

12-1990

The National Housing Policy by Federal Ministry of Works and Housing, Federal Republic of Nigeria February 1991

O. O. Akanji
Central Bank of Nigeria

Follow this and additional works at: <https://dc.cbn.gov.ng/efr>



Part of the [Business Commons](#), and the [Economics Commons](#)

Recommended Citation

Akanji, O. O. (1990). The National Housing Policy by Federal Ministry of Works and Housing Federal Republic of Nigeria, February 1991. CBN Economic and Financial Review. 28(4). 95-98.

This Book Review is brought to you for free and open access by CBN Institutional Repository. It has been accepted for inclusion in Economic and Financial Review by an authorized editor of CBN Institutional Repository. For more information, please contact dc@cbn.gov.ng.

THE NATIONAL HOUSING POLICY BY FEDERAL MINISTRY OF WORKS AND HOUSING FEDERAL REPUBLIC OF NIGERIA FEBRUARY, 1991.

The current housing problems, especially the increasing costs of building materials in the face of sharp declines in real disposable income since the 1980s, have made a review of the new National Housing Policy very pertinent.

The document being reviewed is a book of forty-eight pages divided into nine chapters, highlighting three basic areas, viz: Land Development, Financing and Building Materials. Chapter one introduces the need for the Federal Government to come up with the new policy while chapter two outlines the goals and objectives of the Housing Policy (see Annexure 1). Chapters 3, 4, 5, 6, 7 and 8 discuss the details of the strategies and the tools for achieving the goals and objectives, while chapter 9 states how the objectives will be monitored and evaluated.

Summary of the Document

The ultimate goal of the National Housing Policy as contained in the document is to ensure that all Nigerians own or have access to decent accommodation at affordable price by the year 2000 A.D. The policy strategies recommended for the implementation of the policies stress the need to adopt a decentralised housing delivery system with the active support and participation of the three tiers of government. While the main focus will be to encourage private ownership and development of residential properties, the government will be required to provide enabling environment for private sector initiatives. At the Federal level, the government shall initiate, define and coordinate policy options and instruments for achieving the objectives, while the actual implementation shall be undertaken by appropriate agencies at the Federal, State and Local Government levels.

At the state level, each state shall formulate its housing policies and programmes in line with the overall National Housing Policy. And at the local government level, the closest to the people, funds will be allocated to perform the following functions:

- (i) provide residential layout for low income housing through the Local Planning Authorities within its jurisdiction;
- (ii) assist in the formation of housing cooperatives;
- (iii) provide infrastructure through loans from the Infrastructure Development Fund;
- (iv) Maintain urban and rural infrastructure and be responsible for environmental sanitation;
- (v) determine the housing needs of the rural population; and
- (vi) upgrade existing residential areas in collaboration with State Governments.

Within the New Housing Policy, the land and settlement development policy is accommodated, the goal and objective of which is to ensure easy access to, and efficient utilization of land for public and private use and promote balanced regional development and growth. To achieve the goal and

objective of the policy, the constraints imposed by the existing Land Use Decree is to be examined under the Land and Settlement Development Policy.

There is also the Land Use Planning Development Control and Settlement Policy embedded within the Land and Settlement Development Policy. The policy is to promote balanced regional growth and development, in order to achieve a stable and conducive environment. The Federal, State and Local Governments shall therefore ensure the preparation of master/structure plans for all cities and major settlements by adopting the following strategies:

- (1) provide infrastructural facilities in layouts prior to allocation for development;
- (2) encourage estate developers and housing cooperatives to create and undertake development of residential layouts so as to make serviced plots readily available on specified terms and conditions;
- (3) require large scale developers and Government agencies throughout the country to submit Environmental Impact Statements for review by the appropriate Government agency prior to development approval;
- (4) coordinate the location of residential housing development with that of employment and public transportation network;
- (5) review the Town and Country Planning Ordinance, Cap 155 of 1946, in order to ensure efficient and orderly urban and rural development.

The centre-piece of the policy is *finance*. The National Policy reviews the present housing finance system and concludes that the present sources of credit for residential property development are inadequate. In particular, the credit operations of the Federal Mortgage Bank of Nigeria (FMBN) are quite inadequate to meet the demand, while only few alternatives exist for housing credit procurement from other sources. In order to increase the scope of operation of the FMBN, it is assigned the role of an apex institution which will work closely with a decentralized network of Building Societies, Housing Cooperatives, Housing Associations, Credit Unions and Saving Banks, forming the Second-tier at the grass root level. Within this structure, the Federal Mortgage Bank is to concentrate on wholesale mortgage lending to Primary Mortgage Institution which in turn will perform retail mortgage lending.

