

Housing - Nigeria

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**PRE INVESTMENT
SURVEY REPORT
HOUSING GUARANTY
PROGRAM
NIGERIA, 1971**

OFFICE OF HOUSING

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AGENCY FOR INTERNATIONAL DEVELOPMENT

NIGERIA - PRE-INVESTMENT SURVEY

A.I.D. HOUSING INVESTMENT GUARANTY PROGRAM

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Table A - Estimated Housing Costs (3 pages)

Table B - Population Projects, Major Urban Areas,
based on 1963 census data and growth
projections 1972 and 1974

Table C - Estimated Volume of Housing and Guarantied
Loan Funds Required (1971 - 1974)

Table D - Organization Structure

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CONCLUSIONS AND RECOMMENDATIONS

(As presented to the GON Ministry of Economic Development and Reconstruction and Ministry of Finance, the U.S. Ambassador and the USAID Mission.)

1. Government Housing Development Institutions

Each state now has its own housing authority with jurisdiction over land, land planning and development, housing design and construction and estate management. All but two state authorities have had considerable experience in developing and managing housing estates either as they are now constituted or as an outgrowth of previous regional organizations. Southeastern and Rivers States have just established new authorities (corporations). With these exceptions, the housing authorities have the experience, staff and capabilities to undertake an enlarged housing program.

2. Private Housing Development Organizations

Private initiative and financing in housing have been largely limited to middle and high cost housing, generally for rental purposes. There are at present no known private organizations involved in developing low cost housing for home ownership.

3. Government Housing Finance Institutions

Long-term mortgage financing is relatively new. Federal and State Governments have schemes to finance housing for civil servants. All of the experienced housing authorities have managed estates and rental properties. Only three of the authorities have had experience in mortgage financing. Of these, two had developed significant savings programs. Experience with mobilizing private

savings and long-term mortgage financing has been limited and localized. A national savings and mortgage system is needed both for ongoing housing finance and an A.I.D. Housing Investment Guaranty Program.

4. Private Housing Finance

Commercial bank loans are generally available for short terms to finance middle and high cost rental housing. The only private savings and mortgage financing organization is the Nigeria Building Society. The NBS generally serves the middle income group and as yet does not finance low cost housing.

5. Financing Sources

NBS and some of the housing authorities mobilize some capital from private sector through savings programs. However, almost all of the capital for medium- and low-cost housing finance comes from the government in the form of grants or loans.

6. Mortgage Terms

Terms have been a limiting factor in developing finance. Subsidized interest rates for civil servants and some employees of private industries range from 1-1/2 per cent to 6 per cent. The market rate on private long-term mortgages is 8-1/2 to 10 per cent with downpayments of 20 per cent to 30 per cent, without employer guaranties. Amortization periods generally do not exceed 15 years. The Housing Investment Guaranty Program interest rate of 8-1/2 per cent to 9-1/2 per cent for 20 years compares favorably with the local private long-term mortgage market.

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7. Land Availability

Land for development purposes is generally under the control or acquirable by the State Governments. All of the housing authorities visited either already had or were acquiring jurisdiction over well located and satisfactory sites for housing. Land available for housing is more than adequate to accommodate both housing proposed under the A.I.D. Housing Investment Guaranty Program and the ongoing program of the authorities.

8. Land Planning and Controls

Each state has well established town planning requirements and standards. Housing authorities have the capabilities to adequately plan and lay out housing estates. Plans, controls and skills are adequate to assure well designed communities and long range protection of residential properties.

9. Services

Housing sites available to housing authorities generally have road access and water and electricity readily available. Satisfactory sewage disposal systems can be installed in the new residential areas. Other services are generally available. Reasonable standards of services are available to assure community development, maintenance and operation.

10. Building Industry

The industry is well organized for heavy and large construction; however, because of low level of medium-and low-cost housing construction the house-building industry has not been well developed. The trade skills exist, as well as the

organizational abilities, among the smaller contractors. A continuing flow of housing construction work could help to maintain building organizations and develop their abilities. Adequate skills and capabilities exist in most areas to produce housing under the A.I.D. Housing Investment Guaranty Program and the ongoing programs of the housing authorities.

11. Building Materials

Because of the war many of the local building materials industries were diverted or shut down. Most of these are being reactivated and are getting back into normal production. Most serious shortage is cement which now sells at premium prices with varying availability. Roofing materials are also often in short supply. It is, however, anticipated that by the time a Housing Investment Guaranty Program could get under construction, more of the building materials industry would have been reactivated and the supply improved.

12. Housing Costs

Housing construction costs have increased since before the war. Major reasons have been the scarcity and higher price of materials and some increases in labor costs. In spite of increased costs it is still possible in most areas to build satisfactory low-cost housing within the limits of the A.I.D. Housing Investment Guaranty Program.

13. Housing Market

Even before the war there was a high market demand in urban areas for low-cost housing and home ownership. During the war the slowdown of housing construction

added to the demand backlog. Destruction in the war areas has further added to the backlog. In the meantime normal population growth and urban migration have intensified the need and demand. Under these circumstances there is undoubtedly an effective demand well exceeding the housing proposed both under the A.I.D. Housing Investment Guaranty Program and the ongoing program of the housing authorities.

14. General Conclusion

It is the judgment of the Joint Nigeria/A.I.D. Housing Survey Team that a Housing Investment Guaranty Program to finance low-cost housing, promote savings and provide home ownership is both feasible and workable in Nigeria. There are many details and problems that need to be worked out. However, we feel that it has the potential not only to build houses but to develop the institutions needed for a national home building and financing industry for home ownership.

We estimate that during the Nigerian Development Plan (fiscal years 1971 through 1974) approximately 6,600 low-cost housing units could be planned, constructed and sold in 12 states by the respective housing authorities. The average A.I.D. guaranteed loans per house would be about £N2,000 (U.S. \$5,600). This would require through 1974 a guaranteed U.S. investment of about £N14,000,000 (approximately U.S. \$40,000,000). (See Table C - Estimated Volume of Housing and Guaranteed Loan Funds Required, and Table D - Organization Structure.)

15. Recommendations

The foregoing conclusions are a summary of the findings of the Joint Nigeria/A.I.D. Survey Team and will be more fully explained and supported in their final

report. However, on the basis of these conclusions, the survey team recommends that this program be given serious consideration, developed and coordinated with the housing sector of the National Development Plan.

16. Action Steps

If the Federal Government of Nigeria feels that in principle this program is feasible and workable and warrants further detailed discussion aimed toward its implementation, the following action steps should be taken:

- a. Notify the Director of USAID/Nigeria and request that up to EN14,000,000 (approximately U.S. \$40,000,000) of the A.I.D. Housing Investment Guaranty Authority be reserved pending further investigation, preparation of agreements and the development of the implementation plan. (This would not be a commitment to the program by either the Federal Government of Nigeria or A.I.D. -- merely an indication of interest and intent.)
- b. Review the report of the Joint Nigeria/A.I.D. Survey Team when available.
- c. Discuss with the officials of the respective State Governments and Housing Authorities their interest in participating and ways and means for implementation.
- d. Request, through USAID/Nigeria, that A.I.D. provide short-term specialists (at no cost to the Government of Nigeria) to advise and assist with: the preparation of the Guaranty Agreements and administration and operation; the structuring and establishment of a national savings and mortgage financing system; and the preparation of specific project proposals by the Housing Authorities of the respective states.

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I. Introduction

A. Purpose of Pre-Investment Survey

At the invitation of the Government of Nigeria, the A.I.D. Office of Housing provided a team of housing specialists to make a broad survey of the potential for the use of the A.I.D. Housing Investment Guaranty Program for application to the unique conditions of Nigeria. The basic purpose of the survey was:

- To identify local public and private housing institutions and examine their interest and capability in utilizing external housing finance;
- To make an assessment of the local building industry and examine its capacity to plan and construct housing projects;
- To examine the housing market and identify the needs, demands and economic feasibility of housing under the criteria of the Housing Investment Guaranty Program;
- To propose, if feasible, a program and system whereby the Housing Investment Guaranty Program could be utilized as an integral part of the country housing construction and finance program.

B. The Survey Team, Composition and Methods of Operations

Due to the foresight of the Government of Nigeria and the USAID Mission, the team was truly bilateral -- three Nigerians and three U.S. The team was jointly led by Friday Alufohai and David McVoy, who together guided the study. It was divided into subgroups: Supo Esan and George Behymer on housing finance; Anthony Ebikeme and Harold Tepper on home building industry; and Friday Alufohai and David McVoy on housing institutions. Leon Bischoff of USAID/Nigeria provided logistic and administrative support to the team.

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During the first week the team planned their approach and itinerary and visited government and private institutions in the Lagos area. The second week the team traveled to Ibadan (Western State) and Benin City (Mid-Western State). The third week the team separated with Friday Alufohai, Harold Tepper and Leon Bischoff going to Kaduna and Kano (Northern State) while Supo Esan, Anthony Ebikeme, George Behymer and David McVoy going to Calibar (South Eastern State), Port Harcourt (Rivers State) and Enugu (East Central State).

The final week was spent consolidating information, drafting sections of the report, evaluating findings, arriving at conclusions and recommendations and reporting to the Government of Nigeria and U.S. officials.

