

**DETERMINING THE INDIVIDUAL SIGNIFICANT CONTRIBUTION OF PUBLIC AND PRIVATE SECTOR IN HOUSING DELIVERY IN NIGERIA****Ogunbayo B.F<sup>1</sup>, Alagbe O.A<sup>2\*</sup>, Ajao A.M<sup>1</sup> and Ogundipe, E.K<sup>1</sup>**<sup>1</sup>*Department of Building Technology, Covenant University, Ota, Nigeria*<sup>2</sup>*Department of Architecture, Covenant University, Ota, Nigeria*

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**ABSTRACT:** *One of the greatest challenge confronting both rural and urban residents in Nigeria is the need to provide adequate shelter. This study examined the individual significant contribution of the public and private sector in public-private partnerships (PPP) in housing contracts in Ogun State, Nigeria. A field survey was conducted in government ministries (public sector) and some selected professionals (private sector) within the study area. Information gathered from both primary and secondary data was used to determine the significant contribution of the public and private sector in housing delivery. Questionnaires were distributed through systematic sampling method to 58 respondents in both private and public sector participating in PPP housing production in the study area. Result showed that the significant contribution of the public sector in PPP housing provision in Nigeria is the provision of land while the private sector contributes significantly high percentage of finance, manpower and technical support. The study recommended that for successful implementation of PPP housing projects, all tiers of government must strive to complement the weaknesses of the public sector with the strengths of the private sector. Furthermore, since the private sector provides bulk of the finance for PPP housing projects, government should provide a more conducive economic environment to attract more private sector investors.*

**KEYWORDS:** Housing, Public-Private Partnership (PPP), Systematic Sampling Method, Nigeria

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**INTRODUCTION**

The need to provide adequate and affordable housing for the ever-increasing population of Nigerians is an enormous and challenging task for the private and public sector alike. It suggests therefore that the demand for housing in Nigeria is high relative to the supply. The discourse about housing provision, both nationally and locally is a complex subject with various reasons adduced. For instance, housing ranks amongst the largest industries in most nations but unfortunately, it is one of the most underdeveloped in terms of capital assets and amount of periodical production. Besides, housing was identified to be the single largest family expenditure (Agbola, 2007), yet several households are incapacitated concerning the process under which housing units can be owned. Literally, housing is defined as buildings in which people live. It is also one of the basic requirements of human needs alongside food and clothing. Thus, housing connotes different meanings to different people (Nubi, 2003). He noted that housing simply means shelter to most groups, while others perceive it as one of the best indicators of a person's standard of living and his or her place in the society. Deductively, housing represents a fundamental constituent in the socio-economic framework of a nation. Furthermore, Onibokun (1998) identified housing as a unit of the environment. He identified a strong correlation between housing and the health, efficiency, social behaviour, satisfaction and general welfare of the community. Therefore, the significance of exploring processes to

provide affordable and adequate public housing to the teeming population of a country cannot be over emphasized.

In most developing countries, public housing provision was largely dependent on the public sector (government) provider approach. In recent times, important changes were introduced in the housing sector as a result of the apparent failure of the public sector-provider approach scheme (Shen, 2006). Thus, the private sector was saddled with the responsibility for public housing provision through Public-Private Partnerships (PPPs). PPP in housing project as noted by Shen (2006) is an effective approach to enhancing project productivity by bringing in management efficiency and creative skill from private business practices. It also reduces public sector (government) participation in provision of public services by using private sector driven organizations. PPP in housing projects bring on board the organization and financial expertise of the private sector in ensuring corporate development and well-being of the society. Aside from the vital role that PPPs play in the conceptual aspect of such relationship, they are also strategic in financing infrastructural developments globally due to the fact that public sector alone cannot muster sufficient resources to meet the needs. Despite the volumes of literature on the plausible impact of PPPs on projects, there is dearth of literature on specific significant individual contribution of the private and public sector in PPP housing projects. Therefore, the main objective of this study is to determine the individual significant contribution that the private and public sector respectively bring on board in PPP housing projects in Nigeria.

