

## Factors Militating Against Federal Government of Nigeria's Affordable Housing Delivery Programme

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### ABSTRACT

The housing unit deficit has been a problem for a long time in Nigeria. Successive governments have tried different methods aimed at providing affordable housing for Nigerians. In this study, the authors examine efforts by President Mohammed Buhari to provide decent and affordable housing to Nigerians during his administration, 2015 – 2023. Also evaluated was the degree of success of the president's poverty alleviation programme and job creation scheme for Nigerian youths. The study used secondary data. The specific objective was to analyse the extent to which the president has tackled the housing unit deficit through the following programmes: National Housing Programme (NHP), Family Home Fund Limited (FHF), and National Housing Fund (NHF). Relevant literature was reviewed. The findings revealed that the present administration established the FHF in 2017, and the sum of N1.5 trillion was invested into it, with the mandate to build 500,000 housing units yearly and create 1.5 million jobs, among others. The target audience could not afford to pay for the houses due to their high price. Despite heavy investment of funds, the programme failed due to poor management and corruption. The study recommended that the federal government partner with the private sector to provide mass affordable housing units. Only people with proven integrity and experience in social housing delivery should be appointed to head home ownership schemes in the future.

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### 1. Introduction

Housing is one of the necessities of life. It is ranked next to food and clothing. One of the characteristics of housing is that it is capital-intensive. Due to the capitalist nature of the industry, most people, especially small- and medium-income earners, need help to own a house of their own. Hence, most governments in developed and developing countries always intervene in the housing market. The interventions usually take the form of standard setting, rules, and regulations within which the market should operate; others include providing credit facilities to market participants and direct participation in the mass construction of housing units (otherwise known as social or affordable housing) by governments.

Nigeria is not an exception to this practice as most successive governments in Nigeria have always intervened in the housing market by introducing what is known in different quarters as social housing, mass housing or affordable housing. Despite various government efforts to provide affordable and adequate housing units, the sector's deficit has been increasing. This is the challenge inherited by President Mohammed Buhari's administration. The extent of success to which the various programmes initiated by the

Buhari Government between 2015 and 2023 aimed at addressing the problems were evaluated. Factors responsible for success and failures were identified, and solutions were offered. This study is important when viewed against the background that an average worker's dream is to own a house, which he will retire to at the end of an active working life. The desire to own a house is, however, inhibited by the capital nature of the housing industry. It costs between N10,000,000 (Ten Million Naira) and N15,000,000.00 (Fifteen Million Naira) to construct a three (3) bedroom bungalow in Nigeria, depending on the site and costs of land in the area.

Nigeria's minimum wage (or salary of the least paid worker) as of today, 2023, is N360,000.00 (Three Hundred and Sixty Thousand Naira) per annum. The income of an average worker, when compared to the huge cost of constructing housing units, makes the desire to own a house by an average income earner a tall dream. It implies that many people will only own a house for their legitimate income.

According to a World Bank study, the housing deficit in Nigeria stood at 22 million units as of December 2022. It will cost about N56 trillion to bridge the housing unit's deficit. This underscores the huge investment opportunities available in the housing industry. Adequate investment in the housing sector can place the Nigerian economy on sustainable economic growth and development.

Several studies have been conducted in the area of housing in Nigeria. Most of the research was on housing programmes in the country and the sources of funds to finance such programmes. To the best of the author's knowledge, none of the studies has examined efforts made by the federal government of Nigeria. President Mohammed Buhari's 8 years in Office, 2015 to 2023, to address the shortage of housing units in the country. The general objective of the study is to evaluate factors militating against the federal government of Nigeria's affordable housing delivery programme, while the specific objectives are to:

- i. Outline the programmes introduced by the immediate past president of Nigeria to solve the housing unit's deficit
- ii. Evaluate the success rate of the programmes
- iii. Identify the factors that militated against the success of the programmes

This study is underpinned by the finance-based theory. Renaud (1987) posits "that the sources of funding and financing determine housing production and situations, especially their visual appearances."

Housing ownership has been an issue beyond Nigeria's small and middle-income earners. The focus of this research is to assess the success and failures of the two programmes:

- i. The National Housing Programme (NHP)
- ii. The Buhari administration established the Family Home Fund (FHF) to solve the acute housing shortage in Nigeria

Also, to identify the factor(s), if any, that militated against the success of these programmes

## 2. Literature Review

### 2.1 Theoretical Review

There are several housing theories, among which are convergence theory, investment-based theory, finance-based theory, and urban spatial theory. Convergence theory states that as nations move from the level of pre-industrialization to that of industrial nations, they begin to converge. The countries start behaving similarly regarding housing patterns, economic activities, culture, social values, societal values, and norms and values.