C. Scope of the Assignment

Soon after beginning the study, the team fully realized the broad scope of the undertaking. It was found that in the twelve new states of Nigeria there were a variety of government and non-government operations dealing directly and indirectly with town planning, housing, housing finance and building. The time available permitted a broad panoramic view of the existing situation, as opposed to a detailed exhaustive in-depth study. Trying to cope with the vastness of the country and the dispersed housing programs, the teams attempted to make a broad coverage of the entire country to give a general picture of the situation, conditions, institutions and potential.

D. Disruption of the War

From 1967 until early 1970 Nigeria was engaged in the turmoil of an internal war. During this period much of the normal housing activities and

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programs were suspended along with the orderly gathering and dissemination of statistical and other information. The subdivision of Nigeria into 12 new states required the reorganization of many existing institutions and the establishment of new housing institutions. Much of this did not get underway until after the war had ceased. The team found a great absence of reliable information pertinent to the study. Nevertheless the team did find what it felt to be sufficient evidence of institutional capability, building industry vitality and housing needs to substantiate its conclusions and recommendations.

II. Housing Planning and Construction Activities

In Nigeria activities in developing new housing can generally be characterized as either institutionalized or independent entrepreneurial activities. Institutionalized housing development is government sponsored, supported through various government institutions and directed primarily to middle and lower-income groups for both rental and home ownerships. Independent entrepreneurial activities are aimed almost exclusively at building independent rental units for high-income groups and compound-room rental housing for middle and low-income groups in which there is a quick and lucrative return on investment.

A. Government Institutions -- The Federal Government Agencies are concerned with housing for Federal civil servants and other official housing facilities. The State Ministries of Works are usually responsible for housing for State civil servants. The State Housing Authorities are concerned with developing housing for middle and lower-income groups, both rental and home ownership, for both civil

servants and the general public. (This varies from state to state. In some states the housing authority may be delegated the full authority for civil servant housing)

1. Federal Ministry of Works and Housing -- The Federal Ministry, with regard to housing, is involved in the management and maintenance of housing for Federal employees and other Federal housing facilities in Lagos and the various states. During the Second National Development Plan, £617,000 (\$1,846,000) is allocated for staff housing in Lagos for permanent and transit employees.

2. State Housing Authorities -- In general, state housing corporations and authorities have jurisdiction over the acquisition of land, land planning and development, housing design and construction, rental and mortgage financing and estate (Housing Project) management. State housing corporations and development authorities can perform many functions. The more general are:

- Development, construction and management of housing estates. They may also act as agent for the State, e.g., as in the collection of rents on low income schemes by the Lagos Executive Development Board (LEDB);
- Construct, own and maintain buildings used for the performance of the functions of the corporation;
- Acquire, construct, maintain works, plant and equipment necessary to provide water and other services connected with a housing estate;
- Provide roads, bridges, drains and sewers and maintenance on estates or buildings owned by the corporation;
- Contract for or carry out construction and supervision of housing estates; and
- Make advances of money on the security of land and improvements.

- a. Northern States (Kano, North Eastern, North Central, North Western, Kwara and Benue Plateau. These new states emerged from a subdivision of the former Northern Region.)

(1) The New Nigeria Development Company (Properties) Ltd. (NNDC) is a subsidiary of the New Nigeria Development Company, Ltd. It is located in Kaduna, North Central State. The NNDC (Properties) is owned by the six northern states (Kwara, North Western, North Central, Kano, North Eastern and Benue Plateau) which comprise an area approximately three-fourths the total area and contain about 30,000,000 of the estimated 65,000,000 population of Nigeria. The NNDC engages in industrial, transport and agricultural enterprises. NNDC (Properties) acts as the housing corporation for the six states and has extensive real estate investments, principally in housing. The NNDC (Properties) manages about 850 rental units, 350 rental units are under construction at Sokoto, and 100-cost housing units are under construction at Kaballa. At the present time NNDC (Properties) has land available in Kaduna only which includes the two sites which were considered for the Brezina project in 1965 for approximately 1,500 units. However, it was stated that land could be requested from the states for housing schemes and that the state procedures for obtaining the land were direct and quickly accomplished.

Two model houses were visited which were built by NNDC(P) for a 20-unit sales scheme about two years ago. Costs were less than £N3,000, including land. These models have been sold and further sales development has been stopped. NNDC(P) has recently received bids for 64 two and three-bedroom units to be built at Sokoto at a cost of £N91,000 or an average cost of £N1,400 per unit excluding land

The General Manager of NNDC(F) has submitted plans to NNDC for conducting a joint marketing survey and a site-and-service land development proposal has also been submitted to the NNDC for approval.

Officials of NNDC(P) expressed exceptional interest in the Housing Investment Guaranty Program, and the team feels that the capability exists for both the sale (or lease purchase) of developed lots on which owners would build, and for development of for-sale housing estates. The North Central State Development Plan calls for an expenditure of L470,000 (\$1,330,000) over the four-year period 1970 - 1974 for low-cost houses for "junior workers" in Kaduna, Zariz and Funtua. Budget figures for other states served by NNDC are not available.

(2) The Kano Metropolitan Development Board (KMDB) was established in 1969. The functions of the Board are similar to development functions of a state housing corporation and design and construction functions of a Ministry of Works. The Board has authority to borrow funds. At the present time the Board is engaged in administering rental projects only. The Board's primary area of interest has been in support of the Kano State Home Ownership Scheme which provides housing at subsidized interest rates for state employees. Currently the KMDB has bids out for 198 units. Board officials stated that no decision had yet been made as to whether these would be sale or rental units. The Board has requested 400 acres of farmland from the State Government for development. Developed plots would be allocated to those who could construct their own houses to Board standards. The Board did not have a savings scheme, but officials expressed interest in a savings and loan-type operation.

b. Western State -- The Western Nigeria Housing Corporation was established in 1958 for the purpose of acquiring land to be developed for industrial estates and residential housing. Industrial and residential housing, both for rental and home ownership, has been developed in Ibadan. Residential housing was

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developed in collaboration with the Ikeja Development Authority (Lagos) in connection with the Ikeja Industrial Area. With the incorporation of Ikeja in the new Lagos State, the Corporation no longer has development responsibility in the area.

The Corporation has had a savings and mortgage financing scheme for some years. It is now inactive due to the limitations of the 1969 Banking Decree. (See Housing Finance Institutions below).

The Western State Development Plan (1970 - 1974) charges the Corporation with the execution of two State policies: "To encourage and help the people of the state to own their own homes in a healthy environment"; and "To encourage planned location of industries within the State." During the Plan period the Corporation is expected to extend its housing estate program and industrial estate development in Akure, Oshogbo, Ibadan and other urban areas. £N725,000 (\$2,052,000) is allocated for the development of "urban areas, industrial and residential estates, etc."

c. Lagos State -- This newly-established state was created from the Federal City of Lagos and a portion of the Western Region. Prior to the establishment of the new state, the Federal City of Lagos was served by (1) the Lagos Executive Development Board (LEDB). LEDB was established in 1928 for the purpose of cleaning up unsanitary living conditions. It evolved into the Town Planning and Housing Authority for the City of Lagos. Ikeja, a suburb of Lagos, adjacent to the International Airport, was originally a part of the Western Region; and (2) the Ikeja Development Authority (IDA) was established to plan, develop and

manage the Ikeja Industrial Estate. While it was a part of the Western Region, the Western Nigeria Housing Corporation provided services in planning and building the housing estates adjacent to the industrial estate. Now a part of Lagos State, the Authority (IDA) is venturing into its own home ownership housing scheme for low-income workers. The Government of Lagos State is currently considering the merger of these two organizations into a single state-wide authority

LEDB has a long history in planning, slum clearance and housing development. Experience has included: slum clearance, resettlement and redevelopment; acquisition and development of land for freehold purchase; planning and construction of housing for rental and sale; and a variety of other related urban development activities. LEDB manages rental housing estates and develops land and builds freehold housing for sale. It does not provide long-term mortgage financing. This is available through such agencies as the Government Staff Housing (finance) Schemes or The Nigeria Building Society (described below).

d. Mid-Western State -- Basically unchanged by the state apportionment. This state merged its former planning authority and housing corporation into the Benue Development and Planning Authority established as an outgrowth of The Midwest Housing Corporation and is headquartered in Benin. The Authority is primarily concerned with land acquisition and development for industrial estates and housing estates in the major state urban areas of Benin, Asaba and rapidly growing Warri. The Authority inherited a savings and mortgage finance scheme from the former Midwest Housing Corporation which is now inactive due to the 1969 Banking Decree.

