

# THE ROLE OF GOVERNMENT AGENCIES IN PUBLIC-PRIVATE PARTNERSHIPS IN HOUSING DELIVERY IN LAGOS STATE.

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**Abstract:** *This paper examines the role of government agencies in public-private partnerships in housing delivery in Lagos State. Housing is not just one of the three basic needs of human but also a benchmark for determining the level of development of any country. Sustainable access to good healthcare, roads, quality housing and other socio-economic services can easily be accomplished through public-private partnerships (PPP) where Government provides an enabling environment and the private sectors maximizes the opportunity and contributes their quota to the development of the nation. Exploratory sequential mixed method was used in this study. The study used a focus group discussion with PPP experts and identified relevant success factors for the delivery of PPP housing in Nigeria. A total of 70 questionnaires were randomly administered to the targeted respondents and data from questionnaire surveys were analyzed using Mean Weighted Average and Frequencies with the aid of Statistical Package for Social Science (SPSS). The study found out that the gap between income and shelter cost in Nigeria is very wide and this has eliminated the low-income earners from the housing market. It was also discovered that the private sector in no doubt have made significant contributions to the development of the Nation's housing arcade in spite of several constraints that are serving as challenges to its efforts. Thus, this study recommends that core (incremental) housing should be introduced by the Government into the PPP housing provision schemes to enable low-income people to have access to basic housing units, which they can improve upon improvement of their economic status.*

**Keywords:** Affordability, Housing, Public-Private Partnership.

## 1. INTRODUCTION

The provision of adequate and quality housing is highly paramount to human existence. Nubi (2000) reiterated the profound impact of decent shelter in a sound environment on the lifestyle, health, growth, happiness and productivity of an individual, the lack of it is regarded as one of the most forms of poverty. Hence, the provision of quality housing is an important measure of social welfare and economic development in any nation. Thus, the provision of housing has been one of the most critical issues of government social policies, especially in developing countries like Nigeria. In most Nigeria urban cities, there are critical shortages of housing and the backlogs continue to increase on daily basis due to high human reproduction rate and urbanization. Daramola (2006) gave an estimate of 1.4 Million housing units as the annual requirement for Nigeria. The current housing deficit in Nigeria is given at over 18 million homes, while Lagos State alone accounts for about 5 million deficits representing 31% of the estimated national housing (Oshodi, 2010). These estimates represent a formidable housing challenge in the state and the country. The situation even becomes more serious and worrisome despite various past governments interventions and huge investments in housing provision, the housing problem in the state and the country still remains intractable as many rural and urban populations in Nigeria do not have access to decent, safe and affordable housing (Ademiluyi, 2010).

In recent times, an option that has been adopted by the Nigeria governments, both Federal and State levels is the adoption of Public Private Partnership (PPP). The principal reason for adopting PPP for housing provision is that the approach offers greater opportunities than the traditional procurement system. (UN-Habitat, 2011), reported that since the adoption of PPP in the housing sector in the early 1990s, almost all countries around the world have witnessed some forms of PPP investment in the provision of housing and urban infrastructure. Daniel (2014) noted that PPP arrangement is the paradigm shift from the state led and bureaucratic management system to a more market-oriented environment where public and private sector would complement each other. In this type of relationship, the public institutions are to serve as brokers networking private sector institutions, non-governmental organizations (NGOs)

and community-based organizations (CBOs) to perform the role of financing the supply of new housing on behalf of the public sector so as to reduce the Nigerian housing deficit. However, despite the adoption of PPP in housing in Nigeria, the issue of housing problems still remained both in quantitative and qualitative terms (Sander, 2017). Studies have revealed that the introduction of the scheme has not been as successful as expected in the country (Ibem and Aduwo, 2012; Ahmed, Mohammad and Abubakar, 2010; Abdullahi and Abdul-Aziz, 2010). Hence, this paper examines the role of government agencies in public-private partnerships in housing delivery in Lagos State.

