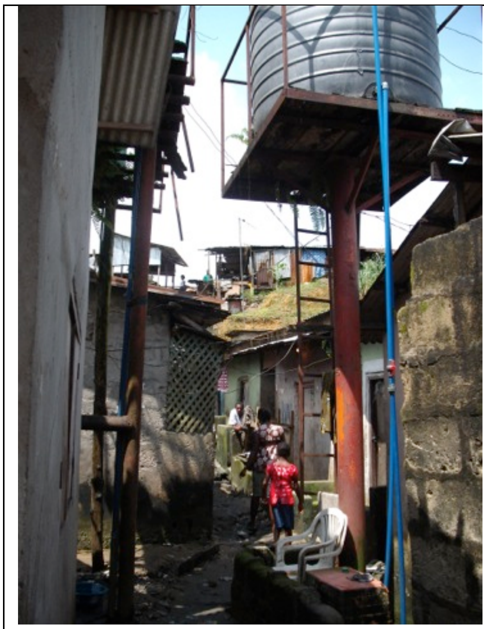
Kaduna – urban village (traditional, informal layout), lower middle income (50’ x 100’ lots – informal) and upper income (GRA – formal 100’ x 100’ lots) housing areas



Kaduna: Sabon Gari inner city low income settlement (50’ x 100’ lots – informal)

Kaduna: middle income informal settlement on the urban periphery


Port Harcourt: high density waterfront community




Port Harcourt waterfront: bore hole water supply and communal pit latrine

	
Very high density built-to-let single storey tenements: 650 rooms per ha and 5.3 persons per room = 3,445 persons per hectare.	High density development: 1150 persons per hectare.
	
Lower density: 10 houses or 250 persons per hectare	Typical 3 sq m room block with central access under construction

Port Harcourt informal waterfront developments

Appendix 2: A discussion of the Land Use Act

The debate over the LUA at the recent National Conference is instructive.

In essence, most people agree that the LUA is dysfunctional – it stifles the land market and it cannot be tweaked or reformed without all out constitutional review. One thought was to at least de-link it from the constitution, so that it could be independently reviewed.

A second agitation is that it was originally premised on the pre-existing land administration system in northern Nigeria (courtesy of Lord Lugard, et. Al.) and so blended with the Emirate legacy of indirect rule. However it went against the grain of land administration in the southern Nigeria, where land was held by families and communities, not an Emir. So the LUA, in addition to its other failings, has always been viewed as a north-leaning Act, and is resented as such south of the Niger-Benue valleys. In other words it has touchy, ethno-tribal undertones in addition to its other failings.

Ultimately however the view that prevailed at the conference was the fear that if the LUA were loosed from its current berth within the constitution 'land speculators' would grab all valuable land and an even worse inequity/inequality would result. An uncharitable interpretation of this decision is that the conference backed away from an issue considered too hot. However, in a sense it is a relief that they didn't attempt to pull apart such a key law, in such an overtly political gathering, rather than its revision being based on research and economic analysis.

A way forward?

The fears expressed by the conference are both reasonable and genuine. Pulling at the threads of the LUA and the land reform issue could potentially unravel urban and economic prospects and cause more harm than good. Whereas done more astutely, land reform could instead trigger economic growth on a massive scale for generations.

One approach to tackling the issue could be to; i) suggest or project what a post-LUA economic landscape could (or should) be, then ii) work back to what changes would be necessary to the LUA as it currently stands (policy review) and finally, iii) suggest a legislative/political-economic mechanism for achieving this (i.e. constitutional review, an institutional framework for land reform and the nuts and bolts of the transition process from LUA to LUA 2.0).

If people have a clear idea of what lies on the other side of LUA review, then the uncertainties and fears can be allayed and strategies can be put in place to ensure there is no opportunistic land-grabs or loss of control to moneyed interest groups.

Bottom line

Keep the LUA in place until we are clear what the alternative is, then change it in a sensible, measured manner. We anticipate that on this basis LUA review (land reform in Nigeria) is likely to be a 3 to 5 year process.

The complete text of a related article is included below for reference.

Members Finally Vote to Retain Land Use Act in Constitution

(http://www.thisdaylive.com/articles/members-finally-vote-to-retain-land-use-act-in-constitution/183187/).

10 Jul 2014

Deputy Chairman of the Conference, Prof. Bolaji Akinyemi

By Chuks Okocha and Onyebuchi Ezigbo

The National Conference yesterday resolved to retain the Land Use Act in the Nigerian Constitution, but with some necessary amendments to its content.

Debates on whether or not to abrogate the Land Use Act from the constitution became controversial when most delegates contributing their views on the report by the committee on Land Tenure Matters were divided along regional lines.

This led to the issue being put on hold and later referred to a consensus building committee of elders to try and find an amicable resolution to the disagreement.

However yesterday, the Deputy Chairman of the Conference, Prof. Bolaji Akinyemi, announced to the plenary that the issues around the Land Use Act have finally been resolved.

He said the consensus committee report had reconciled all differences in the debate on the Land Use Act and thus urged the delegates to approve it.

Akinyemi called for a motion for the formal adoption of the whole report, which was moved and adopted by the majority of the delegates through a voice vote.

While arriving at a consensus to retain the Land Use Act in the Nigerian constitution, delegates resolved that the Act be amended to take care of those concerns, especially on the issue of compensation as provided in Section 29(4) of the Act.

The amendment provides that owners of land should determine the price and value of their land and that government should henceforth negotiate with landowners and not just to compensate landowners.

It also resolved that the customary rights of occupancy in Section 21 of the Act be amended to ensure that it enjoys this same status as the statutory right of occupancy. It said the new measure would be extended to urban land.

In the same vein, Section 7 of the Land Act, which provided for the restriction on the right of persons under the age of 21 to be granted statutory right of occupancy is to be amended to allow the lowering of the age limit to 18 years.

According to the conference, since Child Rights Act had provided that persons who have attained the age of 18 can be considered as an adult.

In order to facilitate easy access to land titles, delegates called on governors to hasten the titling of land so that fees paid by landowners for Certificates of Occupancy should indemnify them from further taxation, when leveraging on their land.

Those who were advocating the abrogation of the Land Use Act from the constitution pointed to the difficult and cumbersome procedure in effecting needed amendments to the provisions of the Act.

For instance, the delegates said at present amendments on the Act would require in addition to the National Assembly approval, a concurrence of two-thirds of the State Houses of Assembly in the country.

Apart from decrying the injustice done to original land owners through the poor compensation paid by governments, they said only three per cent of land in Nigeria are titled.

Further arguments supporting radical amendments to the Land Use Act stated that there was an apparent lack of fluidity in the land market arising from the requirement that governors must give their consent for all land transfer transactions.

This group of delegates alleged that governors normally abuse the powers vested on them and allocate land arbitrarily without payment of adequate compensation.

However, most of the delegates who opposed the abrogation of the Act from the constitution had expressed fears of the likelihood that land speculators may use the opportunity of any loose end in the Act to take over poor peoples' land.

They said the proposed abrogation was a grand design of merchants to grab land at a cheap price and over time make such land more expensive for the poor to acquire.