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The State Development Plan (1970 - 1974) provides a grant of ₦100,000(\$283,000) to the Authority for development purposes and the prospect of a ₦100,000(\$283,000) loan provided viable projects are developed. The intention is that the Authority, through its land acquisition and development and housing development, will become self-sustaining. The Authority is currently developing housing estates in Benin and Warri for both rental and home ownership.

e. East Central State (The following state is a new state resulting from the subdivision of the former Eastern Region) -- This State is served by the East Central Housing Development Authority which is headquartered in Enugu. It was established in September 1970. It is largely an outgrowth of the pre-war Eastern Nigeria Housing Corporation with essentially the same structure and staff. The Authority is headquartered in Enugu with jurisdiction over housing, estate planning, development, construction, sale and maintenance in the East Central State. In addition, the Authority is planning to reactivate the savings and loan scheme, to mobilize savings and provide mortgage financing for the public. In addition, the Authority has the responsibility for the administration of the African Real Estate Company with rental property holdings in the former Eastern Region as well as in Lagos. The State Development Plan provides ₦150,000 (\$524,000) over and above operating costs to finance home ownership housing.

f. South Eastern State -- This new State has only recently established the South Eastern Housing Corporation headquartered in Calabar. The Corporation is entrusted with the usual land acquisition, planning and development authorities

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accorded to Nigeria Housing Authorities. It does not yet, however, have authority to establish and operate a savings and mortgage finance function. Officials intend to amend the edict establishing the Corporation to provide for this. The Authority has acquired an initial site of some 280 acres for housing development. The Corporation is initially supported by the State Government with the objective of self-sufficiency. Information is not available on financing and support from the State Development Plan. The Corporation is actually trying to recruit technical personnel on planning, architectural and engineering fields.

g. Rivers State -- This new State has just established the Rivers State Housing Corporation. At the time of the visit, the staff had not been recruited, and information on support from the State Development Plan was not available. It was understood that it was the intention of the State to develop the Corporation with power for land acquisition, housing planning and construction, and a savings and mortgage financing. The State is recruiting qualified personnel to staff the Authority.

B. Private Housing Development -- Private non-public housing does not make a significant contribution to low-cost housing supply except in rental housing. Private construction of relatively few expensive types of dwelling units which yield high rents as a source of revenue for the owner is the general pattern. Private housing development for home ownership was not evident in the low-cost or middle-income areas. One private "low cost" rental scheme was visited by the team at Kaduna. It was being built as a private contractor-financed (Costains) project for rental units which were administered by the New Nigeria Development Corporation (Properties) Ltd. It was not low cost in rents charged, and these types of projects are generally burdened with interest rates as high as 15 per cent, middle-term (10 - 15 year) loans.

The apparent reason for lack of private housing development is that there are few financing institutions which support home ownership or a free land market. Land is allocated by the Government and financing for land development by private entrepreneurs who are usually small indigenous builders is often not available. Large expatriate contractors and some few larger indigenous firms are fully engaged in public works projects where continuity to completion may be reasonably expected. Also housing programs are generally regarded as somewhat "political" and the better organized contractors prefer the public works type projects. If housing were organized as large public works projects by the authorities and Ministries, including the allocation of land, definite construction scheduling of prescribed numbers of units, handling of sales by the public bodies and procurement of materials in short supply by the public bodies, there would be an increase of "private" housing development assuming that adequate mortgage financing were available.

III. Housing Savings and Finance Institutions

The Central Bank of Nigeria in 1969 issued a decree (Decree 1969, Part IV, S. 27) which restricted the advertising of any savings schemes by any institutions or person other than licensed banks. The decree covered every possible hint of advertising such as newspapers, circulars, signs or information directly or indirectly inviting anyone to deposit money. The Decree halted the savings schemes of each of the housing corporations/authorities covered in this report.

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A. Government Institutions

1. Western Nigeria Housing Corporation -- The Western Nigeria Housing Corporation has a savings scheme. From January 31, 1967 to January 31, 1970 (latest figures available), the number of individual accounts grew from 550 to over 3,000 with deposits from EN77,500 (\$219,325) to EN375,400 (\$1,062,000). Mortgage loans number about 1,200 with balances outstanding of approximately EN2,000,000 (\$5,660,000). The Corporation has constructed about 400 homes.

2. Bendel Development and Planning Authority -- The Bendel Development and Planning Authority through merger, absorbed the savings and mortgage lending scheme of the Midwest Housing Corporation. The last deposits received under the savings scheme were in July 1964. Present balance is approximately EN10,000 (\$28,300) held by 300 depositors. Mortgage loans number 114 still outstanding with unpaid balances of EN151,000 (\$327,330). The scheme is presently inactive pending an appeal on the Banking Decree of 1969.

3. East Central Housing Development Authority -- In 1964 a savings and loan system was started under the former Eastern Nigeria Housing Corporation. The war apparently wiped out the savings assets leaving the loan obligations which are being met by a large percentage of the borrowers. Much of the mortgaged property is located in the River State and is not accessible to the Ibos now living in the East Central State. A settlement commission has been established for the purpose of certifying ownership and compensating for losses. In its early years the savings and loan program grew significantly. From April 1964, savings grew from EN314 (about \$900) to EN185,000 (about \$525,000) while fixed deposits grew from EN822 (about \$2,325) to EN52,000 (about \$147,000). Mortgage

balance in January 1970 was EN357,000 (about \$1,000,000). In spite of the savings losses during the war, the new Authority is trying to revive the program.

4. Civil Servant Housing Schemes

a. Federal Civil Servant Housing Scheme -- This scheme was developed some thirty years ago to provide houses for Federal civil servants only.

Over these years some 500 houses have been constructed and are located nationwide. Thirty houses are currently under construction. The amount of loans may not exceed five times annual income with a ceiling of EN6,000. Length of the loan is usually 15 years; however it must mature in the year the borrower reaches age 55. The current loan rate is 5 per cent.

b. State Civil Servant Housing Schemes -- It is understood that many states have housing financing schemes similar to the Federal Scheme.

B. Private Institutions

1. Nigeria Building Society (NBS) was established in December 1956. It has functioned primarily in the Lagos area. The purposes of the Society are: to lend money on land, buildings, any improvements to existing projects, and to manage and own buildings. Also to engage in the sale, lease or exchange of land, improved property or any other property whether real or personal.

The Society was granted exclusion from the 1969 Banking Decree; however, the Central Bank does control the rate paid on savings scheme and the rates to be charged on mortgage loans. Currently the savings deposits are credited at a rate of 4 per cent per annum, and 4-1/2 per cent on a Target (fixed amount deposited each month) scheme. Rates on conventional mortgage loans are 8-1/2 per cent

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on owner-occupied and 10 per cent on income-producing properties, computed annually.

Share capital of £N1,625,000 (\$1,763,750) is held by Commonwealth Development Corporation (64 per cent), Central Bank (29 per cent), and Eastern Region Government (6 per cent). (The stock of the former Eastern Region Government has been frozen by Government Decree.)

Officers of the Society stated that the Government definitely plans to become a majority stockholder. This is further widened by following which is quoted from the Second National Development Plan 1970 - 1974 -- "The Federal Government will participate more effectively in the management of the Nigerian Building Society, whose activities will be expanded during the Plan period. The sum of £N0.7 million (about \$2 million) has been allocated for this purpose as Federal Government's contribution to the proposed reorganization and expansion. The Society's activities will be extended to all parts of the Federation in the same way as the Nigerian Staff Housing Scheme has been directed to extend its loan facilities to enable Federal Officials to build or purchase houses in any place of their choice in the Federation."

The Society at present is very liquid and has maintained a high degree of liquidity over the last two years. This is due in part to the rather strict requirement of a 30 per cent downpayment for a conventional mortgage loan, the interruption of housing construction due to the Civil War, and the unprecedented growth in savings from the private sector. In the year 1970 the increase was over £N800,000 (\$2,264,000) and projections for 1971 indicate a sizeable increase over the 1970 figure.

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2. Commercial Banks -- With few exceptions, commercial banks are not in the mortgage finance business. They do make short-term loans (up to 5 years) to finance rental properties and provide construction financing. This does provide a financing resource for upper income housing. It does not, however, give any promise of being a resource for long-term mortgage financing.

C. Mortgage Finance Practices

1. Mortgage Terms -- The Nigerian Building Society will make a mortgage loan with a 5 per cent downpayment if that loan is guaranteed by the employer of the borrower. Conventional mortgage plan requires a 30 per cent downpayment.

Interest rates range from 6 per cent to over 9 per cent per annum. The insurance companies are currently making loans available to their employees only at a rate of 6 per cent. The Western Nigerian Housing Corporation is charging 7-1/2 per cent per annum, computed annually. The Nigerian Building Society current rates are 8-1/2 per cent to 10 per cent, computed annually.

General practice is to limit the term of loans to 15 years with a limited number made for 20 years. However, the housing corporations generally require the loan to retire in the year in which the borrower reaches age 55.

2. Credit Evaluation Procedures -- Bendel Development and Planning Authority have developed and followed a very sound underwriting procedure. The steps are:

- a. Borrowers must submit a detailed credit application
- b. Credit application is reviewed to determine credit worthiness.
- c. Employment is verified with signed statement from employer, followed by a telephone call to the officer signing the statement to assure authenticity.

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d. Signed statement from bank official detailing applicants credit history must be forwarded directly from the bank to the Authority.

e. Investigation is made of other banks to determine if the potential borrower has fully disclosed his obligations.

f. Self-employed:

- (1) all of the above steps are followed,
- (2) detailed financial statements required; and
- (3) staff member actually observes the applicant's operation to determine accuracy of his earnings statement.

