

INVESTIGATING THE PROBLEMS ASSOCIATED WITH PUBLIC-PRIVATE PARTNERSHIP IN THE PROCESS OF HOUSING DELIVERY IN NIGERIA

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Abstract

Housing delivery in Nigeria has been plagued with myriads of problems which emanate from either the formulation or implementation of the housing policies and programmes. This study therefore is to investigate the problems associated with Public Private Partnership (PPP) in the process of housing delivery in Nigeria. For the purpose of representativeness, generalization and meaningful result, all Real Estate Development Companies (REDCs) being involved in PPP in Abuja and Lagos, Nigeria were used for this study. The total number of developers in Lagos and Abuja were 44 and 35 respectively. However the result shows that P value for all the variables is 0.00. This suggests that most of the identified problems in the content of the work are hindering housing delivery under PPP arrangement significantly. The study therefore, recommends the Build Operate and Transfer (BOT) type of PPP should be encouraged. This kind of partnership will give the private sector leverage and security over their investment.

Introduction

Housing can be regarded as an economic good, a social product or a fundamental human right and it is apparent that it touches each and every individual in a very intimate way. It has generally assumed increasing importance in contemporary times because of its many dimensions especially its direct and indirect effects on the individuals, various economies and the society at large (Agbola, Egunjobi and Olatubara, 2007). It is on this premise that various levels of government, whether Federal, State or Local, have involved themselves in the provision of housing by formulating various types of housing policy which the governments thought will have positive impact on the housing delivery in Nigeria.

Bello and Bello (2005) highlighted some reasons for the failure of housing policies and programmes in Nigeria, some of which are excessive reliance on owner occupation, government involvement in direct construction of housing, fragmented and unstable housing finance, high cost of building materials among others. From the above, however, it can be deduced that various housing policies and programmes in Nigeria have failed to achieve the purposes for which they were formulated.

The failure of the housing policies and programmes in Nigeria leads to the adoption of Public-Private Partnership (PPP) for National Housing delivery. Public-Private Partnership (PPP), according to Wendell (2002), is the relationship among government agencies and private or non-profit contractors that should be formed when dealing with services or products of highest complexity.

Kumar and Prasad (2004) after identifying Public-Private Partnership (PPP) as Private Sector Participation (PSP) or Private Finance Initiative (PFI) describes PPP as a spectrum of possible relationships between the public and private actors for the cooperative provision of infrastructure services. The policy of PPP in the National Housing Delivery is expected to achieve the desired result as it was said by Smith (2000) that it has perfectly worked in the developed countries of the world particularly in the United Kingdom. In Lagos State of Nigeria, Public-Private Partnership Initiative of Lagos State Government was established as a subset of a holistic approach towards addressing the entire infrastructural deficit of the state. The major sectors which are currently available for PPP focus are waste management; water supply; commercial infrastructure like markets, shopping mall stations etc; physical infrastructure like roads, rails and bridges and also transportation (Lagos State Government, 2008). FGN (2002) observed some factors militating against effective private sector participation. These factors include difficulties in land acquisition, difficulties in the operation of the land use decree, difficulties posed by the enforcement or non-enforcement of planning laws and regulations, threat posed by rent control laws and regulations, inaccessibility to adequate housing finance, shortage and excessive cost of building materials, and scarcity of trained manpower in the building industry. This is just mere observation as no study had been carried out to identify the problems associated with effective and efficient PPP. This study is to identify major problems encountered by the REDCs in the provision of housing in Nigeria with special attention on the inadequacy of funds which is the backbone of any project.

Concept of Public Private Partnership

PPP is a concept of executing public projects and services through a “partnership arrangements with the private sector” (Adediji, 2009). The concept originated from the United Kingdom in the 1960s as PFI (Private Finance Initiative) and it can be summarised as the overall concept and understanding of responsibility, sharing parameters between the public sector and private sector. Oyebanji (2003) categorises a public developer as Federal, State or Local Government or any of its agencies which undertakes construction activities and which uses taxpayers’ funds for the benefits of general public interest rather than for an individual satisfaction.

Bode Adediji (2009), described Public-Private Partnership as a relatively novel concept of executing public projects and services through a “partnership arrangements with the private sector notably in the areas of infrastructure”, originating from UK in the sixties as PFI (Private Finance Initiative). He describes PPP as falling along a spectrum of different contributions of public and private arrangement. This spectrum of possible PPP extends from business almost entirely controlled by private sector at one end, to those almost entirely controlled by the public sector at the other end.

Agbola and Adeniji (2009) identify general definition of PPP as a set of cooperative activities between the public and private sector. However, these scholars argue that there is no precise definition of the concept and this is also in line with William (1997) argument which states that precise and imprecise definitions of PPP do not abound because it is assumed that the issue is so transparent that the entity needs no definition although a variety of definitions exists. In the research Paper NO 1 of the Parliament of Australia (2002-2003), PPP is defined as “Partnership between the public sector and the private sector for the purposes of designing, planning, financing, constructing and/or operating projects which would be regarded traditionally as falling within the remit of the public sector.” Common to all the definitions in the literature, however, is that PPP include various types of cooperation between the state and private firms with respect to the planning, construction, financing and operation of hitherto state controlled projects. Long term cooperation and risk sharing between the partners are also important features of PPP. PPP tries to establish risk sharing so that private sectors can take responsibility for the success of the project (Aluko, 2009).

