Public-Private Partnership (PPP) as a Mechanism for the Provision of Affordable Housing Delivery in Nigeria

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Abstract

The international community recognises that increasing the provision of affordable housing is one of the major development challenges of the twenty-first century. This challenge is even more severe in developing economies with high population such as Nigeria, where the government has tried a variety of housing initiatives to help address the challenge but to relatively very little effect. One of the recent initiatives involves the use of Public Private Partnership (PPP). Unfortunately, the strategy used to date does not accurately reflect what is needed to stimulate and broaden housing provision (NHP, 2012). This thesis sought to understand this major policy issue by examining how an effective PPP approach could assist in increasing affordable housing delivery. The dearth of affordable housing is a national concern, with the federal government of Nigeria estimating that there is a deficit of 23 million houses in Nigeria (FGN, 2013).

The aim of this study is to develop a PPP framework for the implementation of affordable housing delivery in Nigeria. To do this, the research develops a framework based on five components: capacity development, operating environment, project development, project financing and government commitment. The research also uses the Institutional Analysis and Development (IAD) Framework to analyse and initiate housing policy reform for PPP arrangement. The IAD Framework helps to understand key variables and the process to evaluate the effectiveness of using PPP as a mechanism for affordable housing delivery in Nigeria. The research was based upon in-depth literature review and primary data collection using semi-structured interviews with various practitioners in the public and private sectors using PPP for housing delivery in Nigeria.

The research provides further evidence on constraints that are hindering the effectiveness of PPP on affordable housing delivery in Nigeria, including lack of regulation guarantee, poor financial projections, poor feasibility assessments, poor communication, inadequate financial resources, project cancellation and contract renegotiation etc. PPP needs to develop a clear statement of objectives for affordable housing delivery, well-communicated strategy, a clear institutional framework, independent oversight, sustainable financing mechanisms and allow flexibility for implementation in order to mitigate these constraints. In addition to providing the basis for more effective housing policy, the research develops a PPP model for affordable housing delivery. These findings could assist in developing effective tools to enhance the process, build appropriate institutions and legal system for a fairer and more transparent environment to facilitate the private sector involvement in affordable housing delivery in Nigeria.
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Declaration

I declare that the research contained in this thesis, unless otherwise formally indicated within the text, is the original work of the author. The thesis has not been previously submitted to this or any other university for a degree, and does not incorporate any material already submitted for a degree.

Signed…………………………………………..

Dated……………………………………………
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Abbreviations

ADB – Asian Development Bank
AFDB – African Development Bank
BOT – Build Operate Transfer
CAHF – Centre for Affordable Housing Finance Africa
CCPPP – Canadian Council for Public Private Partnerships
CIH – Chartered Institute of Housing
DBFO – Design Build Finance Operate
DBFOM – Design Build Finance Operate and Maintain
DCLG – Department for Communities and Local Government
DOT – Department of Transportation
DTF – Department of Treasury and Finance
EIB – European Investment Bank
EPEC – European PPP Expertise Centre
FEMIP – Facility for Euro-Mediterranean Investment and Partnership
FGN – Federal Government of Nigeria
FHA – Federal Housing Authority
FHWA – Federal Highway Administration
FMBN – Federal Mortgage Bank of Nigeria
GDP – Gross Domestic Product
HLGPM – Housing, Local Government and Planning Ministers
HM Treasury – Her Majesty’s Treasury
IAD – Institutional Analysis Development
ICRC – Infrastructure Concession Regulatory Commission
IEG – Independent Evaluation Group
IFAC – International Federation of Accountants
IFAD – International Fund for Agricultural Development
IMF – International Monetary Fund
INAHC – Independent National Affordable Housing Commission
IPPR – Institute for Public Policy Research
IPSIG – Independent Private Sector Inspector General
LIHTC – Low-Income Housing Tax Credits
MAH – Municipal Affairs and Housing
MDAs – Ministries, Departments and Agencies
NACCA – National Aboriginal Capital Corporation Association
NAO – National Audit Office
NBS – National Bureau of Statistics
NCPPP – National Council for Public Private Partnership
NHP – National Housing Policy
OECD – Organisation for Economic Co-operation and Development
PPP – Public Private Partnership
PRS – Private sector
PUS – Public Sector
SPV – Special Purpose Vehicle
UNAIDS – Joint United Nations Programme on HIV/AIDS
UNESCAP – United Nations Economic and Social Commission for Asia and the Pacific
UN-HABITAT – United Nation Human Settlements Programme
USAID – United State Agency for International Development
CHAPTER ONE
GENERAL BACKGROUND

1.1 Introduction
By 2030, it is anticipated that about 3 billion people or roughly 40 per cent of the world’s population, will lack proper housing. In the developing economies, housing supply is being limited by poor governance systems and human resource deficiencies, as well as by institutions and regulations which are either obsolete, lacking in capacity, or poorly informed (UN-Habitat, 2015). The scale of the housing crisis facing Nigeria is unprecedented. Each year, Nigeria builds about 600,000 fewer homes than are needed, adding to the current dearth of 23 million that has been growing for decades. This shortfall has been accrued because of years of undersupply. In an effort to increase affordable housing delivery in Nigeria, this research suggests that the use of public private partnership (PPP) as a tool, if applied effectively, could increase private sector investment and fuel development initiatives. A key motivation is the opportunity for cash strapped government to tap into new private financing sources to meet the costs of delivering adequate housing.

Policy debates on housing are still very much dominated by how the nation can best support the low-middle income housing market (Sa-Aadu, 1984). The complex nature of the term affordable housing is reflected by the fact that affordability is both a function of housing demand and supply factors (Bieri, 2012). A supply side housing program typically sidesteps the private housing market while a demand side program relies on the discipline of the market to promote society’s affordable housing goals for the needy. The Nigerian government has been engaging in demand side approaches (such as Refinancing Mortgage Company and Federal Mortgage Bank) for years to promote home ownership without major significant success. This research however examines a supply-side strategy to attack the affordable housing problems faced by emerging Nigerian middle class. This involves giving a variety of assistance to those people and businesses involved in the delivery side of the housing sector (Berry, 2002).

The central focus of this thesis is therefore the creation of an effective public private partnership for the provision of affordable housing in Nigeria. The intent of this chapter is to set out the nature and scope of the thesis as well as to outline its structure. The rationale for affordable housing delivery, which is the motivation for the thesis, is presented in this
chapter, as is the case for public private partnership (and the beneficiaries – emerging middle class Nigerians). Key concepts are elucidated, albeit briefly, in this chapter but dealt with more elaborately in the rest of the thesis. The aim of the research and the concomitant research questions are also the subject of this chapter. The significance of the research is also presented in the chapter and finally, a brief summary of the following chapters of the thesis is given.

1.2 Rationale for Affordable Housing Delivery

Housing has been identified as one of the world’s prevalent problems. The international community recognises that increasing affordable housing is one of the major development challenges of the twenty-first century (Kothari, 2005, Kissick et al., 2006, Walley, 2010). From slum residents in the developing countries to middle-income households in expensive global capitals in developed countries, hundreds of millions of people struggle to find decent housing that they can afford without severe financial stress which has social as well as economic consequences (Woetzel et al., 2014). Globally, around 1.6 billion people live in substandard housing and 100 million are homeless (Kothari, 2005). Every week more than a million people are born in or move to cities in low-income countries, driving up the need for new and better housing (Kissick et al., 2006). Estimates of total new housing need in Africa have been set at around 4 million units per year with over 60 per cent of the demand required to accommodate urban residents and this is likely to increase to 5 million per year (Walley, 2010). This translates into nearly 14,000 homes per day in order to accommodate the expected urban population growth.

Inadequate affordable housing, particularly in developing countries like Nigeria, is a constraint on economic growth and a persistent challenge for governments. Nigerian governments have historically struggled with the challenge of housing its citizens and providing housing at a reasonable cost for low and middle-income people. For years, Nigeria has underprovided affordable housing. In Nigeria, total current housing production is at about 100,000 units per year, for a country of nearly 170 million. Nigeria needs about 720,000 additional units each year, with the federal government estimating that there is a deficit of 23 million homes in Nigeria (FGN, 2013). For some of the major urban centres (such as Lagos, Abuja, Ibadan and Kano), housing demand is growing at about 20 per cent per annum (Okonjo-Iweala, 2014). In 2010, it was reported that 85 percent of the urban population lives in rented accommodation, spending more than 40 percent of their income on rent (Kokularupan, 2010). It is also noteworthy that 90 per cent of houses in Nigeria are
self-built; this may be due to a general lack of affordability and also the difficulty in obtaining mortgage financing (FinMarkTrust, 2010, CAHF, 2012).

While the dire shortage of affordable housing has been recognised internationally as a deep and pervasive problem, strategies to address this do not seem to have been thoroughly examined (UN-Habitat, 2005). Some of the policies, institutions and regulations which the Nigerian government has put in place since independence in 1960 have been hindered by frequent changes of government and this has tended to disrupt policies and programmes before they have had a chance to take hold (FinMarkTrust, 2010). Although these initiatives may have had some impact, they have not been sufficient or effective enough to deliver housing for all Nigerians. Financing affordable housing is important if the world is to secure environmentally sustainability, economic prosperity, cultural diversity and social equality (UN-Habitat, 2005). In addressing these challenges, there is need for new organisational arrangements and commitments across sectors (government and private sector) (Brinkerhoff and Brinkerhoff, 2011). With these new combinations of desired resources, it is expected that overall effectiveness in the pursuit of the objective of affordable housing delivery might be enhanced.

History has shown that, nations that fail to house their people have risked urban unrest: poor-quality housing outputs contributed to rioting in Rome in 75 BC, Paris in 1848, several US cities in 1967, and Morocco in 2003 (Ernst and Young, 2013). Affordable housing has always been part of the Nigeria housing policy statements. ‘A good home for every citizen’ has been part of the national social contracts (NHP, 2012) but that is a promise governments could not keep. For decades, however, governments have been falling behind: the systems in place, cannot keep up with growing and diversifying economies and the long-predicted boom in urban population. With increasing population pressures, urbanisation and other developmental trends, the government’s ability to address the affordable housing needs adequately through traditional means has been severally constrained. To continue with the current system would be to condemn a majority of the populace to homelessness, or at best unsuitable housing. In most developed economies, the housing sector is seen as an important sector for stimulating economic growth. Many housing-related activities contribute directly to achieving broader socioeconomic development goals (Kissicks et al, 2006).

Housing is also a key driver shaping the social sustainability of societies, a vehicle for social inclusion. In fact, social scientists (Karn and Wolman, 1992) have observed that one
key way to evaluate a nation’s housing system delivery is whether, and how much, it contributes to social stability. Therefore, the citizens’ sense of social cohesion is often directly connected to the delivery of sufficient housing they could afford. Housing is what creates and defines nations. A growing body of research shows that access to good quality affordable housing supports not only the nation’s households, but also has positive nationwide benefits related to economic competitiveness, health, education and public well-being (MAH, 2011). In addition, clean, warm housing is an essential factor in the prevention and care of the diseases of poverty like HIV/AIDS, tuberculosis, diarrhoea, and malaria (World Bank, 1993, Reeves, 2005). Thus, there is need for innovation by both the public and private sectors, to work together to deliver the housing the country needs and the citizens can afford. As such, affordable housing is essential to the continued success, growth and competitiveness of Nigerian state.

Although Nigeria has 84 primary mortgage banks (PMBs) and 20 commercial banks, most Nigerians usually, depend on private savings to pay for their homes. The size of the mortgage market has grown from N54billion (US$342 million) in 2006, to about N224billion (US$1.42 billion) in 2011 yet, this still accounted for only roughly 0.5% of GDP. For commercial banks, mortgage loans accounted for less than 1 per cent of their total assets. Nigeria’s Federal Mortgage Bank (FMBN) manages a National Housing Fund financed mostly by contributions from public sector workers. But results from this fund have been disappointing: as at August 2012, only about 12,000 mortgages had been provided for a total of 3.8 million eligible contributors (World Bank, 2013). This has contributed to the dearth of affordable housing in Nigeria. Various (of the 36 and the Federal Capital Territory) state governments also have housing development agencies, but these institutions have had very limited impact. Moreover, a number of administrative and bureaucratic, operational and financial capacity problems are hindering the development of the mortgage industry and the housing sector. These problems are well known and well documented but what needed is a plan to tackle the challenges.

Housing is expensive to provide in Nigeria. The construction cost for a simple three-bedroom house in Nigeria is about N8million (or US$50,000); compared to US$36,000 in South Africa and US$26,000 in India (Okonjo-Iweala, 2014). The costs are high for three reasons: high costs of building materials, high costs of skilled labour, and the costs of associated public infrastructure such as sewers, roads, etc. About 75 percent of households in Nigeria’s urban areas live in dwellings constructed with concrete. Cement prices in
Nigeria are about 30-40 percent higher compared to neighbouring countries or to the world market prices due to epileptic power supply (Ibem, 2011, Okonjo-Iweala, 2014). Nigeria therefore needs to explore the greater use of local inputs and alternative building materials, which are cheaper, of good quality, and environmentally friendly.

Affordable housing is usually viewed as non-market housing provided to those whose needs are not met by the market (DCLG, 2006). Housing is however expensive to provide and people whose incomes are low are likely to find it difficult to procure adequate housing through normal market mechanisms (Satsangi et al., 2001). This suggests that, there is a gap between the need for housing and the capacity to provide the desired housing type, resulting in an effective demand crisis for affordable housing in the country (FinMarkTrust, 2010). Walley (2010) conducted research into various options to provide housing in Nigeria for different income levels. The research found that none of the studied areas was delivering solutions for the needs of low-middle income households. The study recommended commissioning a detailed study on a framework for Housing Public Private Partnership Schemes, and advocated a more coordinated and inclusive housing policy. In line with previous studies, the research identified inadequate access to finance, slow bureaucratic processes, and the high cost of land and building materials as major factors negatively affecting housing provision in Nigeria.

The key issue here is that there is still a shortage of affordable housing in Nigeria and the performance of both public and private sectors in affordable housing delivery has been inadequate. The widening gap of effective demand over affordable housing is not arising because governments do not care; rather, it is proof that government’s existing frameworks are not adequate. It is time for government to make innovative changes in the delivery models and, in particular, to shift into a more outsourced, public private partnership oriented approach on both the supply side (new homes) and the demand side (financing products).

1.3 Possible Initiatives for Affordable Housing Delivery

There are several possible initiatives for delivering affordable housing, ranging from small-scale private home builders to large public-housing authorities. Selecting the best one for a given context depends on a variety of factors, including the state of the housing industry, availability of developable land, and nature and tenure of the housing market. Finding appropriate delivery models for the circumstances of a nation is a key enabler for creating
a supply of affordable housing (Woetzel, et al., 2014). While delivery systems vary, policy decisions usually influence these initiatives around the world, four major models for affordable housing delivery are identified and explained below, reflecting different ways to manage the housing-delivery process, however the this research will be focusing on Public Private partnership.

**Consumer-led Model**

In this initiative, individual households lead the process in the construction. The government can play a role by strengthening the construction industry to help ensure that consumers get good-quality homes at reasonable prices and that the sale of homes is regulated. Because the home-building industry is typically very fragmented with players ranging from large developers, to small-scale construction companies, to independent contractors — consumers wishing to build their own home are left to navigate a complex process. This model works best when a robust private market exists, but it suffers from complex processes and limited information that disadvantages consumers. Governments can help make the consumer-led model function efficiently by providing consumers with the knowledge and advice to manage the processes of building or renovating properties, navigating the sales market, offering benchmarks and technical assistance, and providing programs to help refurbish existing units (HACT, 2014; Woetzel, et al., 2014).

**Incented Private Development**

In this initiative, private developers receive financial and non-financial incentives to build affordable housing. The homes are sold directly to consumers, purchased by the government for allocation to citizens, or operated as rental properties. The government determines what incentives are appropriate and what land qualifies for such incentives, and it ensures that developers who receive incentives deliver the agreed-upon affordable housing units on time and meet quality standards. In doing so, government can steer an already-developed private market toward areas of greatest public benefit (Gbadeyan, 2011; Gopalan and Venkataraman, 2015).

**Public Delivery Model**

This remains an important source of affordable housing around the world. Governments often engage private contractors to build the project on public land, while still acting as the primary developer and retaining ownership. The housing agency sells or rents completed
units to citizens, typically maintaining a strong management role. By exerting more control over the process, governments open the possibility of creating a large-scale housing industry without being dependent on the timing or financial capacity of the private market (Shelter, 2009 and Wilson, 2014).

Public-Private Partnerships (PPPs)

This initiative generally involves more direct government intervention than incented private development. The housing authority becomes an active partner in development, rather than functioning as a passive, regulatory actor. In a PPP, the private developers often build housing units on public land, with finished units sold directly by the private partner or allocated by government to buyers or tenants. The primary role of government is to de-risk the development and create the right contractual and legal framework for private players to bid on projects and join the partnership. The tools of incented private development may also be used in a PPP (Moskalyk, 2008; Ibem, 2011; (Woetzel, et al., 2014).

It is more apparent that the scale of housing problem in Nigeria and the finance requires to address the problem exceed what governments are prepared to commit. As stated earlier, governments and private sectors are not delivering enough homes and some of the available ones are often for high income earners. As a result, relying solely on government programs for the provision of housing is now unsustainable. Other options need exploring. Since governments are ill-equipped to deal with the problem, they must explore new ways to ensure that limited public resources are used in the most efficient way. One initiative proposed as a possible solution to address the provision of affordable housing is public private partnerships. The remainder of this thesis focuses on this initiative.

1.4 The Case for Public Private Partnership

“While the dire shortage of affordable housing has been recognised internationally as a deep and pervasive problem, strategies to address this have not been thoroughly addressed” (UN-Habitat, 2005). Providing affordable housing for citizens is a perennial challenge for nations around the world (Woetzel et al., 2014) The problem of affordable housing is particularly severe in Nigeria, where a variety of housing initiatives have been tried and found wanting. The most recent involves Public Private Partnerships (PPP). PPPs are contractual relationships between partners in different sectors. Nigeria has recently
experienced political transition, and the government plans to pursue private sector participation to accelerate access to housing to drive economic growth. This comes in the context of growing financial constraints. Good example is the drop in the price of oil over the past year has severely limited government revenue, since oil accounts for 70 per cent of the government’s income (Goussard, 2015). Growing resource constraints have increased the need for, and willingness of, organisations to work together (Alter and Hage., 1993, Christianson et al., 1995). However, evidence on whether PPP provides truly “win-win” solutions, (succeeding where both governments and markets have failed), is far from clear (Biermann et al., 2007). Given their diverse nature and ranging focuses, more needs to be done to analyse the effect of PPP project, especially in the provision of affordable housing in Nigeria.

The need for affordable housing investment continues to grow in virtually all countries; governments are recognising the value in establishing partnerships with the private sector to increase the provision of affordable housing projects (Austin, 2008). There is consensus among policy makers that to achieve solutions to the affordable housing crisis at scale, major support and involvement by the private sector is necessary (Davis, 2006). At their best, private funds ease budget constraints (Sanusi, 2012), for example, in the USA; budgetary constraint was the driving force, which prompted community based non-profit housing developers to forge creative alliances with various parties to finance affordable housing (Pomeroy et al., 1998, Davis, 2006). The same was true in the UK (Webb and Pulle, 2002, Boussabaine, 2007), Canada (Moskalyk, 2008) and Australia (Susilawati, 2009).

The private sector cannot however produce housing that is affordable to low-middle income households without some form of subsidy (Pomeroy et al., 1998, Suchman and Sowell, 1997). Even for the construction of modest housing units, the break-even rents are higher than what is considered to be affordable for many low-income households (Moskalyk, 2008). Similarly, the withdrawal of government funding has shown that housing authorities lack sufficient funding and resources to produce low-cost housing on their own. Therefore, based on the public sector lack of sufficient funding and current market conditions, it appears that affordable housing provision will require a partnership between public and private sectors. This observation is echoed in research literature and the trend toward Public Private Partnerships has been noted in the UK, Canada, Australia and the United States (NAO, 2010, Pomeroy et al., 1998, Berry et al., 2006).
With the failure of the most recent attempt at national housing reform and the growing financial pressures, the public and private sectors are looking more often to these types of partnerships to respond to housing needs (NHP, 2012). Despite the positive rhetoric surrounding their perceived role, however, whether or not partnerships will prove a model of effective delivery for affordable housing in a new world of complex interdependence required a systematic examination. The argument that PPP effectively address global challenges is still rather a normative idea than a methodologically sound and theoretically grounded empirical fact (Homkes, 2011). Initial researches suggest that partnerships have indeed led to substantial gains and contributed to addressing these pressing global problems (Caines, 2005, Buse and Tanaka, 2011). The cumulative positive impact of this is perhaps neither established nor properly tested (Biermann et al., 2007). Therefore, more needs to be done to systematically study the impact of these unique collaborative partnerships.

PPP could only be successful if the right enabling environment is created including political stability, enforcement of a legal framework, and increased transparency and openness to foreign investment coupled with an institution that has strong corporate governance and is shielded from undue political interference. However, the capacity to appraise and implement PPP projects is still relatively limited, resulting in incomplete project preparation, inadequate financial models and business plans, and a general lack of experience in developing high quality concession contracts and most particularly monitoring their operational success. Nigeria needs to do more to address these weaknesses (Sanusi, 2012). In Nigeria, according to (Okonjo-Iweala, 2011), every project takes at least twice as much time to complete because of regulatory failures, lack of consensus and in the end the projects are the most costly compared to other neighbouring countries. The private sector has been shown to be more willing to enter into partnership where regulatory framework is clear and in a structured environment. This is needed in Nigeria to facilitate the development of effective PPP.

While there are many positive aspects to the emergence of PPP, there remain many uncertainties and some causes for concern (Teiseman and Klijn, 2002). Research is needed to learn more about what makes a partnership effective and in particular what organisational forms and management arrangements represent best practice for governance and what factors contribute to partnership effectiveness on the ground. Recent research says harnessing the potential and minimising the risks of partnership failures relies on the
systematic identification of potential pitfalls associated with PPP and the use of these findings to develop appropriate guidelines, procedures and safeguards (Hayford, 2013).

Public private partnership has long been advocated and analysed as a potential organisational solution to pressing societal problems that call for the comparative advantages of government, business, and civil society (Brinkerhoff and Brinkerhoff, 2011). Addressing these challenges, taking advantage of the opportunities they provide, and mitigating threats calls for new organisational measures and unwavering commitment across sectors (public and private). Broadbent et al (2003) note: ‘partnerships are no panacea, for they bring their own technical, organisation and political challenges’. However, if the government cannot deliver the affordable housing needed by the Nigerian public with the available resources, there may have to be a review of the functions undertaken by the government.

Nigeria has experienced mixed success in the development and execution of PPP projects, and has recently taken concerted action to improve aspects of the operating environment or to boost institutional capacity. The country has undergone significant regulatory reform, with the ratification of new PPP acts, while at the same time developing institutional frameworks from the ground up. Although the country has had some experience in engaging private-sector parties in the development of power facilities with relative success. However, regulatory frameworks and institutional arrangements are not yet robust. There is however, a good level of political will towards deploying PPP as a means of boosting much needed affordable housing investment (Ohiani, 2014). Despite weak regulatory frameworks and underdeveloped institutions, the attractiveness of the country’s investment proposition is critical, as is the imperative to get the rules and the institutions right. Prospects for Nigeria are bright, given the increasing attractiveness of its business environment and the growth of increasingly sophisticated domestic financial facilities (AFDB et al., 2012).