## **LITERATURE/THEORETICAL UNDERPINNING**

### **Review of Housing Situation in Nigeria**

Various researchers have proffered methods for improving housing delivery in Nigeria. Olugbenga and Adekemi (2013) suggested adoption of the co-operative housing system; Oduwaye (1998) advocated for simple land allocation system while affordable financing model was suggested by Omole (2001). These suggested methods arose as a result of apparent failure of public sector-provider approach as encapsulated in the various national housing plans.

In the provision of affordable housing in Nigeria, diverse attempts were made by the government in providing good and affordable housing. The First National Housing Plan of 1962 - 1968 was the first official intervention made by the government to provide public housing. The plan focused more on providing accommodation for government staff in the capitals of the existing regions (Northern, Western, Mid-Western and Eastern Regions) and Lagos. It accorded less importance to housing provision for both low and high income earners. The scheme recorded low percentage achievement. The period between 1970 – 1974 witnessed the Second National Housing Plan targeted at construction of 60,000 housing units across the then Federation of 12 States including Abuja. 15,000 units were proposed to be built in Lagos while 4,000 units were to be built in each of the remaining State capitals including Abuja. Thus, the Federal Housing Authority (FHA) was established to coordinate the implementation of the housing programmes nationwide. At the end of this second attempt, there was a marginal improvement on the number of available housing stock. The Third National Housing Plan was active between the period 1975 – 1980. It involved direct involvement of government in public housing provision with 202,000 housing proposed to be built nationwide. Lagos State had a lion share of 50,000 units while 8,000 units were proposed to be built in each of the remaining 19 States. At the end of the period, only 28,500 (15%) housing units were delivered. In the

framework of the Fourth National Development Plan of 1984 – 1995 according to Ademiluyi (2010), the Federal Government intended to construct about 2,000 housing unit annually in each State as well as the construction of another 143,000 low–cost housing units across the country. Between 1990 and 1992, such measures were continued during which time the Federal Government intensified its housing provision through sites and services scheme to solve the issue of inadequate urban housing. The New National Housing and Urban Development Policy (NHUDP) enacted in 2002 as observed by Aribigbola (2008) was drawn based on the Global Strategy for Shelter for the Year 2000 (UNCHS, 1992) and Enabling Markets to Work (World Bank, 1993), which seeks to ensure that all Nigerians have liberty to safe, sanitary and decent housing at an affordable cost through private sector-led initiatives.

Despite the laudable objectives of the different public housing interventions by government, Nigerians still experience shortfall in housing supply both qualitatively and quantitatively (Makinde, 2014). This is understandably so because Nigeria is perhaps the fastest urbanising country in the Africa continent (Ezeigwe, 2015). Due to better opportunities in the towns and cities, they have become the preferred choice for more Nigerians escalating the influx of people from the rural to urban areas. To avert this situation, Raji (2008) suggested that the resulting social economic, environmental and political challenges needs to be immediately tackled (Raji, 2008). The need to act urgently is further reinforced by the following findings; Nigerian’s existing housing stock is 23 per 1000 inhabitants (Mabogunje, 2002); housing deficit has grown from 7 million in 1991 to between 12 to 15 million units in 2008 (Alitheia Capital, 2012); while it will require 49 trillion naira to finance the housing deficit . This is eight times the 2016 annual national budget of Nigeria.

Another major challenge hindering affordable housing provision is general prices and rents of homes, which have grown ahead of general inflation rate of 12.8%. Nubi (2008) affirmed that the composition of homes for sale and rent on the market has been inexorably shifting towards very expensive home.

In the light of the above, curtailing the effect of ever increasing cost of housing construction makes it imperative for stakeholders to partner with other parties to be able to access funds; one of such methods is public-private partnership.

### **Rationale for Public Private Partnership in Housing Delivery**

In Nigeria, housing development is largely private sector driven. In fact, substantial amount of housing stock in the country were provided through private sector contributions. For instance, Alitheia Capital (2012) estimated that 90% of 10.7 million housing units available in Nigeria were self-built with little or no mortgage attachments. Thus, the private sector housing delivery consists of the individuals which provide their houses through incremental housing process and corporate organizations which provide theirs majorly through lump sum or other planned major ways that could facilitate there housing production as an organised sector. The private sector, according to Henshaw (2010) provide house for their direct use, their staff use, and for rental or sale. It is observed that the production of housing by the private sector has been more efficient than the public sector. In the midst of increasing disparity between the demand and supply of housing, it suggest therefore that the role of the public sector will be to create an enabling environment for the private sector to lead the way in the provision of pubic housing. This is because the private sector has the finance and good administrative capacity required in the provision of safe and decent housing at perhaps affordable cost. Furthermore, the global recognition accorded PPP as an alternative to government-provider approach is based on the