The strategies for effective mobilization of funds for housing finance will be centred around three areas, viz: voluntary schemes; mandatory schemes and Government budgetary allocations and financial transfers.

The voluntary schemes will encourage individuals to save and borrow at low interest rates to build or buy their houses. Government will introduce appropriate fiscal measures to protect the individuals assets and liabilities and stabilize their deposits through contractual savings scheme. Such contractual programmes will generate a financing scheme where the

guarantee of a future housing loan at low cost encourages personal savings at low deposit rates. Also under the voluntary schemes the Central Bank, through monetary policy guidelines, will encourage the banks to set up subsidiaries that would specialise in primary mortgage activities.

The mandatory scheme is geared towards workers earning ₦3,000 and above in both the public and private sectors of the economy. It is proposed that such workers shall be required to contribute 2.5 per cent of their monthly salaries to a housing fund. The contribution/savings will earn an interest of 4 per cent and such saving/contribution can be withdrawn as retirement benefit plus accrued interest at commercial rate, by contributors who for any reason could not utilise the Housing Loan facilities available under the scheme.

The Government budgetary allocation will be made at both the State and Federal Government levels, and a minimum of 2.5 per cent of their revenue should be allocated to the housing scheme. The Federal Government will create a fund which shall be called Infrastructure Development Fund (IDF) from which State and Local governments can borrow to provide basic infrastructural facilities.

Given the rising trend in the cost of building materials the policy has a goal to systematically develop appropriate capabilities to reduce construction cost and achieve self sufficiency in the production of basic building materials and components from local resources at affordable cost by the year 2000 A.D. It is suggested in the policy that the National Building Research Institute, in association with relevant State and Local Government Departments, should encourage the growth of cheap and locally sourced building materials to support rural housing.

The New National Housing Policy recognises the participation of the private sector. It states that both the formal and informal private sectors will be involved using about eleven strategies ranging between granting capital allowance on residential building to tax exemptions both for the lenders and corporate property developers. For instance, interest earnings on loans granted by financial institutions for residential purposes are exempted while some tax concessions are provided for companies if it is proved that a minimum of 50 per cent of their employees are paid rent allowance by the company.

The implementation of the new National Housing Policy by the three tiers of governments will be monitored in order to avoid the mistakes which plagued the past housing delivery system. To achieve this, the strategy is to create at the Federal level an independent body called National Council on Monitoring and Evaluation of Housing Policy. This body will be charged with the responsibility of monitoring and evaluating the progress made with the implementation of the Housing Policy. The council shall report to the National Council of States. A similar body will be established at the state level to advise the State Executive Council.

Comment

The new National Housing Policy which formally emerged after six years of preparation, has come out with a strategic approach to solve the Nigerian housing problem. The policy

recognises, in general terms, the need to reorganise the existing institutional framework for housing delivery, enlarge private sector participation in the housing sector and promote a greater reliance on the use of local building materials. The recognition given to the lack of finance as a major impediment to implementation and the adoption of a radical approach to tackle the problem are steps in the right direction.

The measure for mobilising fund is quite radical. All Nigerian workers will be involved. With the minimum wage for participation put at ₦3,000, no worker would likely be exempted, since the amount is equivalent to the new monthly minimum wage of ₦250. The contributions are fixed at 2½ per cent of the monthly salary and would be deducted at a deposit interest rate of 4 per cent to enable the apex bank – the Federal Mortgage Bank of Nigeria (FMBN) disburse it to building societies for on-lending to developers at an interest rate of less than one per cent.

The major concern about the new Housing Policy is the ambiguity and inconsistencies in the overall financial plans for the execution and implementation of the policy. For instance there is some apparent defects in the plans for the mobilisation of mortgage savings and loan administration, especially disbursement to applicants, and accessibility of the actual low-income earner to the funds, in view of their low level of contributions to the scheme. It is also not clear how the cost of deposit at 4 per cent will be paid when the market rate to be charged by FMBN will be at an interest rate of less than one per cent. It may also be difficult to set the appropriate terms of loan procurement and repayment due to the low level of individual savings habits.