Affordable housing is an overlooked opportunity for developers, investors, and financial institutions. To replace today’s substandard housing and build additional units needed by 2025 would require an investment of $9 to $11 trillion for construction; with land, the total cost could be $16 trillion. Of this, $1 trillion to $3 trillion may be required from public funding (Woetzel, et al, 2014). These findings indicate that new approaches are needed since attempts to date to provide affordable housing have yielded inadequate results. The governments need to think more broadly and creatively about a solution to satisfy the need
for affordable housing that can accommodate citizens of all income groups and their changing requirements that might connect them to employment and society. To turn these aspirations into reality, governments will need efficiently functioning delivery mechanisms.

Affordable housing cannot be fully effective without an efficient delivery mechanism to manage and fund affordable housing initiatives. The affordable housing delivery mechanism is how the government turns its goals, aspirations, and policies into action. To ensure this is achievable, policy makers need to collaborate with the private sector, choose the housing delivery model(s) that fits the local context, identify all possible sources of funding, and establish rules for governance, including deciding how affordable housing benefits will be allocated and in doing this manage the performance of housing-related regulatory processes (Woetzel, et al, 2014). In this arrangement, the public sector is an active partner with the private sector, rather than a passive, regulatory actor. Public private partnerships could be an influential scheme for providing affordable housing by leveraging the best of both the public and private sectors, wherein the government enlists a private sector partner to deliver affordable housing under agreed-upon conditions.

Overall, this public private partnership shows that there is a strong economic case for expanding the private sector involvement in affordable housing delivery in Nigeria. New provision may require increased investment in public private partnerships, but they could be capable of delivering important improvements in the affordability and efficiency of affordable housing delivery, and improving the Nigerian housing system's capacity to cope with the impact of the housing deficit.

1.5 Why Emerging Middle Class is Important

The focus of this research is to examine how PPP could be effectively used to deliver affordable housing for emerging middle class Nigerians. Many recent studies have focused on housing for low-income earners (Wapwera, Parsa and Egbu, 2011; Abdullahi and Abd Aziz, 2011; CAHF, 2012; Ibem, 2011 and Adeleji and Olotuah, 2012); however, there is little research on affordable housing provision for middle class in Nigeria (Okpoechi, 2014). Mabogunje (2011) and Awotona (1990) observed that, this middle-income group (which forms the bulk of the working population) suffers from the shortage of housing stock in Nigeria; translating their aspirations into effective demand is challenging. Nigeria’s middle class has emerged along with expansion of the private sector industries
like banking, telecommunications and services, centred in urban areas. A study carried out by Africa Development Bank, estimated that Nigeria’s middle class accounted for about 23% of the Nigerian population (39.9m) (Ncube et al., 2011) (See Figure 1 – Page 12).

According to Hever (2007), an equitable society is one in which the middle class is large and the upper and lower classes are small. All over the world, the existence and sustenance of the middle class are perceived as very important factors in measuring the extent of economic well-being of a country’s working population (Li, 2006). For many years, it was apparent that high rate of poverty and income inequality have threatened the Nigerian middle class with extinction (NBS, 2007). In order to sustain and improve the middle class in Nigeria, Nigeria Bureau of Statistics suggested that Nigeria need to boost its home-ownership program for middle class. This invariably, might reduce social inequality in Nigeria (NBS, 2007).

**Figure 1: Nigeria's Middle Class (in millions)**

![Bar chart showing population and middle class](image)

Notes: Nigerian middle class has an annual income of $6,000-$7,000 a year. Nigerian Population (above)

**Sources:** (Ncube et al., 2011; Robertson et al., 2011)

Many of the emerging middle class in sub-Saharan Africa are not “income-secure”. They are at the risk of slipping back into poverty in the event of some exogenous shocks (Ncube et al., 2011). Where the secure middle class is small, it is also likely to be more economically dependent on government, either directly in the case of civil servants or
indirectly in the case of employees of government-owned companies and other enterprises heavily dependent on government subsidies and political largesse (Birdsall, 2007). Both federal and State governments in the country are grappling with how to address the need for more housing that is affordable for their civil servants. With little or no subsidies available, huge construction costs have made private developers focus on building luxury rentals, not low-middle class housing.

Housing has become severely unaffordable for much of the Nigerian middle class in urban areas, and particularly for new working families (Ibem, 2011); this is negatively affecting their standard of living. Without an effective and coherent policy promoting affordable housing and a strong commitment by various levels of government to promote and strengthen a middle class in Nigeria, the prospects of a vibrant, stable, and affluent middle class may be less than encouraging. The failure to establish a strong middle class in Nigeria may also negatively impact economic growth, the goal of a more consumption-based domestic economy, and the hope of building a harmonious and civil society in Nigeria. Sound policies encouraging the growth of the middle class are necessary to ensure sustainable development in any country (Li, 2010). This is particularly important for a populous country like Nigeria.

The middle class is widely acknowledged to be Africa's future, the group that is crucial to the continent’s economic and political development. Recent estimates put the size of the middle class in the region in the neighbourhood of 300 to 500 million people, representing the population that is between Africa's vast poor and the continent's few elite (Ncube et al., 2011). It is also argued that Africa’s middle class is strongest in countries that have robust and growing private sectors (Ramachandran et al. 2009). Africa’s middle class is not only crucial for economic growth but is also essential for the growth of democracy (Mahajan, 2009). Whilst the affordable housing problem for low-income group is huge, but the current trends are that the problem is now spreading to middle-income households, families earning between $6,000 and $7,000 per year (Ncube et al., 2011 and Robertson et al., 2011). These middle-income families have less money to spend on other goods and services and that creates huge losses across the economy. Some middle-class households choose to move out of major cities in search of more affordable housing, depriving the state of young, skilled workers who represent the backbone of the workforce and the state’s future (Lutz, 2015).
One advantage of delivering affordable housing for emerging middle class is to create housing opportunities near centres of job growth. Thus, this could promote balanced urban growth that strengthens existing cities (Katz et al. 2003). Affordable housing can offer development opportunities for the housing sector, and it can be a stabilising factor for economic development. It can also facilitate urban development and regeneration, contribute to ecologically sound standards in new construction and refurbishment, stabilise migration flows and reduce social tensions (United Nation, 2010). Additionally, projections by the African Development Bank in 2011 suggest that by 2030, countries like Nigeria, Ethiopia and South Africa, are expected to provide the largest number of middle income in Africa (Juma, 2011). It thus becomes important that for there to be a continued rise in the middle class in Nigeria, policies that bolster the incomes of those already in the middle class would have to be introduced. Housing is one such policy, as it has the capacity to accelerate the reduction of poverty, and improve the living conditions of the people.

1.6 Research Questions
The following research questions are raised for this study:

1. What are the factors that facilitate the establishment, performance and success of Public Private Partnership as a mechanism for affordable housing delivery?
2. What are the issues, problems and constraints that hinder the performance and success of using Public Private Partnership for affordable housing delivery in Nigeria?
3. How could Public Private Partnership increase the provision of affordable housing in Nigeria?

1.7 Aim of this Research
The research aim is to develop a framework for the use of Public Private Partnership to enhance the provision of affordable housing in Nigeria.

1.8 Research Objectives
In order to achieve the aim the following objectives were identified for this research:

1. Critically evaluate the current state of affordable housing provision in Nigeria
2. Identify the rationale, features and mechanisms of the PPP arrangements for provision of affordable housing in Nigeria.
3. Identify the main constraints in establishing PPP for the provision of affordable housing in Nigeria.
4. Establish mitigating strategies to overcome the constraints to make the PPP more effective for the provision of affordable housing.

5. Develop a model for the effective application of PPP for the provision of affordable housing to the emerging middle-class and make recommendations for implementation.

1.9 Gap of Knowledge

Affordable housing has become a great concern for both developed and developing countries. To date, there is still no commonly agreed upon definition of ‘affordable housing’, and there are still major gaps in the knowledge on how various countries such as, Nigeria can effectively tackle its growing housing challenge and what more can be done to increase provision (Walley, 2010; Woetzel et al., 2014; CAHF, 2015). The primary reason for affordable housing is to ensure equity in accessing housing, which is generally regarded as a basic human need (UN-Habitat, 2008). Government involvement is inevitable due to the failure of market housing to adequately meet housing needs. The quality of housing provision plays a decisive role in the economy of a nation and health status of its citizens. Many health problems are either directly or indirectly related to housing because of inappropriate construction materials, the equipment installed, the size or design of the individual dwellings and the quality of the internal environment (Butler-Jones, 2009).

Evidence has shown that those who have the least resources at their disposal suffer the worst housing conditions (Krieger and Higgins, 2002; Bonnefoy, 2007). Dealing with poverty will thus remain a most important element in any housing policy, either through specific housing programmes, or through specific economic policies. Looking at available knowledge on housing strategies, The World Bank observed that: “While the dire shortage of affordable housing has been recognised internationally as a deep and pervasive problem, strategies to address this have not been thoroughly addressed” (UN-Habitat, 2005). The World Bank strongly believes that more research on housing strategies will bring about better solutions for local, regional, and national policy-making.

Similarly, the Report of the Presidential Committee on Urban Development and Housing opined that “the strategies and programmes of successive governments did not satisfy the quests of the average Nigerian for housing mainly due to lack of adequate resources and political will” (NHP, 2012). Walley (2010) conducted research into various options to provide housing in Nigeria for different income levels. The research found that none of the studied areas were delivering solutions for the needs of low-middle income households.
The study recommended a detailed study on a framework for PPP housing schemes, and advocated a more coordinated and inclusive housing policy. However, this shows there is an urgent need for a renewed commitment; redirection of focus and private sector participation if achieving an adequate affordable housing objective is to be achieved.

The several housing policies and programmes previously developed in Nigeria, though well intended, have made little impact. The small achievements made to meet the needs of the low-middle income groups have usually been taken over by higher-income groups (Adedeji and Olotuah, 2012). Ogunshakin and Olayiwola (1992) traced the causal roots of the failure of affordable housing policy in Nigeria to the flaws in the institutional mechanisms of decision making and implementation processes. On provision of housing through PPP in Nigeria, Oyebanji, Akintoye and Liyanage (2011) also revealed that poor structure and lack of well-defined policy guidelines have been the underlying issues in Nigerian housing sector (Oyebanji et al., 2011).

The effort toward closing the affordable housing gap will not be possible if the Nigerian government do not have effective ways to follow through with affordable housing initiatives. Housing is very important, and requires innovative approaches. It is clearly necessary to approach housing in a cross-sectional and multidisciplinary way. The literature search has identified the role the private sector could play in reducing the supply-demand gap of affordable housing through productivity and expertise. The best housing strategy will fail to accomplish its goals if it is not effectively implemented. In order to encourage sustainable affordable housing delivery, policy makers need to create a supportive environment, which could play an important role in attracting investments into PPP for affordable housing delivery. A conducive environment is a critical factor in determining the efficiency and effectiveness of PPP because it not only affects the process, but also influence the interactions, decisions and outcomes of any PPP projects.

In summary, the existing literature on the use of PPP for the provision of affordable housing in Nigeria have identified the causal roots of failure as flaws in the institutional mechanisms of decision making and implementation processes (Ogunshakin and Olayiwola, 1992). They have revealed that poor structure and lack of well-defined policy guidelines have been the underlying issues (Oyebanji, Akintoye and Liyanage, 2011). There is, however, a gap in knowledge in the reasons for these flaws, for the poor structure and the lack of well-defined guidelines. This means that the problem situation is not well understood let alone the knowledge of the problems and constraints that exist within it. The
knowledge gap therefore is the understanding of the problem situation, which the research aims to achieve.

Once this knowledge gap is filled, it would enable the development of a more robust and comprehensive framework for implementation of PPP projects which would help to foster confidence and thereby encourage investors to get involved.

1.10 Outline Research Methodology

The research focuses on studying the use of PPP for the provision of affordable housing to the middle-class in Nigeria. The phenomenological strategy has been adopted to undertake the study by validating and refining existing knowledge to generate new knowledge. The research used Institutional Analysis Development (IAD) Framework as a tool to analyse the current Nigeria situation on PPP for affordable housing delivery. The IAD framework is a general language for analysing and testing hypotheses about behaviour in diverse situations at multiple levels of analysis and concerns analyses of how rules, physical and material conditions, and attributes of community affect the structure of action arenas, the incentives that individuals face, and the resulting outcomes (Ostrom, 2011). It has however proved useful in understanding a wide variety of institutional arrangements in both developed and developing countries (Imperial and Yandle, 2005). This understanding however, has provided a firm foundation to analyse PPP for affordable housing delivery. This institutional analysis relies on both primary data collection and examination of existing data. Further detail on this is given in chapter 5.

In this thesis, the method of collecting data is through interviews in order to understand and interpret a participant’s perception of Public Private Partnerships for affordable housing in Nigeria. The choice of a qualitative approach for this study is because the potential for richness and holism revealing complexity and providing thick description that is vivid, nested and in a real context (Miles and Huberman, 1994). The qualitative research study is based on the postulation that valuable data would be gathered by interviewing professionals that have been working with organisations involved in PPP on housing in Nigeria; in order to provide a true picture and analysis of the current practice in Nigeria.

The semi-structured interviews were conducted with public sector officials and private sector practitioners, and the focus was to established views on the factors that could enhance the establishment and implementation of PPP for affordable housing delivery in Nigeria and the constraints to this initiative and some suggestions to overcome those
constraints. These interviews found that the main constraints to affordable housing delivery using PPP as a mechanism is in achieving the desired enabling environment. Chapter 6 addresses the constraints on PPP affordable housing delivery in Nigeria.

The interview participants were contacted through professional bodies and federal and State Government Establishments. This study uses the judgement sampling technique which is the most appropriate to select only affordable housing provider. The snowball technique commenced from the recommendations of professional organisations and continued with referral from the initial contacts. Qualitative data has been analysed using thematic analysis. A further detail on data analysis is explained in Chapter 4.

1.11 Structure of the Thesis
The structure of the thesis is presented in the form of chapters as follows:

Chapter 1
The central focus of this thesis is using public private partnership for the provision of affordable housing in Nigeria. The intent of this chapter is to set out the nature and scope of the thesis as well as to outline its structure. The rationale for affordable housing delivery, which set the tone of the thesis, is presented in this chapter as is the case for public private partnership and the beneficiaries – emerging middle class Nigerians. Moreover, key concepts are elucidated, albeit briefly, in this chapter but dealt with more elaborately in the rest of the thesis. The aim of the research and the concomitant research questions are also the subject of this chapter. The significance of the research is also presented in the chapter. Finally, a brief summary of the chapters of the thesis is given as well.

Chapter 2
Presents an analysis of the public private partnerships and this is derived from the published literature. This chapter provides up-to-date understanding of PPPs and its significance in provision of public services. This chapter also analyses conceptual framework since PPPs is being used for different purposes and in different sectors; definitions of PPPs have been varied. Different public private partnership arrangements are presented as well as a criticism of PPP. The chapter further presents types of PPP, why PPP could be effective for affordable housing and the challenges of PPP with a view to identifying its potential benefits and shortcomings.
Chapter 3
This chapter focuses on historical and geographical background and housing in Nigeria. In particular, issues on demand and supply for housing and affordable housing delivery in Nigeria. The housing market is considered as well as the concepts and definition of affordable housing. There is a review of past housing policies and programmes, current PPP use for the provision of affordable housing in Nigeria and justification for a new PPP approach for the provision of affordable housing in Nigeria are presented. Challenges to affordable housing delivery in Nigeria and the significance of affordable housing are also considered. This chapter also examines international PPP experience on affordable housing and the possible lessons for Nigeria.

Chapter 4
This chapter describes the research methodology and the methods for data collection and analysis. As a result, the chapter presents various research methodological issues in order to identify a research method that is most appropriate for the study. The data collecting instrument is also considered in this chapter; semi-structured interviews. The chapter also presents an outline of the actual empirical research process. This research uses the Institutional Analysis Development (IAD) Framework as a tool to analyse the PPP for affordable housing delivery. This framework is explained in details in this chapter. Data analysis, sampling, research reliability and validity are also presented.

Chapter 5
This chapter explores the empirical research and its findings in particular, the chapter uses the IAD framework to examine the research findings from the interviews conducted from the key stakeholders in Nigerian housing sector. The purpose of this chapter is to systematically present and analyse data collected which shows that robust housing policy may be defined if the various elements of the framework are considered.

Chapter 6
This chapter explains what interviewees see as the biggest constraints to their involvement in affordable housing delivery. An understanding of these constraints is a necessary first step toward designing strategy interventions to help deliver adequate affordable homes. This chapter also sets out guidelines which a partnership needs to display if it is to respond effectively to constraints outlined. The objective here is to provide an understanding of the
key constraints on PPP for affordable housing delivery and guidelines to overcome them and how they can help to address the constraints faced in Nigeria.

Chapter 7

In this chapter, a new framework and model of PPP for affordable housing is developed that could enable Nigeria to tackle its housing shortage. The model is developed based on the findings from an extensive literature review, data collection and the author’s own analysis of the current affordable housing situation in Nigeria. This chapter also presents a set of evaluation criteria for the model developed. The research applies these criteria in order to determine the impact the model could have on affordable delivery in Nigeria if implemented. Furthermore, the framework is designed to provide a useful tool to guide the public and private sectors on PPP implementation for affordable housing delivery.

Chapter 8

This chapter of the thesis is the concluding chapter and therefore consolidates the preceding chapters. It provides conclusions that relate specifically to the research aim on which the thesis is founded. In particular, conclusions and some recommendations is the subject of this concluding chapter.

1.12 Conclusion

A public private partnership for affordable housing delivery has the potential to increase the quantity of affordable housing deliver in Nigeria, as this could enhance the use of scarce resources and efficiency. The purpose of the study is to explore the extent to which public private partnerships could be used in the provision of affordable housing in Nigeria. This chapter has outlined the structure and scope of the thesis. In particular, the research question on which the thesis is founded is presented in this chapter. This is also true of the significance of the study. The aim and objectives of the study as well as the concomitant research method have also been presented in this chapter. Key concepts have been clarified briefly and are elaborated upon in chapter 2 of the conceptual overview. The second chapter focuses on the nature of the public private partnership.
CHAPTER TWO

LITERATURE REVIEW: PUBLIC PRIVATE PARTNERSHIP

2.1 Introduction

The need to ensure housing for all and the challenge of reducing housing deficit has resulted in growing support for partnerships as a vehicle that could increase the current provision of affordable housing delivery in Nigeria. There is however, no consensus on the particular form of partnership that is best suited to the provision of affordable housing. The term partnership is taken to imply that more than one sector, i.e., government and a non-profit or for-profit partnership provide a service (Draxler, 2008). However, the underlying assumption that partnerships lead to greater effectiveness and efficiency in the provision of affordable housing still needs to be substantiated (Werna, 1999). This chapter focuses on the literature concerning PPP and is structured around several fundamental issues. It first considers the definition and concepts of PPP. After this, the PPP mechanism is considered and finally why PPP is thought to be effective for affordable housing. Various types of PPP and challenges of PPP are also analysed in the chapter.

2.2 Conceptualising Public Private Partnership

The study of PPP is made difficult by the disputed definition of the concept. It has faced several sources of objection, both conceptual and practical (Bovaird, 2004). The term public private partnership within the literature has been approached from a variety of perspectives; there is varying understanding amongst scholars as to what constitutes PPP (Hodge and Greve, 2010) and attempts to reach an agreed definition have been inconclusive (Brinkerhoff and Brinkerhoff, 2011). Among the reasons are conceptual vagueness, multiplicity of definitions, ideologically-based advocacy (both pro and con), and disparate research traditions (Wettenhall, 2003, Weihe, 2006, Hodge and Greve, 2010).

PPP has nevertheless become a favourite tool for providing infrastructure services in both developed and developing countries. Governments are using PPP to develop transport (roads, railways, mass transit systems and toll bridges), education, healthcare, waste management, water infrastructure and housing through PPP (ADB, 2008, Khanom, 2010, NAO, 2010). In its most neutral conception, PPP provides a set of contractual
arrangements of roles and relationships where public and private bodies combine complimentary resources to achieve a certain outcome (Reim, 2009, Poggesi, 2009).

Two rationales for the use of PPP by government may be identified. Firstly, a macro-economic argument that the use of private finance enables investment that the government could not otherwise afford, and secondly, a micro-economic argument that the involvement of the private sector introduces to a sometimes overly bureaucratic public sector a range of efficient management practices and techniques which should increase value for money (Demirag et al., 2010). They explain that the rationale for using PPP is both the macro-economic need for finance, and expectations that this finance will generate other micro level benefits. According to Webb and Pulle (2002), one major reason for the introduction of PPP is to overcome government’s budgetary constraints by bringing in private sector funds to public projects. By adopting the PPP approach, governments can make the best use of private sector resources in funding public projects to meet the needs of public services and facilities in the community. There have, therefore, been several reasons behind partnerships, often country specific, but there has been one key driver in most countries - the fiscal problems of the state. Capital starved public organisations have often felt they had little or no choice in selecting this route for service development (Bovaird, 2004).

The focus of PPP however goes beyond attracting private capital into infrastructure and services, and extends to harnessing private sector efficiencies and providing affordable and improved service delivery to users (Turley and Semple, 2013). Certain key factors are necessary for PPP to be successful. These include the need for a clear institutional framework to govern PPP, legislation and its enforcement, political will, transparency, as well as a need to develop the capacity of staff in government to effectively prepare and implement projects (Sanusi, 2012, Istrate and Puentes, 2011). Conversely, it is important to note that PPP is a financing tool, not a new source of funding. Project funding could still be derived from the public entity or directly from the users of the facility, who will pay the private party for its services in the PPP project.

No public private partnerships are identical; partnerships developed for specific development initiatives may have significantly different aims, methods of operation, structures, and resources from others. Indeed, the format of a partnership will depend on a combination of factors within the local economic, social and political environment. Moreover, the degree of interaction between partners will vary depending on the projects
undertaken and the level of cohesion and consensus around aims and objectives (Bovaird, 2004). One question, which is frequently asked, is whether PPP has been adequately compared to alternative strategies (Buse and Tanaka, 2011). This may expose false assumptions, which are being made about PPP such as absence of alternative strategies; that they are ‘win-win’ mechanisms; that they provide value for money in relation to public expenditure - which are not fully proven, and which are presented as justification for their continued use.

In practice many PPPs may not achieve their intended public benefit, either due to poor implementation (including inadequate government regulation) or skewed incentives; and/or they may yield unintended consequences, such as the long term reduction of government capacity (Rhodes, 1997). Private sector benefits, such as reputation and profit, as well as shared partner benefits (for example, cost/risk sharing and innovation) are necessary to the incentives that motivate actors to form and participate in PPPs. These may not however be consistent with the ultimate social goals for which PPPs are designed. All PPPs, to justify public sector participation, seek to produce at least some public benefits and incorporate norms that in many cases are reflective of good governance principles. Empirical evidence suggests that their practice can nevertheless fall short of the ideal (Brinkerhoff and Brinkerhoff, 2011).

The lack of conceptual clarity leads to misleading statements about PPP, since what is true for one specific PPP-type does not necessarily apply to other forms of PPP. Consequently, attempts to define the concept are sometimes so open-ended and inclusive that they do not clarify but rather add to the confusion that exists (Weihe, 2006). From the explanations given above, it would appear that the enduring feature of PPP is the recognition of the need for expertise and finance in the implementation of government policy which, hitherto, was the exclusive province of the public sector. Moreover, new organisational arrangements for the implementation of public policy are emerging in which both the private sector and public organisations jointly deliver public services. To shed more light on the concept of PPP, further PPP arrangements are examined below.