notion that it promotes multiple stakeholders' participation in the provision of critical infrastructure (Pessoa, 2006). It leads to a reduction in governments' expenditure (Jamali, 2004) and encourages efficient use of resources for improved service delivery at an affordable cost (Klijn and Koppenjan, 2000). In the light of these laudable advantages of PPPs, pressure is being mounted on many developing countries by major financial institutions such as the World Bank and International Monetary Funds (IMF) to adopt liberalization and privatization of service provisions instead of the government-provider approach (Jamali, 2004). It is important to note that the private sector involvement in the provision of affordable houses goes beyond housing construction; it also involves the manufacturing of all types of building materials, supply of labour and capital (Windapo & Iyagba, 2007).

From the foregoing, it could be inferred that housing sector in most nations is a blend of the public and private sector (including private individuals) in the provision of affordable housing because of their efficient business orientation and well organised management administration. To achieve the set aim of PPP in housing delivery, Okupe (2002) cited in Kabir and Bustani (2009) established some parameters that must be adhered to which include: cost of labour; accessibility to land; cost of building materials; accessibility to housing finance facilities; hindrances posed by government policies, regulations and bye-laws; poor infrastructural production; inflation during the life of a project, and corruption/greed. The identified parameters were used as the basis for the assessment of the individual significant contribution of the public and private sectors in PPP housing projects in Nigeria.

## **METHODOLOGY**

The study was carried out in government ministries and agencies that are involved in PPP housing delivery within Ogun State, southwest Nigeria. The population for this study was five hundred and eighty professionals comprising of government and private developer who partner in the development of housing estates in Ogun State, Nigeria. Specifically, the population comprised of members of Real Estate Developer Association of Nigeria (REDAN) Ogun State Chapter and Ogun State government ministries and agencies which included Ministry of Work, Ministry of Land and Survey, Ogun State Housing Corporation and Ogun State Ministry of Housing involved in PPP housing projects. 10% of professionals were taken across board from both public (government) and private sectors as sample size of the study and questionnaires were administered through systematic sampling technique. In all, a total of 58 copies of the questionnaire were administered with 100% retrieval rate. The questionnaire was designed to elicit information that helped this research work to evaluate the kind of partnership that existed between the public and private sector, and the significant contribution of each to the success of PPP housing projects in the State. Secondary data were also collected from the library on previous relevant works on the research theme. Sources of secondary data included research reports, journal articles, newspaper cuttings, theses and dissertations among others.

## **RESULTS AND DISCUSSION**

### **Significant Contributions of Public and Private Sector to PPPs**

The study evaluated the individual significant contribution of the public (government) and private sector to the success of PPP housing contracts; using parameters identified by Okupe

(2002) cited in Kabir and Bustani (2009) namely accessibility to land; provision of detailed contract drawings; accessibilities to finance and others (provision of plants, equipment, labour). As shown in Table 1, accessibility to land (66.7%) is the most significant contribution of public sector (government) to PPP housing delivery projects. This is in line with the land use Decree of 1978 that domiciled the ownership of all lands with the government. The private sector's most significant contribution in PPP housing contracts was provision of finance (54.8%) while the public sector provides an insignificant 7.4%. However, there is an almost equal contribution of the public and private sectors (22.2% & 22.6%) to PPP housing contracts in terms of provision of contract drawings. This can be attributed to the fact that provision of contract drawings is statutorily mandatory before approval can be given for the commencement of any PPP housing contract.