From the guidelines the lowest paid worker will contribute only about ₦75 per annum to the funds, an amount which renders any practical hopes of securing a substantial loan virtually futile, particularly if the requirements for loans are eventually tied to the level of contribution or the ability to repay.

Secondly, there are some deterrent factors which has characterised the housing sector in the last few years. These are the high cost of building materials which have recorded tremendous increase since the adoption of Structural Adjustment Programme (SAP) in Nigeria. For example, the market price of steel rods rose from ₦730 per tonne in 1986 to ₦5,000 per tonne in 1990, and the price of cement rose from ₦16 per bag in 1986 to ₦55 per bag in December, 1990. These increasing costs may not make the housing scheme a reality in the short run as indicated (i.e. the year 2000 which is just 9 years from now).

Thirdly, the controversial Land Use Decree needs to be reviewed as the land tenure system still has an influence on the decree. There are some technical flaws in the law which have made the transfer of titles to land difficult, particularly in urban areas.

Finally, establishing small/medium size building societies may not be too encouraging without a constructive plan to evolve a cheap housing scheme. With the enormous cost of building a small residential house at today's price, only large corporate bodies who can pool their resources would be able to provide modern houses and industrial properties of com-

mercial values. By so doing economies of scale would be achieved, and it will be possible that individual members would retain some autonomy. Such corporate bodies, Insurance Companies or brokerage houses could have a share or investment trust option in the scheme.

Conclusion

In principle, the new National Housing Policy is quite laudable as it demonstrates concern for the plight of the poor. However, the implementation could be stalled, if constructive and efficient strategies failed to be adopted to tackle the issue

of financing. Care must be taken to manage the subsidy implied by the financing plans, guarantee institutional viability of the mortgage institutions, in addition to encouraging the support of the private sector.

MRS. O. O. AKANJI
Assistant Director
General Economic Statistics Office
Research Department.

ANNEXURE 1

Goals and Objectives of the New National Housing Policy

Goals

The ultimate goal of the National Housing Policy shall be to ensure that all Nigerians own or have access to decent housing accommodation at affordable cost by the year 2000 A.D.

Objectives

In order to achieve this goal, Government shall pursue the following policy objectives: –

- (i) Encourage and promote active participation in housing delivery by all tiers of government;
- (ii) Strengthen institutions within the system to render their operations more responsive to demand;
- (iii) Emphasise housing investments which satisfy basic needs;
- (iv) Encourage greater participation by the private sector in housing development.

To accomplish these objectives, the following strategies will be pursued: –

- (i) Establish appropriate institutional framework to facilitate effective planning in housing development;
- (ii) Restructure all existing public institutions involved in housing delivery at the Federal and State Government levels with a view to making them more effective and responsive to the needs of Nigerians;
- (iii) Revive existing laws and regulations such as the Land Use Decree, Planning Laws, etc., in order to facilitate housing delivery;
- (iv) Improve the finances and strengthen the executive capacity of local governments to enable them contribute more effectively in housing delivery;

- (v) Mobilize private sector participation in the provision of housing;
- (vi) Produce adequate cadastral and topographical maps to facilitate land use planning and administration;
- (vii) Produce and update Regional Development Plans and Urban and Rural Master Plans;
- (viii) Up-date low quality houses in urban areas as a step towards improving the quality of the environment;
- (ix) Provide sites and services to facilitate the home ownership and orderly urban and rural development;
- (x) Improve the quality of rural housing, rural infrastructures and environment;
- (xi) Restructure the Federal Mortgage Bank of Nigeria to serve as an apex housing finance institution;
- (xii) Mobilise savings through the establishment of a National Housing Fund (NHF);
- (xiii) Ensure continual flow of funds from various sources into the apex institution for on-lending to other mortgage institutions;
- (xiv) Encourage research into and promote the use of locally produced building materials as a means of reducing housing costs;
- (xv) Adopt functional design standards to reduce costs and enhance socio-cultural acceptability, safety and security;
- (xvi) Increase the quantity and improve the quality of man-power needed in the housing sector;
- (xvii) Utilize housing location as an instrument for a balanced population distribution in order to minimize associated problems of transportation and services;
- (xviii) Ensure the preparation of a National Housing Plan to spell out the details and strategies for achieving the objectives of the Housing Policy.