2.3 Public Private Partnership (PPP) In Different Arrangements

Several classifications have been proposed by scholars to conceptualize and categorize public private partnership. These may be based on the terms of the nature of activity (Mitchell-Weaver and Manning, 1990, UNAIDS, 1997). Some view PPP as a tool of
governance or management; some believe PPP to be a development strategy (Khanom, 2010). PPP is also seen as a financial arrangement that enables the public sector to make use of private finance capital in a way that enhances the potentials of both the public sector and the private sector (Hodge, 2007, Weihe, 2006). By virtue of the definitions and the characteristics of the public and private sectors, it can be stated that public private arrangements are fostered when governments and inter-governmental agencies interface with the private sector to tap into resources for technical expertise (Nishtar, 2004). The following sections explore how PPP is viewed in practice.

2.3.1 PPP as Tool for Financial Arrangements

Various factors explain the increased recourse to PPP. Aside from the fact that privately financed capital spending is off balance sheet (Spackman, 2002) the most common claim among practitioners and politicians is that it relieves strained government budgets (Sanusi, 2012). The argument is that it frees up government resources that can be spent on other projects with higher social return (Engel et al., 2008). In return, the private sector benefits from the investment through service charges from the public body or revenues from the project, resulting in an appropriate profit on capital invested (Khanom, 2010, Sanusi, 2012, EIB, 2004, ADB, 2008). Governments’ limited financial capacity therefore drives a desire to mobilise private sector capital for infrastructure investment. Well-thought-out, a PPP may be able to mobilise previously untapped resources from the local, regional, or international private sector, which is seeking investment opportunities.

This arrangement also gives smaller private companies the ability to participate in large-scale projects (and to access long-term finance) in a way that would have been challenging in conventional private sector procurements. This opening up of the market generates competitive pressure that ultimately works to the benefit of the public sector (EIB, 2004). With an arrangement of PPP called a “concession,” a concessionaire invests its own funds (known as “equity”) and borrows additional funds (known as “debt”) to pay for construction of for example an affordable housing project. The concessionaire maintains and operates the project for a specified period and expects to be repaid for its investment in the project over the period of the concession.

Although a single company may bid on and develop a project, it is usual that several companies form a consortium to develop the project. In order to make a clear separation between the members of the PPP consortium and the project itself, a Special Purpose
Vehicle (SPV) or project company known as the “concessionaire” is created after the public sector has awarded the project. The members of the consortium then become the shareholders of the SPV and their liability is limited to the amount of shared capital they have invested in the new company (DOT, 2012). Private finance serves as one of the main mechanisms for extending the role to the private sector into the supply of public services. Financing a project through a public private partnership could allow a project to be completed earlier and according to Spackman (2002), private financing has produced better-defined contracts, better contract management, and design innovation. At the strategic level, it broadens the horizons of public procurement, and effectively commits contractors to long-term contracts.

It is important to note that PPPs are a financing tool, not a new source of funding. Project funding is still derived from the public entity or directly from the users of the facility, who will pay the private party for its services in the PPP project. It is true that PPPs often involve direct revenue streams (such as tolls), therefore helping to better match the benefits and costs of the use of a facility and shift the funding burden from the government to the users. In addition, if the public entity pays periodic disbursements to the private party for post-construction services (i.e. availability payments); the public organisation gets a piece of infrastructure, while paying for it over time, relieving some of the pressure on the annual budget. Thus, PPP should be a tool for better risk and cost allocation, and not merely a way to fill in budget gaps (Gomez-Ibanez, 2003, OECD, 2011, Gilroy et al., 2007).

The government’s power to tax reduces the likelihood that it will default on its obligations, and investors are therefore prepared to lend to the government at close to the risk-free interest rate, even on finance risky projects. The government also has the ability to forcibly spread risk across taxpayers, while financial markets have to be provided with an incentive to accept risk. This may put the private sector at more of a disadvantage as far as large and very risky projects are concerned. The scope for the private sector to spread risk also will be somewhat limited in countries with less developed financial markets. The private sector may in some cases obtain lower borrowing costs than the government, for example, when there are serious concerns about government liquidity and/or solvency and for foreign partners of many developing country governments (Cangiano et al., 2006). However, since the private sector is a more efficient user of funds than the government, a reduction in government borrowing matched by an increase in private sector borrowing should
contribute to a more efficient allocation of resources and higher economic growth. This is why government borrowing, which crowds out private sector investments, is considered undesirable (Koo, 2011).

2.3.2 PPP as Tool of Governance or Management

Public private partnership as a governance tool has been around for a few years in the domestic affairs of highly industrialised states (Börzel and Risse, 2002). Authors such as Börzel & Risse (2002), Teisman and Klijn (2002), Weihe (2006) and Khanom (2010) have regarded public private partnership as a tool of governance – as a significant solution to a whole variety of problems of governance (Reinicke and Deng, 2000). According to Peter and Pierre (1998), in theories of governance there are strong notions that the public sector has become isolated from and out of touch with the rest of society. While private sectors companies, under severe pressure from market competition, have developed sophisticated models of management and resource allocation, public bureaucracy has long remained insulated from economic pressures. They opined that public service has been organisationally slack; had widespread inefficiency; been economically complacent; had an obsession with due process and been indifferent to people’s needs (Peters and Pierre, 1998). Moreover, a major rationale and catalyst for increased private sector participation in public service provisions has been provided by the poor performance and mismanagement that characterises most publicly owned and operated utilities (Shambaugh, 1999).

(Linder and Rosenau, 2000) defined public private partnership from a public management perspective as “the formation of cooperative relationships between government, profit-making firms, and non-profit private organisations to fulfil a policy function”. This arrangement tends to focus on the organisational aspect of the relationship, such as cooperation and collaboration (Khanom, 2010). The use of collaboration leads to a blending of public sector and private sector resources. These arrangement permit the mutual leveraging of resources and the blending of public and private attributes in ways that might not be possible in more conventional structural arrangements (Peter and Pierre, 1998) or permit each side to use resources that would not be at its disposal were it to remain on its own (Peters, 1998). For example, government may be able to evade some procedural requirements that might restrict its operations, while the private sector may gain government approval and funds for projects that might be difficult to bring to realisation without those resources.
The principal policy imperative of any government seeking PPP is the increasing emphasis on improving the efficiency and quality of public services and the most important driver for PPP development is the increasing recognition of the role that the private sector can play in achieving these objectives of improved quantity and quality of public services. PPP offers the opportunity to capture private sector efficiencies and introduce appropriate risk sharing mechanisms between the public and private sector (EIB, 2004). This has encouraged many governments, as well as the Nigerian government, to ensure that an appropriate regulatory environment, and legal framework, designed to support the increased involvement of the private sector in public service delivery is put in place.

To date, the introduction of PPP has largely been evaluated through conceptual frameworks that emphasise either the administrative, managerial, financial or technical dimensions of this reform strategy (Flinders, 2005). The fundamental difference between the roles of the public sector and the private sector is that governments respond to national interests and concerns, while private corporations are driven by the imperatives of profit maximisation.

2.3.3 PPP as Tool of Development Process
According to USAID (on PPP), partnership members share resources, risks and rewards in pursuit of a development objective that can be better achieved working together. This arrangement achieves its development objective by leveraging significant resources, applying proven development expertise, and working jointly with new and existing partners, often using innovative approaches (USAID, 2002). Partnership in development collaboration pursues objectives in diverse fields – e.g. employment creation, education, health, environmental protection and housing. The private sector normally contributes technological and organisational competence as well as access to markets and its own specific dynamism, whereas the public sector brings in complementary expertise. Therefore, the housing sector has the potential to generate employment, increase productivity, raise standards of living and alleviate poverty. It also has the capacity to reduce crime rates, insurgencies, militancy, and terrorism and substantially address wealth distribution as well as security concerns (NHP, 2012).

PPP can be used not only in the creation of physical assets and services, but also to meet wider environmental and social goals. In terms of environmental sustainability, PPP has the potential to realise broad positive impacts such as reducing carbon emissions,
promoting energy efficiency, creating green jobs and promoting new thinking about infrastructure needs for the future (e.g., adaptive or ecological infrastructure). These and other investments show huge potential for PPP to trigger positive externalities in the communities in which they operate (Turley and Semple, 2013). PPP facilitates the exchange of skills between the public and private sector to improve the efficiency of resource allocation and the quality of public services. PPP programmes are, therefore seen as an effective mechanism in delivering a long-term, sustainable approach to improve public services through investment, appropriate allocation of risks and rewards. The focus here is to achieve successful PPPs that deliver on social objectives such as poverty alleviation, nation-building, and protection of the weak and vulnerable groups. For PPP to be leveraged for environmental, social and economic sustainability, good governance and political will are key, both in terms of the overall policy framework for PPP and from contracting parties at individual project level.

(Law, 1988) has argued that partnerships are seen as an approach to the solution of urban decline rather than as a specific policy measure. On a socio-political level, they represent an attempt to increase private sector involvement in the development and implementation of urban policy. Although the desires for common ground and mutual dependence are strong forces within partnerships, the values and views that partners hold are not necessarily equable. In other words, inputs from partners will not always match-up (Alter and Hage., 1993) also argue that collaborative action depends on the perceived need for collaboration and the organisations’ willingness to collaborate. These concepts have shown what could be learnt from existing theory and approach for public private partnership arrangement.

2.4 Public Private Partnership Criticisms

Public Private Partnerships enjoy a good reputation for delivering projects on time and within budget. However, there have been some obvious disappointments, and they remain controversial (Hayford, 2013). Partnerships between the public and private sector are encouraged as the most efficient and innovative solution to address pressing global challenges, but it is in these roles that PPP is the most debated (Teiseman and Klijn, 2002). A central justification for adopting a PPP arrangement is that it is said to deliver increased efficiency over services provided directly by the government. However, there is some argument regarding the vaunted efficiency gains and greater value for money attained through PPP in general. Overall, the evidence is mixed, suggesting that the PPP delivers
increased efficiency in some policy areas, for example building and managing prisons and constructing roads, but not in sectors such as hospitals (Dunnigan and Pollock, 2003, Gaffney et al., 1999) and schools (Edwards and Shaoul, 2003, Ball et al., 2001). From the available evidence, it appears that PPP can deliver real efficiency savings in some areas, but that the overall programme needs focus that is more careful since the gains are not found everywhere. Indeed, it is increasingly clear that the PPP is not suitable for all policy areas such as small capital projects (HM Treasury, 2003).

The microeconomic argument used to justify PPPs is that efficiency savings accrue in PPP deals due to the transfer of risk to the private sector. However, the true nature of this vaunted risk transfer is contested. In economic terms there are some public services that are highly capital intensive and cannot raise the necessary revenues from charging users. Full cost recovery, on affordable housing for example, may significantly reduce usage, thereby aggravating financial problems. It is due to these political realities that certain services have always been either part of, or heavily subsidised by the public sector. It has been suggested that the introduction of a PPP, of whichever specific model, will not alter this basic economic point. Consequently, the vaunted transfer of risk to the private sector is potentially hollow, as the government cannot allow essential public services to fail (Shaw, 2004, NAO, 2001, Gaffney et al., 1999).

PPP also generates questions regarding flexibility and complexity. Most PPP contracts are, for example, between 15 and 30 years. This raises potential issues around the limits contractual obligations may place either on future governments that do not share the previous government's policy goals, or simply if circumstances change (HM Treasury, 2003). Another criticism of PPPs is that their use does not ensure transparency and openness in relation to the information that is required if the democratic potential of these forms of governance is to be realised. The research of the IPPR in 2004 found that it is still common practice to withhold an unacceptable amount of information about PPP projects, thereby compromising their accountability. The transparency in relation to PPP projects was very poor, with ‘commercial confidentiality’ being unnecessarily overused in order to prevent the release of information. Ironically, it is exactly this release of information that may demonstrate value for money, silence critics and help to foster public trust (IPPR, 2004). The IPPR's (2004) argument is that a more robust and comprehensive framework for the release of information on PPP projects would help to foster confidence and credibility.
Critics say governments favour PPPs because they shift the project off the government’s balance sheet. While this may have been true in some circumstances, balance sheet treatment should not be the only driver for PPPs arrangement (Hayford, 2013). Public sector could finance its projects such as infrastructures and housing just as well as private sector. Only when public sector is credit constrained and cannot borrow might private finance be significant. However, when governments do not have credit constraints, the primary effect of private finance in PPP arrangements is that the investment becomes more affordable within annual governments’ budgets and allowing governments to realise its objectives (like affordable housing delivery) on time. PPP could mobilise private sector finance to cover the capital expenditure costs up front. Therefore, the primary advantage PPP may offer over traditional public procurement is potential efficiency gains that privately led construction and operation may bring, partly offset, however, by higher capital costs of the private investor (IEG, 2012). However, for effective private sector participation, there must be incentives to stimulate and facilitate private sector because no investor will invest in PPP projects in a fragile market like Nigeria without certain guarantees that will ensure the protection and profitability of the investment.

2.5 Nature of Public Private Partnership Arrangement

Several definitions and explanations are readily available to clarify Public Private Partnership (PPP) arrangements. The World Bank describes PPPs as “long-term arrangements in which governments purchase services under a contract either directly or by subsidising supplies to consumers…” (World Bank, 2009) The interests and objectives of the public and private parties’ arrangements in entering into PPP differ. This also differs from country to country and project to project (Carbonara et al., 2013). Even within one country there are numerous forms of partnership which seem to have evolved and been shaped by the political, regulatory and technical constraints affecting the project (Winch et al., 2012). The level of proliferation of PPP arrangements in individual countries around the world varies greatly. Some countries, such as the United Kingdom and Australia, have used PPP arrangements to assist in meeting their infrastructure and public facilities needs for a number of years (IFAC, 2008). The need to enter into PPP by both public and private sectors has generally been driven by a lack of finance, a need for modern technology and/or for effective and efficient management skills, and the need to transfer risk. PPP has offered the private sector new investment opportunities, new markets and the opportunity to form partnerships with the public sector, which have in the past enjoyed a monopoly in
the provision of certain infrastructure facilities (Grimsey and Lewis, 2000, Winch et al., 2012).

The drivers of PPP development are a decisive factor in shaping the arrangements in any developed or developing country. A major PPP driver is the gap between demand for infrastructure development, and a government’s ability to meet its funding. In other words, the increased use of PPP in developing countries such as Nigeria stems from the desire for private funding to supplement the public funding capability. This may be a debatable view in developed countries such as France, Japan and the UK, where governments claim that the value-for-money benefit is the reason behind the use of PPP (Winch et al., 2012). Often, the “value for money” sought by these governments under a PPP arrangement is also monetary in nature, for instance, through attempting to reduce costs, or receiving an upfront inflow of resources. In other examples, value for money may include an improved quality of construction and maintenance, or improved efficiency of the resulting public service. Conceptually, public sector entities “achieve improved value for money” by optimally allocating project risks between the public and private sector entities, based on their respective abilities to use their resources and capabilities to manage such risks (IFAC, 2008).

PPPs could become a prevalent institutional arrangement in affordable housing policy if designed with that objective in mind, as they may create win-win situations because of mutual benefits or socioeconomic cooperation. A PPP is an institutionalised form of co-operation of public and private actors who, based on their own objectives, work together towards a joint target, in which both parties accept investment risks because of a predefined distribution of revenues and costs. In practice, a PPP is not a fixed structural model for collaboration between public and private partners, but just a tailor-made organisation for the realisation of a given project (Nijkamp et al., 2002).

2.6 Initiators of Public Private Partnership

From the review of literature it emerges that both the private sector and the public sector could and have initiated the process of embarking on public private partnership. In the case of the private sector initiating the PPP, it was clear that profit maximization was an important factor, while from the public perspective, minimising risk and reducing costs were key issues (OECD, 2011). The initiators of PPP practices are mostly the investors looking for new safe investment opportunities (Beliczay and Pál, 2006). There are several
reasons why PPP might be initiated; examples of such issues are public policy and governance (Rosenau, 2000, HM-Treasury, 2012, DTF, 2001) effects on the public sector financial control framework and expenditure controls (Broadbent and Laughlin, 2002, Spackman, 2002) and sustainable development in communities and regions (Kerr, 1998).

As noted by Strategic Asia (2013), there are two ways to develop PPP projects. The first is a cooperation project based on the initiative of the governments (a solicited project) and the other is a cooperation project based on the initiative of private bodies (an unsolicited project). There are considerable differences between solicited and unsolicited projects. In a solicited project, the Government acts as the initiator and prepares the required documents such as pre-feasibility studies, PPP arrangements, project financing plans and sources of funding, and PPP implementation plans (schedules, processes and assessments). In an unsolicited project, the project initiator is a private entity. Private sector bodies may submit a cooperation infrastructure or service delivery proposal. As a project initiator, the private sector would provide the required documents, such as the pre-feasibility study, partnership plan scheme, project-financing plan and sources of funding, and the partnership-offering plan (schedule, process and assessment) before submitting the project proposed to the public sector. Private companies often approach governments directly with new project ideas, typically referred to as unsolicited proposals. Such proposals can introduce innovative ideas and contribute to infrastructure goals where governments have limited capacity to develop projects (World Bank, 2009).

Affordable housing delivery initiators represent a diverse group of government departments, countries and regional/federal, states, locals, individuals, community groups, business and international organisations. The provision is no longer centred on the government as it was before. Governments still play a role, but this role, at least for the federal government and for most of the states, is that of initiator as opposed to a provider of new units. What affordable housing is provided is generally developed on a partnership basis, with public and private sectors playing the lead role (Carter, 1997). Such a model recognises that the government alone is incapable of solving the housing deficit, so that government action must be such as to stimulate private investment. This recognition of the complementary nature of the efforts needed calls for fundamental innovations in public policy.

The traditional role of the Government is replaced by the role of a facilitator, designed to provide incentives in terms of the recovery of costs, profit levels and stability so that the
housing sector can compete with the other sectors of the economy and private investment can play a major role in housing construction and finance. The foregoing is based on the assumption that dealing with housing needs is primarily an economic operation that has repercussions on social welfare policy. The multiplier effects of the housing sector on economic activity and employment are just as important as those of other economic sectors, if not more (Mayo and Angel, 1993).

2.7 Types of Public Private Partnership Contracts

Public Private Partnership comes in a variety of forms and no two PPP projects are exactly the same (Williams, 2003). Given the different implications of different forms of PPP, the development of such partnerships should be done with adequate preparation and assessment to choose the best option for a particular project (Scandizzo, 2007). It should be noted that different PPP forms are more readily adapted to particular sectors or project types and have been used more extensively in these contexts (ADB, 2008). In order to maximise the limited resources, the public sector is often looking at various procurement approaches for a number of reasons: reduced capital and maintenance costs, use of advanced technology and equipment, more appropriated risk management, shortened delivery schedules, working within one contract rather than multiple contracts, performance guarantees and significant end-user savings (ADB, 2008).

The degree of private involvement required by a particular project could be determined by the public sector. Factors influencing this decision include the project’s goals and objectives, the level of control the government requires, and the PPP consortium’s ability to provide the service needed (Research republic, 2008). Therefore, PPPs take a wide range of forms varying in the extent of involvement and risk taken by the private sector. Figure 2 below depicts the range of PPP agreements.

**Figure 2: Types of PPP Contracts**

Sources: (European Commission, 2003, Morledge and Smith, 2013, World Bank, 2015)
2.7.1 Operation, Maintenance and Service Contracts

Under an operation, maintenance and service contract (‘service contract’), the government appoints a private sector company to carry out a specified task for a period of five to seven years. The public sector remains the primary provider of the infrastructure service and contracts out only portions of its operation to the private sector. The private sector must perform the service at the agreed cost and must typically meet performance standards set by the public sector. Governments generally use competitive bidding procedures to award service contracts, which tend to work well given the limited period and narrowly defined nature of these contracts (ADB, 2008; Bennett, Grohmann & Gentry, 1999). These tasks could include areas such as rent collection, toll collection, the installation, maintenance and reading of meters in the water sector, waste collection or the provision and maintenance of vehicles or other technical systems. This type of arrangement allows public agencies to benefit from the particular technical expertise of the private sector, manage staffing issues, and achieving potential cost savings (European Commission, 2003).

Under this arrangement, the government pays the private sector a pre-determined fee for the service, which may be based on a one-time fee, unit cost, or other basis. One financing option involves a cost-plus-fee formula, where costs such as labour are fixed, and the private sector participates in a profit-sharing system (Bennett et al., 1999). The contracts may improve efficiency and consequently release some revenue for other purposes, but the private sector is not under an obligation to provide financing. The private contractor does not typically have a relationship with the end-users and all financial interactions are made directly with the public sector. The public sector is responsible for funding any capital investments needed to expand or improve the system (Bennett, Grohmann & Gentry, 1999).

2.7.2 Management Contracts

Management contracts are contracts governing a type of public-private partnership (PPP) agreement. A management contract expands the services to be contracted out to include some or all of the management and operation of the public service (i.e., utility, hospital, port authority, etc.). Although ultimate obligation for service provision remains in the public sector, daily management control and authority is assigned to the private partner or contractor. In most cases, the private partner provides working capital but no financing for investment. Management contracts tend to be task specific and input rather than output focused (World Bank, 2015).
The private sector is paid a predetermined rate for labour and other anticipated operating costs. To provide an incentive for performance improvement, the contractor is paid an additional amount for achieving pre-specified targets. Alternatively, the management contractor can be paid a share of profits. The public sector retains the obligation for major capital investment, particularly those related to expand or substantially improve the system. The contract can specify discrete activities to be funded by the private sector and they often interact with the customers. However, the public sector is responsible for setting tariffs. A management contract typically, however, will upgrade the financial and management systems of a company and decisions concerning service levels and priorities may be made on a more commercial basis (ADB, 2008).

2.7.3 Leases and Affermage Contracts

Leases and affermage contracts are generally public private sector arrangements under which the private operator is responsible for operating and maintaining the utility but not for financing the investment (World Bank, 2015). An affermage is one type of a delegated management contract in the private-public partnership (PPP) spectrum. Under this type the operator collects the tariff directly from consumers on behalf of the contracting authority (CA). The CA is usually responsible for major rehabilitation and new capital works. However, the contract defines the exact terms and responsibilities for financing and implementing maintenance, rehabilitation and new works. The operator earns an operator’s price based on an agreed-upon proportion of the tariff that is produced and sold. The difference between the tariff and this price is paid to the CA, which may be either an asset holding company, or the government, depending on the sector's institutional framework. The CA uses these funds to pay its expenses, including debt service on capital investments (Janssens, 2011).

According to the World Bank (2015), the choice of leases & affermage contracts would depend on when private equity and commercial debt are not available for housing supply; the awarding authority wants to combine public financing with attracting private efficiency and greater commercial risk is to be passed to the private operator than with a management contract, with incentives to perform. Leases and affermages differ from management contracts mostly in that; the operator does not receive a fixed fee for his services from the awarding authority but charges an operator fee to consumers, also in the case of a lease a portion of the receipts going to the awarding authority as owner of the assets as a lease fee.
and the remainder being retained by the operator. In the case of an affermage, the operator retaining the operator fee out of the receipts and paying an additional surcharge that is charged to customers to the awarding authority to go towards investments that the awarding authority makes/ has made in the infrastructure (World Bank, 2015).

