

CHALLENGES OF ACCESSING AFFORDABLE HOUSING BY LOW-INCOME CIVIL SERVANTS IN ABUJA, NIGERIA

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Abstract

The influx of civil servants into Abuja the Federal Capital Territory (FCT) of Nigeria has made housing a major challenge for the civil servants in FCT. Government was not fully prepared to combat the effect of such growth in population in the area of housing. Thus, accessing affordable housing for the teeming population, particularly the low –income civil servants has been a major challenge in Abuja. This study presents a part of a larger research work which is on-going that aims at examining affordability and accessibility of the housing for low-income civil servants' residents in the FCT, Abuja. At present, this study used a comprehensive literature to identify various challenges confronting the low-income civil servants in accessing affordable housing in Abuja. The study revealed that the low-income civil servants resident in Abuja could not access decent housing due to the unchecked population growth, negligence in the area of sustainability, lack of appropriate pricing mechanism, unproductive government regulations/policies on housing, poor procurement method, land acquisition problem and funding/payment constraint, which incredibly has a resultant effect on their performance and productivity. Based on these findings, the study concluded by recommending that government should intensifies effort on provision/delivery of sustainable affordable housing, adopt a workable pricing mechanism that can address the needs of this class of civil servants, simplify the procurement method by adopting E-procurement, allocate lands to low-income civil servants and channelled the deduction from source to their Pay point/National Housing Fund, and lastly government should adopt own a house with your rent approach in combating funding/payment challenges.

Keywords: *Abuja, affordable housing, challenges, civil servants, low-income*

Introduction

Housing is universally accepted as the second most important human need after food, it is more than shelter i.e. it is more than providing a roof over one's head Akinmoladun *et al* (2007). Also, Nubi (2000) stated that housing is also one of the best indicators of a person's standard of living, provides investment opportunities, offers shelter and privacy and enhances one's social and cultural status in the society. Housing is an important indicator of the physical, economic and social development of any nation, representing one of the most basic human needs Nicholas *et al* (2015). A house provides the 'necessary foundation' for every being to live during the social and physical actions Byrne *et al* (2007). As a unit of the environment, it has a profound influence on the health, efficiency, social behaviour, satisfaction and general welfare of the community Onibokun (1990). Housing provides a link between the physical development of a city, and its social and economic outcomes. The availability of decent housing for each family defines the level of development which the country has reached. This is because the social and economic wealth of the country can only co-exist with good housing Alao (2009).

National Bureau of Statistics (2017) reported that Nigeria has an approximate population of 197 million. However, the Federal Ministry of Power, Works and Housing (2017) reported a housing deficit of 17 million, despite the several housing policies the government have

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formulated. Past succeeding governments in Nigeria since independence had highlighted housing as a major priority. Unfortunately, Nigeria is yet to develop a vibrant mortgage market and houses continue to be provided through the tortuous traditional method of buying land and building over some years, which could be an individual's entire life time. In many cases such buildings are left uncompleted or individuals have to deplete their entire life savings in order to build a home Akeju (2007). After the World War II, the price of real estate market became more unstable because the economy of many countries has increased dramatically. Houses thus became 'more expensive' in many countries from the beginning of 21st century Haffner *et al* (2010). The gap between high-income and low-income group is so wide. Thus, for low-income group, to own a reasonably comfortable house is like day dreaming.

Although, there is no official definition of 'affordable housing' yet, however, there is a wide acceptable definition about the 'target group' of affordable housing that was defined by Wallace (1995) that if a family's total monthly cost is less than 30% of householder's income (United States life cost level), the affordable housing policy would be applicable. Different countries have difference affordable housing policies. For instance, in Canada and United States, local governments seem firmly committed to increasing the availability of affordable housing through a variety of innovative subsidy programs; In China, affordable housing involves the national construction program and it was organized by the real estate department of province government to provide a suitable housing environment for the low-income families. The development history of affordable housing showed that western countries and eastern countries are in different situations and cannot share the same policies. The affordable housing system development started very early in the U.S. and Europe, but in Asian countries, it started from the middle of 20th century. Some of the high developed countries and areas in Asia like Singapore and Hong Kong started their affordable housing project from 1950s, which seemed quite early in Asian area. In the recent decades, China government made very hard efforts to develop affordable housing for the low-income earners in order to keep the growth of society stable.