According to Sagagi (2007), the consistent failure of governments in Africa to provide adequate services is very frustrating. He further explored that the failure is partly because governments lack the money and resources to maintain and expand the existing infrastructure. As a result of this, there should be merger between the public developer and private developers to balance the merits and demerits existing in the activities of both sectors, hence the concept of Public-Private Partnership.

The Nigerian government recently adopted public-private partnerships in reforming the housing sector in the new National Housing Policy of 2006 (Aluko, 2009). The government role as stated in the policy is to act as an enabler, promoter and facilitator conducive to individual and cooperative housing efforts rather than acting as a direct implementer of housing policy as it has been in the past.

The policy of PPP in the National Housing Delivery is expected to achieve the desired result as it was believed that it has perfectly worked in the developed countries of the world. For instance, Smith (2000) confirmed that partnerships between the public and private sectors are a cornerstone of UK government’s modernisation programme as the partnerships deliver quality public services by bringing in new investment and improved management, and are helping state-owned businesses achieve their full potential. Although, PPP has been operating in the provision of urban infrastructure, its effectiveness has not been adequately determined or established in the field of infrastructure provision.

Public-Private Partnership in Housing

The public sector which has been striving very hard to formulate, implement and finance effective and efficient housing delivery policies in Nigeria have numerous services to be provided to the citizenry but with limited resources.

However, realizing the fact that private home owners and rental housing sector have been and will continue to be the major provider of the bulk housing in the country, the Nigerian Government

recently adopted public-private partnerships in reforming the housing sector in the new National Housing Policy of 2006 (Aluko, 2009).

In the history of housing delivery in Nigeria, the public sector have played dominant role and since it has been an established fact that private sectors are the major providers of housing in Nigeria although with financial gains motives, the government in the provision of housing should act as “an enabler, promoter and facilitator to individual and cooperative housing efforts rather acting as a direct implementer of housing policy (Aluko, 2009).

It is on this premise that Agbola (1998) recommends integration of both private and public resources as a policy frame work for encouraging private sector participation on the housing delivery. In the same vein, Mabogunje (1993) also agreed that the problems or constraints militating against effective private sector participation in housing delivery should be addressed through public-private partnership if housing and urban development is to be promoted in Africa.

The modalities for public-private partnership in housing delivery of a large scale involve two major actors and other stakeholders which are being used by the major actors. The major actors are the public sector (Government at any level) and the private sector (Real Estate Development Companies) while the other stakeholders could be financial institutions, insurance companies, construction companies, suppliers of building materials etc.

RESEARCH METHODOLOGY

For the purpose of representativeness, generalization and meaningful result, all Real Estate Development Companies (REDCs) being involved in Public-Private Partnership Projects in Abuja and Lagos, Nigeria were included in this study. These two locations were chosen because of the fact that the former is the administrative capital of Nigeria while the latter has the highest level of commercial activities in Nigeria.

The scope of this work was also limited to only housing provision by Public-Private Partnership. The total number of these developers in Lagos and Abuja are 44 and 35 respectively. The number is in manageable sizes which made it easier to collect data from all the members of the population without sampling. Due to the statistical provision that total variation is a combination of variation within organisation and variation between organisations; five (5) individuals were selected from each of the seventy-nine REDCs. Invariably, a total of 395 respondents were considered and the questionnaires administered with 336 questionnaires returned. To test for the severity of the under listed problems, regression analysis was performed. The total for the rating of the problems is considered as the dependent variable (y) and individual rating(s) of each of the problems are considered as independent variables. The regression model is given as:

- Type of partnership
- Mode of land acquisition
- Funding
- Viability
- Affordability
- Sales rate
- Demand at final stage
- Public sector contribution

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7 + \beta_8x_8$$

Test of significance was performed for each of the regression coefficients β_i s to determine the extent to which the variable (x_i) affects housing delivery under PPP.

To examine the strength or predictive power of the model, R square (adjusted) was computed. Generally, the closer the R^2 (adj.) is to 1, the better is the model.