2.7.4 Joint Ventures

Joint ventures are partnerships in which public and private sector partners pool their resources, finance and expertise under joint management, to deliver long-term growth in value for both partners. The level of share ownership will differ depending on whether the public sector is seeking to get the project off balance sheet and whether the public sector wishes to retain management control of the utility. However, there are ways of giving the government control, or even negative veto power over certain management issues, even though it transfers a majority of the shares in the entity to the private sector. For strategic reasons, the public sector will often keep control of the entity (at least initially), particularly if the joint venture company owns the assets. However, the private sector will want to be sure that it can manage the entity and so will require powers of veto or weighted voting rights on certain issues (World Bank, 2011).

Under joint ventures, the public sector is the ultimate regulator, but it also is an active shareholder in the operating company. From this position, it may share in the operating company’s profits and help ensure the wider political acceptability of its efforts. The private sector partner often has the primary responsibility for performing daily management operations. Under a joint venture, the public and private sector partners must work together from the earliest possible stages, often forming an institutional vehicle (sometimes called a “shadow company”) or “project development entity” during the pre-investment or development phase of the project. This vehicle provides a forum for direct collaborative dialog between the public and private sector partners as they work to develop the final project. In a more basic form, this can be a formal working group. Some projects have formed jointly capitalised companies specifically to work on developing the project during this initial phase (Bennett, Grohmann & Gentry, 1999).

At their best, joint ventures are an efficient way to capitalise on the unique strengths of the public and private sectors – providing a vehicle for the private sector to help deliver public services at lower cost without adversely affecting quality or accessibility. Under the joint venture model, the public and private sector partners accept the idea of shared risk and
shared reward; each must be willing to make quantifiable contributions during the project development and implementation process. Public and private sector goals do not have to be identical for a joint venture PPP to succeed; they must merely be compatible and lead to a common or shared outcome. For example, one partner may be interested in financial return, the other in improving customer service, yet both share the common goal of creating a viable and sustainable organisation. Governments must maintain responsibility for ensuring that adequate and affordable infrastructure services are provided to all citizens. Whether they exercise this responsibility as a provider, partner, or regulator will depend on the government’s needs, constraints, and capacity (Bennett et al., 1999, Bennett et al., 2000).

2.7.5 Privatization

Privatization involves the sale of assets or shares of a state-owned entity to the private sector. Privatization can be approached in many different ways, and can be either partial or complete. Privatization can be used as a vehicle to transfer the ownership of assets from the central government to local governments and / or to private utility companies. Under partial privatization the government would retain ownership of a certain portion of the former public company’s assets. This is often a more attractive alternative to those governments or authorities wishing to maintain a certain level of control in the management of the assets. In such cases, the interplay of responsibilities between the public and private sectors is blended. A partial privatization is an excellent way for the public sector to attract private capital and encouraging improvements in operational and management efficiency, while also protecting the public consumers as well as assets of national significance. The individual arrangements for sharing responsibility for management and investment decisions depend on the division of assets, as well as the sharing of costs. Therefore, they would need to be established on an individual basis. It is likely that the public sector would transfer as much of the costs as possible to its private partner. However, in order for a partial privatization to be attractive to private investors there would have to be a reasonable scope for making a fair profit on its investment (European Commission, 2003, World Bank, 2015).

2.7.6 Concession

The primary vehicle for PPP opportunities involving direct private sector investment is the design-build-finance-operate (DBFO) concession agreement. These agreements enable a
private investment partner to finance, construct, and operate revenue generating infrastructure improvement in exchange for the right to collect the associated revenues for a specified period of time. Concessions often extend for a period of 25 to 30 years, or even longer, and are awarded under competitive bidding conditions (Akintoye et al., 2003). Under a concession approach the ownership of all assets, both existing and new, remains with the public sector. It is their responsibility to ensure that the assets are properly used and maintained during the concession period and that they are returned in good condition when it is over (European Commission, 2003).

The private sector is represented by the project company, which is usually a consortium of private firms (i.e. the sponsors) with expertise in designing, constructing or operating the project (UNESCAP, 2008). A concession makes the private sector operator (concessionaire) responsible for the full delivery of services in a specified area, including operation, maintenance, collection, management, and construction and rehabilitation of the system. The public sector is responsible for establishing performance standards and ensuring that the concessionaire meets them. In essence, the public sector’s role shifts from being the service provider to regulating the price and quality of service (World Bank, 2011).

Key drawbacks include the complexity of the contract required to define the operator's activities. Governments also need to upgrade their regulatory capacity in relation to bidding, contract design and performance monitoring given the difficulty in anticipating events over a 25-year period. This drawback may be countered by allowing a periodic review of certain contract terms in the context of the evolving environment (ADB, 2008). This financial commitment may be so large that neither the government nor the private firms would or could undertake the project without project finance. In a typical loan, the borrowers would borrow from their lenders on the strength of their balance sheet. If the project fails, the borrowers would be liable for the full amount of the loan (and will face insolvency if it is unable to do so). Such financing risk is often unacceptable to private firms or the government (UNESCAP, 2008).

The public authority may contribute to the capital investment cost if necessary. This can be an investment “subsidy” (viability gap financing) to achieve commercial viability of the concession. Alternatively, the government can be compensated for its contribution by receiving a commensurate part of the tariff collected. The private sector operator is responsible for all capital and operation costs – including infrastructure, energy, raw
materials, and repairs during the contract life. In return, the private operator collects the tariff directly from the system users. The tariff is typically, established by the concession contract, which also includes provisions on how it may be changed over time. In a few rare cases, the government may choose to provide back-up financing to help ensure that the concessionaire can recover its capital expenditures by the end of the contract (Bennett, Grohmann & Gentry, 1999).

2. 7.7 Other Various Concession Contracts

- **Build-Operate-Transfer (BOT)**

In a BOT project, the public sector grants to a private sector the right to develop and operate a facility or system for a certain period, in what would traditionally be a public sector project (World Bank, 2015). BOT projects include a wide array of public services with the primary function to serve public needs, to provide social services and promote economic activity in the private sector. The most common examples are roads, bridges, water and sewer systems, airports, ports and public buildings (Vaughan and Pollard, 1984). Under this arrangement, its main players will often include companies with construction and/or operation experience, and with input supply and offtake purchase capabilities. It is also essential to include shareholders with experience in the management of the appropriate type of projects, such as working with diverse and multicultural partners, given the particular risks specific to these aspects of a BOT project. The Private sector should coordinate the construction and operation of the project in accordance with the requirements of the concession agreement (World Bank, 2015).

This is a project delivery whereby the partnership keeps ownership of the facility until the end of the contract term at which time ownership of the facility is returned to the original public sector contracting agency. The operations period is long enough to allow the private sector to pay off the construction costs and realise a profit, typically 10 to 20 years (Bennett, Grohmann & Gentry, 1999). The advantage of the BOT approach is that it combines responsibility for usually disparate functions – design, construction, and maintenance – under one single entity. This allows the partners to take advantage of a number of efficiencies. First, the project design can be tailored to the construction equipment and materials that will be used. In addition, the contractor is also required to establish a long-term maintenance program up front, together with estimates of the associated costs. The contractor has detailed knowledge of the project design and the
materials utilised allow it to develop a tailored maintenance plan over the project life that anticipates and addresses needs as they occur, thereby reducing the risk that issues will go unnoticed or unattended and then deteriorate into much more costly problems (European Commission, 2003).

- **Design-Build-Operate (DBO)**
  Under this type, the contract is awarded for the design, construction, and operation for either a new infrastructure or major capital improvement to an infrastructure, while the public sector retains ownership of the project and has the option to assume operations at the end of the specified contract term. Combining all three phases into a DBO approach maintains the continuity of private sector involvement and can facilitate private-sector financing of public projects supported by user fees generated during the operations phase (NCPPP, 2014). The combination of a number of disciplines and reliance on a consortium to deliver a project has its obvious advantages in saving time and simplifying contract administration. Multiple tasks can be undertaken simultaneously without reliance on parties outside the project team and with the operation period, it is likely that the private sector will be the most suited to operate and maintain, if necessary, the infrastructure it has designed and built. In this respect, it is in the interests of the private sector to produce a low maintenance quality design and operation given its long-term commitment to operate the project on completion, which mutually serves the public sector’s interests of having a quality build and designed low cost maintenance project (Sunna, 2009).

- **Design-Build-Operate-Maintain**
  The Design-Build-Operate-Maintain (DBOM) delivery method employs a single contract to provide design, construction, operation and maintenance functions. This allows for the contractor and O&M Company to be involved in the design process from the start of the project. This is important because the building designers receive rapid feedback about the constructability, maintainability and usability of the building (Dahl et al., 2005). Design, construction, operations and maintenance of the building are all combined under one contract forming a DBOM contracting team. The five typical phases of a project (planning, design, build, operation and maintenance) are now completed by one entity. Incorporating all of the project contracts into one DBOM contract means the owner has a single point of contact, and the project team can communicate and coordinate more effectively, as they are all working under the same contract.
The public sector maintains ownership and retains a significant level of oversight of the operations through terms defined in the contract (NCPPP, 2014). In addition, the DBOM team is also required to establish a long-term maintenance program up front, together with estimates of the associated costs. The team's detailed knowledge of the project design and the materials utilised allows it to develop a tailored maintenance plan that anticipates and addresses needs as they occur, thereby reducing the risk that issues will go unnoticed or unattended and deteriorate into much more costly problems (FHWA, 2014).

- **Design-Build-Finance-Operate-Maintain**

With the Design-Build-Finance-Operate-Maintain (DBFOM) approach, the responsibilities for designing, building, financing, operating and maintaining are bundled together and transferred to private sector. This arrangement also provides hard facility management (hard FM) or maintenance services under a long-term agreement (NCPPP, 2014). DBFOM concessions can be awarded for the construction of a new asset or for the modernisation, upgrade or expansion of an existing facility. DBFOM concessions often extend for a period of 30 to 50 years or even longer, and are awarded under competitive bidding conditions. DBFOM procurement can be expected to shift a great deal of the responsibility for developing and operating to the private sector for instance in surface transportation infrastructure. In nearly all cases, the public agency sponsoring a project retains full ownership over the project (FHWA, 2014).

One commonality that cuts across all DBFOM projects is that they are either partly or wholly financed by debt leveraging revenue streams dedicated to the project. Direct user fees are the most common revenue source. Future revenues are leveraged to issue bonds or other debt that provide funds for capital and project development costs. They are also often supplemented by public sector grants in the form of money or contributions in kind. In certain cases, private sector may be required to make equity investments as well. Value for money can be attained through life cycle costing. This is the most common form of PPP in which the private sector finances, builds and operates the asset for a period of many years, often ranging from 20 to 50 years. Here, the government’s financing responsibility shifts from upfront payment of asset creation to the purchase of a stream of services that the private partner generates with the asset (Posner et al., 2009).

The private sector can provide the financing for construction and is quite eager to provide such financing. Private sector firms can structure the financing in a very flexible manner,
with many different repayment schedules. In terms of provision of financial resources, particularly where such financial resources may not be readily available in the public sector, and where flexibility of structuring and repayment is desired, there is an advantage to private financing of construction. A key question is the cost of private sector financing relative to the cost of public sector financing. KPMG’s conclusions are that private sector financing may be more expensive than public sector financing because of the risk element. However, there may be other factors such as the use of capital cost allowance and structured financing that make it less expensive than public sector financing. The particular circumstances of each project will determine the relative cost advantage or disadvantage of private sector over public sector financing. From a government perspective, tax expenditure will also have to be factored into the equation (KPMG, 1996).

- **Lease-Develop-Operate**

Under these partnerships arrangements, the private sector leases or buys an existing facility from a public sector; invests its own capital to renovate, modernize, and/or expand the facility; and then operates it under a contract with the public sector (NCPPP, 2014). The public sector holds title to the facility throughout the concession period and receives lease payments on the assets. It is expected that the private sector will be given a specified period in which to realise a return on the investment. The public sector benefits from a significant cash infusion when the private sector buys the facility. Capital for financing the facility is provided by the private rather than public sector (Research Republic, 2008).

### 2.8 Why PPP could be an Effective Tool for Affordable Housing

An HM-Treasury assessment of PPP has indicated that elements of PPP have, offered benefits. These include the private sector’s project management skills, innovation and risk management expertise, such as, ensuring buildings are delivered to a high quality, on time and budget and those assets are maintained to a high standard throughout their lives (HM Treasury, 2012). For a public sector that seeks to increase the provision of affordable housing, partnership with private sector organisations has the potential to increase the resources, finance and expertise available for the project and enable the project to reach a wider pool of target households. While research on this theme is limited, there are many reasons to believe that partnerships offer one way forward in the provision and management of affordable housing (Moskalyk, 2008). Partnerships might not always be the preferred solution but an option worthy of consideration to help address affordable
housing needs. Explained below is the rationale for adopting PPP as a mechanism for project delivery.

2.8.1 Efficiency Gain

Efficiency gain is the main source of sustainable public savings and, therefore the main objective of and justification for PPP (Alfen et al., 2009). PPP could improve the efficiency of affordable housing provision by bundling maintenance and operations with construction of the housing project. Because the private partner builds, operates, and maintains the project, the incentives for durable construction and efficient maintenance and operation are aligned. Academic literature has stressed the importance of bundling construction and maintenance as a source of efficiency gains (Kwak et al., 2009). With public provision, a construction firm minimises building costs subject to a design specification and drawings. In a PPP, by contrast, the private firm minimises life-cycle costs, which include building, operations, and maintenance costs (Engel et al., 2011, Moszoro, 2010), to the extent that investments during the building phase can lower maintenance and operations costs thereby delivering efficiency gains. PPP could also offer strong incentives to finish the project early, since profits increase when users can be charged at an earlier date. Incentives of this sort are usually absent (or weaker) under traditional public provision (Engel et al., 2011).

Most governments are making their decisions for PPP based on greater efficiency. Major drivers for efficiency gains are the transfer of risk to the private sector, the long-term nature of contracts, incentive structures and payment upon performance, output-oriented service specification. Furthermore competition between bidders – (incorporating feedback) and negotiation in the procurement process, innovation and management skills by the private sector, and administrative cost reduction (Alfen et al., 2009). Integrating operations into the partnership allows further optimisation of design, material and construction costs, and operational considerations, often resulting in significantly lower procurement and life-cycle costs. This is not to suggest that public sector housing authorities are not capable of developing efficiencies, however the non-competitive environment does not appear to stimulate efficiencies to the extent generated by the private sector.

However, at a more basic level; there is evidence from the United Kingdom and Australia that PPP projects do achieve efficiencies in comparison with traditional procurement. Based on an analysis of 21 PPP projects and 33 traditional projects undertaken between
2000 and 2006 in Australia, the PPP projects had a 1.1 percent net cost overrun, in comparison with 15 percent in the case of traditional procurement (Duffield and Raisbeck, 2007). Whilst research carried out in the UK showed that, the private sector is able to build infrastructure cheaper than the public sector (HM Treasury, 2003, EIB, 2004). This was further demonstrated by the Treasury estimates that the use of PPP has produced average savings of 17% to 25% over all sectors during the past 10 years (Alfen et al., 2009). Indeed, the most important driver for PPP development is the increasing recognition of the role that the private sector can play in achieving the objective of improved quantity and quality of public services (EIB, 2004).

### 2.8.2 Sources of Financing

Affordable housing development is very capital-intensive. Where governments are unwilling or unable to increase public debt to meet investment needs, the private sector can supply capital through PPP arrangements without impacting government balance sheets. Even in cases where the public sector is willing to increase debt to finance new facilities, private sector funding may still be beneficial depending on terms on which finance can be brought to the project (CCPPP, 2001). The key PPP driver is the gap between demand for affordable housing development, and a government’s ability to meet its funding. In other words, the increased use of PPP globally stems from the desire to augment the public funding capability. The need to enter into PPPs by the public sector has been generally driven by a lack of finance (Winch et al., 2012). A private sector partner’s total package of financing, construction, and operation may be more cost-effective than a combination of public debt and private partner construction and operation. This can be tested through a competitive bidding process that requests both financed and non-financed proposals from the private sector (CCPPP, 2001). PPP arrangements have thus become a way out of the funding problem by mobilising private sector funds (ADB, 2008).

### 2.8.3 Better on-time construction performance

This is largely a result of the financial incentives incorporated into the terms of PPP contracts. These incentives apply to equity investors, lenders and contractors. The principle of “no service - no payment” ensures that the private sector is heavily incentivised to deliver to time (even where the private partner may have to absorb additional costs in the process) (NAO, 2003, NAO, 2009, Bain and Plantagie, 2007). In practice, the project financial, technical and due diligence checks are carried out well before contract signature
and are focused on ensuring the best possible conditions for on-time delivery of the infrastructure. PPPs impose a structure and a set of clearly defined and agreed timescales as well as providing clear mechanisms for dealing with variations and delay events (EPEC, 2011).

2.8.4 Earlier delivery

PPPs, which involve the use of private finance, can provide an important complementary, and additional, source of capital to traditional budgetary funds. This, in itself, can help to accelerate investment programmes. In addition, the long term commitments that governments are forced to make under PPP contracts can help to focus the public sector’s attention on more rational, long term capital planning. This, in turn, may allow the private sector to plan and deliver more coherent infrastructure programmes (EPEC, 2011).

2.8.5 Innovation

The incentive to provide innovative solutions in the delivery of public services is an important benefit of PPPs and has been a value for money driver in several PPP programmes. This may come in the form of innovation in housing design and/or the delivery form of the service (Low et al., 2005, NAO, 2003). Doing something different, or innovative, inevitably involves risk. There is a natural tendency to avoid taking such risks unless there is an incentive to do otherwise. The public sector typically prefers to use what has worked in the past or what a previously selected solution as this involves less risk. For the private partner in a PPP, including innovation in a bid will frequently make the difference between securing and losing a long-term contract. In this case, innovation is heavily incentivised. PPPs are therefore more likely to generate new ways of delivering public services and ensuring value for money (EPEC, 2011).

Experts in PPP generally believe that the private sector is often better able to develop innovative project designs and construction techniques than government bodies. In part, this may be due to the specialized expertise that a private partner can bring to a project. Greater design and construction innovation could result in a variety of potential benefits, including lower project costs, a higher quality project, shorter construction schedules, and enhanced project features (LAO, 2012). With their innovation and management skill, private participation can increase productivity and efficiency of operation, improve the quality of service and reduce service price compared to public sector provision (ADB, 2008).
2.8.6 Protection of the Public Interest
Under this PPP arrangement, the public sector retains ownership of assets and has additional control of affordable housing provision through the contractual arrangements. This provides the public partner with a single point of contact to address affordable housing delivery issues, increasing control by reducing complexity. Rather than making multiple decisions and co-ordinating many facets of management (labour, technology, budgets, etc.) to address an issue, the public partner need only make the issue known and then monitor the actions of the private partner to ensure compliance. For due diligence, a thorough PPP contract will contain provisions for monitoring the compliance of the private partner on a regular basis. This mechanism increases control by providing a feedback loop between objectives and performance that is not clouded by conflict of interest. Such mechanisms are not necessarily in place in publicly run housing systems, where the authority is assumed to have the expertise to monitor itself. As a last resort and as a demonstration of ultimate control, if a private sector partner is not fulfilling its contractual obligations and is in default, the contract can be terminated and a new service provider found (CCPPP, 2001).

2.8.7 Clear Accountability
Accountability has long been recognised as the basis of successful public management (Forrer et al., 2010). (Kettl, 2002) Kettl reminds, “Government’s performance is only as good as its ability to manage its tools and to hold its tool users accountable”. PPPs create a clear path of responsibility and remedy through the partnership agreement. With public sector operations, it can be difficult to allocate responsibility between the interlinked political, governmental, regulatory, financial, and operational elements of service provision when something goes wrong or improvements are to be implemented. While PPPs cannot bring clarity to blurred responsibility between government tiers, agencies, departments and ministries, they can offer clarity around operations, investment, maintenance, and any other functions that are encompassed by the partnership. All PPPs are based on a contract that defines what outcomes the private sector partner must achieve, and the boundaries around what methods they may use to achieve them, if any. Penalties for not meeting the specified outcomes are given. Division of responsibility between the public and private partners is explicitly defined. Standards for reporting and performance monitoring are set out. With such a contract in place, there are clear commitments to specific levels of performance, a basis for monitoring, a chain of command that can be followed in the event
of problems, and an understanding of the ramifications for under-performance (Hodge and Greve, 2005, Forrer et al., 2010).

2.9 The Challenges for Public Private Partnership

Millions of people in the developing world live in poverty and lack access to affordable housing. Governments have limited ability to respond because of scarce resources, macro-economic instability, poor infrastructure, administrative inefficiencies and large skills gaps etc. In spite, many international and local private sector organisations have been reluctant to provide expertise and finance for housing, infrastructure and services in the developing world (Busch and Givens, 2012). Many claim that their experiences have been negative and that the risks have been too high (Kinder and Wright, 2009). While the Nigerian government remains committed to private sector involvement in delivering housing, there are however potential pitfalls from such partnerships as well. Several of the challenges identify below are already emerging, while others may arise as public private partnerships continue to evolve.

**An unattractive enabling environment:** Despite the sustained, high and broad-based growth recorded in the country and the contribution of the private sector to this, lack of a conducive environment remains a dampening factor (FGN, 2013). An unattractive enabling environment created by, for example, political and macro-economic instability; inadequate legal, financial and regulatory frameworks; and/or subjective and opaque procurement practices. An enhanced regulatory environment and a robust legal framework would provide a baseline of quality that all providers, public and private, must adhere to and protect against unlicensed or unscrupulous practices. In order to attract more domestic and international private partners for affordable housing, a more robust regulatory environment is essential.

**Inadequate local expertise:** Public private partnership could be an important tool in expanding the reach of essential services such as infrastructure, health, housing and education. However, to ensure that PPPs yield the right results and deliver these services at a cost that is acceptable to users and the government, governments need to develop new expertise in procurement, negotiations, and oversight of long-term contracts. Although acquiring and maintaining this expertise is often a challenge, it is critical in determining whether or not public-private partnerships will succeed, particularly now that the global liquidity crisis has made the financing of PPPs more difficult (World Bank, 2009)
Inadequate project implementation skills within governments, such as failing to produce comprehensive project documentation, to clarify the role to be played by the private sector, to allocate risk sensibly and to consult and involve communities early enough. Inadequate local engineering skills (it is well-known that the developing world in particular suffers from an acute shortage of engineers, technicians and craftsmen with appropriate levels of technical and managerial competence). Successful Public Private Partnerships (PPP) should however enable the public sector to access the discipline, skills and expertise of the private sector (HM Treasury, 2012).

**Lack of strong political will:** The World Bank recently scaled down drastically financial support to Nigerian government for the implementation of projects under the Public-Private Partnership (PPP) strategy due to poor utilization by government agencies and departments. Non-utilisation of the funding to the Project Implementation Unit (PIU) of the Public/ Private Partnership Projects (PPPs) necessitated the decision to restructure and scale it down from $300 million to $25 million to take care of technical assistance and capacity building. According to them, Nigeria was the first country selected by the World Bank for a pilot project for PPPs, noting that it was regrettable that for the past three years, funds released for the purpose had remained unutilized (Udo, 2013). Therefore, there is a need for government here in facilitating a common, harmonised approach to implement policies that strengthen and addresses the challenges facing housing sector and other vulnerable sectors in the country.