Finance-based theory, on the other hand, states that sources of funding and financing determine housing production and pattern. The theory enumerated three different ways in which the production of housing is categorised. Informal financing is first in the category. According to Renaud (1987), this source relies on small, localised, friendly, and irregular sources of income.

The second group is the bank finance project. Under this scheme, building houses take a short time to complete. Experienced and professional developers undertake the construction.

The third housing finance model under this theory is the state financing model. Usually, it takes the form of either the state or federal government acquiring a large span of land in the cities or adjoining towns where uniformed houses are built. The houses are then sold to workers at subsidised prices. Payment for the houses by the occupants is then spread over a long period, and a deduction is made on the workers' salary on an instalment basis. This relieves the workers of the burden of the one-time lump sum to acquire land, materials, and labour needed in the housing industry.

### 2.2 Empirical Review

The housing deficit has challenged modern-day governments worldwide, including Nigeria. According to Adenikunju (2019), about 900 million people worldwide live in slums. Access to adequate water and sanitation is needed. This means the word housing does not refer to the physical building alone. Rather, housing includes the environment and amenities such as clean water, light, access roads, etc. Hence, research has found that people who live in decent housing have improved production capacity.

The Buhari administration inherited a housing unit deficit of 17 million units as of 2015 when it came to power. The administration adopted a three-measure approach to tackle the challenge. These include:

i. National Housing Programme

The first step was the introduction of the national housing programme under the supervision of the Federal Ministry of Works and Housing. The National Housing programme is a nationwide initiative of the president aimed at providing affordable housing to Nigerians, thereby alleviating poverty, and providing employment.

Federal Ministry of Works and Housing (2020) opines, "As part of President Muhammed Buhari's development agenda of addressing the Housing challenge in Nigeria, the Federal Government inaugurated a pragmatic National Housing Programme for the construction of acceptable, accessible and affordable houses nationwide". Immediately after its inauguration in 2016, the programme commenced in 34 states of the Federation, including Abuja and the Federal Capital Territory (FCT), with primary attention on state capitals. The national housing programme is administered by an implementation committee headed by the Head of the Department of Public Building and Housing Development (PBHD), with members drawn from different service departments with the Ministry of Works Housing.

The President has done a lot in housing for low- and medium-income earners, social housing, and affordable housing. NAN (2022) argues that "the NHP is the housing component of the President Muhammu Buhari Economic Sustainability Plan to deliver affordable housing and millions of jobs for Nigerians. The programme seeks to construct 300,000 houses across the 36 states and the Federal Capital Territory (FCT) for low-income earners and create up to 1.8 million jobs in the construction Value Chain. It is also designed to increase domestic production of construction materials through the economics of scale and increase access to homeownership for low-income earners through reduced house costs and alternative financing options.

Anyanwu (2022) asserted that on April 7, 2022, as part of the flag-off of the National Housing Programme, the Federal government commission completed 350 housing units in the Fagge Local Government Area of Kano State. Adedeji (2022) opines that the Buhari administration, through the National Housing Programme, has created over 15,000 direct and 50,000 indirect jobs since its inception. In addition, he added that the Ministry of Works and Housing is currently undertaking the construction of over 6000 housing units in 45 sites, out of which 2,665 units have been completed in 35 States and the Federal Capital Territory. From the above analysis, it is logical to conclude that the Buhari administration has touched lives in a different sphere.

### 3. Methodology

Primary and secondary data were sourced for the study. Experienced professional estate developers and mortgage bankers were interviewed. The authors' personal experiences complemented their responses. Books and journal articles on housing were collated, classified, and analysed.

### 4. Results and Discussion

#### 4.1 National Housing Programme (NHP)

The programme was inaugurated in 2016, a year after the new administration of Buhari came into power. It was part of the federal government's strategy to address the 17 million housing unit shortage inherited upon assumption of office in 2015. Among the objectives of the scheme were to:

- i. Provide access to homeownership to Nigerians through rental schemes
- ii. Facilitate the provision of adequate and affordable housing for Nigerians in both Urban and rural areas

As laudable as these objectives are, to what extent have they been achieved? The program's success could be accessed using two parameters: the price of the housing units and the quantity of the units constructed.