The former Eastern Nigerian Savings and Loan followed very closely the above procedure. However, the Western Nigerian Housing Corporation was not as thorough in their credit investigation.

3. Delinquency (three months or more in arrears) -- Western Nigeria Housing Corporation reported that 10 per cent of number of loan accounts were delinquent, excluding civil servant accounts. (Collections of civil servant accounts can be made by a simple request to the respective ministries. The Ministry withholds the mortgage loan payment from salary.)

4. Foreclosure -- Foreclosure proceedings are time consuming and are regarded as low priority items on the court schedule. Proceedings without protest require seven to nine months to consummate.

The failure to perform to the conditions of a lease can necessitate several months of delay if the leasee obtains injunctive relief which is a rather common practice.

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5. Overhead and Administrative Costs -- The Western Nigerian Housing Corporation requires a margin above the cost of advances to them of 2-1/2 per cent to cover the mortgage loan operation. East Central Housing Development Authority reported a one per cent spread to be adequate.

Some of the housing authorities maintain relatively large staffs for both planning, design and construction and mortgage lending operations. Although not justified on basis of current business, this is in anticipation of expansion. Since operations are overlapping, it was difficult to ascertain an allocated cost of mortgage finance administration.

Authorities currently engaged in planning and construction maintain a full staff. Some have been dormant to semi-active for over two years while pursuing only limited activities.

D. Insurance

Insurance companies in Nigeria are licensed by the Government but are not subject to government audit or regulatory controls. They are required to separate premiums collected on life policies from the general business premiums. This is to assure prompt settlement of death claims. Life policy revenues are generally invested in Government Treasury bills and bonds. Companies have complete discretion as to how they invest the revenues produced from their general lines of insurance.

The indigenous general composite (multi-line, i.e., fire, marine, liability, etc.) companies are making mortgage loans of a very limited number. These home mortgage loans are available to preferred employees or brokers who produced business for the company. The interest rates are usually more favorable

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than current market rates. Current rates charged are 6 per cent to employees and 6-1/2 per cent to the brokers

Most companies offer fire and additional perils coverage. They retain 10 per cent of the risk on policies with coverage exceeding £N25,000 (about \$70,000). The remaining balance is reinsured with other insurance companies.

Six firms presently offer a mortgage life coverage on a declining balance. Approximate rates assuming a mortgagor age 40 in good health with a £N2,000 (\$5,660) mortgage loan at 9 per cent interest for a 15-year term would be £N1/14 (about \$40) per month for 144 months. Using the same conditions for fire coverage on a standard risk, the annual premium would be approximately £N7/10 (about \$21). (With additional perils coverage, the annual premium would be £N10/5 (about \$29).

IV. Land Acquisition, Planning and Development

A. Acquisition

The community (tribal) concept of land ownership has prevailed for many generations with every member of the community entitled to use of the land. Today, there are two types of titles to land -- leasehold and freehold. The leasehold and freehold titles must be surveyed to establish a basis for validity. Titles must be advertised in the newspaper in the appropriate village or township after which the deed may be registered if no contesting litigation arises. The fact that a State Ministry registers the deed does not infer clear title but presumes land ownership in the absence of other claimants.

Long-term leases generally for 99 years are preferred by the mortgage institutions, as permission for any change affecting the lease or dwelling must first

be approved by the appropriate State Ministry. Therefore, the lending institution is better protected against liens, second trusts structural alternations, etc., which could impair the validity of the lease. Land control is well established between Government and Housing Authorities. The Government consigns freehold to the housing corporations with the housing corporations generally leasing the ground to the individual building his home.

The procedure used in acquiring land is very similar with each of the housing authorities/corporations covered in this report:

Steps:

1. Housing authority prepares a feasibility report to determine the viability of the proposed scheme.
2. Request is made to State Government to acquire the land where the Corporation does possess this power.
3. Area is surveyed and levels determined
4. Chief architect develops overall land uses such as industrial, commercial, institutional and residential.
5. A physical survey is completed depicting the use and plot designations. Designations of plots correspond with the planning scheme.
6. Scheme is advertised, reflecting all details (i.e., survey descriptions, etc.), generally in the newspapers together with signs posted on the site.

The Housing Authority may acquire directly or request their respective State Governments to acquire the land. The State Governments acquire by right of eminent domain and establish the compensation to be paid

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property owners. The owner is reserved the right of appeal to the courts in case of dispute in the amount of compensation. The Court's decision on the matter of compensation is final.

B. Planning and Development

Most housing authorities have the staff and capabilities to prepare overall development plans for housing estates. Such development plans are subject to the town planning regulations of the given locale. Once the state has filed right-of-eminant domain, the land is assumed to be acquired, and the housing authority may begin development. Court proceedings on compensation may extend over a period of years during which time the land may be developed and lots leased or sold.

Usually public authorities, Ministry of Works and Housing, Electricity Corporation of Nigeria (ECN), etc., are responsible for land surveying and registration, water and electricity supply and distribution and access and perimeter roads and drainage. Housing authorities are usually responsible for the construction of internal roads and drainage, sewage collection and disposal, sale or lease of lots and housing construction and lease or sale. In some cases these may be turned over to municipal councils for their maintenance and operation.

Community facilities such as schools, shops, playgrounds, may be either publicly or privately constructed and financed. In some cases, the housing authority may plan and build these facilities.

C. Public Utilities and Services

The Electricity Corporation of Nigeria (ECN) is a Federal Government-owned and operated utility. ECN plans and installs all electrical distribution systems, sets rates and makes collections. Water supply and distribution systems are planned, owned and operated by the respective State Ministry of Works or municipality. Water rates generally cover the cost of water supply and municipal services such as road and drainage maintenance, garbage collection and other municipal services. Water may be either metered on a bulk basis for a given housing estate with costs pro-rated or by individual home meters depending on the locality. In some cases the housing authority may purchase water in bulk and apply and collect water rates within the housing estate.

D. Acquisition and Development Costs

Land and development costs vary greatly. Since the end of the war not much land acquisition and development has taken place, so current cost information is scarce. Highest cost is in the Lagos metropolitan area where land is very scarce and often has to be partially reclaimed from swampy areas. Best current estimates of developed land costs show that a 4,000 square foot lot for freehold purchase is around N£1,000 (\$2,800) which includes cost of land, water and electricity supply, roads and drainage but excluding sewage disposal. (Of this, 85 percent is for land costs and 15 percent for land development.)

In other major urban areas, where leasehold is a more common practice, developed land is much cheaper. In the case of leasehold lots, the cost of land acquisition is amortized over a long period and the land

leased on long term (usually 99 years) at a very nominal ground rent which is so small as to be a negligible cost. This, in a sense, constitutes a government subsidy to the land lease. Capital costs of water supply and electricity are usually financed by the government agencies and theoretically amortized through water and electricity rates. Other site improvements such as roads and drainage, sewage collection and disposal, etc., may be included in the cost of the housing and amortized through mortgage payments. Such site improvements, depending on the location and standards applied, vary from LN150 (\$320) to LN300 (\$640) for a 4,000 square foot lot.

V. Home Building Industry

A. Professional Personnel Standards and Associations -- The construction industry (including home building) is well structured. There are planning-board type responsibilities vested in Federal, State or metropolitan area institutions for both industrial and residential construction. There is a Nigerian Institute of Town Planners. Each state visited had a building code (by-laws) based on a Federal building code model, and there is a standing code committee at Ministry level.

There is a Nigerian Institute of Architects with the usual conditions of professional services well stated and a published Code of Professional Conduct.

There is a Federation of Building and Civil Engineering Contractors (similar to the Association of General Contractors in the U.S.) which publishes a monthly magazine. However, there is no organization similar to the U.S. Home Builders, and many indigenous contractors do not belong to

the Federation. However, they do coordinate their common interest through a contractors' committee of the Chamber of Commerce in Lagos.

There is a list of contractors published by the Federal Government which rates contractors according to their proven ability to carry out projects of certain sizes, measured on Nigerian pound cost.

B Planning, Design--Architectural and Engineering Services

The Federal and State Ministries of Works and/or Housing Authorities plan, design, and construct almost all housing built in the country. They are in most cases responsible, through their Chief Architects, for supervision and inspection, and maintain staffs of Resident Technical Officers (RTO's) who are trained and accredited in accordance with established technical qualifications. In some cases, the State Ministries of Works have a staff capability to undertake house construction under the direction of their own staffs, and most housing authorities are responsible for community services such as street maintenance and trash removal.

C Competitive Bidding (tendering)

Competitive bidding practices are similar to those in the U.S. as to form, i.e., advertising for tenders, analysis of bids, awards, etc. However, there is one significant difference. Bid unit breakdown for a large housing estate may be for as few as ten houses. Awards may often be made to these smaller bidders in order to provide experience and opportunity for development expansion of an indigenous construction industry. Although this may not appear economical, it was stated that the resulting competition among small builders improves their performance, while at the same time a broader-based indigenous construction industry

is being created.

D. Construction Materials and Practices

Some Ministries may furnish construction materials for contractors, particularly those in short supply such as cement, in which there is a thriving black market. The availability of sand and concrete asbestos roofing sheets is often uncertain, and shortages delay projects.