**Governance, transparency and probity:** The PPP needs to have solid governance to enhance its credibility. PPP units, funds coordinators and banks should collaborate to increase the programme transparency. PPP units should become knowledge centres to consolidate and disseminate methodologies, and to provide technical and financial support in the award and oversight of the contracts. Stakeholders that may be adversely affected by the projects need to be treated fairly. More broadly, transparency and probity in project procurement may play an essential role in reducing concerns over corruption (Grilo et al.). Public-private partnerships also raise concerns related to transparency, which refers to two distinct, yet related concepts. The first is governmental transparency, specifically an agency reporting to an appropriate authority. The second is an agency and business reporting to the public. Both areas of transparency pose significant challenges. In light of these challenges, the public and private sectors would be well served by showing why
Public-private partnerships are necessary (Busch and Givens, 2012), and how their existence can benefit countries such as Nigeria.

Politics, Budgets, and Long-Term Planning: Politics, budgets, and long-term planning are interconnected in the housing context. The electoral process can affect affordable housing in significant ways. While elected officials may choose to funnel more resources toward housing, others might elect to trim budgets and focus more narrowly on specific strategic priorities. These shifts can alter, or even undermine, long-term planning in the housing sector. In this dynamic environment, the public and private sectors must effectively plan for future threats and challenges in the housing sector (Busch and Givens, 2012).

Other challenges are: inadequacy of legal, regulatory and institutional frameworks for investment in some sectors; high cost and unstable power and energy supply, leading to high overhead costs; cumbersome land titling and administration practices that constrain the optimisation of land as a factor of production; high domestic public debt, which tends to crowd out private sector borrowing, thereby undermining real sector growth; security threat to lives and property; multiple taxation; high cost of capital and inadequate term lending; and skills mismatch between the education system and industrial needs (FGN, 2013).

The policy framework for PPP implementation for project development in Nigeria is requires improvement in terms of institutional frameworks as well as legal and regulatory frameworks. From the institutional framework point of view, clarity in the government bodies’ roles and responsibilities becomes the important challenge for government to improve. Another aspect to be considered is that there should be a clear coordination among government bodies. The present legal and regulatory framework shows that the existing regulations cannot manage processes related to PPP implementation appropriately. Many problems arise due to the lack of clarity in regulation. Moreover, while regulations are extensive, the implementation of them is not followed up with the enforcement thus the resolution to this problem cannot easily be reached (Rostiyanti and Tamin, 2010).

2.10 Conclusion
Public private partnerships have been widely used around the world for different purposes and in different sectors; but its definitions have considerably varied. This chapter looks at three broad arrangements in the definitions of PPPs. These are as tools of financial
arrangement; as tools of governance and management and as tools of the development process. However, there is broad agreement on the leading features of PPPs, that they are long term cooperative relations between public and private sector organisations to produce and deliver some goods and services.

PPPs has been viewed as a cross-organisational group working together in pursuit of common goals, which may have proved difficult for the public sector to achieve alone. The concept is primarily based on the belief that the private sector is the repository of technological prowess and therefore replete with resources which could enhance the delivery of affordable housing. Both public and private bodies enter the partnership because they expect it to be a stable and cost-effective relationship. Where the public sector is looking forward to enhanced service delivery using some of the skills and financial resources of the private sector, the private sector expects to engage in long-term profitable contracts that can last for a long term. PPPs are essentially characterised by risk transfer based on the understanding that the private sector is better placed to manage risk compared to the public sector. A PPP arrangement is not necessarily the cure-all for the challenges of the public sector because in it there are problems, which tend to mitigate against the purpose of these partnerships. However, if properly structured and the necessary antecedents of successful PPPs are in place such partners could yield better results than the traditional procurement system. As has been demonstrated, PPPs considered as a mechanism for affordable housing delivery since they could bring new resources such as expertise and finance and leverage the resources to enhance effectiveness in affordable housing delivery.

Several key reasons have been identified for using PPPs in Nigeria, especially government failure to meet the increasing needs and demands of citizens for affordable housing and the inadequacy of government resources. In addition, bureaucratic dysfunctions in Nigeria and lack of sufficient experience have further boosted the need for PPP on affordable housing delivery. As has been demonstrated, PPPs are thought to be effective for affordable housing delivery since they bring new resources such as management expertise and finance and potentially combine the resources to enhance effectiveness on affordable housing delivery. A number of challenges threaten the success of PPP, including unattractive enabling environment, inadequate local expertise, and lack of political will, political and bureaucratic processes and inadequate transparency. The next chapter focus on housing in general and affordable housing.
CHAPTER THREE
LITERATURE REVIEW: AFFORDABLE HOUSING DEVELOPMENT IN NIGERIA

3.1 Introduction
Housing is one of the major sectors of national development. Up to two-thirds of the urban population in Nigeria lives in inadequate housing. The reason for these prevailing statistics is not simply relatively low-income levels, although that is part of the problem. Incomes are extremely low relative to the cost of basic housing packages. At the same time, formal employment is low (e.g., under 30 percent in Nigeria), limiting access to formal sector housing. Several factors drive the price of housing, which, sadly, relate all too frequently to poorly designed policies and inadequate government management of the housing sector. The provision of affordable and decent housing for Nigerians has been a top priority for successive governments since the country’s independence in 1960. Unfortunately, Nigeria has yet to develop an effective and workable housing delivery programme that would enable the country to achieve the goals of its housing for all policy. This chapter explores the current state of affordable housing in Nigeria and the concepts and definition of affordable housing.

3.2 Historical and Geographical Background of Nigeria

3.2.1 Nigeria
Nigeria’s population is now 173.6 million and growing at 2.8% per annum. Housing and infrastructures required to support this huge population are enormous and requires huge funding. The population, which is almost 50% urban, has placed undue pressure on existing housing, thus, housing provision is grossly inadequate and furthermore lacks adequate maintenance. The Nigerian government has failed over time to integrate population policy with overall development planning. The shortfall in housing provision affects the economy negatively, lowers productivity in every sector, and aggravates the poverty profile of the country (Olaseni and Alade, 2012).

3.2.2 Geography
Nigeria is a relatively large country, which occupies about 923,768 square kilometres. It lies between 40161 and 130531-north latitude and between 2040’ and 14041’ east longitude. Nigeria is bordered in the south by approximately 800 kilometres of the Atlantic Ocean, in the west by the Republic of Benin, in the north by the Republic of Niger and in
the east by the Republic of Cameroon. The climate of the country generally falls within the humid tropics, since the country is located close to the equator. The vegetation of the country ranges from mangrove forest on the coast to savannah grass in the far north (NBS, 2012).

3.2.3 Population
Nigeria is the most populous country in Africa and indeed, of the black nations of the world Nigeria’s population has been on the increase from 15.9 million people in 1911 to 163 million people in 2010 as shown in Table 1 below. Nigeria’s population is largely dominated by three ethnic groups – Yoruba, Hausa-Fulani and Igbo. The Yoruba are in the West, the Hausa-Fulani in the North and Igbo in the East. However, there are hundreds of other ethnic groups of wide ranging population sizes. Among these are Urhobo, Itsekiri, Bini, Ishan, Isoko, Ijaw, Ukwuani, Idoma, Igalu, Igbira, Kanuri, Ibibio, Efik, Ogoni, Oron, etc.

**Table 1: Population of Nigeria from 1911 - 2013 (Million)**

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</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>15.9</td>
<td>18.7</td>
<td>20.0</td>
<td>-</td>
<td>30.3</td>
<td>45.2</td>
<td>55.7</td>
<td>79.8</td>
<td>88.9</td>
<td>140.0</td>
<td>163</td>
<td>173.6</td>
</tr>
</tbody>
</table>

Sources: NBS, 2010; Ndujihe, 2013

**Figure 3: Population of Nigeria from 1911-2013 (Million)**
Table 2: Nigeria at a Glance

<table>
<thead>
<tr>
<th>Nigeria at a glance Items</th>
<th>Year</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (square kilometres)</td>
<td>-</td>
<td>923,770 Sq. Km</td>
</tr>
<tr>
<td>Population (millions)</td>
<td>2013</td>
<td>173.6million</td>
</tr>
<tr>
<td>Population growth rates (annual %)</td>
<td>2014</td>
<td>2.8</td>
</tr>
<tr>
<td>Urban population (%)</td>
<td>2014</td>
<td>47</td>
</tr>
<tr>
<td>Urban population growth rate (average annual %)</td>
<td>2013</td>
<td>4.01</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>2012</td>
<td>52.11</td>
</tr>
<tr>
<td>GDP growth rates (%) Real</td>
<td>2013</td>
<td>5.4</td>
</tr>
<tr>
<td>Population below National Poverty Line (%)</td>
<td>2010</td>
<td>61.2</td>
</tr>
<tr>
<td>Population with income below US$1.25 @PPP a day (%)</td>
<td>2010</td>
<td>68</td>
</tr>
<tr>
<td>Population with income below US$2 @PPP a day (%)</td>
<td>2010</td>
<td>84.5</td>
</tr>
<tr>
<td>Infant mortality rate (per 1000, at live birth)</td>
<td>2014</td>
<td>74.09</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>2015</td>
<td>7.5%</td>
</tr>
<tr>
<td>Outstanding loan to purchase a home</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td>Mortgage % of GDP</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Cost of standard 50kg bag of cement</td>
<td>2015</td>
<td>2000 (Naira)</td>
</tr>
<tr>
<td>Average price of the low income houses</td>
<td></td>
<td>4 906 250 (Naira)</td>
</tr>
</tbody>
</table>


3.2.4 Politics and Socio-economics in Nigeria

Nigeria’s decentralised political system consists of a three-tiered government structure. Apart from the federal capital territory (FCT), there are 36 states and 774 local governments, with the federal government responsible for designing policy but sub-national governments largely autonomous in terms of interpreting economic and social policies and setting up budget regimes and expenditure patterns. The government of Nigeria faces an enormous challenge: the strong economic growth the country has experienced has not served to substantially reduce poverty, inequality or instability. The poverty rate has doubled in the past 20 years and, although rates have decreased in recent years, the Gini coefficient is high (44.70 as of 2010) and 69% of the population live in
poverty – about 112.47 million people (NBS, 2010). Nigeria has experienced rapid urbanization; nearly 50 per cent of the population lives in urban areas compared with just 10 per cent in 1952 and 38 per cent in 1993. The tropical land, the natural and human resources, geo-strategic location have given a special place to Nigeria that are capable of sustaining the teeming population and securing a viable nation with machinery for its internal and external control (World Bank, 2009). In the presence of ineffective and weak development of infrastructural facilities, however, this is unlikely to happen and furthermore the country is too large to be governed directly from Abuja without marked antagonisms among various geo-ethnic diversities that are located in remote areas away from the centre.

Available data from the National Bureau of Statistics (NBS) shows that the Real GDP in Nigeria is 6.58 while the latest unemployment rate in Nigeria stands at 23.90% as at March 2011 (according to the 2011 Annual Socio-Economic Report released by the National Bureau of Statistics – NBS). According to the figures released by the NBS, the unemployment rate in Nigeria has increased consistently between 2006 and 2011 moving from 12.30% in 2006 to 21.40% in 2010 and increased further to 23.90% in 2011. Political instability, corruption, inadequate infrastructure, and poor macroeconomic management have hindered Nigeria’s development. Nigeria's former military rulers failed to diversify the economy away from its overdependence on the capital-intensive oil sector, which provides 95% of foreign exchange earnings and about 80% of budgetary revenues. Lack of infrastructure and slow implementation of reforms are key impediments to growth. Against this background the government is working toward developing stronger public-private partnerships for roads, agriculture, power, hospital and housing (KPMG, 2012).

3.3 Definition and Concept of Affordable Housing

Affordable housing is a basic right everybody should be able to enjoy (UN-Habitat, 2008). In its broadest sense, affordable housing is used to refer to housing for rent or purchase that is affordable to households whose financial capacity to obtain private housing is constrained (Milligan, 2009). There is however much confusion and debate about what constitutes affordable housing. Definitions vary across public discourse on housing policy and assistance programs, land use planning, and research contexts. Australia’s Housing, Planning and Local Government Minister defines affordable housing as “housing which is affordable for low and moderate income households across home ownership, private rental as well as public rental tenures” (HLGPM, 2005). This definition of affordable housing is
not limited to a particular type of housing or funding model or recognises traditional social rental housing through private rental housing and home purchase.

In 2002 the Chartered Institute of Housing (CIH) in the UK submitted evidence to the Commons Select Committee’s inquiry into affordable housing in which it argued for precise and appropriate definitions of affordable housing where there is a need to achieve and measure specific outcomes. The CIH thought that in most instances it was no longer appropriate to identify the need for ‘affordable’ housing as separate from market housing:

*This crude approach does not appreciate the complexities of modern housing markets, nor serve modern requirements and aspirations. A much more effective way forward is to identify the amounts and locations of a wide range of house types, sizes, tenures and prices that are required to achieve the strategic objectives identified.*

In line with the CIH, Stone (1994) opines that there is no such thing as “affordable housing.” Housing, in and of itself, is neither affordable nor unaffordable that affordability is not an inherent characteristic of housing, but a relationship among housing cost, household income, and a standard of affordability (Stone, 1994). The United Nation defines affordable housing as that which is adequate in quality and location and does not cost so much that it prohibits its occupants meeting other basic living costs or threatens their enjoyment of basic human rights (UN-Habitat, 2011). When affordable housing is used in developing housing policy or other social policy the focus is generally on lower income households and relatively inexpensive housing (Tyndorf, 2006). A household is said to have a housing problem, in most interpretations of the term, when it pays more than a certain percentage (usually 30 percent) of its income to obtain adequate and appropriate housing (Hulchanski, 1995, Paris, 2007).

The terms affordable housing and housing affordability are often used interchangeably, but some writers distinguish between them – though both of the usages share a common basis in linking housing costs to income (Johnston, 2001, Stone, 2006, O'Flynn, 2011). Housing affordability puts the focus on the *consumer.* Is their housing cost reasonable within their budget: are they paying less than 30% of their income on rent (or mortgage-repayments)? While affordable housing puts the focus on the *dwelling.* Is the rent in the bottom 20% of rent levels? (Cox and Miers, 1988) Alternatively, is the rent set at a level so that a renter would be paying less than 30% of their income on rent (Johnston, 2001)?
In Britain and the United States, affordability is often expressed in terms of “affordable housing” (Stone, 2006). Stone states that, affordability is not a characteristic of housing; it is a relationship between housing and people. For some people, all housing is affordable, no matter how expensive it is; for others, no housing is affordable unless it is free (Stone, 2006). The literature on housing affordability is frequently interpreted as the relationship between household income and housing expenditure whereas housing is affordable if expenditure relative to income is reasonable or moderate (Kutty, 2005).

Watt (2011) views ‘affordability’ as a measure of whether housing may be afforded by certain groups of households, while ‘affordable housing’ refers to particular products outside the main housing market. Hence, the term ‘affordability’ denotes an individual’s capacity to exercise choice in the marketplace (Gabriel et al., 2005). Lack of affordable housing supply has been the main cause of declining housing affordability and associated problems. Despite the rising demand for affordable housing, such investments have not been viewed as commercially viable for housing developers, and there has been limited investment by the non-government housing sector (Susilawati, 2009).

The term affordable housing came into vogue in the 1980s as part of the retreat from public responsibility for the plight of the poor and as affordability challenges moved up the income distribution (Stone, 2006). Concerns over the availability of financing of affordable housing for low- and moderate income families saw the establishment of Affordable Housing Goals in the 1980s in the US requiring the Government Sponsored Enterprises to increase their purchases of mortgages originated by low and moderate-income households (Ambrose, 2004). Affordable housing is also sometimes called ‘low-cost housing’, where cost refers to the cost to the consumer, that is, the price they pay for the good (not to the cost of construction or to the owner’s/provider’s cost of supply) (Johnston, 2001). Some authors use another term, ‘low-income housing’: this refers to housing that is affordable to income units with the lowest 40% of pre-tax incomes (Strategy, 1991). Although it still lacks precise and concise definition, the term has since achieved international stature, and it typically encompasses not only social housing and low-income housing, but also financially assisted housing for middle-income households that find it difficult to purchase houses in the private speculative market. Therefore, a far more accurate term would be “below-market housing,” (Stone, 2006).

The idea of affordable housing recognises the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance.
(Milligan et al., 2004). In the United States, where the word originated, the broad characteristics of ‘affordable housing’ are that it is privately owned, socially oriented and price restricted (Davis, 1994). Generally, when this conceptualisation of affordable housing has been applied, the term is used to distinguish new ways of financing and delivering housing that is affordable for low and middle income households, from traditional forms of social (or public) housing (Gabriel et al, 2005). Thus, the term ‘affordable housing’ describes housing that assists lower income households in obtaining and paying for appropriate housing without experiencing undue financial hardship (Milligan et al., 2004, Milligan, 2009). A more inclusive definition which tends to be adopted in the United Kingdom and Europe recognises affordable housing as including traditional social housing (publicly or privately owned by housing associations), as well as new forms of sub market and regulated market housing for purchase or rent. For instance, the draft London Plan defines affordable housing as “housing designed to meet the needs of households whose incomes are not sufficient to allow them to access decent and appropriate housing in their borough (Oxley, 2004, Communities and Local Government, 2006).

According to Berry (2003), a lack of affordable housing not only poses a threat to the cohesion of the broader society but also imposes significant constraints on the economy as well. The inability of a country as wealthy as Nigeria to adequately house its population is a huge problem. In theory, this problem can be defined as one of income inequality. Some policy analysts even claim that there is no housing problem, that there is an incomes problem and therefore no need for housing interventions because the problem boils down to income distribution. The housing system, they suggest, is not to blame (Hulchanski, 1995).

Good-quality housing is however expensive. Households with enough money to pay the market rates for either renting or owning adequate housing have no housing problem. Households without the financial resources to rent or pay for adequate housing do face a problem in fact the major problem facing Nigeria is poverty. Despite the fact that the Nigerian economy is growing, the proportion of Nigerians living in poverty is increasing every year. The proportion of the population living below poverty the line has increased significantly from 1980 to 2010 (NBS, 2010). See table and figure below (Page 59):
<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty Incidence (%)</th>
<th>Estimated Population (Million)</th>
<th>Population in Poverty (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>27.2</td>
<td>65</td>
<td>17.1</td>
</tr>
<tr>
<td>1985</td>
<td>46.3</td>
<td>75</td>
<td>34.7</td>
</tr>
<tr>
<td>1992</td>
<td>42.7</td>
<td>91.5</td>
<td>39.2</td>
</tr>
<tr>
<td>1996</td>
<td>65.6</td>
<td>102.3</td>
<td>67.1</td>
</tr>
<tr>
<td>2004</td>
<td>54.4</td>
<td>126.3</td>
<td>68.7</td>
</tr>
<tr>
<td>2010</td>
<td>69.0</td>
<td>163</td>
<td>112.47</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics 2010

Table 3: Relative Poverty Headcount from 1980-2010

Affordable housing must contain certain facilities essential for health, security, comfort and hygiene. All beneficiaries to affordable housing should have sustainable access to natural and common resources, safe drinking water, energy for cooking, heating and lighting, sanitation and washing facilities, means of food storage, refuse disposal, site drainage and emergency services (United Nation, 1991). In addition, affordable housing must be in a location, which allows access to employment options, health-care services, schools, child-care centers and other social facilities (United Nation, 1991).

Overall, the complex nature of the term affordable housing is reflected by the fact that affordability is both a function of housing demand and supply factors (Bieri, 2012). Demand side assistance involves giving direct assistance to households (subsidising people) with a housing need. They also include measures to assist households into owner occupation such as low interest or interest free loans and loan guarantees. Such forms of
assistance should increase the ability of the recipients to purchase or rent housing affordably. On the supply side, the assistance involves giving a variety of discounts to those people and businesses involved in the production side of the housing sector (Berry, 2002). Given current effective political limits on direct public expenditure in Nigeria, the only way that the stock of affordable housing can be increased substantially to meet the growing need is by attracting more private investment into the low-cost end of the housing market (Mitchell and O’Malley, 2001).

However, different countries have different definitions for affordable housing, but it is largely the same, i.e. affordable housing should address the housing needs of the lower or middle-income households. Affordable housing becomes a key issue especially in developing nations where a majority of the population is not able to buy houses at the market price. As a result, it becomes the increased responsibility of the government to cater to the rising demand for affordable housing.

3.4 Affordable Housing Definition in the Context of this Research

In the Nigerian context, though the term is still used under various policies and programmes yet no single acceptable definition of what constitutes affordable housing. According to the Nigerian Minister of Power, Works & Housing, “there has been a continuous debate about whether the houses should be "affordable", whether it should be "low cost", whether it should be "social" or whether it should be "mass housing". To the extent that we assume that mass housing is indicative of the need to increase production delivery and supply of housing, we understand what it means and we intend to address it. As for the meaning of "affordable", "social" or "low cost" we intend to conduct a national survey and get a feedback from our people as to what they want to pay and whether it is possible” (Fahola, 2015).

The statement above shows that Nigeria does not have a legal definition of affordable housing as the system stands today. However, this thesis applies commonly used standards for defining affordable housing along three parameters that guide housing policy (incomes, affordability, and minimum acceptable standards for housing). These are used as standards for the purpose of understanding the scale and dimensions of this problem. In every country these standards must be adjusted for the local context. Every city or country should determine its own set of criteria for affordable housing delivery. Also when define affordable housing to inform policy making, governments should define kinds of
households that will be the beneficiaries of policies, particularly which types of households will require government support (Hulchanski, 1995; Davis et al., 2006; Berry, 2003; NPPF, 2012).

Countries around the world have applied these parameters in different ways to guide housing policies. Brazil, for instance, uses multiples of its minimum wages to define income groups for purposes of gauging affordability, as does Spain (Woetzel et al., 2014). The European Union’s Eurostat agency draws the line for affordability at 40 percent of post-tax income (Haffner and Elsinga, 2015), in the United States and Canada, the common metric is 30 percent of pre-tax income whether for rent or own (Miles, Weiss, & Berens, 2000). While standards are important to set aspirations and analyse affordable housing needs, decision makers need to exercise great care when setting minimum standards as part of regulations. Once enshrined in regulations, they dictate standards and costs (and affordability) of any new housing that is built (Woetzel et al., 2014). Therefore, it is helpful to set standards in the context of a local’s income distribution and local house prices (NPPF, 2012).

Income is the primary factor that determines housing affordability. The most common approach to measure the affordability of housing has been to consider the percentage of income that a household spends on housing expenditures (Chris, 2005). Affordable housing is provided to eligible households whose needs are not met by the market based on the three parameters mentioned above. To be affordable, housing must not consume so much of the household budget that there is not enough left to pay for other essential items such as food or health care (UN-Habitat, 2011). Affordable housing does not mean substandard housing (Walsall Council, 2008). In general, affordable housing must be in habitable condition, include basic amenities, and allow access to the vital services that are required for a decent standard of living (schools, health-care facilities, transportation to employment) (Glaeser and Gyouko, 2013).

The relevant percentage of housing affordability should be calculated based on actual data at local level in Nigeria. It should be noted that there are questions about the validity of income-based standards of affordability, since households may have other sources of income that do not show up in statistics (in-kind income or savings, for example) (Stone, 2006). Nevertheless, housing should be made available to and affordable by low and medium income households who cannot either rent or purchase housing appropriate to their needs in the free housing market. An element of subsidy is required to make such
housing accessible to these set of group and its affordability must not be achieved by compromising appropriate design and construction standards (DCLG, 2006; Watt, 2011).