Abuja, the FCT of Nigeria has been described to be one of the fastest growing cities in Africa, with a census population of 776, 298 in 2006, and an approximate present population of 3.4 million NBS (2017), occupying approximately 8,000km², this has led to a massive over population, high cost of housing and the creation of squatter settlements and slums. Olanrewaju *et al* (2016) revealed that the increase in house prices has outpaced the income of individuals by a significant margin, leaving mostly the medium and lower-income groups out, because affordability and accessibility has become a serious problem. Previous studies such as Aribigbola (2008) revealed the lack of contribution of the housing policy due to the unaffordability of the houses to vast low income earners. Adedeji *et al* (2009) observed the low level of access to housing finance by low-income earners, although there are few interventions of private developers and cooperative societies. Olotuah *et al* (2009) in a critique of the past public sector housing policies in Nigeria iterated that the government have the wrong perception of housing needs of the low-income earners, who incidentally constitute the vast majority of urban dwellers. Ukwayi *et al* (2012) noted the increase in the fund mobilization by mortgage finance banks but they were done without proper government monitoring, thus, hindering its effectiveness and impacts.

Despite these previous studies, accessing affordable housing by low-income civil servants in Nigeria particularly Abuja is still a mirage. It is on this premise that this study becomes imperative with a view to identifying the challenges in accessing affordable housing by low-income civil servants in FCT, Abuja. It is believed that this study will provide a greater insight

to the challenges in accessing affordable housing, which will enable the policy makers to formulate policies that make affordable housing accessible to civil servants in Nigeria at large.

Literature Review

Overview of Global Housing Challenge

Shelter is a fundamental need and right of every citizen, but housing is more than shelter. Decent and affordable housing provides a platform for lots of things. These include: conducive environments for education for children, access to jobs for the adults, increase for economic prospects, epidemic and diseases control, crime and security measures Habitat for Humanity (2011). Housing has been a long term focus in urban developments, social and economic policy, some countries such as USA, Sweden, UK, have achieved tremendous feat in meeting the housing needs of their countries; while others still face huge deficit of housing shortage, substandard housing and slums. McKinsey Global Institute (2014) conducted a survey and found out that an estimated figure of 330 million urban households live in substandard housing and are equally stretched financially by housing costs, in the developing countries, 200 million live in slums, and these statistics will be worsening by 2025 based on the urban migration and income growth (1.6 billion people would occupy crowded, inadequate and unsafe housing and will be financially stretched).

The greatest challenge for fast growing cities is keeping pace with the demand for housing and services, the United Nation projects the next two decades, 90 percent of urbanization will take place in developing countries, whose total populations are expected to grow at an estimated figure of 70 million per annum. Despite the several private developers in the housing market, the economics of real estate has compelled developers to focus on upper or middle income households, and mortgage finance rarely extends to households with incomes below 60 percent of the local area median income.

Housing Provision in the FCT, Abuja

Abuja is located in the central part of Nigeria, lies at a latitude of 9° 07'N and longitude 7° 48'E It became the Federal Capital Territory (FCT) as the new administrative capital of Nigeria on the 12th December, 1991. It was established to battle the problems experienced with Lagos as the then capitals, problems like housing shortage, traffic congestion and overstressed infrastructure Muhammad *et al* (2015). The Abuja master plan envisaged a population of 3.2 million residents with a target year of 2000; however this population target was exceeded as a result of a population explosion before its development was completed. The city has witnessed a massive influx of people due to social, economic, and political factors Muhammad *et al* (2015). With less than 50% of the developmental plan achieved, the population of the city stands at an estimated figure of 5 Million NBS (2017). Within a span of twenty six years (1991-2017), the city has grown from 387,671 in 1991 to a projected figure of 4,984,381 in 2017 NBS (2017). With an estimated growth rate of 9.3% Elaigwu (2009). Abuja city is facing an acute housing shortage, compelled by the spontaneous relation of federal employees without adequate accommodation provision and the constant influx of people since 1991 Abubakar (2014).