Low-rise or separate housing units are generally built on concrete foundations with slab or grade, sandcrete block exterior walls with interior block partitions and cement asbestos roofing sheets. Plumbing lines are cut in walls and plastered over, and electrical wiring is exposed with clip fastenings. Multi-storied apartments are reinforced concrete structural frame, with fired brick panel walls. Window and door frames are generally wood, which may be cut on the job, though factory millwork is available. Steel windows are available from one manufacturer in Nigeria. Exterior and interior walls are finished with one coat of cement plaster. Interior walls are painted and ceilings are fibre board and batten, painted. Some aluminum roofing is beginning to be used. There is one importer of aluminum ingot, who produces sheet aluminum which is cut and crimped to roofing shapes and sizes at other plants.

Septic tanks are the usual method of sewage disposal. The Ikeja project in Lagos has a sewage disposal plant, and in the East prior to the war, oxidation ponds were installed, but the war prevented their being made operational.

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E. Skilled and Semi-Skilled Labor

There is no shortage of labor. Skills are low, but adequate, and production is low by U.S. standards. Intensive supervision and thorough inspection are required. There are labor unions in some construction trades, but time prevented looking into training programs, if any exist. Some larger contractors engaged in public works conduct their own training programs, both on and off the job. Unskilled labor wage rates range from 7 shillings (\$1.00) per day to 15 shillings (\$2.10) per day. Skilled workers (electricians, carpenters, plumbers) range from about 15 shillings (\$2.10) to 35 shillings (\$5.00) per day. Labor wage rates are established by the Government. In early 1971, a Federal decree was issued raising all wages 8 per cent, retroactive to April 1970. This decree was known as the Adebo Award and caused some unrest when retroactive payments were not promptly made. There are many technical schools and training centers throughout Nigeria. Time did not permit determining whether these taught construction trades, other than mechanical maintenance.

F. Construction Costs

Construction costs are reported to be running ten to 25 per cent higher than a year ago, and about double pre-war prices. There is, and has been, a shortage of cement for the past several years. Periodic shortages may occur in sand and cement asbestos roofing sheets. About 40 per cent of cement requirements are met by domestic production, and 60 per cent by imports. Cement prices are Government fixed at about 12 shillings, 6 pence (\$1.75) per 120 pound bag in Lagos, with transportation costs added for distance from port. However, there is an active black market in cement,

and real prices range from 17 shillings, 6 pence to 20 shillings (\$2.45 to \$2.80) or more per bag in Lagos. One large contractor engaged on a capital improvement project stated that the job was bid based on cement costs of 16 shillings (\$2.25) per bag, but that due to pilferage, breakage and delays in transport, cement costs were actually 33 shillings (\$4.62) per bag. Land costs have also increased sharply, particularly in the larger metropolitan areas of Lagos and Ibadan.

In Lagos, construction costs for a two-bedroom detached house, not including land and urbanization, are currently about 46 shillings (\$6.45) per square foot and about 45 shillings (\$6.39) per square foot for a three-bedroom detached house, and about 44 shillings (\$6.15) per square foot for a four-bedroom detached house. Current cost of a 4,000 square foot lot in the Lagos area is about £N1,000 (\$2,800) which includes 15 per cent development costs for water, electricity, storm drainage, roads and walks, but does not include sewage disposal which is included in house construction costs. Outside of Lagos, construction and urbanization costs may be as much as one-third less, depending on location. (See Table - Estimated Housing Costs for Housing Unit Construction Costs).

VI. Housing Market

Market data is extremely limited, and the time available did not permit any independent studies by the team. In some areas, housing authorities had conducted market surveys which they indicated showed an over-whelming demand by a wide range of income groups. This backlog of demand existed prior to the war and was exaggerated by the slowdown in housing construction during the war. In addition, normal population growth and urban migration during the war years further added to the demand.

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The Federal Office of Statistics estimates a growth rate for Lagos of 4 per cent per year and about 2.5 per cent for the other major urban areas. Table B gives the estimated Population Projections, based on the 1963 Census, for 1970, 1972 and 1974.

Proposed housing projects for each of the urban areas constitute only a minute fraction of the population projections for the 1972-1974 periods. All circumstances point to the existence of a genuine housing market far beyond the most optimistic projection that could be built within the perimeter of the type and cost of housing being considered. With this judgement, the team felt that the specific justification on the basis of an effective demand must be determined on a project-by-project basis in a given locale.

VII. Potential Projects

A. Identified Potential Projects

During visits to the various housing authorities, the team was able to identify potential projects which: had been planned and were awaiting final approval and financing; were in the planning stages, or for which land had been acquired. It was estimated that between 12 and 15 projects constituting about 6,600 housing units could be developed to qualify for housing investment guaranty loans during the next three to four years. At present most of these projects do not have adequate local financing available. (See Table C).

B. Project Costs

Although the costs of land, land development and housing construc-

tion vary by locale, the team concluded that an average national cost of £N2/10(\$6.00) per square foot was realistic. This would build housing ranging from 600 square feet at £N1,500 (\$4,245) to 1,200 square feet at £N3,000 (\$8,490). In some areas lower cost housing in the range of £N750 (\$2,120) could be possible. As an average, the team determined that £N2,000 (\$5,660) would be feasible.

Land costs vary depending on the area, standards of development, cost of development and whether provided on leasehold or freehold. As a national average, the team estimated £N200 (\$566) per single family lot recognizing that this will vary from as low as £N150 (\$425) for lower standard site development with leasehold to £N1,000 (\$2,830) for average developed freehold lots in the Lagos area.

The national average then was selected as £N2,000 (\$5,660) for house construction and £N200 (\$566) for land for a total average cost of £N2,200 (\$6,226).

C. Project Financing

On the basis of local practices an average downpayment of 10 per cent was considered workable. This could vary from as low as 5 per cent on the very low cost housing to as high as 20 per cent to 25 per cent on the higher cost housing. Downpayment practices may vary both by locale and by income group. With an average downpayment of 10 per cent and an average total house and developed land cost £N2,200 (\$6,226) mortgage financing covered by the housing investment guaranty could average £N2,000 (\$5,660) per housing unit. On the basis of this, it was estimated that over the

next three to four years about 6,600 housing units could be developed at a total cost of about £N15, 620, 000 (about \$44,000,000) of which about £N1,420,000 (about \$4,000,000) could be local currency downpayments and £N14,200,000 (about \$40,000,000) would be financed by a series of guaranteed housing investment loans.

D. Construction Financing

Bank loans for long-term financing (more than five years) are generally not available. However, several housing authorities indicated that short-term loans (two-three years) could be obtained from local banks for about 7 per cent interest. Under these circumstances, they felt that housing project construction, with assured external long-term financing, could be more economically financed locally.

E. Home Improvement Loans

The East Central Housing Development Authority pointed out the need for repair, and rehabilitation of housing destroyed during the war. Although the rehabilitation program has helped considerably to repair housing, there are many houses in the urban areas which have not been repaired and reoccupied. Apparently many of the home owners are willing and anxious to borrow small sums for repairs. The scale of demand for this type of loan was undetermined. However, ECHDA indicated that they could identify the need. They had estimated that the average loan would be about £N500 (about \$1,400) for homes of an average value of £N3,000 (about \$8,500). They proposed that such loans be for no more than five years secured by a valid land lease with at least 40 years remaining on the lease. ECHDA recognized the cost and difficulty of administering such a small loan

program. However, they felt that it was of high priority in replacing housing stock and they would be willing to subsidize the administrative costs.

The team felt that this program had merit and should be considered for a small seed capital loan on a trial basis.

Although not specifically discussed during visits to the other states where extensive war damage occurred, the Bendel Development and Planning Authority, the South Eastern State Housing Corporation, and the River State Housing Corporation may well be interested in a similar small loan program.

VIII. Proposed Program

A. National Housing Policy and System

Basically Nigeria does not have a national housing policy or a system and methodology to develop a national housing program. In examining the various parts of housing activity, existing and underway, the team came to the conclusion that there exists adequate elements on which to build such a national policy and system. A housing investment guaranty with external loan assistance could be the catalyst to stimulate the growth of such a system. Such a system must, however, recognize the autonomy and sensitivity of the states and should be more regulatory and guiding than limiting and autocratic. The initiatives of the individual states must be preserved and encouraged. The following proposed program tries to recognize this delicate balance which must be maintained.

The housing institutions serving the twelve states are both similar and diverse and their relationship to each other or to a national entity is not yet very well developed. They need to be more clearly related to each other, both for coordination and for the exchange of information and experience. Perhaps the once-initiated National Association of Housing Agencies could be revived for this purpose. At the same time they need to be related to a national entity in terms of national policy, maintenance of standards, and, if available and utilized, for the allocation and channeling both national and external financing. (See Table D, Organizational Structure.)

B. Housing, Planning and Construction

Housing authorities generally have the resources and capability to plan, design and construct and in some cases manage housing estates. If a guaranty program is established, they should be encouraged to prepare complete proposals for housing estates and submit through a national channel for review and approval by A.I.D.'s Office of Housing (A/H). It is proposed by the team that rather than allocate to each state their quota of guaranty funding, the initiative of the state housing authorities be encouraged to submit proposals to stand on their merits but not on an intra-state competitive basis. Technical assistance could be provided by the A.I.D. Office of Housing (A/H) in the preparation of applications.