The 30 percent rule of thumb allows an insightful statistical description of the impact of housing costs in a city (Ernst & Young, 2013; Woetzel et al., 2014). Housing prices and incomes vary considerably from one part of Nigeria to another and from one city to the next. It is important to evaluate them because this standard criterion is usually used to assess need and establish eligibility for most federal, state, and local housing programs (Miles et al. 2007). Therefore in the context of this research, affordable housing is defined as follows:

In the context of this research affordable housing is defined as housing that is suitable and affordable to buy or rent by the ‘emerging middle-class’ in Nigeria with or without ‘minor’ assistance.

‘Housing that is suitable’ means housing that is in habitable condition, has adequate security, includes basic amenities, and allows access to the vital services that are required for a decent standard of living (schools, health-care facilities, transportation to employment) (adapted from United Nation, 1991).

‘Minor assistance’ means local support that the local government can afford to provide to make the housing affordable to the emerging middle-class market segment in that locality. It may be in form a grant, infrastructure provision or guarantees. It does not include compromising design and construction standards.

This definition shows what constitutes a decent, affordable housing unit in a country (which may vary by income group), and which kinds of households will benefit from this housing program. The proposed definition can assist in achieving the housing agenda of Nigerian government. However, this section on affordable housing has clearly shown that it has certain features that differentiate it from open market housing.

3.5 Overview of Affordable Housing in Nigeria

Decent and affordable housing is a need that is unmet for millions of Nigerian households. A number of studies have shown that there simply is not enough supply to meet demand for affordable housing (Awotona, 1990, Salau, 1992; Ikejiofor, 1999, Ndubueze; Finmark Trust, 2010. According to the Center for the Study of Social Policy, the lack of affordable housing could lead to high rent burdens, overcrowding, and substandard housing and
housing insecurity for many Nigerian families (CCSP, 2011). Affordable housing is crucial to a country and its people. Without it, people are impoverished, families and communities eroded, jobs lost, the economy weakened, and the environment damaged (Disney, 2007). The shortage of affordable housing has become a deep and significant problem throughout Nigeria. The Government need to provide decent housing at affordable prices for low-middle income households has enshrined in national housing policy (NHP, 2012). A significant number of these families have limited economic autonomy and are unable to afford a home of their own. A more realistic solution for them appears to be the expansion of the dwellings where they currently live and share with other family units, which often are close family relations (UN-Habitat, 2011).

Despite the rising demand for affordable housing, such investments have not been viewed as commercially viable for housing developers, and there has been limited investment by the non-government housing sector (Susilawati, 2009). Though, the contributions of private sectors (formal and informal) which have provided over 90 per cent of the housing stock in Nigeria hold the ace to housing development (UN-Habitat, 2006, Ogbuozobe and Ogu, 2001). The major problem facing the Private sector is the lack of finance to embark on meaningful housing delivery services (Gbadeyan, 2011), obstacles to land acquisition, high cost of building materials, planning regulations, and codes, problems of residential infrastructure (World Bank, 1993). In addition, scarcity of land supply, limited government subsidies’ and an increase in housing costs have not offered incentives for investment in affordable housing either (Susilawati, 2009).

In order to increase the national housing stock substantially, the United Nations (2006) pointed out that this sector needs to be mobilised, organized and motivated in line with the overall organizational structure of the housing delivery system (UN-Habitat, 2006). The current trend of development in the country in which private developers engage in commercial housing affordable to the few privileged ones in the society is mainly for profit making and not for the masses (Adedeji and Olotuah, 2012). Since many of these developers operate on short-term loans which must be re-cooped within a short period, the cost of such houses is extremely high and unaffordable by the low-middle income groups that are in need of them (Adedeji and Olotuah, 2012).

Notable among the early literature in Nigeria housing sector are (Koenigsberger, 1970, Adeniyi, 1972, Onibokun, 1975, Aradeon, 1978, Abiodun, 1980). These provided a broad overview of housing problems and prospects in Nigeria, within the frameworks of the
National Development Plans. Empirical research in affordable housing in Nigeria has been scanty. A few efforts focused on the economic aspects relating to low-cost housing were dealing with their housing problems (Wahab, 1976, Onibokun, 1975). Issues of affordable housing schemes, and effective operation, management and maintenance of affordable housing units, are still prospective areas of research. In Nigeria however, from the debut efforts of the Lagos Executive Development Board (LEDB) in 1928 to date, government-housing provision in the country has continued to lag behind the demand for housing, as almost 90% of the nation’s housing stock is provided by the informal sector (UN-Habitat, 2006). Low homeownership rate of 25% can be compared to 70% in the USA, 63% in Brazil, 61% in Benin and 56% in South Africa. See figure below.

![Figure 5: Nigeria Homeownership Rate Compared with some Countries](image)

Sources: Federal Mortgage of Nigeria, Ya’u Kumo (2011)

As in most countries of the world, the bulk of housing provision remains outside the public sector (Salau, 1992). The Federal Housing Authority (FHA) is vested with the responsibility for preparation and execution of a National Housing Programme in the country has recently been commercialised by National Council on Privatisation, to address the huge housing deficit (Emejo, 2013). Hopefully the commercialisation of this sector will create a new business and operational environment that will see the emergence of new affordable housing development that will trade and devise new innovation and efficiencies to reduce housing deficit in the country. Driven by economic regulation and more market activity, the sector could be led into a highly competitive environment.
3.6 Housing Market in Nigeria

Housing consists of formal and informal provision in Nigeria. Informal housing is most prevalent as more than 80% of the population lives in housing that is unplanned with poor living conditions (Housing National Technical Working Group Report, 2009). The formal sector, which constitutes about 15% of the housing market, is insufficient to meet demand. Where supply exists, this is targeted at high-income earners, while houses categorised as low income are mainly outside the reach of low-income earners. As a result, rents and house prices are high (FinMarkTrust, 2010). The empirical study carried out by Ibem (2011) in Nigeria, showed out of the 3,078 housing units of different typologies provided through the turnkey housing schemes, 8.12% of the units were meant for the low-income group, 38.83% for middle-income class whilst 53.05% of the units were for the high-income group.

Housing affordability has historically been a challenge in the rental market, where existing tenants were often required to pay a year or more advance rental payments, and new tenants had to pay deposits upwards of two years. This kept many people out of the formal rental market (CAHF, 2012). In response to this, in 2011, the Tenancy Bill was signed into law in Lagos State, making it illegal for a property owner to require deposits of more than six months rental payments from existing tenants, and limiting deposits for new tenants to one year’s payments in advance. The new law also includes provisions on the notice period required for eviction, and imposes a fine of N250000 (£1000) for forceful eviction. However, there are reports that it has been ineffective, as some property owners continue to expect up-front rental payments of up to two years (CAHF, 2012).

There is therefore a need for ‘Affordable Housing’ and delay in addressing the affordable housing problem would seriously affect Nigeria’s economic growth and poverty reduction strategies. Housing is central to economic growth and has multiplier effects on employment, poverty reduction etc. Alleviating the country housing shortage could potentially raise the rate of growth of GDP and have a decisive impact on improving the basic quality of life. However, the role of the housing sector has been relegated to a peripheral place in the country's development profile. No serious attempt has been made to look at the real estate and the construction sectors in their entirety. In order to understand the need to search for new financing mechanisms in delivering affordable housing, it is first necessary to review the policy framework that has left affordable housing in its current state of underinvestment.
3.7 Review of Past Policies and Programmes

The provision of adequate housing that is safe, secure, accessible, affordable and sanitary is a fundamental human right, as enshrined in the United Nations Habitat Agenda (1996). This universally accepted principle has been acknowledged by successive Nigerian Governments, as evident from the pockets of uncoordinated initiatives and programmes in mass housing development over the years (NHP, 2012). Despite these efforts, housing delivery remains a major challenge. The significant shortfall in housing provision has been attributed to the inadequacy of the national Housing Policy (1991; 2002; 2012) to meet current challenges and economic trends and to guide development in the sector. In addition, lack of social housing system (Gemade, 2011) and diminishing of low cost housing has put more pressure on low to moderate income families and individuals, in particular, those who have difficulties accessing housing in the private market.

The Nigeria first National Housing Policy was launched in 1991. The ultimate goal of the National Housing Policy was to ensure that all Nigerians owned or had access to decent, safe and sanitary housing accommodation at affordable cost by the year 2000. Twenty-six (26) years after the first National Housing Policy was inaugurated, Nigeria has neither an articulate National Land Policy, nor an up-to-date National Housing Policy. In Nigeria, studies have shown that the problems of the previous government-provider policies were lack of political will, institutionalised policy and continuity, politicisation of the programmes, political corruption, poor funding and inadequacy of mortgage institutions, poor socio-economic structures, (among others) have contributed immensely to the failures (Awotona, 1990, Ikejiofor, 1999, Ndubueze, 2009, Aribigbola, 2008).

Saka (1987) examined past housing policies and programmes in Nigeria and observed that, while these policies were well intended, they had achieved little impact, as programmes originally planned to meet the needs of the low-income group but were taken over by higher-income groups. (Ogunshakin and Olayiwola, 1992) traced the causal roots of the collapse of mass housing policy in Nigeria to the contradictions in the institutional mechanisms of decision-making and implementation processes, rather than the essence of the policy per se.

This suggests that challenges in affordable housing provision are related to policy formulation, regulation and implementation and development as well as actual production of housing units and services. A major drawback in past attempts at housing and urban
development and in the establishment of sustainable housing delivery systems, and efficient urban development and management in Nigeria was the absence of clear focus in the pursuit of the mandate of the Ministry. In addition, the non-involvement of stakeholders and near exclusion of the private sector investors in housing and service delivery robbed the sector of necessary competition and efficiency needed for stability. The inability of Governments alone to fund the provision of housing and urban development therefore left a big vacuum and massive need, which could not be met in the sector.

The housing scenario in Nigeria remained essentially the same - one of inadequacy in quantity and quality. As at the beginning of 1999, housing development had been so neglected by successive governments, which for years did not regard it as a priority and which on many occasions made no annual budgetary provisions for housing that for all practical purposes, a ‘no-housing’ situation existed in Nigeria and about 60% of Nigerians could be said to be homeless. On May 29th, 1999, a democratically elected civilian government succeeded the Military government. After the inception of the new Civilian Administration, the Federal Government contemplated a new National Housing Programme under which it would build twenty thousand (20,000) housing units throughout the Federation over a four-year period at the rate of five thousand (5,000) units per annum as a demonstration of its commitment to the eradication of homelessness among Nigerians. However, this was not implemented. This very modest effort was soon abandoned owing to the realities on the ground as to enormity of the problems; the weak infrastructure for housing delivery mechanism as well as the fact that the Federal Ministry of Works “and Housing” continued to be ill-equipped to handle the supply of houses to meet the Nation’s needs as it functioned for all practical purposes as the Federal Ministry of Works only (NHP, 2012).

The Housing Sector had a proposed allocation of N3.8billion in 2009. Out of this amount, N2.5billion was for personnel cost, thus, leaving only N1.3billion as capital provision for housing. The fact that it has not been possible for Housing to survive as a full-fledged Ministry is an indication of the lack of commitment in dealing with the provision of houses for Nigerians and the low priority accorded to housing. On 20th June 2012, this administration approved a new national housing policy (NHP) for the country. The new policy replaces the 1991 Housing Policy as well as the Urban Development Policy initiated in 1997. The goal of the revised NHP is to: “ensure that all Nigerians own or have access
to decent, safe and sanitary housing in a healthy environment with infrastructural services at affordable cost, with secure tenure. The main implementation plan of this administration is to provide incentives to encourage Public Private Partnership in mass housing development (NHP, 2012).

3.8 Affordable Housing Need and Effective Demand

Affordable housing is a basic right everybody should be able to enjoy. In its broadest sense, affordable housing is used to refer to housing for rent or purchase that is affordable to households whose financial capacity to obtain private housing is constrained (Milligan et al. 2009). There is a gap between need for affordable housing and the capacity to acquire the desired housing type, resulting in an effective demand crisis for affordable housing in the country.

3.8.1 Housing Demand

Demand is almost limitless – those without housing need and those with it want more room or improved conditions. However, turning this need or desire into effective demand is a challenge, with impediments typically related to finance. The deep mismatch between demand for housing and the supply of investment is starkest in Nigeria of which face rapid population growth, rapid urbanisation and under-developed housing finance systems (Walley, 2014).

Demand is influenced by several economic factors, such as increased economic activity that has led to increased demand for labour and rural-urban migration (FinmarkTrust, 2010). There has been an uncontrollable gap between government’s supply efforts and actual achievement over the years, worsened by a population growth from about 42 million in 1960 to more than 170 million in 2014. Total current housing production is at about 100,000 units per year, and the need is about 700,000 additional units each year, and has accumulated a housing deficit of about 23 million units (Okonjo-Iweala, 2014). In addition, for some of the major urban centres (such as Lagos, Abuja, Ibadan and Kano), housing demand is growing at about 20 percent per annum (Okonjo-Iweala, 2014).

Nigeria’s 2020 development strategy includes a vision to build 10 398 650 housing between 2012 and 2020 (Odia, 2010). While only 7% of Nigerians lived in urban centres in the 1930s, and 10% in 1950s, by 1970, 1980 and 1990, 20%, 27% and 35% lived in the cities respectively (Okupe, 2002). About 50% of Nigerians now live in urban centres of varying sizes. The incidence of this population in urban centres has created severe housing
problems, resulting in overcrowding, inadequate dwellings, and to a situation in which 60% of Nigerians can be said to be “houseless persons” (FGN, 2013).

3.8.2 Housing supply

Supply of housing units in Nigeria can be viewed from the formal and the informal sectors. The formal refers to supply from the private sector and the various elements of the public sector. A common set of obstacles prevents the global urban boom from unleashing these opportunities. Although there are divergences in scale, the constraints on building more affordable housing are remarkably similar across countries and regions. They can be broadly categorised as impediments that limit demand and ones that curtail the ability of developers to produce housing in sufficient numbers and priced for the mass market (Walley, 2014).

The supply side is challenging, too. Typically, access to land and property rights limit the housing industry’s ability to undertake large-scale affordable developments. Regulatory obstacles, such as difficulties in registering title or outdated building codes and planning regulations, add to the time and cost of building houses and limit affordability. Developers also often find it hard to access appropriate, long-term funding and can be required by lenders to provide such documents as feasibility studies that can only be produced once financing is in place. Effectively, the housing industry is hampered because lenders are unwilling to take the risks associated with new developments targeting social demand. A lack of public finances can also impede the state or local authorities in providing appropriate levels of infrastructure or public equipment to housing projects (Walley, 2014).

- Public Sector

Despite several well intended housing policies and programmes in Nigeria, they have achieved little impact (See Table 4 Below). The small achievements made to meet the needs of the low-middle income groups have often been taken over by higher-income groups. Ogunshakin and Olayiwola (1992) also, traced the causal roots of the failure of affordable housing policy in Nigeria to the flaws in the institutional mechanisms of decision making and implementation processes. This suggests that challenges in affordable housing provision are related to policy formulation, regulation and implementation. Studies have shown that the problems of the government-provider policies were lack of political will, institutionalised policy and continuity, politicisation of the programmes, political corruption, poor funding and inadequacy of mortgage institutions, poor socio-economic
structures, (among others) have contributed immensely to the failures (Aribigbola, 2008, Awotona, 1990, Ikejiofor, 1999, Ndubueze, 2009). Going forward, governments need to work with the private sector to create a business-enabling environment. The role of government should be to put sound public policies in place to promote an efficient housing production chain and remove obstacles from the paths of potential actors to ensure they can work together effectively, enabled by the right incentive structures (Walley, 2014).

Table 4: Assessment of Impact of National Housing Programmes from 1975 - 1995

<table>
<thead>
<tr>
<th>Period</th>
<th>Planned</th>
<th>Achieved</th>
<th>% of achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962 – 1968</td>
<td>24,000</td>
<td>500</td>
<td>2.1%</td>
</tr>
<tr>
<td>1970 – 1974</td>
<td>54,000</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>1975 – 1980</td>
<td>202,000</td>
<td>28,500</td>
<td>14.1%</td>
</tr>
<tr>
<td>1981 – 1985</td>
<td>200,000</td>
<td>47,200</td>
<td>23.6%</td>
</tr>
<tr>
<td>1994 – 1995</td>
<td>121,000</td>
<td>1,014</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Unfortunately, there is no more recent data available

Sources: ((NHP, 2012, FinMarkTrust, 2010)

- Private sector

The current trend of development in the country in which the private sector engages in housing affordable to the privileged few ones in the society is mainly for profit making and not for the masses (Adedeji and Olotuah, 2012). Since much of the private sectors operate on short-term loans, which must be re-cooped within a short period, the cost of such houses is extremely high and unaffordable by the low-income groups that are in need of them. The major problem facing the Private sector is the lack of finance to embark on meaningful housing delivery services (Gbadeyan, 2011), obstacles to land acquisition, high cost of building materials, planning regulations, limited government subsidies’ and an increase in housing costs have not offered incentives for investment in affordable housing provision (Susilawati, 2009).

3.9 Current PPP for Provision of Affordable Housing in Nigeria

An overview of the housing sector in Nigeria clearly reveals that access to adequate and affordable housing remains elusive to many Nigerians both in the urban and rural areas. The history of both public and private sector housing development in Nigeria reveals that effective solutions to housing problems are yet to be found (Nubi, 2015). Past and present governments have enunciated various public policies and programmes aimed at solving the
housing problems in the country. The recent one is the private sector driven housing delivery. The PPP for housing delivery initiative started in 2002 with the launch of the national housing urban development policy (NHUDP) and was formally adopted in 2011 as a housing delivery policy (NHP, 2012). The objective of the NHUDP was to ensure all Nigerians own or have access to decent, safe and sanitary housing accommodation at an affordable cost through private sector led initiatives (Aribigbola, 2008; NHP, 2012).

Prior before this, the involvement of private sector in public housing in Nigeria started in Lagos with the establishment of the New Towns development Authority (NTDA) in 1981. NTDA among other agencies was charged with the responsibilities of supporting private-sector driven initiatives in housing delivery in Lagos State (Ibem, 2010). However, the cost of living within these new towns is very high making the new towns unaffordable for the majority of the residents of Lagos. In particular, the process of acquiring land and/or housing properties within the new town is mostly cumbersome making them inaccessible and unaffordable for the low-middle class. This has made the new towns ineffective as a tool for solving housing problems in Lagos, especially for low-middle class (Olanipekun, 2013).

At the 2014 presentation of the ministry of housing achievement, the formal minister, Mrs Eyankenyi, disclosed that from July 2010 to September 2014, a total of 43,126 housing units were added to the national housing stock through various interventions by the ministry and its two Parastatals, namely the Federal Mortgage Bank of Nigeria (FMBN) and Federal Housing Authority (FHA). These according to her includes 710 housing units under the prototype housing scheme; 7,869 housing units under PPPs; 3,302 housing units through the FHA; 5,007 housing units through mortgages created by the FMBN; 17,240 housing units through estate development loans provided by the FMBN; and 8,998 housing units through contractor finance initiatives (Suleiman, 2014; Kadiri, 2014). This has shown that PPP has been employed by the Nigerian government as a means of providing housing for its citizens but Onyemaechi and Samy (2016) opined that PPP housing is yet to make any significant impact in increasing affordable housing delivery in Nigeria. This is also evident from the numbers of housing units (7,869) built through PPP in four years. Hence the need to examine the new approach for an effective PPP in affordable housing provision in Nigeria.

Nigeria launched the Nigeria Mortgage Re-finance Company (NMRC), which according to Okonjo-Iweala (2014), is a public-private sector led initiative aimed at improving access to
finance for Nigeria’s housing market. Shareholders of the NMRC include the Nigerian Federal Government, the Nigerian Sovereign Investment Agency (i.e., the Nigerian sovereign wealth fund), development finance institutions (such as the IFC and Shelter Afrique) as well as various primary mortgage banks and commercial banks in Nigeria (Okonjo-Iweala, 2014). NMRC mission is to build up the nation’s home financing capacity. This is an example of a partnership with external stakeholders similar to the Tanzanian and Egyptian facilities being developed, with US$ 300 million in support from the World Bank (Woetzel et al., 2014). The NMRC impact on the housing delivery has been poor. The agency launched its first application for 10,000 housing units in July 2014, but about 66,402 applications were received. Of this figure, 25,000 applications are said to have been pre-qualified; 9,000 have been given offer letter, while monies have been disbursed to 33 Nigerians to acquire their homes (CAHF, 2015).

The Federal Housing Authority (FHA) which was established in 1973 with the intention of driving a mass housing delivery programme. By 2013, however, it had only built around 37,000 houses for 176 million Nigerians, less than 1000 units per annum. Given this poor performance, proposals towards the restructuring and full commercialisation of the FHA were introduced in 2012 in an effort to redress the huge housing deficit in the country; this has enabled the agency to chart a new course (Udo, 2013). Hence, FHA partnership with private sector, albeit focused on the luxury and high income markets (CAHF, 2013).

The FHA develops houses in collaboration with private sector and when they are sold the profit is shared between the FHA and the private sector on an agreed ratio. What accrues to them depends on the equity stake contributed to the project. Under this arrangement, private sector will provide infrastructure such as street lights, water supplies, roads network, etc., to the various housing units (Ibem and Aduwo, 2012). This probably explains why the PPPs are currently placing emphasis on housing for high income earners in the country. Hence, this shows that low-middle income people are yet to benefit adequately from PPP in housing provision in the country. To address these concerns, policies and regulations guaranteeing equitable distribution of the housing developed should be considered by the government (ESCAP, 2008). If PPP on affordable housing delivery programmes in a Nigeria are to succeed, these issues need to be addressed by the government. In May 2015, Lafarge Africa Plc in partnership with LAPO Microfinance announced their construction of 500 housing units in the Federal Capital Territory, Abuja on land provided.
by Federal Ministry of Lands, Housing and Urban Development. Another development on going with a public private partnership model is the 10,000 unit Rock City housing project taking place in Abuja. The partnership is between Rock of Ages Properties (Chicason Group) and the Federal Capital Development Authority’s Development Control Department. Chicason is aiming to expand this to Nigeria’s 36 states and deliver 100,000 homes. This initiative focuses on high income earners (CAHF, 2015). All houses, even the middle class units are sold rather than rented out to occupants and not many people can afford the going rate.

Misconception of what constitute PPP is another problem facing Nigeria. In 2014, Nigeria Police developed 1000 units of three, two and one bedroom houses in Abuja between a developer and the Police Cooperative Society Limited, which financed the project and called the scheme PPP (Mutum, 2014). The reason for the misconception is the lack of clear understanding about what PPP is and mechanism of PPP project implementation. The mechanism of PPP project implementation depends on the system of government and the overall administrative structure, and the legal regime concerning PPPs, as these elements vary from one country to another (ESCAP, 2008). Generally, the agencies at the national level initiate and implement most of the PPP projects. Depending on the system in a country, the implementation of PPP projects may require the involvement of several public authorities at various levels of government. The authority to award PPP contracts and approve contract agreements is generally centralised in a separate public authority. This may be a special body for this purpose and is usually at the ministerial or council of ministers level (ESCAP, 2008).