**Table 1. Governments and private sector contribution to PPP contract**

T	Public Sector		Private Sector		F	%
	F	%	F	%		
Provision of land	18	66.7	5	16.1	23	39.7
Provision of drawing	6	22.2	7	22.6	13	22.4
Provision of finance	2	7.41	17	54.8	19	32.8
Others	1	3.70	2	6.5	3	5.2
<b>Total</b>	27	100	31	100	58	100

The result shows that for a successful PPP housing contract, the following factors are significant contributors: accessibility to land (39.7%), provision of finance (32.8%), provision of drawings (22.4%) and others - provision of plants, equipment, labour (5.2%). The findings further buttressed the study of Mabogunje (2002) who identified governments' (public sector) significant contribution to PPP project was identified as provision of land, provision of drawing, and services. He therefore advocated that the public sector could encourage the development of organized private sector (OPS) by making land available to this class of developers in the city.

### Duration of Completing PPP Projects

The study appraised the time frame involved in completion of PPP housing projects based on past PPP housing contracts. The result in Table 2 shows that 5 – 10 years is the shortest duration (72.4%) of PPP contracts while the longest duration is 15 – 20 years (3.5%). 15.5% of PPP housing projects are completed between 10 – 15 years while 8.6% are completed within 20 - 25 years. Since most PPP housing projects are completed within 5 – 10 years, it could be deduced that with proper impetus put in place, a faster housing project delivery could be achieved thus increasing the housing stock within a short time.

**Table 2. Duration of Past PPP Projects**

Duration of contract (years)	Private Sector	Public Sector	F	%
5-10	21	21	42	72.4
11-15	6	3	9	15.5
16-20	1	1	2	3.5
21-25	2	3	5	8.6
<b>Total</b>	30	28	58	100



### Method of Recouping Investments on PPP Projects

The method of recouping money expended on PPP projects by both public (government) and private sector was appraised using identified parameters summarized from previous studies namely return on investment; profit shared out of the proceeds; money shared from initializing seed fund; amongst others.

The result in Table 3 showed that return on investment (53.5%) is the best way of retrieving capital expended on PPP housing projects. The private sector (70%) makes more return on investment than the public sector (35.7%). Furthermore, the result shows that profit shared out of the proceeds (39.7%) is another way of making up for the money spent on PPPs housing contract. It must be noted that the public sector benefits more from the profit shared out of the proceeds. This perhaps explains the reason for failure of the government-provider approach toward addressing inadequacies in public housing. As identified by Klijn and Koppenjan (2000), the high percentage of profit shared out of the proceeds may encourage inefficient use of resources for improved service delivery at affordable cost for housing provisions. Money shared from initializing seed fund (5.2%) and others (1.7%) provide the least percentage. This perhaps is due to the fact that in any PPPs housing contract there is always an agreement between parties involved, which could be based on return on investment or profit after sales.

**Table 3 Methods of Recouping Investment on Projects**

Method of recouping expended money	Private Sector		Public Sector		F	%
	F	%	F	%		
Return on investment	21	70	10	35.7	31	53.5
Profit shared out of the proceed	7	23.3	16	57.1	23	39.7
Money shared from initializing seed fund	2	6.7	1	3.6	3	5.2
Others (installment payment, rent)	0	0	1	3.6	1	1.7
<b>Total</b>	30	100	28	100	58	100

In summary, the result shows that for a successful PPP housing contract, capital expended on PPP contract could be recouped through the following methods: return on investment (53.5%); profit shared out of the proceed (39.7%); money shared from initializing seed fund (5.2%) and others such as installment payment and rent (1.7%).

### Benefits of PPPs in Housing Delivery

Table 4 shows that both public (92.9%) and private sector (96.7%) that were involved in PPP housing projects opined that the development is of benefit to the State (94.8%) and the country at large. This is due to the fact that it increases the housing stocks, reduces homelessness and boosts socio-economy activities of the State and the country at large.

**Table 4. Benefits of PPPs in Housing Delivery**

Respondents	Private Sector	Public Sector	F	%
Yes	29	26	55	94.8
No	1	2	3	5.2
Total	30	28	58	100

**Sustenance of PPPs in Housing Delivery**

Table 5 is respondents' opinion on the sustenance of public-private partnership in housing provision in Ogun State. Very significant number (94.8%) of both public (government) and private sector wanted the public-private partnership to be sustained while very insignificant number (5.2%) do not want it sustained. No cogent reason was adduced for their opinion. Summarily, based on the opinion of the respondent, it can be concluded that public-private partnership has helped in housing delivery in the State and the country at large and should be sustained.