## **2. LITERATURE Review**

### ***The concept of Public Private Partnership (PPP)***

The Canadian Council for Public Private Partnership (CCPPP) (2011) defines PPP as a venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risk and rewards. Republic of Ghana (2011) defined PPP as any contractual arrangement between a public entity and a private sector with the clear agreement on shared objectives for the provision of public utilities, infrastructure and services traditionally provided by the public sector. Generally, PPPs are based on mutual agreements between the private and the public sectors (Patel, 2007). However, the implementation and outcome of PPP projects are influenced by a number of factors. These include the composition, aim and objectives of the PPPs, the roles of the partners and the political, economic, socio-cultural, technological and other contextual situations within the operational area of the PPPs (Rein et al., 2005; UN-HABITAT, 2011;). Therefore, according to Abd Aziz (2007), PPP scheme has received all-embracing attention world all over from housing development, infrastructure and financing over the past 4 decades due to its essential advantages (Zhang, X. & Kumaraswamy, M. (2001). Ahmed et al.,(2010), reported that the contribution of PPP is of great significance in the production and delivery of public housing developments on a global measure. Ahmed (2020) noted that between years 2005 and 2010, a total of 1,046 PPP transactions reached a value of three hundred and thirty billion dollars (\$350 billion), the 2007 PPP market peaked when the 241 projects had a total capital value of seventy-nine billion dollars (\$79 billion), and all these development projects financing has been completed. In 2010, 122 PPP transactions reached financing transactions with the total of value fifty-one billion six hundred million dollars (US\$51.6 billion). Many nations have adopted PPP in the past and still presently in use, nations such as United Kingdom, Norway, Ireland, Canada, Spain, Finland, Malaysia, South Africa, Ghana and Nigeria use PPP primarily for provision of public infrastructure.

### ***PPP Operation in Nigeria.***

As a result of the gross deficiencies and funding gaps in the Nigeria's infrastructural an housing spheres, the new procumbent concepts; Privatization and PPPS were adopted as a way upsurge the limited resources to help readdress the nation's growing infrastructural needs. The Federal Government of Nigeria (FGN) passed the Infrastructural Concession Regulatory Commission Act in 2005. This was aimed at ensuring an autonomous / self-governing body to carry about and advance PPP industries. In year November 2008, the ICRC was officially recognized in 2008 (red) International Committee of the Red Cross, 2012,). Infrastructure Concession Regulatory Commission (ICRC, 2013), reported that the four main reasons that motivates governments to engage in PPPs for infrastructural and housing development and services propagation are;

- a. Facilitating optimal utilization of available resources and efficiency in services.
- b. To improve on the standing organizational plans and policies that will pave more ways for transparency and fairness assessment.
- c. To attract and encourage more skilled force with competitive flair and orientation on efficient performance.
- d. To reform sectors through a reallocation of roles, incentives and improve accountability

The Federal government of Nigeria has approved a comprehensive PPP nationwide policy in the year 2009 (World Bank, 2011). In Nigeria, PPP-driven housing project and infrastructure development has been on the rise over a period of time. Vetiva (2011) noted that more than fifty one (51) projects have been executed the use of PPP. Infrastructure Concession Regulatory Commission (ICRC) (2012) reported between year 2013 – 2014, approximately sixty-six (66) PPP projects were under preparation. The annual investments in PPP scheme increased from twenty-two million dollars (\$22 million) from 1997 to three billion one hundred million dollars (\$3.1 billion) and from 1990-2009 accumulating to twenty three billion six hundred million dollars (\$23.6 billion). On the ground of the real value, the telecommunications industry has the maximum investment accumulating to eighteen billion four hundred million dollars (\$18.4 billion), accounting for 78 per cent of accumulated investment over the similar period (Vetiva, 2011).

***The various types of public-private partnership***

PPP takes various forms/types, each involving the provision of public services under some combination of design, build, finance, operate, maintain, lease, own and /or transfer. Each PPP arrangement involves private resources being used to provide a public service. Such a service can vary from operation and maintenance contracts where the facility is totally owned by the public sector but is being operated and maintained by a private organization, to a build, operate and own contract where the private sector organization builds a public facility, operates the facility on behalf of the public sector and continues to own the facility in perpetuity.

**Table 1 Types of Private-Public Partnerships.**

	<b>DESCRIPTION</b>	<b>TRANSFER OF TITLE</b>	<b>DURATION OF PARTNERSHIP</b>
Operate and Maintain (O&M)	Private sector organization (POS) enters contract to operate a public sector facility on behalf of a public sector organization over a specified period of time.	Remains with public sector Organisation for duration of the contract	For duration of contract
Design & Build (D&B)	Private sector organization enters contract to design, build and provide construction finance for a public sector project. Public sector organization pays agreed contract sum on completion of the construction phase.	On completion of construction	On transfer of title
Build Lease Transfer (BLT)	It is very similar to Design and Build except that the public sector organization pays for the project over a long-term lease.	On completion of payment of lease	On transfer of title
Design Build Finance Operate (DBFO)	Here, the funding private sector organization enters contact to design, build, finance, and operate a public sector facility over an agreed period. PSO recovers its investment over the contract period through payments by the public sector organization for services delivered.	Remains with public sector Organization for the duration of the contract	For duration of the contract
Build Operate Transfer (BOT)	Private sector organization enters concession contract to design, build, finance, and operate a public sector facility over an agreed period. PVSO recovers investment over the contract period under the pre-negotiated contract terms. The concession period is usually significant shorter than the operating life of the facility.	At the end of the contract period	On transfer of title
Build Own Operate (BOO)	Private sector organization signs concessionary contract to design, build, finance, and operate a public sector facility for as long as the economic operating life of the facility.	Remains with Private sector organization in perpetuity	For duration of the contract