Data Analysis and Discussion of Results

Table 1: Comparing operational features of REDCs in Lagos and Abuja

Variable	Degree of freedom	t-cal	P value
Type of Partnership	334	-0.053	0.957
Mode of Land Acquisition	334	-9.162	0.000**
Funding	334	4.266	0.000**
Viability	334	10.273	0.000**
Affordability	334	7.507	0.000**
Sale rate	334	-15.882	0.000**
Final Stage Demand	334	17.385	0.000**
Public Sector Contribution	334	1.490	0.137

Source: Field Survey 2011

0.05 denotes significant level

Table 1 shows that for the type of partnership, the calculated t is -0.053 and the corresponding P value is 0.957. This shows that there is no significant difference in the type of partnership practised by Real Estate Developers in Lagos and Abuja. The calculated t and p value for modes of land acquisition are -9.162 and 0.000 respectively. This implies that there is a significant difference in the mode of land acquisition in the two locations. Also, there exist significant difference in funding pattern as the t calculated and p value is 4.266 and 0.000. In the same vein, viability of Public-Private Partnership programme is significantly different in Lagos and Abuja. The t calculated is 10.273 while the p value is 0.000, for affordability, the t calculated is 7.507 and p value is 0.000, this equally reveals that there exist significant difference in terms of affordability of houses of Public-Private Partnership. The t calculated for sales rate is -15.882 and p value is 0.000. This revealed that there is a significant difference in the sales rate of Public-Private Partnership houses in Abuja and Lagos. There is also significant difference in demand at final stage as the t calculated and p value is 17.385 and 0.000 respectively. In the case of public sector contribution, the t calculated and p value are 1.490 and 0.137 respectively this shows that there is no significant difference in the contribution made by public sector in both Lagos and Abuja.

Table 2: Significance of Problems of PPP

Model	Sum of Squares	D.F	Mean Square	F	Sig
Regression	2422.171	6	302.771	1.260E3	0.000
Residual	78.579	327	0.240		
Total	2500.750	335			

Source: Field Survey 2011

Predictors: (Constant) $x_1, x_2, x_3, x_4, x_5, x_6, x_7, x_8$.

Dependent Variable: RATING TOTAL

Table 2 shows that the P value (0.000) is less than the level of significance ($\alpha=0.05$). This implies that some or all the perceived problems are significant. However, it is necessary to identify the problems that may be hindering PPP significantly with respect to housing delivery in order to have perfect understanding of the problems militating against housing delivery under PPP arrangement.

Table 3: Mode of Land Acquisition in the Study Area

Mode of Acquisition	Lagos		Abuja	
	Frequency	Percentage	Frequency	Percentage
Purchase	154	64.7	28	28.6
Lease	42	17.6	0	0.0
Government	42	17.6	70	71.4
Total	238	100	98	100

Source: Field Survey 2011

Table 3 shows that in Lagos 64.7% claim that mode of land acquisition is through purchase, 17% through lease and 17.6% from government. In Abuja, the respondents claim that the major mode of acquiring land is from the Government as attested to by 71.4% of the respondents, followed by purchase with 28.6%. It can be concluded that leasing is not a common means of acquiring land in the two locations.

It is however necessary to carry out Test of Significance of the above two problems and other identified problems as follows:

Table 4: Test of Significance for PPP Problems

Model	Unstandardized Coefficient	T	Sig
Constant	0.557	2.275	0.024
Land acquisition..... x_1	0.992	21.225	0.000**
Funding..... x_2	1.151	19.313	0.000**
Technical Know how..... x_3	0.363	4.762	0.000**
Skilled man power..... x_4	1.607	24.786	0.000**
Unstable price of building materials..... x_5	0.540	9.052	0.000**

Office Bottle necks.....x ₆	0.687	8.223	0.000**
Civil servant attitude.....x ₇	1.088	21.718	0.000**
Inefficient Equipment.....x ₈	1.246	14.209	0.000**

Source: Field Survey 2011

0.05 denote significant level

Table 4 shows the result of test of significance performed for the perceived problems. The regression model is given as:

$$Y = 0.557 + 0.992x_1 + 1.151x_2 + 0.363x_3 + 1.607x_4 + 0.54x_5 + 0.687x_6 + 1.068x_7 + 1.246x_8$$

However the P value for all the variables is 0.00. These suggest that all the listed problems are hindering housing delivery under PPP arrangement significantly. For effective housing delivery these problems should be addressed either jointly or individually. The problems are:

- . Land acquisition.....Px₁
- . Finance (Funding).....Px₂
- . Technical know-how.....Px₃
- . Skilled man power.....Px₄
- . Unstable price of building material.....Px₅
- . Official bottle necks.....Px₆
- . Civil servant attitude.....Px₇
- . Inefficient equipment.....Px₈

Recommendation and Conclusion

The public sector should provide counterpart funding in any PPP project in addition to whatever fund provided by the private sector to solve the problems of funding. However, if the public sector is not ready to provide fund, it should guarantee any loan secured by the private sector for ease of funding. Training, seminars and workshops should be organized for the personnel that will be involved in the PPP projects. This will improve the skill and technical know-how of manpower handling the project. The private sector who is the active partner of PPP arrangement should endeavour to procure all the required building materials needed in bulk at the commencement of the project. This will cushion the effect of inflation on the prices of building materials for the project.

In conclusion the Build, Operate and Transfer (BOT) type of PPP should be encouraged as it is the kind of partnership that will give the private sector leverage and security over their investment. Anything outside will discourage private developers from engaging in PPP projects.

It is evident from this study that a lot can be effected on the way and manner by which PPP is undertaken to improve the practice.

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