Approved projects would be given a commitment of a guaranteed loan to finance the mortgages through the savings and finance institutions.

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The team felt, from evidence gathered that construction financing through local banks was feasible, economical and would simplify the operation where extended long-term financing was involved. In addition, this would build a practice and experience important for long-term housing finance operations.

Upon completion of groups of houses in housing estates, guaranteed loan funds would be released to the savings and finance institutions to make mortgage loans to home buyers to purchase the houses from the housing authority or home builder.

C. Savings and Long-Term Mortgage Financing

The concept of private savings and long-term mortgage financing is relatively new. The experiments that have been conducted indicate that the concept is accepted and understood. On this can be built state-wide savings and mortgage finance institutions. Practically every state recognizes the need for this type of institution to be developed. To do this, several problems need to be resolved.

First--The Banking Decree of 1969 places very limiting inhibitions on state savings and loan operations. This Decree needs to be modified to allow for free promotion of savings by recognized savings institutions.

Secondly--In concert with this, a national chartering and regulatory function (Federal and Mortgage Finance Board) perhaps in the Central Bank, needs to be established to maintain standards of performance and fiscal responsibilities of the various chartered institutions. Although of a national regulatory nature, the autonomy of operations of the chartered

state institutions must be maintained.

Thirdly--The team found that although there were advantages to attaching savings and mortgage financing to state housing authorities, such attachment tended to inhibit and distort the strictly business operations of the savings and financing functions. Ideally these should be separate, independent savings and financing institutions responding primarily to their investors and borrowers with hardnose banking operations and free from all of the complications of land acquisition, development and project financing and construction. They should be able to solicit and promote the savings of the private saver and make loans directly to individuals or cooperative groups.

Housing authorities should become responsible for the planning, design and construction of housing estates with the savings and financing institutions responding to the loan needs of the qualified home buyer and servicing the mortgage through their lifetime.

Although the initial savings and financing units, except for NBS, are an integrated part of the housing authorities, plans should be made for their gradual spin-off into independent institutions.

Guarantied housing investment loans should be channeled through the Central Bank directly to such state savings and financing institutions for mortgage loans for the purchase of housing developed and built by the housing authorities. (See Table D, Organizational Structure).

A.I.D.'s Office of Housing (A/H) in Washington could provide short-

term technical assistance in establishing and operating both a national regulatory system and in developing existing and establishing new state savings and finance institutions.

D. Guaranty Agreement

Because the volume of need and use of external housing finance is not now established by specific projects and might vary in future years, an open-ended guaranty agreement between the Federal Government of Nigeria and A.I.D. is proposed. Such an agreement could specify that under this program, a series of specific projects as approved and committed would constitute a cumulative guaranty obligation on the part of the Government of Nigeria to A.I.D. and on the part of A.I.D. to the respective U.S. investors.

E. Institution Building

This program should not be considered as just a way to use external financing to build houses. Of primary importance is the building of an all-Nigerian home building and long-term mortgage financing system. Nucleus institutions exist on which can be built such a system which can mobilize private savings and provide long-term mortgage financing. This nucleus is presently somewhat dormant--waiting for a stimulus and searching for sources of finance.

IX Major Issues and Problems

A. Attitudes toward Home Ownership

Generally, among government officials, home ownership is considered to be only feasible for middle and upper-income groups. The concept of long-term financing and refinancing is relatively new, and officials

are cautious. Such financing is thought of as available only to those with very secure and sizeable incomes and where the life expectancy of the borrower is well within the life of the mortgage. Such protections as mortgage insurance and the marketability of real estate are not yet understood as a part of a mortgage financing system.

Civil servants in their late 30's and early 40's are considered the best risks since loan payments can be deducted from their pay. Employees in middle management positions with the larger private firms are considered good risk if their employers will guaranty the loan. Self employed and employees of small private businesses are not considered good risks.

The Nigerians seem to set a rather high income and job security level for those they consider qualified for long-term mortgage financing. All others must either occupy subsidized government rental housing or be subject to the exploitation of landlords.

Motivation for home ownership is not necessarily for owner/occupancy with loan payments made in lieu of rent. More often it is for rental income purposes.

These attitudes vary from state to state and are not uniform or consistent. They are, however, illustrative of the attitudes developed as the fragments of long-term mortgage financing systems begin to emerge. These are attitudes of caution coming from very limited experience. Such attitudes can only be overcome when a fully operative mortgage financing system is established and working and the ranges of risks and financing established.

B. Attitude toward Private Savings

Many government officials do not fully realize the potential for mobilizing private savings. Only in recent years has the concept of savings been linked to housing finance. Experience of the NBS, Western Nigeria Housing Corporation, and the former Mid-Western Housing Corporation has demonstrated that significant savings can be mobilized. Housing authorities in other states have learned of this and are anxious to start similar programs.

C. Attitude toward Urban Growth Problems

Although aware of the mounting problems of urban growth, determination of housing conditions and the plight of the very low-income worker, few government officials show interest in slum rehabilitation, site and service schemes, self-help housing, and other alleviating minimal landlord approaches. Part of this attitude may be partly due to the lack of familiarity with various approaches taken in other countries and partly due to a traditional approach which is focused on maintaining technical standards unrelated to the magnitude of the problems and resources available.

However, in some areas, such as Lagos, Ibadan, and the war ravaged urban areas in the Eastern States where urban living conditions have become acute, there is an awareness by officials of the need for upgrading conditions through programs that gradually raise standards and give some release to pressures.

Initially a housing investment guaranty program could probably not encourage the Nigerians to venture this capital into those fringes of

social housing which could be financially sound. However, once a workable system is established and more familiar conventional housing projects are underway, some state housing authorities could be encouraged to plan ways on which the guaranteed loans could be used for such programs.

(For Reference, above sections, see Nigerian Urbanization, Unemployment and Implications for A.I.D., Frederic C. Thomas, July 1971).

D. External Financing

Concern was expressed both on the state and national levels about what was considered a high interest rate for external housing finance. It was repeatedly pointed out that funds available are private sources, not soft government-to-government loans, and are keyed to the going rate in the U.S. Most state authorities understood and accepted this and felt that they could carry out programs under the terms outlined. Long-term government financing has been extremely limited and the Second National Development Plan does not anticipate any sizeable increase. The Development Plan does, however, imply heavy reliance of private financing both from external and internal sources. The only real potential for generating internal private financing resources for long-term financing would be through savings and loan type institutions. However, to make any significant impact and demonstrate growth, such institutions need the stimulus of seed capital to increase the volume of mortgage financing and in turn generate increased savings.

Private seed capital for long-term financing is not and probably will not be available in the foreseeable future. The only known alternative

source of private finance would be the Housing Investment Guaranty Program.

Interest rates under the Housing Investment Guaranty Program could range from 8-½ to 10 per cent delivered in Nigeria. Although this is high compared to external soft development loans and internal government loans, it compares favorably to what could be expected as a going private long-term financing rate in Nigeria. The NBS, the only reliable benchmark, carries a rate between 8-½ - 10 per cent currently.

If this benchmark is considered acceptable as a going rate for private long-term mortgaging financing, seed capital loans under the Housing Investment Guaranty Program should be perfectly workable.

E. Technical Assistance

If a sizeable Housing Investment Guaranty Program is mounted in Nigeria, several types of technical assistance would be needed to assure the development of sound institutions.

1. Internal Technical Assistance Exchange

Already in Nigeria there is considerable knowledge and experience among Nigerians. Barriers of state boundaries and other differences must be overcome so that this experience and know-how can be shared and interchanged between state housing authorities. Some of the administrative fees charged within Nigeria might be used to support a Nigerian Technical Assistance interchange.

2. External Technical Assistance

a. Coordination of Program

The Housing Investment Guaranty Program is quite complete

and its administration would involve an interweaving of U.S. and Nigerian methods, procedures and legal and fiscal requirements. To coordinate this, a full-time housing generalist would be required, stationed in Nigeria to form the official linkage between GON and AID/W. The generalist should be a direct hire employee assigned to the USAID Mission.

b. Building a Mortgage Finance System and Savings and Loan Institution

Central to the workability of a housing investment guaranty program is building the system and institution. This would require a savings and loan system specialist fulltime stationed in Nigeria to help build the national regulatory system and develop the state savings and loan institutions. His work should be supplemented by short-term specialists as required to meet special needs. This advisor and the short-term specialists could be provided under contract with the National League of Insured Savings Associations (NLISA).

c. Project Planning and Proposal

This proposed overall program anticipates implementation by a series of specific housing projects developed and the initiative of state housing authorities. To be approved for eventual financing, projects submitted must meet standards of feasibility, both technically and financially and quality of design and construction. To expedite project proposals and applications, short-term technical specialists should be made available to state housing authorities to help them develop projects and prepare applications. These services could be provided under contract with NLISA.