The Federal Government was involved in the provision of houses, infrastructure and service, for instance, 22,000 housing units in phase 1 and 2, and the Gwarimpa Housing Estate were constructed. A dwindling allocation of funds has made the FCTA unable to develop the city to a level of accommodating the abnormal rate of population influx. As at December 2012; the FCTA had an existing infrastructure liability of over N420 billion as against the budgetary allocation of N50 billion Muhammad *et al* (2015). In an attempt to bridge the housing deficits and need in the city, the FCTA initiated the Mass Housing Scheme in the year 2000 under its

Public-Private Partnership (PPP) program. It focuses on creating an enabling environment for more active private sector participation, under this scheme, the government is to provide primary infrastructure and allocate land to private developers. In turn the private developers will provide the secondary and tertiary infrastructures, develop and sell completed houses to members of the general public Waziri and Roosli (2013).

Research Methods

This paper presents a part of a larger research work which is on-going that aims at examining affordability and accessibility of the housing for low income civil servants residents in the Federal Capital Territory, Abuja. The study area is restricted to Abuja because the vast majority of civil servants resident there cannot afford to pay their rents not to talk of buying the houses in the property market in Abuja Abubakar (2014). This has given rise to series of slums within Abuja metropolis. The research covers within the period of 1999-2018 being the era the country transits from military rule to democratic government. At present, this paper used a comprehensive review of literature to identify various challenges confronting the low-income civil servants in accessing affordable housing in Abuja.

Findings

Table 1 shows the challenges confronting the low-income civil servants in accessing affordable housing. It can be seen from Table 1 that 28 challenges were identified, which was categorised into six main categories. These include: population, sustainability, pricing mechanism, regulations/policies, procurement method, land acquisition, and funding/ payment. It is evident from the Table 1 that challenges associated with funding/ payment, followed by regulations/policies related challenges, and land acquisition issues respectively were prevalent challenges confronting the low-income civil servants in accessing affordable housing in major cities at large.

Table 1: Identified challenges in accessing affordable housing by low-income earners

Category	Challenges	Total
C01 Population	<ul style="list-style-type: none"> • Increase in population • High rate of urbanisation 	2
C02 Sustainability	<ul style="list-style-type: none"> • Poor consideration of sustainability in housing delivery • Substandard quality of housing units 	2
C03 Pricing mechanism	<ul style="list-style-type: none"> • Lack of appropriate pricing mechanisms • Unsustainable home price appreciation 	2
C04 Regulations/Policies	<ul style="list-style-type: none"> • Conflicting legal requirements • Harsh housing regulatory • Lack of effective implementations of the housing policies • Lack of continuity in government policies • Fragmented housing policies • Low compliance to regulatory and environmental laws • Duplication of roles between state and federal regulatory bodies 	7
C04 Method of Procurement	<ul style="list-style-type: none"> • Late delivery 	1
C05 Land acquisition	<ul style="list-style-type: none"> • Inefficient land market • Land acquisition uncertainty • Land ownership problems • Rising cost of land • Complex land acquisition process 	5
	<ul style="list-style-type: none"> • Lack of access to finance • Poor capital and budgetary allocation • Lack of access to long term funding for affordable housing • High costs in title and property registration 	