**Source: DeLemos et al., 2003, as cited in Seader 2004**

***Adopting P.P.P instead of Traditional Procurement Method.***

The main reason for adopting PPP according Walker and Smith (2005) are highlighted below;

- The private sector possesses suppleness than the public sector

- Private sector provides better services than the public sector and establish a good partnership so that balanced risk-return can be maintained.
- Government lacks the ability of raising massive funds for large scale infrastructural projects, but private participation can help mitigate the government's financial burden

Walker and Smith (2005) further opined that PPP arrangement can help in;

- Relief of financial weight
- Relief of administrative weight
- Reduction in the size of inefficient bureaucracy
- Better service to the public
- Encouragement of growth

### **3. METHODOLOGY**

This study used the exploratory sequential mixed methods. The method involves the use of qualitative data collection procedure to explore a phenomenon and quantitative data to clarify the relationships inherent in qualitative data. The study used a focus group discussion with PPP experts and identified relevant success factors for the delivery of PPP housing in Nigeria. Questionnaire was structured and administered to stakeholders of public and private developers involved in PPP housing supply in Ikeja, Lekki and Victoria Island, Lagos, Nigeria. In addition, apart from the private partners, the public partners also form part of the study research population of the study. Falling into this category is Lagos State government ministry / agencies (or bodies) specifically concerned or established for this purpose. Also, two social housing estates, namely, Micheal Otedola Estate, Epe Lagos and Honorable Olaitan Estate, Ojokoro, Lagos were captured to ascertain their cost per unit in order to measure their affordability using salary scale. There are 87 registered real Estate Property development firms in Lagos State according to their directory and a total of 70 questionnaires were administered to the targeted respondents through online google form. But, 50 questionnaires were returned for analysis. Data from questionnaire surveys were analyzed using descriptive and inferential statistical tools.

### **4. RESULT AND DISCUSSION**

**Table 2: FACTORS DELIMITING IMPLIMENTATION OF PPP ARRANGEMENT**

<b>Variables</b>	<b>Mean</b>	<b>Rank</b>
Lack/inadequate funding	5.10	1 <sup>st</sup>
Political associated risk e.g government bureaucracy/change of government	4.70	2 <sup>nd</sup>
Corruption	4.62	3 <sup>rd</sup>
Government policies as regards PPP	4.60	4 <sup>rd</sup>
Economic Situation	4.40	5 <sup>th</sup>
Macroeconomic risks of investment such as interest rate and exchange rate	3.80	6 <sup>th</sup>
Legal and regulatory issues	3.50	7 <sup>th</sup>

Lack of private interest i.e development company	2.00	8 <sup>th</sup>
Public non-acceptance (by local communities)	1.40	9 <sup>th</sup>

**Source: Field Survey, 2020**

The table 2 above shows the result of the mean analysis of some factors based on their level of significance in hindering maximum implementation of PPP in the study area. It revealed 9 factors in hieratical order based on their level of significant. The four critical factors isolated to be very significant were Lack of adequate funding (M=5.10), Political associated risk i.e bureaucracy /change of government (M=4.70), corruption (M=4.62), government policies as regards PPP were all identified as critical factors and Economic situation with weighted mean of 4.40. Meanwhile, the somewhat significant factors were identified as macroeconomic risks of investment such as interest rate, exchange rate and inflation with weighted mean of 3.80 and legal and regulatory issues with mean of 3.50. Also, least significant factors were identified as lack of private interest to engage in PPP (M 2.00) and public non-acceptance by local communities with least mean of 1.40

**Table 3: Distribution by Approach Adopted by Government in Housing Distribution and Roles played in PPP Arrangement**

<b>Variables</b>	<b>Response</b>	<b>Percentage</b>
Granting loan/Disbursement of loan	5	10.0
PPP/Joint venture arrangement	29	58.0
Direct housing production/development	9	18
Rebate/Subsidy to development	-	0.00
Others	2	4.0
Total	50	100.0
<b>Roles Played by Lagos State Government in PPP</b>		
Provide Finance	5	10.0
Make land available for development	5	10.0
Ensure Enabling Environment	10	20.0
Provide Project design	2	4.0
All of the above	28	56.0
None of the above	-	-
Total	50	100.0