In 2008, the Infrastructure Concession Regulatory Commission (ICRC) was developed to provide the requisite regulatory and institutional framework within which all Ministries, Department and Agencies (MDAs) of the FGN can effectively enter into partnership with the private sector in the financing, construction, operation and maintenance of infrastructure projects in line with ICRC Act of 2005 (ICRC, 2008). The Commission has consequently developed the National Policy on PPP to provide clear and consistent process and procedure guides for all aspects of PPP projects development and implementation from project identification, evaluation, selection, to procurement, operation, maintenance and performance monitoring (ICRC, 2008). The use of this National Policy is essential in partnering with private sector in the implementation of affordable housing delivery.
As explained above, the governments have made some attempts to involve the private sector in the delivery of housing through government Ministries and Agencies but there are concerns with approach adopting and the need for improvement. There has been concern that some MDAs still require a lot of pressure to submit to the regulatory guidance of the commission on PPP development, monitoring and compliance and the refusal to comply with contract terms and conditions of their PPP contracts (Nnamani, 2013).

The Nigerian government has identified the need for PPP for housing delivery but this has not been able to solve the problem as most citizens cannot afford the exorbitant cost of the houses built by the private developers. While there has been some growth in the housing sector, it appears only to serve the high income segment. The middle to low income segment, where the housing gap lies mostly, have yet to experience the change. Hence, there is need for an effective approach for the private sector involvement to deliver decent and adequate housing for millions of Nigerians.

3.10 Justification for New PPP Approach for the Provision of Affordable Housing in Nigeria

The cumulative results from all of the above initiatives remain inadequate. Demand outweighs supply in both the middle and low income segment and most people live in rented housing units – 85% of the urban population rent properties spending over 40% of their income on rents (Kokularupan, 2010). This brings to the fore the need for a new housing model in the country. Considering the magnitude of the housing problems in Nigeria, the housing policies and programmes of the government seem to have achieved little (Onyemaechi and Samy, 2016). Therefore, there is an urgent need for a renewed commitment, redirection of focus, and a demonstration of the right political will if achieving a realistic affordable housing target is anything to go by. Perhaps, any effort along this direction would bring us closer to the actualisation of a desirable level of affordable housing delivery in Nigeria (Jiboye, 2011).

UN-Habitat (2005) observes that if the national housing goals are to be met, government should encourage, and involve the private sector. In the same vain, Freedman (1969) suggests that housing delivery should be left to the private sector to manage. Windapo (2007) also suggests that the private sector involvement goes beyond direct housing construction to manufacturing of all types of building materials, supply of labour and capital. KPMG (2015) concludes that the argument in favour of private sector is hinged on
the efficiency and effectiveness of the private sector as well as the corruption and inefficiency of the public sector.

Although the Nigerian Government have used all types of initiatives (consumer-led, public sector-led, private sector-led, and PPP), the above literature review seems to suggest that the efforts by public sector to address the affordable housing deficit in the country can only be effective with a shift in focus towards a predominantly private sector driven national housing delivery strategy. In a situation where public sector support is essential, the public private partnership may automatically become the preferred option in order to exploit the benefits originating from both sectors. It may therefore be concluded that the use of PPP for affordable housing provision for the emerging middle-class in Nigeria should go beyond policy to a strategic necessity.

The Nigerian government has identified with this view to stimulate and assist the private sector to play the leading roles in housing production and delivery (NHP, 2012). The numerous and monumental problems that bedevil public sector housing delivery has led to a paradigm shift of involving the private sector in housing delivery, while the government should create the enabling environment. An effective application of value management concept could reduce the cost of housing construction, create more utility, reduce running cost and above all leads to affordable housing provision to the public by the private sector (Henshaw, 2010).

With demand far outstripping public resources, governments need to adopt a new approach. They need to work with the private sector to encourage the sustainable provision of affordable housing. Facing constraints on public resources and fiscal space, while recognising the importance of investment in housing to help country economies grow, governments are increasingly turning to the private sector as an alternative additional source of funding to meet the funding gap (World Bank, 2015), hence, complementing limited public sector capacities to meet the growing demand for affordable housing delivery. An involvement of private sector companies is therefore required, who are under severe pressure from market competition have developed sophisticated models of management and resource allocation to deal with economic pressures (Peters and Pierre, 1998).

Another motivation for the use of PPPs as an alternative tool to deliver affordable housing is the potential long-term gain in terms of efficiency and effectiveness. For PPPs, the long-
term expected cost to the public sector may be lower under a PPP structure than with conventional procurement (and/or the expected benefits may be higher) (World Bank, 2011). The performance oriented nature of PPP contracts provides a benefit by encouraging innovation. When the requirements in a contract are properly focused on performance and outputs, it is possible to grant the contractor a certain degree of flexibility to structure and organise its own means and methods. Therefore, the private sector’s ability to innovate will provide an additional source of savings and efficiency. Provided the contract is performance based (that is, there is a prescription of the output, through output or service specifications or requirements, rather than a prescription of the inputs or means), there will be room and incentives for the private sector to apply innovative techniques and methods. These are more likely to be cost-effective in meeting the required level of service performance (EU, 2003). The benefit of using PPP is extensively explained in chapter 2.

It is therefore essential that government create an enabling environment for private initiative. It is not a question of governments supporting the private sector through extensive subsidies alone, but rather of focusing their efforts on safeguarding operations and introducing targeted incentives. Intervention across the entire housing industry to promote a structured, autonomous and sustainable sector will be a decisive success factor. This means improving land tenure regulation as well as providing land for development with essential infrastructures (transport, power, social services, and so on). In the face of the housing challenge, governments must show a level of political will and support the private sector so that sustainable solutions can be developed. Their action is also crucial to ensure housing needs are fully taken into account and that housing initiatives benefit the most disadvantaged sections of the population. The magnitude of needs also requires breaking the mould and using new models (Walley, 2010; Walley, 2014; Collier, 2014, KPMG, 2015).

### 3.11 Challenges to Affordable Housing Delivery in Nigeria

Developers are not easily able to finance the construction process. This is partly due to inefficiencies in the housing sector and shortages of materials and skilled labour. These combine with high interest rates to make the construction process expensive (World Bank, 2009). Investment in affordable housing is not accorded the priority it should command in national planning strategies and therefore receives short shrift in attracting budgetary resources. Nor do national governments take a comprehensive approach dealing with access to land, infrastructure, finance, legal systems and urban planning system. This
serves as serious limitations to scaling up investment in housing and reduces their ability to attract resources from the private sector. The following section addresses the challenges facing affordable housing delivery in Nigeria.

3.11.1 Financial challenges

One of the most important challenges that have been ongoing for the housing sector is finance for the developers as well as finance for households, particularly for the emerging middle class. The current financing mechanism prevalent in the country mostly targets high-income sections of the society while the households falling under this category find it difficult to secure formal housing finance. Finance is crucial to housing delivery and lack of access to financial resources is a major problem facing this sector (Ogbuozobe and Ogu, 2001). About 70% of Nigerians probably live below the international poverty line (NBS, 2010) following declining economic fortunes in the last one to two decades. The direct implication is that the ability of the self-help developers that accounted for a majority of the housing units in the urban and rural areas is constrained.

One of the major responses to the acute problem of availability of finance for housing development was the establishment of the Federal Mortgage Bank of Nigeria (FMBN) in 1956, known then as the Nigerian Building Society (NBS), a joint venture of the Commonwealth Development Corporation and the Federal and Eastern Governments of Nigeria. The Bank operates as an effective vehicle for increasing the mobilisation of long-term funds, lending volume and expansion of mortgage lending services to all segments of the Nigerian population. The FMBN started the management and administration of the contributory savings scheme known as the National Housing Fund (NHF) established by Act 3 of 1992. The NHF is a pool that mobilizes long-term funds from Nigerian workers, banks, insurance companies and the Federal Government to advance loans at soft interest rates to its contributors. Despite this, the issue of accessing sufficient funds for an effective and affordable housing delivery remain unresolved.

Mortgage finance loans only contribute 0.55% to Nigeria’s GDP which is far cry compared to 73% in USA, 81% in UK, 32% in South Africa, 5.8% in India and 5.5% in Brazil (Ogunwusi, 2013). Housing stock in Nigeria is estimated at 10.7 million, out of which only about 5% is in formal mortgage, hence the Residential Real Estate is funded by 85 percent of Household incomes whilst government and commercial institutions fund others. Households unable to access institutional loans consist of those deriving incomes mainly
from informal sectors. In most urban areas, low and moderate-income households are self-employed, and their incomes vary greatly and can be irregular. This results in a lack of interest by commercial financial institutions to lend to this market. (Demirguc-Kunt and Klapper, 2012); Under the World Bank Development Research Group whilst exploring levels of financial inclusion around the world said that 0.6 percent of Nigerians have an outstanding loan to purchase a home while borrowing for housing construction is more common, although still miniscule: 1.7 percent overall, or 1.5 percent of the top 60 percent of income earners and 1.9 percent of the bottom 40 percent of income earners.

The commercial banks and insurance companies have a significant role to play in affordable housing provision efforts in the country. For example, in the United Kingdom and most countries in Europe, commercial banks and insurance companies lend money for home ownership. In Nigeria, the lending policies of insurance companies are very conservative while commercial banks by nature of their operations find it difficult to give loans for projects with long gestation periods, which is the hallmark of housing construction. Commercial banks and traditional means of housing finance typically do not serve low-middle income groups, whose income may vary or is below the viable threshold to ensure repayment or those who cannot provide collateral for loans.

If more affordable houses are to be built and less dependence placed on the resources of government only, then there is the necessity of finding new sources of money for affordable housing delivery. There is need for total revamping of the county’s mortgage system to make it household friendly. Now, most of the Primary Mortgage Institutions operating in the country is not too different from that of commercial banks. In addition, their capital base is too weak to support the requirements of prospective borrowers for housing construction. There is need for the reduction of interest rates on mortgage loans and the encouragement of commercial banks to lend long term loans to prospective home owners to address the dearth of affordable housing in the country (Ayedun and Oluwatobi, 2011). The influence level of mortgages is miniscule when compared with the shortage of housing units. This problem is more acute for working families seeking affordable houses.

3.11.2 Credit system
The absence of robust credit markets in Nigeria is a significant impediment to solve the housing problems. To most families, housing is the largest investment of their lifetime. They need loans to finance investments in housing. However, in Nigeria, dreams of decent
homes run against most people’s inability to obtain loans. In contrast, there is widespread access to credit in most developed countries, including for home purchases. Research shows that credit is one of the most important factors that facilitate expansion in real estate markets and housing in developed countries (Freedman, 2004, UN-Habitat, 2008).

Nigeria has virtually no credit system. Most working class people have no access to credit facilities to even build a record. In Brazil, between 2005 -2011 more than 40 million people were lifted from poverty to the middle-class group making it the biggest social class in Brazil (Roberts, 2013), according to him, this raise is largely attributed to access to credit services. Nigeria is a developing country with the challenges listed above; access to credit for the emerging middle class could go a long way to stabilising the housing sector.

3.11.3 Ownership and Management of Land

One of the main structural reasons for the state of Nigeria's housing is the Land Use Act. According to Nigeria’s Land Use Act of 1978, ownership rights for land are vested in the office of the Governors of various State Governments. Although the Land Use Act of 1978 was meant to usher in new land reform in Nigeria, it became a clog in the wheel of development over the years (Mabogunje, 2011). The Land Use Act was promulgated with the intention of restructuring the land tenure systems in the country by vesting the ownership and title to all lands in the country on the Governors of the respective states of the Federation for the purpose of easy management and accessibility by those interested in the acquisition of lands in the country (Ayedun and Oluwatobi, 2011). However, the contentious issues of Governor’s consent for any subsequent transaction in land and the intractable government bureaucracy and bottlenecks have made the procurement of land problematic, unnecessarily expensive and out of the reach of most of Nigerians citizens especially in the urban centres of the country.

Land titles are prone to political interference because of the vast powers of governors over state land allocation. Another hindrance is that 65% to 70% of land is still held under customary title. Even in areas where title deeds are more common, there can be difficulties in clarifying who actually holds title to the land. This title uncertainty often means endless challenges in court (Woetzel et al., 2014, Leke et al., 2014). The land ownership system acts as a deterrent to new house building. State governors allocate Land for development through an opaque administrative mechanism, which is not responsive to demand. When a developer acquires a plot of land, he is liable to pay high fees up front. While spatial
planning exists in theory, in practice there is a free for all, which means that land for housing has to compete with land for commercial use (World Bank, 2009). Legal issues regarding public sector land acquisition through eminent domain produced substantial delays in bringing land to market in Nigeria. Land is a basic requirement for affordable housing delivery. The main problems associated with the acquisition of land for housing are availability, lack of political will on the part of government, accessibility, ownership rights including security of tenure and absence of land use plans (NHP, 2012). These constitute great obstacles in the public and private sectors of the economy.

According to the World Bank publication on Doing Business in Nigeria 2013, effective administration of land and ensuring formal property rights is fundamental. If formal property transfer is too costly or complicated, formal titles might go informal. Moreover, where property is informal or poorly administered, it has little chance of being accepted as collateral for loans - limiting access to finance. The housing process is time consuming and a very costly, total-processing fee is around 20 per cent to 30 per cent (Boléat and Walley, 2008). Land prices appear to vary enormously. Prices vary from state to state as well as between them. The cost of land is determined by its location, together with demand and the size and nature of the site. However, improving land governance is vital to achieve rapid economic growth and translating it into significantly less poverty and more opportunity for Nigerians (World Bank, 2013).

3.11.4 Basic Infrastructure
Inadequate basic infrastructures are a major constraint to providing decent, affordable housing. This includes roads, water supply, sewerage and electricity. If housing is poorly built, situated in unsafe areas, or inadequately serviced with water and sanitation, it can lead to increase occurrence of sickness and death; conversely, good housing can lead to better health and higher rates of labour force participation. Better-quality housing also influences the alleviation of poverty in indirect ways. Hence, the provision of housing infrastructure can encourage housing development and supply (World Bank, 1993).

Many countries in sub-Saharan Africa, suffer from a huge backlog of needed infrastructure investments because most national governments do not make housing-related infrastructure a high enough priority in national plans nor have they dedicated anywhere near enough funding from national budgets to keep ahead of increasing demand, let alone make up for the lack of maintenance of already existing infrastructure (Giddings, 2007, Sanusi, 2012). Unless national, state and local governments, working together with the private sector to
address these crippling infrastructure deficits, make concerted efforts the likelihood of Nigeria, meeting the growing need for decent affordable housing will be slim.

Infrastructure accounts for about 25 or 30 percent of housing costs (Akeju, 2007, FinMarkTrust, 2010) and in most cases developers have to provide the infrastructure which invariably increases the cost of the houses they produce thus making such houses unaffordable (Roberts, 2013). This is evident in many gated residential estates across the country, where the developer provides independent/alternative electricity, water treatment plant, sewage plants, access roads to the estate, etc. (FinMarkTrust, 2010). In non-government acquired areas, residential buildings are often constructed without regard to, or provision for, infrastructure services for the present of for the future (Ogbuozobe and Ogu, 2001). These conditions are unacceptable and pose a significant threat to the growth of the Nigerian economy (Sanusi, 2012). The public sector must continue to play a pivotal role in creating a favourable policy environment and in making critical infrastructure investments necessary to allow the private sector to increase its investment in affordable housing (Gidding, 2007). The key point here is that housing and infrastructure is a critical part of the economic production function of cities. In this context, meeting the financing of infrastructure and housing, should be high national priorities (UN-Habitat, 2005).

3.11.5 Building Materials

It is possible to achieve affordable housing but necessary components must align. In order to bring down materials costs and stimulate construction, as well as make housing more affordable to the Nigerian population, governments should continue its reconsideration of restrictions on the importation of cement and other building materials (Roberts, 2013). Another alternative worth exploring for further research is how local materials such as clay and other local building materials can be used as an alternative. There are a number of causes for the relatively high costs of housing in Nigeria. Over 60 percent of raw materials are imported – this leads to high building costs, which fluctuate in price with the exchange rate. The cost of cement is illustrative. In 2011, cement prices had almost doubled to N2 800 (US$17.76) for a 50kg bag of cement. Government intervened with a standing order to local manufacturers in the industry to increase their production capacity so that the price would reduce to N2 000 (CAHF, 2012).
3.12 The Significance of Affordable Housing

The importance of housing in society can hardly be overstated. Housing is typically the largest single item in the household budget and thus has fundamental implications for household consumption (Majale, 2004). Housing has a profound and often unappreciated impact upon our lives. If it is adequate and affordable, housing provides privacy and security against unwanted intrusions, both physical and emotional (Stone, 2004, Majale, 2004). It directly affects our quality of life, our health and well-being; it determines our transport needs and often our choice of work; it affects our family structures and our friendship networks. Housing also affects our national economic well-being: the rate of economic growth and our prosperity. It also influences the distribution of resources between regions, individuals and generations (Barker, 2003). However, despite its intimate and profound significance, affordable housing in Nigeria is not assured to all as a right. Explain below are the key significances of affordable housing.

3.12.1 Affordable Housing as a Driver of Economic Development

Lack of affordable housing imposes significant constraints on the economy as well a threat to the cohesion of the broader society (Berry, 2002, Berry, 2003). Housing is a major sector in any economy (Buckley and Mayo, 1988). The development of affordable housing increases spending and employment in the surrounding economy whereas without a sufficient supply of affordable housing, employers and entire regional economies can be at a competitive disadvantage because of their subsequent difficulty attracting and retaining workers (Wardrip et al., 2011). This encourages some low-to-medium paid workers to migrate elsewhere in search of affordable housing and sustainable life styles, raising the possibility of labour shortages in particular locations and occupations (Berry, 2002). The availability of affordable housing in the right places means the supply of workers to firms where they are needed the most, in areas of high economic growth and high labour demand (DCLG, 2011).

A number of sectors of the economy stand to benefit greatly and have a direct impact on the economic output from increased affordable housing provision. The most obvious beneficiaries would be the housing construction and home maintenance/repair industries, though several others benefit substantially as well, including durable goods firms, such as appliances or furniture, home furnishing businesses, and, eventually, real estate agents, surveyors, lawyers, and bankers (DCLG, 2011, NACCA, 2005). Housing construction also supports more jobs compared with investment in many other sectors of the economy,
because it supports a large amount of related activity such as concrete production, and glass and brick manufacturing.

Increasing the supply and quality of affordable housing boosts the industries whose products and services complement the housing sector, and has multiplier effects throughout the economy. Regardless of the time in which it takes place, increased income increases spending, which if spent in the local economy, provides the income for other residents in a rippling effect. This effect is particularly large for the construction sector, as it is relatively labor-intensive, spending a bigger portion of its revenue on employee wages as opposed to machinery or production materials (NACCA, 2005). (Ferguson and Haider, 2002) estimate that the construction industry in developing economies contributes around 15% of gross domestic product, and accounts for a disproportionate share of jobs for unskilled and semi-skilled workers. They also find that this sector is able to jump-start economies in recession and developing economies, being a main driver giving other sectors time to develop, and is critical for economic growth.

**Impact of construction of 2 million affordable homes:**
- Direct employment for 3 million people
- Indirect employment for 24 million people leading to an income increase of $25 billion (equivalent to ~ 2% nominal GDP)
- Creates a demand for 16 million tons of cement (9% over current demand)
- Creates a demand for 6 million tons of steel (10% of current demand)
- Plumbing demand of $1.1 billion
- Electrical equipment demand of $0.7 billion
- Paint demand of $0.5 billion
- Wood demand of $0.2 billion
- $17 billion in loans (15% of annual disbursals)

*Source: McKinsey, 2012; Walley, 2014*

**Figure 6: Showing Impact of Affordable Housing Delivery to an Economy**
3.12.2 Affordable Housing as a Tool of Poverty Alleviation

Inadequate housing has a direct influence on poverty. Safe, adequate and affordable housing is a fundamental building block for general well-being in Nigeria and in all countries throughout the world (Mockler-Caissie, 2010). People who cannot afford the housing they need are obviously not going to escape the trap of poverty (Gazzard, 2010). One of the causes of poverty is the lack of decent and affordable housing. The rents are so high there has not much left over to meet basic needs. Often, families and individuals are sacrificing nutritious food in order to pay housing costs. According to United Nations International Covenant on Economic, Social and Cultural Rights article 11 of the covenant, states that, “recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions” (United Nation, 1991). Action must be taken to help struggling Nigerians access and retain safe, decent, and affordable housing.

If action to decrease poverty is to be successful, increasing the housing supply across the globe is essential. Adequate housing is vitally important to the health of the world’s economies, communities, and populations, yet the percentage of people without access to decent, stable housing is rising. The United Nations projects that by the year 2030 an additional 3 billion people, about 40% of the world’s population, will need access to housing. If we are to prevent such a dramatic escalation of the housing crisis, and if we are to succeed in the fight against poverty, we must support the expansion of housing both as policy and as practice (UN-Habitat, 2005).

3.12.3 Affordable Housing as a Tool for Democracy and Governance

Democracy is no longer associated with the mere ability to hold regular elections - this is just the starting point. In addition, Governance is much more than the business of running the State machinery to keep one’s borders safe and maintain law and order. Government has the mandate to eliminate inequalities and inequities entrenched in society that result in the exploitation and the marginalization of certain groups, depriving them of basic rights to a life of dignity, decent, safe and affordable housing. Individuals alienated through lack of or inadequate housing is less likely to engage in civic life than those with quality housing (Kissick et al., 2006, Woolcock and Narayan, 2000).

Provision of affordable housing can play a positive role in strengthening the democracy, community cohesion and civic pride, which in turn enhance social stability and personal
security. According to Michael Cohen, in “Preparing for the Urban Future: Global Pressures and Local Forces,” opined that there is interdependent relationship between decent housing, the social fabric and public participation in governance. Community mobilisation often improve housing and related infrastructure that can strengthen civil society and local democratic structures and help to defuse the frustrations of slum dwellers that can lead to instability and violence (Cohen, 1996). Thus, there is an interdependent relationship between decent housing, the social fabric, and public participation in governance (Kissick et al, 2006). Sufficient evidence exists to suggest that by seriously attacking the issue of insufficient affordable housing, in total and in particular locations, governments can materially alleviate a range of economic and social problems while reducing the overall cost to taxpayers, in the longer term (Berry, 2002).

3.12.4 Affordable Housing as a Tool for Optimal Health
Decent and affordable housing provides an important foundation for healthy social, physical and mental development. If housing is too crowded, poorly built, located in unsafe areas, or inadequately serviced with water and sanitation, it can lead to increased incidence of sickness and death; conversely, good housing can lead to better health and higher rates of labour force participation. Affordable and healthy housing is not only a necessity for human health and human life but also a means to reducing systemic health inequities and lowering associated long-term healthcare costs. Affordable housing is one of the most fundamental requirements for good health. Butler-Jones (2009), in his annual report on the state of public health in Canada illustrated the connection between housing and health: *Shelter is a basic need for optimal health. Inadequate housing can result in numerous negative health outcomes, ranging from respiratory disease and asthma due to moulds and poor ventilation, to mental health impacts associated with overcrowding.* This shows that not only is the provision of affordable housing essential, but the quality of the affordable housing and the services associated with it, such as water and sanitation, are also vital contributors to health (Shaw, 2004).