Category	Challenges	Total
C06 Funding/ Payment	<ul style="list-style-type: none"> • Lack of sufficient funding for developers • High interest rate on mortgage • Excessive down payment • Non-payment of housing loans • Increased Rent 	9
	Total	28

Below is a brief discussion on these identified challenges as depicted in table 1 above;

Population

Abuja before the advent of federal capital territory used to be a settlement of agrarian Gbagyi people. Abuja is located in the central part of Nigeria, lies at a latitude of 9° 07'N and longitude 7° 48'E It became the Federal Capital Territory (FCT) as the new administrative capital of Nigeria on the 12th December, 1991. It was established to battle the problems experienced with Lagos as the then capitals, problems like housing shortage, traffic congestion and overstressed infrastructure Muhammad *et al* (2015). The Abuja master plan envisaged a population of 3.2 million residents with a target year of 2000; however this population target was exceeded as a result of a population explosion before its development was completed. The city has witnessed a massive influx of people due to social, economic, and political factors Muhammad *et al* (2015). With less than 50% of the developmental plan achieved, the population of the city stands at an estimated figure of 5 Million NBS (2017), within a span of twenty six years (1991-2017), the city has grown from 387,671 in 1991 to a projected figure of 4,984,381 in 2017 (Muhammad *et ai.*2015, NBS (2017). With an estimated growth rate of 9.3% Elaigwu, (2009), Abuja city is facing an acute housing shortage, compelled by the spontaneous relation of federal employees without adequate accommodation provision and the constant influx of people since 1991 Abubakar (2014).

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Sustainability

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are imperative to facilitate an effective housing delivery process. Sustainability is necessary to satisfactorily meet the requirements of all citizens throughout their lifetime. Makinde (2014)

Pricing Mechanism

There are several factors responsible for high house prices. These include land allocation costs, the high cost of funding, the high cost of building materials (cement and steel), logistical challenges and the dearth of skilled artisans. The price of land is beyond the reach of most individuals and even where government partners with developers, the land allocation costs and charges make it impossible to deliver the housing units at an affordable price for the low-income market. The site and services land acquisition programme in Nigeria has not been as effective as planned. House prices in Nigeria are also a function of location of the property. Both sales and rental prices are higher in urban areas than rural areas. This is why most low-income housing is located in suburbs of major cities. However, as the cities expand, these suburbs soon become part of the cities. In the past 10 years, values of properties have generally been on the increase (15 % a year for both sales and rental) until 2008 and early 2009 when prices in the middle- and upper-income segment fell by 30 to 40 % depending on the location. Since then, they have stabilised around the crashed prices Timothy (2000).

Government Regulations/Policies

Frequent changes in government and its associated challenges militate against sustainable housing delivery in Nigeria. The Land Use Act of 1978 has become hindrance to making land accessible for housing. This issue has been responsible for the lengthy administrative procedure of securing the Certificate of Occupancy, the document that confers ownership of the land to the individual from the government. Also, the Act has not assured security of title, and cost remains prohibitive, while access to titled and registered land is problematic and burdensome. The levy problem on housing provision and development in Nigeria is huge. Value added tax (VAT), which is deducted at numerous stages of the building approval, adds as much as 30 % to the total cost of a house. This is exclusive of titling fees and stamp duties. This eventually places the sales price of the item beyond the reach of low-income recipients. Registering property and building approval is generally slow, burdensome and expensive. However, there has been some improvement since 2008 when the new reforms had led to a reduction in the time required to complete the process from 274 to 80 days. Makinde (2014)

Procurement Method

The bureaucracies associated with traditional tendering methods have created a very serious problem in housing delivery in Nigeria. The time it takes to complete the procurement cycle going by these analogue methods has made housing delivery cumbersome and delivered mostly behind scheduled time (late delivery). The flaws in the system and the probable litigation that may arise in the process all contributed to the challenge of accessing affordable housing by low-income civil servants.