**Source: Field survey, 2020**

The table 3 above shows the various approaches adopted by Lagos State government and her agencies in delivering social housing to the populace in the last 10years as well as the roles the aforementioned authorities play under PPP arrangements. Analysis revealed that government has adopted more of PPP / joint ventures with private sector (58.0%) in the last 10years, also direct housing production (18%), followed by granting of subsidy to developers (10%) as well as loan disbursement (10%) to interested individuals who want to engage in their own direct housing construction. Also, it can further be deduced from the table that under PPP arrangement, government plays diverse roles in actualizing and executing PPP contract as indicated by significant proportion of the respondents (59.57%). Hence such roles range from creation of enabling environment to making land available and accessible to developers and sometimes they also provide finance.

**Table 4: Measuring Affordability of Housing Units Delivered via PPP 2010- 2019**

<b>Housing Scheme</b>	<b>Apartment type</b>	<b>Cost</b>	<b>Monthly Repayment</b>	<b>Affordable Salary Scale</b>
Micheal Otedola Estate, Epe	Room / Parlour	N1,500,000.00	N15,820.00	N55,000.00 and above
	1 bedroom	N2,000,000.00	N21,093.00	N75,000.00 and above
	2bedroom	N3,500,000.00	N36,914.32	N125,000.00 and above
Hon. Olaitan Mustapha Ojokoro	3bedroom	9,000,000.00	94, 922.53.00	318,000.00 and above

**Source: Field Survey, 2020**

A commonly accepted guideline for housing affordability is a housing cost that does not exceed 30% of a household's gross income. When the monthly carrying costs of a home exceed 30–35% of household income, then the housing is considered unaffordable for that household. Hence, the table above depicts information on the cost of selected housing units vis-a-vis standard affordability measure. Analysis revealed that the total cost of Room/palour

at Micheal Otedola Estate, Epe Lagos is N1, 500,000, while allottees are to pay the sum of N15, 820.00 per month for 10years after the initial lump-sum payment of N75, 000.00. The implication of the analysis above is that this category of housing unit is only affordable to household earning at least N55, 000 per month with all things being equal.

Also, for a 1bedroom apartment, analysis revealed that the total housing cost/purchase cost is N2, 000,000.00, while monthly repayment is N21, 093.00 for 120months(10years). This means that this type of housing is not affordable to households earning less than approximately N75,000.00 per month. Meanwhile, a 2bedroom flat at the subject estate cost approximately N3, 500,000.00, allottees are expected to pay down payment of N175,000.00, while subsequent monthly repayment for a period of 10years is N36,000.00. Hence, from this analysis, it can be deduced that this type of housing unit is only affordable for households earning as high as N125, 000.00 per month using 30% affordability standard as a benchmark.

Furthermore, as regards Hon. Olaitan Mustapha housing Scheme, Ojokoro, the estate accommodates a 3bedroom apartment only. Each unit cost a whopping sum of N9, 000,000.00. Allotees are expected to pay down payment of 450,000.00 as commitment fee, while monthly repayment for a 10years period is pegged at 94, 922.53.00. Hence, the above analysis as indicated in the table thus depicts that to be a beneficiary of this type of housing apartment, the applicant or prospective allottee average monthly income must not be lower than 318,000.00 all things being equal. The summary of this analysis is that the gap between income and shelter cost in Nigeria is very wide. This findings is in line with the submission of Okupe (2000) in his seminar paper titled the role of private sector in housing delivery in Nigeria that the wide gap between the income and shelter cost in Nigeria has eliminated the low income earners from the housing market which in turn has led to Rising cost of building materials, inflation rate in the economy, high space and quality standard adopted by designers, fees of professional involved in housing designs and construction amongst others.

## **5. CONCLUSION AND RECOMMENDATIONS**

There is no doubt that PPP has contributed largely to the development of the Nation's housing arcade in spite of several constraints that are serving as challenges to its efforts and despite the effort of the government in creating enabling environment to making land available and accessible to developers and sometimes they also provide finance there is still a wide gap between income and shelter cost of the populace. This study has revealed that housing units produced via PPP arrangement so far in Lagos State are relatively not affordable housing for the low-income people of Nigeria. Hence, for PPP to make any major / significant Impact in addressing the housing needs there is need to incorporate the end users in the housing design scheme. Thus, this study recommends that Core (incremental) housing should be introduced into the PPP housing provision schemes to enable low-income people to have access to basic housing units, which they can improve upon improvement of their economic status. Acquisition of the core housing should be based on long-term mortgage arrangements.

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