At inception, the Federal Government of Nigeria (FBN) offered the following prices to Nigerians:

Size of House	Price Offered
1 Bedroom Bungalow	NGN 2,000,000.00
2 Bedroom Bungalow	NGN 2,750,000.00

3 Bedroom Bungalow NGN 3,500,000.00

On completion of some of the houses, FGN offered them for sale at very high prices as follows:

Size of House	Price Offered
1 Bedroom Bungalow	NGN 9,300,000.00
2 Bedroom Bungalow	NGN 12,400,000.00
3 Bedroom Bungalow	NGN 16,500,000.00

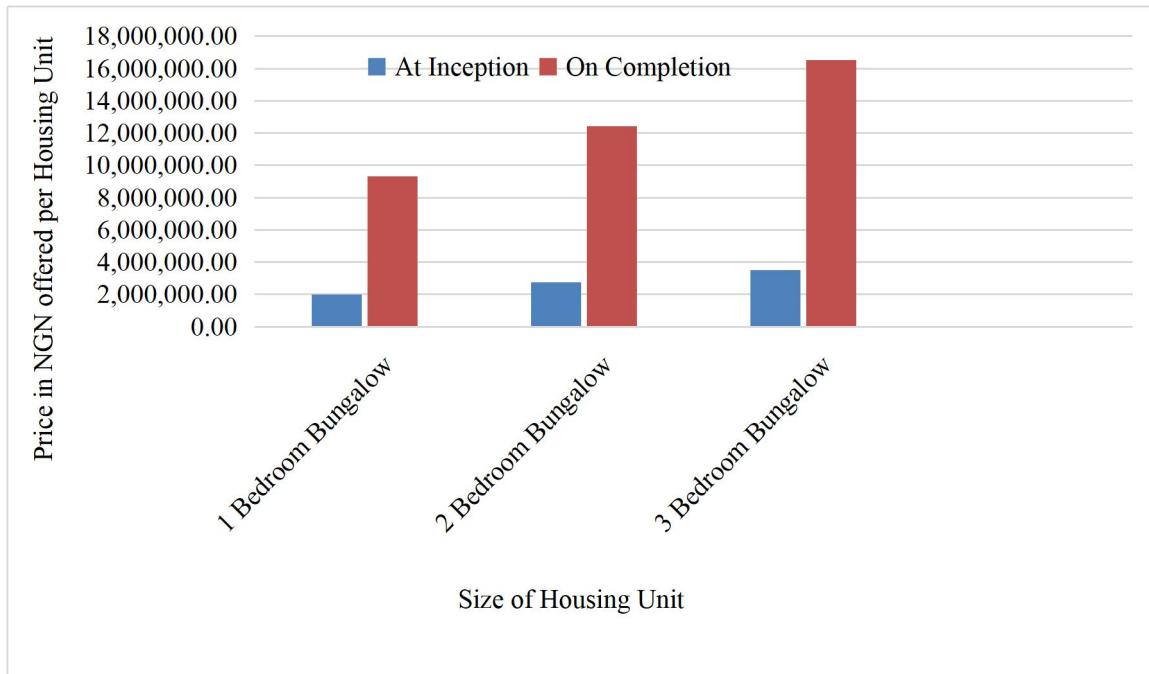


Figure 1. Prices Offered at Inception Versus Prices Offered at Completion

Model Specification

$$x = x'/n$$

Where:

$x$  = minimum wage per month

$x'$  = annual salary of low-income earner

$n$  = number of months in a year

Having established the salary of the low-income earner, let us apply it to the repayment plan of the houses.

Let us illustrate this using the 1 1-bedroom bungalow, which costs NGN 9,300,000.00.

Let us assume the worker has several years of service before retirement to be 20 years.

The worker is equally expected to make a 20% down payment on the value of the housing unit.

This means the monthly repayment for the 1 Bedroom Bungalow apartment will be as follows:

Housing Units Price NGN 9,300,000.00

Less down payment (9,300,000.00 x 0.2%) -NGN 1,860,000.00

NGN 7,440,000.00

The sum of NGN 7,440,000.00 will then be spread (monthly) for 20 years as follows:

NGN 7,440,000.00 / (12 x 20)

NGN 7,440,000.00 / 240

NGN 31,000.00

Therefore, monthly repayment for the Housing unit = NGN 31,000.00

The minimum monthly salary of a Nigeria worker NGN 30,000.00

Less mortgage repayment	NGN 31,000.00
Balance - negative	(NGN 1,000.00)

From the above analysis, the low-income earners cannot afford to pay for the houses under the national Housing programme. While the monthly repayment is NGN 31,000.00, the salaries for low-income workers are NGN 30,000.00 per month. Such a person can only use some of his income to service a programme. Secondly, low-income earners need help to afford the down payment of NGN 1,860,000.00.

The policy implication is that the NHP did not serve/meet the target audience's needs. Adedeji (2022) asserted that only 2665 housing units were built out of the expected 3000,000 units during the period. The level of achievement could be computed as follows:

2,665 / 300,000
0.008883
or in percentage
0.008883 x 100
0.89 %

It translates to 0.89 per cent, less than 1 per cent. This is an indication of the total failure of the programme.