Land Acquisition

The relatively small size of the land resource base coupled with its historical and current pattern of ownership presents a serious constraint to housing. At every focus group discussion held in the various communities, the high price of land was identified as one of the major constraint to housing production. Therefore, land availability problem appears to be critical and deserving of special consideration. In particular, the various policy makers will need to address the challenge of improving the supply of affordable housing given a small finite land resource base.

Consistent with the draft Land Use Policy, specific strategies and action plans relating to government's acquisition of available lands within communities will need to be examined in order to create housing land banks and consequentially focus on the needs of their residents. The acquisition of lands within communities for residential purposes should also be viewed within the sociological context of maintaining the community's cultural base Aribigbola (2008).

Funding/Payment

The Federal Mortgage Bank of Nigeria (FMBN) is the apex mortgage institution in Nigeria with a broad mandate as of linking the capital market with the housing markets, encouraging the emergence and promoting the growth of viable primary mortgage loan originators to serve the needs for housing delivery in Nigeria, mobilising domestic and foreign funds into the housing sector; collecting and administering the National Housing Fund (NHF) in accordance with the provisions of the NHF Act. The NHF, established in 1992, was aimed at addressing housing finance challenges in the low-income sector. It was formulated taking into consideration the housing demand gap and the difficulty of accessing finance Anugwom (2005) and Bichi (1997). Through commercial banks and other financial institutions, it was granted a take-off fund of N250 million (US\$1.7 m). Key objectives of the fund include ensuring the provision of housing units is based on realistic standards that house-owners can afford, giving priority to housing programmed designed to benefit the low-income group and encouraging every household to own its house through the provision of credit or funding Enuenwosu (1985); Akinlusi (2007); Nubi and Omirin (2007). The impact of FMBN is however not seriously felt by this class of civil servants. The Nigerian housing finance market is organised along informal and formal areas. The formal sub-division has two components: the upper-income groups, whose undertakings are located in the urban areas, and the lower-income groups which depend on the subsidised NHTF for access to housing. The informal area includes the rotating savings and loan associations, the traditional co-operative system, credit co-operatives and individual and family savings Okonkwo (1999) and Bichi (1997). Several factors make the environment for mortgage lending difficult, including the absence of clear property and security rights, mandatory governor's consent, high interest rates and inadequate sources of long-term funding. Generally, there is indication of decreasing activities in housing finance: the average share of gross domestic product (GDP) invested in housing dropped from 3.6 % in the 1970s to less than 1.7 % in the 1990s Pison Housing Company (2010). The insufficient resources and capital base of most primary mortgages limits their ability to deliver needed finance to meet housing demand Okonkwo (1999).

Conclusions

Accessing affordable housing for the teeming population, particularly the low –income civil servants has been a major challenge in Abuja. This study presents a part of a larger research work which is on-going that aimed at examining affordability and accessibility of the housing for low income civil servants residents in the FCT, Abuja. At present, this study used a comprehensive literature to identify various challenges confronting the low-income civil servants in accessing affordable housing. The study identified 28 challenges that were categorised into six major categories to include: population, sustainability, pricing mechanism, regulations/policies, method of procurement, land acquisition, and funding/payment. Out of these categories, challenges associated with funding/payment, regulations/policies, and land acquisition issues respectively were prevalent challenges confronting the low-income civil servants in accessing affordable housing in most of the cities in the developing countries at large. Based on these study findings, the study concluded by recommending that government should intensifies effort on provision/delivery of sustainable affordable housing, adopt a

workable pricing mechanism that can address the needs of this class of civil servants, simplify the procurement method by adopting E-procurement, allocate lands to low-income civil servants and channeled the deduction from source to their Pay point/National Housing Fund and lastly, government should adopt own a house with your rent approach in combating funding/payment challenge while allocating houses to civil servants in dare need. If this is done by the three tiers of government comprising federal, state and local government in Nigeria it will enable the low income civil servants have access to affordable housing, particularly in major cities.

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