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d. Project Construction, Financing and Administration

At such time as projects become approved, at least one resident inspector will be required to provide on-the-site supervision required by A.I.D. under the terms of the guaranty agreement. Depending on the volume of construction and time sequence of projects, short-term inspectors may be required to assist the resident inspector. These services could be provided under contract with NLISA.

e. Training

As the program gets underway, consideration should be given to training Nigerians, both within Nigeria and in the U.S. Middle-level staff could be trained locally by a series of short courses and an interchange of staff between state housing authorities for short periods. Key executive officers should be selected for management training in the U.S. and elsewhere under the USAID Participant Training Program.

Attachments

1. Table A - Estimated Housing Costs (3 Pages)
2. Table B - Population Projects, Major Urban Areas,
based on 1963 census data and growth
projections 1972 and 1974
3. Table C - Estimated Volume of Housing and Guaranteed
Loan Funds Required (1971-1974)
4. Table D - Organization Structure

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STATE	TOWN	TYPE	SQ. FT./UNIT	CONSTRUCTION COSTS				REMARKS - REFERENCES
				Per Square Foot	C.I.S. \$	F. Inv.	C.I.S. \$	
KANO	KANO	2 BR - 6 unit Courtyard Cluster	563 plus Courtyard	EN 1.1	\$3.11	EN 593/ Unit	\$1678.19/ Unit	Const. Bids for 6-unit Cluster (EN3380, \$9565.40) Rec'd 4/15/71. See Dwg. No. AP-MB/4, Sheet 3.
		1 BR - 6-unit Courtyard Cluster	934 plus Courtyard	EN 1.41	\$4.00	EN1320/ Unit	\$3735.60/ Unit	Const. Bids for 6-unit Cluster (EN2640, \$7471.40) Rec'd 4/15/71. See Dwg No. AP-MB/4, Sheet 2.
		2 BR - 12 unit 3 fl. Block	1210 incl. Pro-rate Stair	EN1.95	\$5.52	EN2362/ Unit	\$6684.50/ Unit	Const. Bids for 12-unit Block Rec'd 4/15/71. (EN28,342, \$80,207.86). See Dwg No. AP-MB/4.
NORTH CENTRAL	KADUNA) ADUGARI)	3 BR - 1 FL. Bungalow	1740	EN2.3	\$6.51	EN4003	\$11,328.49	See Plan NNDC 238.
	KADUNA) SOKOTO)	4 - 3 BR &) 4 - 2 BR) Courtyard Cluster)	1758 1358	EN1.125 EN1.125	\$3.18 \$3.18	EN1846 EN1426	\$5213.18) \$4035.58)	See Plan NNDC 281
	KADUNA	Std. Design Med. Cost Courtyard				EN2535 EN2860	\$7174 \$8094	See Bids Rec'd. Oct. 1970. Dwgs. not available
WESTERN	IBADAN	2 BR - 1 FL.	730	EN1.04	\$2.95	EN 700	\$1900	Estimated costs. See Arch't. Plan & Cost
	IBADAN	2 BR - 1 FL.	1000	EN0.8	\$2.18	EN 770	\$2179.00	Analysis for 1971 Costs Add 25%.

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NIGERIA - NEW-APPROACH SLAVES
A.I.D. HOUSING INVESTMENT GRANT PROGRAM
Estimated Housing Costs

Table A

April 1971

Page 2 of 3

STATE	TOWN	TYPE	SQ. FT./UNIT	CONSTRUCTION COSTS				REMARKS - REFERENCES
				Per Square Foot		TOTAL		
				£/sq. ft.	U.S. \$	£/unit	U.S. \$	
LAGOS	IKEJA PROJECT	1 Br - 1 Fl.	610	EN2.9	\$ 8.21	EN1760	\$4981.00	Selling Prices. Built 1964 - 1969. See Brochure "Ikeja Area Planning Authority Housing Schemes."
		2 Br - 1 Fl.	845	EN2.6	\$ 7.36	EN2200	\$6226.00	
		3 Br - 1 Fl.	1100	EN2.5	\$ 7.19	EN2800	\$7924.00	
		4 Br - 1 Fl.	1300	EN2.46	\$ 6.96	EN3200	\$9056.00	
LAGOS	LAGOS	3 Br - 1 Fl.	1272	EN2.08	\$ 5.89	EN2644	\$7503.00	See Type "T 1/4" Cost Analysis See Type "G" Cost Analysis See Type "F" Cost Analysis See Plan Brochure, above Types.
		4 Br - 2 Fl.	1872	EN3.1	\$ 8.90	EN5880	\$16,640.40	
		4 Br - 2 Fl.	2487	EN3.0	\$ 8.75	EN8082	\$22,872.00	
MID-WEST	BENIN	2 Br-4 Unit Duplex	910	EN1.24	\$ 3.51	EN1125	\$3183.75	See Bendel Dev. Dwg. Type A-1 See Bendel Dev. Dwg. Type A. See Bendel Dev. Dwg. Type B/1. Selling Price Dwg. HC-7 Proposed Type C/2 See Dwg. No. BDPA-3 with Cost Comparison African Timber & Plywood (ATP) System - Std. Block Construction.
		2 Br-2 Unit Duplex	1114	EN1.01	\$ 2.86	EN1100	\$3113.00	
		1 Br- 8 Unit Fl. Block				EN 532	\$1505.56	
		3 Br.-1 Fl.				EN200	\$6226.00	
		2 Br.-16 Unit, 2 Fl. Block				EN750	\$2122.50	
		3 Br.-1 Fl.	1240			EN1150	\$3254.50	

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STATE	TOWN	TYPE	SQ FT/UNIT	CONSTRUCTION COSTS				REMARKS - REFERENCES
				Per Square Foot	U.S. \$	TOTAL	U.S. \$	
EAST CENTRAL	ENUCU	3 Br-1 Fl.	1350	EN2.46	\$6.96	EN3320	\$9395.60	With Garage, Veranda. See Dwg. Job No. SA 1.
		3 Br-1 Fl.	1043	EN2.40	\$6.79	EN2500	\$6075.00	With Carport. See Dwg. Job No. SBM.
		3 Br-1 Fl.	850	EN2.47	\$6.99	EN2100	\$5943.00	With Veranda. See Dwg. Job No. SEM.
		2 Br-Duplex	672	EN2.8	\$7.92	EN1900	\$5377.00	With Veranda. See Dwg. Job No. SDM.
		2 Br-1 Fl.	587	EN1.3	\$3.68	EN 750	\$2122.50	Demonstration Unit. See Brochure Housing Develop- ment Authority Demonstrati Project.

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NIGERIA - FDI-INVESTMENTS SURVEY
A.I.D. HOUSING INVESTMENT GUARANTEE PROGRAM

Table B

Major Urban Areas - Population Projections

State	Town	Census		Projections	
		1963	1970	1972	1974
KANO	Kano	295,432	351,177	368,953	387,633
NORTH EASTERN	Maiduguri	139,965	156,375	174,797	183,647
NORTH CENTRAL	Kaduna	149,910	178,207	187,217	196,695
NORTH WESTERN	Sokoto	89,817	106,765	112,169	117,848
KWARA	Ilorin	208,546	247,897	260,445	273,631
BENUE PLATEAU	Jos	90,402	107,460	112,899	118,616
WESTERN	Ibadan	627,379	745,759	783,509	823,178
LAGOS	Lagos	665,246	875,417	946,851	1,024,113
MIDWESTERN	Benin	100,694	119,694	125,753	132,120
EAST CENTRAL	Enugu	138,457	154,582	172,913	181,668
EAST CENTRAL	Onitsha	163,032	193,795	203,604	213,913
SOUTH EASTERN	Calabar	76,418	90,837	95,435	100,267
RIVERS	Port Harcourt	179,563	213,445	224,249	235,603

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SOURCE: Federal Office of Statistics, Lagos, Nigeria

- Notes : 1. 1963 census data used as base figures.
 2. Growth rate projections: 4% per year for Lagos; 2.5% per year for other towns.
 3. Growth rate formula: P_1 equals $P_0 (1 + \frac{r}{100})^N$

A.I.D. HOUSING INVESTMENT GUARANTY PROGRAM

ESTIMATED VOLUME OF HOUSING AND GUARANTEED LOAN FUNDS REQUIRED

Period 1971 through 1974 ^{1/}

April 1971

<u>State</u>	<u>Towns</u>	<u>No. Units</u>	<u>Av. Loan</u>	<u>Totals</u>
KANO	KANO	500	£ 2,000	£ 1,000,000
NORTH EASTERN	MAIDUGURI	100 ^{2/}	2,000	200,000
NORTH CENTRAL	KADUNA	700	2,000	1,400,000
NORTH WESTERN	SOKOTO	100 ^{2/}	2,000	200,000
KWARA	ILOSIN	100 ^{2/}	2,000	200,000
BENNE PLATEAU	JOS	100 ^{2/}	2,000	200,000
WESTERN	IBADAN	1,000	2,000	2,000,000
LAGOS	LAGOS/IKEJA	2,000	2,500	5,000,000
MID-WESTERN	BENIN, WARRI	600	2,000	1,200,000
EAST CENTRAL	ENUCU, ONITSHA	1,000	2,000	2,000,000
SOUTH EASTERN	CALIBAR	300	2,000	600,000
RIVERS	PORT HARCOURT	100 ^{3/}	2,000	<u>200,000</u>
TOTALS		6,600		<u>£14,200,000</u>
			@ 2.83	\$40,186,000
			SAY	<u>\$40,000,000</u>

^{1/} Based on land available and projects planned.
Actual project size will depend on specific project proposals and approvals.