**Table 5. Sustenance of Public-Private Partnership**

Response	Private Sector		Public Sector		F	%
	F	%	F	%		
Yes	29	96.7	26	92.9	55	94.8
No	1	3.3	2	7.1	3	5.2
<b>Total</b>	30	100	28	100	58	100

**Reasons for Inactive Private Sector Participation in Housing Delivery**

The reason for inactive participation of private sectors in housing delivery was further appraised. Many reasons that contributed to the lukewarm participation of private sectors in PPP housing contracts were deduced in this study. The result as presented in Table 6 indicated that most respondents (19%) linked the reason to lack of clarity in scope and framework of PPP; 8.6% attributed the cause to the lack of continuity of the project; 5.2% supported lack of participation of stakeholders; while 10.3% opined that lack of policy support and regulatory framework from the government have great impact. Furthermore, 13.8% submitted that lack of adequate concern for financial viability contributed to inactive private sector participation in housing delivery projects. 15.5% opined that there are always changes in initial design; 10.3% claimed that change in government policy is always unbearable; while 8.6% said the reason was due to unstable economic condition and review in permit and government regulation.

**Table 6. Reasons for Inactive Private Sector Participation in Housing Delivery**

<b>Reasons for inactive participation of private sectors</b>	<b>F</b>	<b>%</b>
Lack of clarity in scope and framework of PPP	11	19
Lack of continuity of the project.	5	8.6
Lack of participation of stakeholders	3	5.2
Lack of policy support and regulatory framework from the government	6	10.3
Lack of adequate concern for financial viability	8	13.8
Changes in initial design	9	15.5
Change in government policy	6	10.3
Unstable economic condition	5	8.6
Review in permit and government regulation	5	8.6

### Strength and Weakness of PPPs

The strength and weakness of PPP over the public housing provision was assessed in this section. Table 7 shows clearly that the PPP arrangement had over the years displayed a reliable means of improving housing delivery. The result confirms the notion that private developers take great risk (90%) in investing in real estate. The relief in administration burden (70%) and reduction in size of inefficient bureaucracy (60%) provided by the private sector encourages growth (80%) in the housing sector and better service to the end-users (80%) against 20% provided by the public sector. Other areas of strength of the private sector are: better skills, technology and knowledge (75%) and provision of quality facilities (60%). Conversely, result of the study revealed that the strength of the public sector lies in sharing relief of financial burden (50%). Otherwise, they are weak in all other housing delivery parameters considered in this study.

**Table 7. Strength and Weakness of PPPs**

<b>Strength and Weakness</b>	<b>Private Sector (%)</b>	<b>Public Sector (%)</b>
Relief of financial burden	50	50
Relief administrative burden	70	30
Reduction in the size of inefficient bureaucracy	60	40
Better service to the public	80	20
Encourage of growth	80	20
Risk factor	90	10
Facilities Innovative Approach	55	45
Better skills, technology and knowledge	75	25
Provision of quality facilities	60	40

### CONCLUSION

This study investigated the significant individual contribution of the public and private sectors in public-private partnership housing delivery projects in Ogun State, Nigeria. The study identified provision of land as the significant contribution of the public sector in PPP housing



delivery projects. On the other hand, the private sector contributes significantly to PPP housing delivery projects in terms of provision of finance, reduction in administrative bottlenecks, enhanced capacity to absorb risk factors, better service delivery and higher competency in skills and technological know-how. To annex the potential of the significant individual contributions of the public and private sectors in PPP housing contracts, the following recommendations are suggested:

- i. Since the private sector most significant contribution to PPP housing contracts is the provision of finance, government should provide an enabling economic environment for such businesses to thrive.
- ii. The public sector most significant contribution is the provision of land. This study recommends that government should make land available to developers of real estate at affordable prices.
- iii. Aside from providing an enabling environment for the private sector to develop the real sector, government should also invest more in provision of sites and services scheme. This will hasten the development of the real estate sector.
- iv. Finally, the study recommends that to ensure success of public–private partnership in housing delivery, all tiers of government must strive to complement the weaknesses of the public sector with the strengths of the private sector.

The paper concludes that for effective housing delivery through public-private partnership, the findings of this study can aid in the formulation of housing policy that is geared towards annexing the strengths and weaknesses of the public and private sectors in housing delivery should be encouraged.

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