#### *4.2 Family Home Funds Ltd.*

A further step taken by the federal government of Nigeria to reduce the housing unit deficit was the establishment of a corporate entity called Family Home Funds Limited. The entity was given the mandate to build 500,000 housing units across the country and to create 1,500,000 new jobs. To achieve the task, the company was given the sum of 1.5 trillion Naira. The company was registered in 2017 and commenced operations in 2018 as an acclaimed Africa's largest housing fund focused on affordable homes for Nigerians on a low income. The study revealed that the company failed to deliver on its mandate.

An official bulletin of family homes funds known as Devex stated the purpose of the company as follows: "Family Homes Fund Ltd (FHF) registered in 2017 and commencing operations in 2018, the Family Homes Funds is Sub-Saharan Africa's largest housing fund focused on affordable homes for Nigerians on a low income. It is a social housing initiative promoted by the Federal Government of Nigeria as part of its social intervention with initial shareholding by the Federal Ministry of Finance and the Nigeria Sovereign Investment Authority.

Over the next 4years, the company aims to invest up to N1.3 trillion (US\$3bn) in the development of 500,000 homes for people on a low income. In the process, the company also aims to create up to 1,500,000 jobs and enable homeownership through its creative products".

If the scheme had been properly managed, housing deficits would have been reduced by 2,000,000 units within the four years. Instead of the shortage of houses reduced, it increased from 17,000,000 at the inception of the administration in 2015 to 22,000,000 units by December 2022, when the administration was preparing to leave office. The researchers found that out of the 500,000 houses expected to be constructed yearly, only 13,000 houses were built, which translates to 2.6 per cent. This finding is in line with the findings of Ekpenyong (2022).

The authors identified the following as the causes of failure of the programme:

i. Non-investment in the private sector

It has been argued that all past and present administrations, including the family homes fund, were unable to deliver on their mandate due to failure to partner with the private sector in housing development.

ii. Gross incompetence

Another reason adduced for the failure of the programme is the gross incompetence of the managing directors, MD. It was observed that under the watch of the two MDs and Ministers of the 500,000 housing units, as promised by the federal government, only 13,000 houses are allegedly built, representing only two point six per cent (2.6%) of their given mandate. It is argued that Nigeria contributes about 40 per cent of the housing deficit in Africa. This is partly due to the failure of the Family Homes Funds Ltd.

iii. Corruption

It is argued that corruption has affected every facet of Nigeria, especially the housing sector, as demonstrated in the Family Homes Funds, which was thought to bring Nigeria out of the housing

deficit. The failure in the housing sector is not due to the president's inability to provide adequately for the housing sector but due to the incompetence of those put in charge of the Family Home Funds and other myriad problems.

### 5. Conclusion

Every rational man wants to own a house of his own due to the usefulness of a house. However, it costs between N5 million and N8 million to construct an average three-bedroom bungalow in Nigeria. Such an amount is beyond the reach of low-income earners. The minimum wage in Nigeria is N360,000.00 (Three hundred and sixty thousand Naira only) per annum. Therefore, the low-income earner will need more money to build a house throughout the 35 years of working life. To mitigate these problems, the government usually embark on the construction of social housing for people with low incomes. This informed the President of the huge investment in the housing sector.

Despite the huge investment in the real estate market by the Buhari administration, the shortage of dwelling homes has increased from 17 million units in 2015 to 22 million units in 2022. The president's good intention to alleviate poverty and create jobs for the teeming Nigerian youth was frustrated by poor government policy, gross incompetence of those appointed to manage the various programmes and endemic corruption in the system. Out of the three programmes targeted at solving the housing deficit, two (National Housing Programme and National Housing Fund) were successful. It is only the Family Home Fund Limited that failed to achieve the objective of its establishment.

In advanced economies like the United States of America and Australia, the real estate sector is the engine of growth. It contributes a greater percentage to the country's gross domestic product (GDP) and creates millions of jobs. On the other hand, the hand the real estate sector in Nigeria is still underdeveloped. It contributes less than 7 per cent to the GDP and employs less than 2 per cent of the workforce. An increased effort to sustain the Buhari legacy in the housing sector will lead to a substantial decrease in the housing unit deficit and create millions of jobs for Nigerian youths.

### 6. Recommendation

The following recommendations, if implemented, will place the housing industry in Nigeria on the path of sustainable economic growth:

- i. The Family Home Fund Limited should be scrapped.
- ii. The federal government should partner with the private sector in the construction of decent and affordable houses.
- iii. Only people with proven integrity and experience in real estate development should be appointed to head housing programmes in the future.
- iv. The government should make a deliberate effort to bring down the prices of building materials by granting tax incentives to investors in the industry.
- v. The Indians should be invited to train Nigerians and manage the real estate industry in Nigeria for ten years.

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