^{2/} Based on NNDC(P) Kaduna proposal. Team did not visit.

^{3/} Estimated initial project. Rivers State Housing Corp.
Just getting started.

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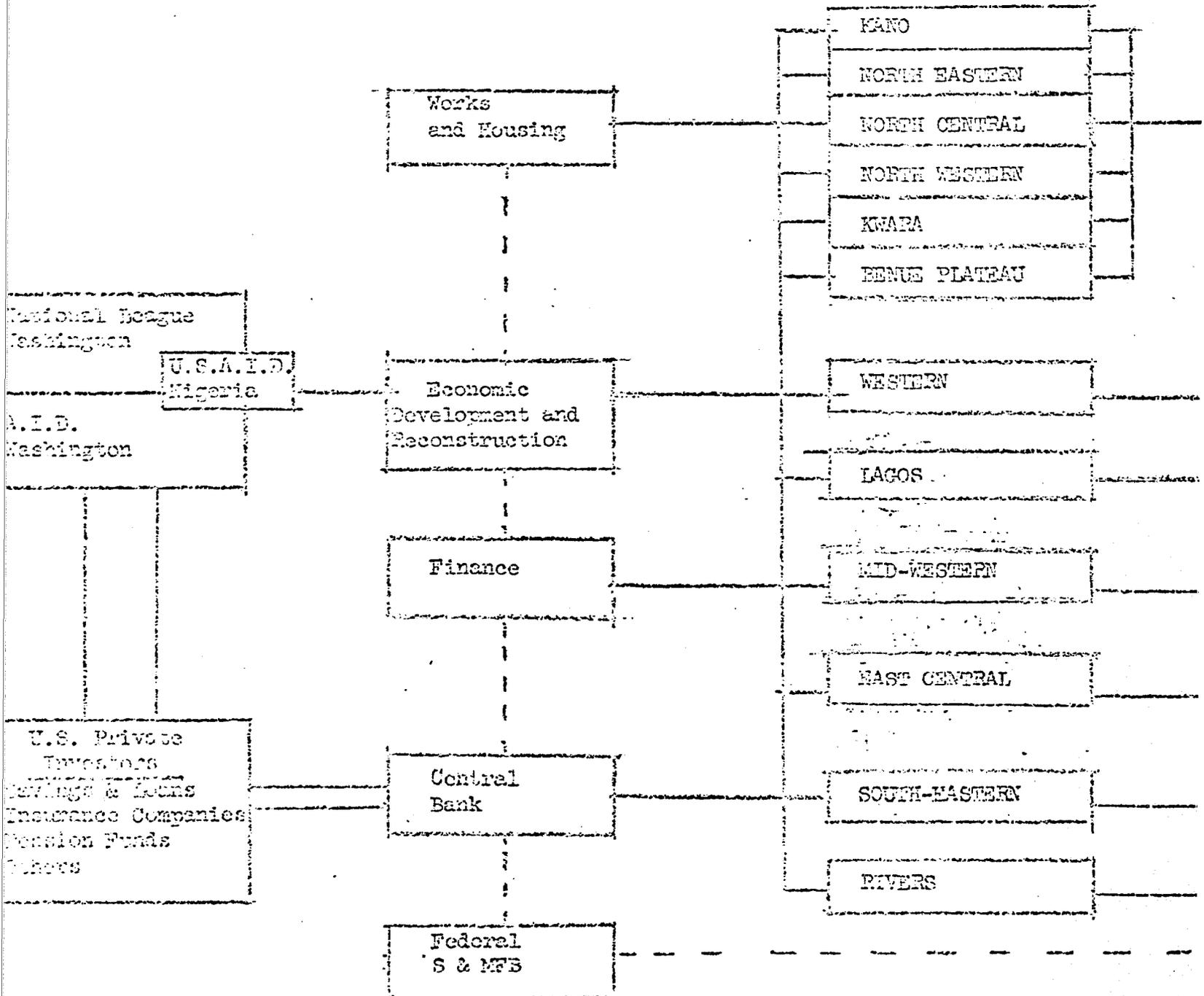
(see-attached key.)

NIGERIA - PRE-INVESTMENT SURVEY
A.I.D. HOUSING INVESTMENT GUARANTEE PROGRAM
ORGANIZATIONAL STRUCTURE

U.S. Agencies and Investors

Federal Ministries

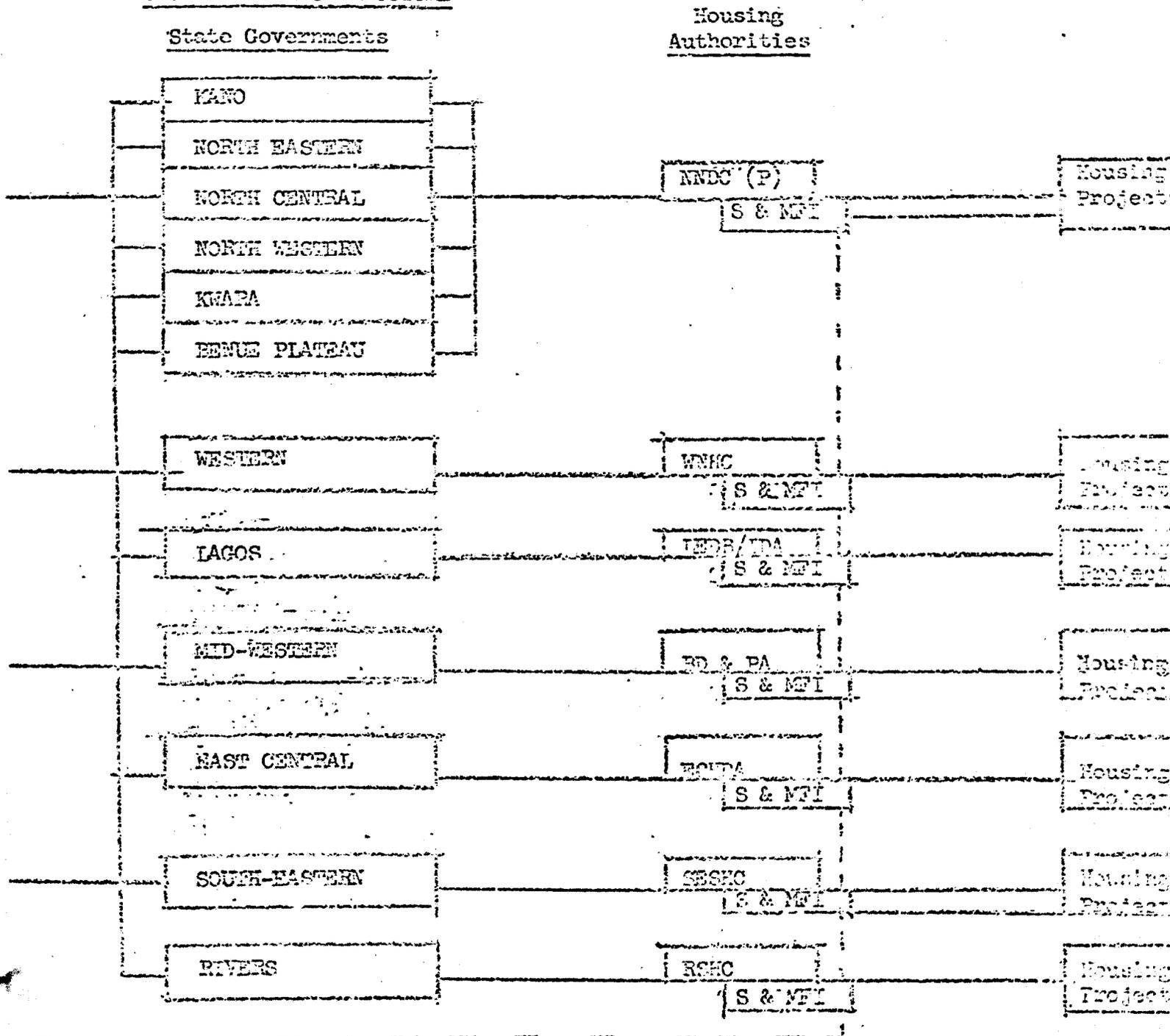
State Governments



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NIGERIA - PRE-INVESTMENT SURVEY
A.I.D. HOUSING INVESTMENT GUARANTEE PROGRAM
ORGANIZATIONAL STRUCTURE

Table D
 April 1971



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Key

- NNDC (P) -- New Nigeria Development Co. (P), Kaduna -- serving six northern states.
- WNHC -- Western Nigeria Housing Corporation, Ibadan.
- LEDN/LDA -- Lagos Executive Development Board/Ikeja Development Authority.
- ED & PA -- Bendel Development and Planning Authority, Benin.
- ECEDA -- East Central Housing Development Authority, Enugu.
- SESHC -- South Eastern State Housing Corporation, Calabar.
- RSHC -- Rivers State Housing Corporation, Port Harcourt.
- S & MFB -- Savings and Mortgage Finance Board.
- S & MFI --- Savings and Mortgage Finance Institution (state or multi-state).

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