3.13 International PPP Experience on Affordable Housing
This section looks at the emerging situation with respect to the private participation of affordable housing in developed and developing countries. Accordingly, it makes sense to examine how this approach has evolved in these countries and to determine the possible lessons for Nigeria. Governments in these countries are committed to supporting housing
systems that deliver decent and affordable housing to their citizens through PPP. Although the focus of this research is on the Nigerian experience, it is worth noting that partnerships have been used with great success to develop and maintain affordable housing in these countries. A number of partnership models involving different subsidy routes, private sector participation and combinations of affordable and social rent have emerged in recent years. Here, are some specific examples:

**Lomé, Togo: Using PPP to Spur the Real Estate Sector**

Togo, in West Africa, is one of the poorest countries in the world, with per capita GDP of less than $900 (Pasquali, 2014). An estimated 62 percent of the urban population lives in slums, according to UN-Habitat (2013). The capital, Lomé, is home to more than 1.5 million people, or about 20 percent of the population, and decent housing is in very short supply; only about a third of households have access to sanitation, running water, and electricity. The population is projected to grow rapidly and should reach close to 2.8 million by 2025 (UN-Habitat, 2013). More than 80 percent of the population cannot afford a decent housing unit, and from the estimate the current housing gap is 230,000 units. This gap is equivalent to about $140 million per year, or 4 percent of Togo’s total GDP. Based on current trends, the gap could grow to about 400,000 units by 2025 (Woetzel et al., 2014).

The government of Togo has decided to address the housing challenge by putting in place an affordable housing program and has attracted international developers, through PPPs. The government is identifying available land, providing a fiscal incentives package, signing agreements with banks to commit to real estate lending, and working to accelerate key approval processes. The goal is to address the shortage and establish the foundations of a modern real estate industry. The government has already started the first development of around 10,000 units in Lomé in 2015. The objective is to use the PPP to demonstrate the real estate business opportunities in Togo, attract international developers, and improve the capabilities of local construction firms (Woetzel et al., 2014; CAHF, 2015).

**Brazil: Sao Paulo State Housing PPP**

The state of Sao Paulo is widely known as the most important economic and industrial centre in the Southern Hemisphere and the largest business hub in Latin America. It is the region’s capital of innovation and technology, and a world leader in environmental preservation and agribusiness. São Paulo also stands out for its PPPs and concessions, with
over two decades of successful results, and for having the most significant portfolio of current projects among emerging countries – a total of 15 projects – amounting to US$ 25.3 billion (BRL 50.5 billion) (P3bulletin, 2014; Casa-Paulista, 2013).

Housing delivery through PPP is the most significant housing investment in São Paulo in 30 years. The projects under this PPP initiative include the largest number of housing units in the entire country. The proposal aims to promote improved quality of life for workers in the city centre, by offering homes close to their workplaces and endowed with urban infrastructure equipment. The initiative will help to rehabilitate degraded areas, create jobs and income to the extent that enterprises will have spaces for trade and services, and improve the urban transport system. The project has the support of private enterprise and the three spheres of government. In addition to the contributions of the state and local governments, entrepreneurs can obtain part of their funding through the federal program.

The project’s beneficiaries are workers in the city centre who are not homeowners, in the 1-to-16 minimum-wage bracket, covering a wide and diversified community of individuals from different social groups. Contributions from the households shall be compatible with their ability to honour the payments, and regulated according to the rules of the financial institutions appointed by the private partners. The concessionaire will be responsible for the development of over 20,000 housing units, including affordable and popular market dwellings under the 20-year deal, which comes with a 14-year operation period. This will include the implementation, maintenance and management of the sites, as well as the provision of social work services for pre and post-occupancy. The project was originally launched in 2012, which saw a public consultation carried out between May and June of 2013 (P3bulletin, 2014; Casa-Paulista, 2013).

**The PPP Experience in Morocco**

In many countries throughout the Middle East, land is relatively expensive for a variety of reasons. Often this results from rent-seeking activities, in which corporations, organisations, or individuals (Typically within prominent families) use their influence to gain public lands at low prices – or for free – and hold it for subsequent development and high profits. To counter these activities, Morocco government engaged with the private sector and created a long-term solution. The authorities offered private developers 3,800 hectares of land at reduced prices, in exchange for a commitment to build and sell low-cost apartments on two-thirds of the allocated space. The remaining third was for private developers to build and sell more expensive housing types. The private sector was given
sole responsibility for, and control over, project design, development, maintenance, and funding. This approach generated social and economic benefits, through a better provisioning of customer-oriented services such as water and electricity. It also helped create jobs, in that the private developers hired local workers and maintenance specialists. Moreover, it improved the relationships among the community, private developers, and the relevant government agencies (Dhabi et al, 2014; Ernst & Young, 2013).

The United Kingdom: Welsh Affordable Homes Limited Liability Partnership (Wales)

The Welsh Housing Partnership combines public funding (government grant), support from a number of Welsh housing associations and loans from the Principality building society. An example of the approach is the creation of special purpose vehicle (SPV) in the Ely Bridge scheme in Cardiff, which generates 700 new homes, 400 of which at social or affordable rent levels. Ely Bridge was a vacant brown field (contaminated) site, a former paper mill on 56 acres. The project was initiated by Principality building society and involve 300 units for sale, 300 intermediate rent and 100 for social rent, as well as a school, offices for rent and a riverside park in Cardiff.

The affordable housing is managed by a community-based housing association with rents at or below local housing allowance ceilings. The project not only involve housing grant but does involve cheap public land and a £6 million repayable loan. Instead, its innovative financing and ownership model based around a not-for profit social enterprise company that developed the site formed as a partnership between the Welsh government and the Principality building society. A repayable loan from the Welsh government’s Economic Stimulus Fund will help with decontamination. The proposal would see the company wound up on the final stage of development and the properties transferred into an investment company who would in turn lease the rental component to a social landlord who would manage and insure the properties. Profits on the sale for open market sales would be reinvested either in other sites for social/affordable housing or to help increase the volume of the model (Gibb, MacLennan and Stephens, 2013; Barry, 2013).

United States – PPP: Hennepin Currie Avenue Housing Partnership

The approach to low-middle income housing in the United States has been pursued more aggressively at federal, state and local levels (Moskalyk, 2008). Government provides
programmatic tools and inviting the private sector to use them to both make its own profit and reach government objectives (Smith, 2006). A good example is a 10-year community plan to end homelessness in Hennepin County and Minneapolis by 2016. A 70-member Commission to end homelessness was convened in the summer of 2006. They were given 100 days and charged with developing a plan to end homelessness, looking at both local and national best practices, in ten years.

The plan was approved by City Council and County Board in winter, 2006 and plan implementation began in January 2007. The Minneapolis mayor and a Hennepin County commissioner established the initial initiative. They wanted to join what was becoming a national movement to end homelessness. A set of principles was developed to guide the work. They included all people have a right to safe, decent, affordable housing; shelter is not housing; homelessness costs more than housing; data are important; prevention is the best solution; and ending homelessness is attainable. Six major goal areas were established in the areas of prevention, outreach, housing, services, systems change, and increasing peoples’ ability to support themselves through increased incomes. The goals are to end homelessness for individuals and families, improve community liveability, and use taxpayer dollars more wisely.

The original commission was a diverse group of federal, state, and local governments; business leaders; nonprofits; faith communities; and philanthropic members. They brought multiple perspectives to the commission and represented every sector of the community. They had broad community support and got input from both local and national experts on homelessness. The inclusion of the downtown business association was critical to the plan’s development and rapid approval. The original 70 member commission was disbanded after the plan was developed; however, an ongoing multi-sector partnership was convened to implement the plan. This partnership currently operates with over 125 different nonprofit, private sector, and public sector participants. They are committed to working together until the plan is fully implemented and they have ended homelessness in Minneapolis and Hennepin County.

Different sectors have been engaged in the partnership for different reasons. Nonprofits see this as a way to work together more effectively and potentially gain more support for their work. Downtown businesses want to make downtown Minneapolis more liveable, thereby attracting more people to the downtown area. Faith communities see this as a moral issue, while foundations see this as an opportunity to effect change. Likewise, foundations see
the partnership as the most effective way to implement the strategies and to improve outcomes. Government knows they cannot solve homelessness alone and sees this as a way to increase private sector engagement. All the partners admit to wanting to improve people’s lives as a primary reason for being involved.

There have been many significant accomplishments, starting with the development of a ten-year plan with shared ownership for implementing over 50 concrete action steps and 30 specific recommendations. This plan has helped reduce people who are homeless by 14 percent. Nearly 2,000 new housing opportunities have been created for low-income households. These early efforts have been focused on long-term homelessness and the highest users of public systems. This has resulted in significant cost savings. Another public-private partnership with the downtown congregations to end homelessness and the downtown business council has raised almost $400,000 to start a housing program to end homelessness for 150 long-term homeless individuals with disabilities. Several creative outreach and housing programs targeting special populations of refugees, youth ageing out of care, young mothers, and seniors have been developed.

The partnership has received strong leadership from community members and paid social service staff. The planning process and the implementation effort has provided a vision of what an end result could look like and given individuals and organisations opportunities to participate in making that vision real (Riley and Kraft, 2010)

**Canada: Let’s Build In the City Of Toronto**

Let’s Build in the City of Toronto is an affordable housing development program. The objective of the Let’s Build program is to encourage construction of new affordable housing in Toronto by working in partnership with the private sector. The program was created as a strategic response to homelessness and the shortage of affordable housing for low-income households in the City of Toronto. The intention of the Let’s Build program is to create new low-cost housing with minimal reliance on government subsidies. A variety of financial incentives is offered by the municipality in order to secure private sector involvement in the program. The municipality and the private sector partners find that together they are able to produce housing at a level of affordability that neither could achieve independently. When the resources of each partner combined, more money is available upfront which means that mortgage costs can be reduced. Free lease of surplus municipal land and interest free loans reduce costs by eliminating the need to pay interest or lease charges. Exemption from planning fees and development charges, property tax
reductions, and streamlining of the approval process thereby reduce underlying costs. Finally, private sector developers employ their expertise to reduce development costs through architectural design and the use of construction methods, which maximise efficiency (Griffin, 2004; Moskalyk, 2008).

3.13.1 Lesson Learnt From International Experience

The International experience shows that affordable housing can be provided through PPP. However, it must be borne in mind that this achievement is based on significant levels of public financial assistance provided through various grant, subsidies and incentives programs. These, combined with policy support could leverage additional private sector financing in support of the goal of providing affordable housing. While the private sector participation is important, it is difficult to understate the essential role the subsidies could play. Few of the PPPs would be successful without the substantial public funding available. The International experience also suggests that some level of funding – but not necessarily subsidies – is critical prerequisite to encourage and lever investment from other sources, and to stimulate the creation of mechanisms that can act to stretch limited public investment further. PPPs are only as good as the tools and funding mechanisms they have at their disposal (Pomeroy, et al, 1998).

The key lesson emerging is that with government regulations and controls facilitated by a vibrant private sector, the solution of affordable housing is not far from sight. Experience shows that, to attract private finance to house this group, some form of public involvement is necessary (Wallace et al., 1998). The private sector is limited in its capacity to act single-handedly because it operates in a complex housing market characterised by high land costs, delayed developmental approval processes and soaring capital and operating expenses. The construction of new housing stock is expensive, and for a private sector firm to receive an adequate rate of return on its investment for an affordable housing development, some level of government involvement is essential (Moskalyk, 2008).

As these countries experience adequately demonstrates, a major advance on the large scale involvement of private sector will entail clever and committed institutional design. Affordable Housing delivery for the emerging middle class demands a sustainable contribution year after year. This shows that a fiscal effort can make a big difference and noticeably improve the living conditions of working families most in need. Therefore, it is
interesting to see if the premises and arguments that are being advocated internationally have the potential to succeed in Nigeria.

Lesson learnt are invaluable when establishing and implementing PPP project. These are key success stories and lessons from PPP in affordable housing around the world; that the affordable housing delivery project not only involve housing grant but does involve public land and often repayable loan; attraction of international developers to improve capacities of local construction firms and providing a fiscal incentives package, signing agreements with banks to commit to real estate lending, and working to accelerate key approval processes. These are going to contribute to the development of the PPP model and framework for affordable housing delivery to the emerging middle-class in Nigeria.

3.14 Conclusion

Nigeria affordable housing problem is generally down to inadequate supply. For years, government and private sector alike have been building fewer housing. Around 100,000 houses are being built in Nigeria every year while the government estimates suggest that 720,000 new households are needed each year alone. The population growth rate is 2.8 per cent; this shows that Nigeria is building fewer homes it needed to sustain its growing population. Of this, affordable housing is becoming an ever-smaller percentage. The problem is not just the lack of adequate housing but also, of inadequate infrastructural facilities like roads, drainage water, power supply and basic social amenities. One of the key challenges of the sector is the unresolved Land Use Act, 1978. This has constrained accessibility to land (FGN, 2013). The government has had little control over the land market. In Nigeria, there is no lack of land but lack of political willpower to resolve the obstacle surround its land system. In addition, the high cost of building and construction materials has severely constrained housing development.

This chapter examines the gap between the demand for affordable housing, with the existing supply and the challenges Nigerian government face in bridging the gap. This research has identified the role the private sector could play in reducing the gap through their innovation and expertise. While Nigeria has its own challenges and unique circumstances, it is established here that an absence of effective delivery mechanisms and limited collaboration with key stakeholders have been a major issue. By focusing on these barriers and learning from international experience, Nigeria can come closer to realising its vast potential. For Nigeria to achieve its potential for increase in affordable housing, the
government will need to play a central role. It will need to continue and expand efforts to support key sectors and agencies. It has been noted, that due to financial restrictions, many developing countries like Nigeria do not afford to build enough housing. In view of the functions and the state of housing sector presented in this chapter, it could be argued that delivery of affordable housing can be improved by means of applying PPP as mechanism for its delivery. Through PPP, more affordable housing can be delivered and access can be increased substantially.

The case for the provision of affordable housing through PPP has been made. It is now appropriate to consider empirical research related issues with a view to undertaking some study on views that the practitioners in the area in question may have on delivering affordable housing through PPP. As a result, the next chapter focuses on empirical research issues and processes. In addition, the chapter identifies the empirical research method preferred for the study.
CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction
This chapter describes the research approach, the methods for data collection and analysis. The research employs a qualitative approach to answer the research questions. The research emphasises that qualitative research comprises of two key aspects. They relate to the distinctions between the terms method and methodology. The term method refers to the tools or techniques of data collection such as questionnaires, observations and interviews, which this research adopted. The term methodology has a more philosophical meaning and usually refers to the approach or paradigm that underpins the research. In this case, this research uses Institutional Analysis Development (IAD) Framework as a methodological approach to analyse PPP on affordable housing delivery in Nigeria. The research also examining two other competing policy Frameworks used to analyse socio-economic activities. They are co-management institutional design and sustainable real estate markets framework. The objective is not to argue that the IAD framework is the best approach for analysing Public Private Partnership for the provision of affordable housing in Nigeria. However, it has proved useful in understanding a wide variety of institutional arrangements in both developed and developing countries (Imperial and Yandle, 2005).

The chapter presents an outline of the research process, the method of collecting data, which is through semi-structured and the data analysis techniques. This study also explains the sampling technique, which is appropriate to the study.

4.2 Research Process
According to (Kothari, 2004), research process consists of series of steps necessary to successfully carry out research and the desired sequencing of these steps. The research process consists of a number of closely related activities. However, such activities could overlap continuously rather than following a strictly prescribed sequence. At times, the first step determines the nature of the next step to be undertaken. As regards to this research study due procedures have been taken into consideration in the early stages to avoid any difficulties that may arise in the course of the study. At the outset of the research project, a research area was identified. It was focused on the provision of affordable
housing using public private partnership as a mechanism for its delivery. In order to develop the research topic extant literature and the empirical context was briefly consulted. In addition, an initial review of extant theories and literature facilitates the process of finding a research topic and developing appropriate research questions. It also enables the researcher to make a theoretical contribution by identifying a research gap.

However, the following order concerning various steps provides a useful procedural guideline regarding the research process: (1) formulation of the research area (Affordable Housing delivery and PPP as a mode of delivery); (2) extensive literature review on PPP in Nigerian housing sector; (3) Data collection (this stage was conducted by the collection of interviews with practitioners); (4) analysis of data (This were achieved by a selection of techniques such as NVivo 10). IAD framework was used to analysis the data collected to understand the key variables and its effect on affordable housing delivery through PPP (5) Development of model and framework (6) interpretation, and (7) presentation of the results, i.e., formal write-up of conclusions reached. According to (Kvale, 2007), the researchers themselves are an important part of the research process, in terms of their own personal presence as researchers, or in terms of their experiences in the field and with the reflexivity, they bring to the role – as are members of the field under study. These steps in planning and preparing a research study are important to make a design and study work effectively. Therefore, it seems necessary to clarify the research process and carefully plan at the early stage of the project.

4.3 Philosophical Approach
There are different approaches to qualitative research – case study, ethnography study, phenomenological study and grounded theory study (Leedy and Ormrod, 2010). Each quite distinct in their procedures for data collection, interpretation and theoretical development, for example, grounded theory is flexible in terms of data, but insists on theoretical sampling and saturation of both data and theory before theory development can be claimed. Ethnography is generally concerned with culture and power with the main forms of data generally participatory observation and interviews. Again, research agendas that focus on, for example, inter-departmental dynamics, gender issues, ethnic, may well benefit from the application of an ethnographic approach. Phenomenology has its own unique characteristics and philosophy, which may be beneficial in terms of theory building based around lived experiences, whether these are consumption or strategic decision making.
These areas are representative of research that is built upon inductive reasoning and associated methodologies (Williams, 2007). The purpose of this approach is to understand an experience from the participants’ point of view which can be referred to phenomenological study (Leedy and Ormrod, 2010). Thus, this research adopts phenomenology as its philosophical stance. The German philosopher Edmund Husserl (1859-1938) is the founding father of phenomenology. However, others have to a greater or lesser extent used phenomenological ideas, including Heidegger, Sartre, de Beauvoir, Merleau-Ponty, Ricoeur, Garfinkel, Berger and Luckmann, Bourdieu, Derrida, Giddens and Habermas (Aspers, 2004). Phenomenology is considered a philosophical perspective as well as an approach to qualitative methodology, which has a long history in several social research disciplines (Giorgi, 2009; Moustakas, 1994). Its central focus is people's subjective experiences and interpretations of the world. It is about describing the meaning of lived experiences about a phenomenon, and coming to understand the experience itself (Creswell, 1998).

Built environment research as a scientific process validates and refines existing knowledge and generates new knowledge (Burns & Grove, 2008). Phenomenological research is, thus, relevant to the discipline of built environment as it articulates subjective and personal lived experiences. This method has been called “the science of examples” (Munhall, 1994) as readers can identify a deeper meaning or structure in the phenomenon being studied. The value of the phenomenological method or human science approach is in the ability to uncover life processes “for qualitatively identifying intervention strategies and evaluating outcomes” (Morse, Penrod, & Hupcey, 2000).

The difficulty of this study is that the researcher usually has some connection, experience, or stake in the situation so bracketing (setting aside all prejudgments) is required. Creswell (1998) suggests the procedural format is writing the research questions that explore the meaning of the experience, conducting the interviews, analysing the data to find the clusters of meanings, and ending with a report that furthers the readers understanding of the essential structure of the experience. The study collects data that leads to identifying common themes in people’s perceptions of their experiences.

Researchers using phenomenological methods aim to uncover the meaning of an individual’s experience of a specified phenomenon through focusing on a concrete experiential account grounded in everyday life (Langdridge, 2007), for example the experience of PPP affordable housing operation. This kind of research is being carried out because sometimes we are surrounded by many phenomena, which we are aware of but not
fully understand. Our lack of understanding of these phenomena may exist because the phenomenon has not been overtly described and explained or our understanding of the impact it makes may be unclear.

PPP affordable housing delivery example may give understanding for lack of adequate provision and the apparent causes. What are the effects on peoples’ and economy? Etc. Phenomenological research begins with the acknowledgement that there is a gap in our understanding and that clarification or illumination will be of benefit. Phenomenological research will not necessarily provide definitive explanations but it does raise awareness and increases insight. In phenomenological research, respondents are asked to describe their experiences as they perceive them. They may write about their experiences, but information is generally obtained through interviews.

The aim of the researcher is to describe as accurately as possible the phenomenon, refraining from any pre-given framework, but remaining true to the facts. According to Welman and Kruger (1999) “the phenomenologists are concerned with understanding social and psychological phenomena from the perspectives of people involved”. Husserl’s philosophical phenomenology provided a point of departure for Alfred Schultz who turned it “toward the ways in which ordinary members of society attend to their everyday lives” (Gubrium & Holstein, 2000). A researcher applying phenomenology is concerned with the lived experiences of the people (Greene, 1997; Holloway, 1997; Kvale, 1996) involved, or who were involved, with the issue that is being researched.

4.4 Qualitative Research

In research, methodology and methods are sometimes used interchangeably yet they are not the same. It is therefore necessary to clarify, at the outset, the distinction between these concepts in order to give a background to their usage henceforth. In the context of research, methods simply refer to the ways in which data are systematically collected, interpreted and reported. On the other hand, methods should be viewed as the actual practice of research which entails procedures or strategies and techniques applied in the process of conducting a research especially data gathering (Hall and Hall, 1996). Specific research instruments such as interviews or the use of questionnaires often demonstrate these procedures and techniques. However, methodology is broader than methods and yet more fundamental in that it lays philosophical groundwork for the latter. Methodology denotes the study of, or a theory of,
the way that research methods are used in undertaking a scientific study (Dunne et al., 2005). In general, methodology denotes a myriad of the attributes of ways research data are systematically produced and processed into information (Sedisa, 2008). For Hall and Hall (1996), methodology should be seen as the philosophy or the general principles on which research is based. The aim of methodology is to describe and analyse research methods, highlighting their limitations and the scope of resources as well as their presuppositions and possible consequences. The study of methodology therefore, enhances the understanding of the process of scientific inquiry (Cohen et al., 2000). From the foregoing, one may observe that methodology is actually the science of methods and that its virtue is that it enables researchers to follow established practices and collect valuable data with a broader understanding of the processes involved.

Qualitative research is concerned with processes and meanings that are not extensively examined in terms of quantity, amount, intensity or frequency (Denzin and Lincoln, 1998). Therefore, this research approach involves methods of data collection and analysis that do not have a quantitative orientation. The focus of qualitative research is human experiences and situations, which do not lend themselves easily to quantitative measures (Maykut and Morehouse, 1994). This research approach is relatively subjective compared to quantitative research since it has a lot to do with collecting, analysing, and interpreting data on what people actually say or do. It is premised on the assumption that reality is socially constructed and that there are multiple realities within which there are variables that are complex, interwoven, and difficult to measure (Denzin & Lincoln, 1998).

According to Kvale (2007), it has become more and more difficult to find a common definition of qualitative research, which is accepted by the majority of qualitative research researchers. Qualitative research is described as an unfolding and effective model that occurs in a natural setting that enables the researcher to develop a level of detail from being highly involved in the actual experiences (Creswell, 1994, Creswell, 2003). What constitutes qualitative research involves purposeful use for describing, explaining, and interpreting collected data. (Leedy and Ormrod, 2001) alleged that qualitative research is less structured in description because it formulates and builds new theories.

Qualitative research involves the studied use and collection of a variety of empirical materials that describe routine and problematic moments and meaning in an individuals' life (Denzin and Lincoln, 1994). Therefore, these methods like interviews and observations are dominant in the naturalist (interpretive) paradigm and supplementary in the positive
paradigm, where the use of survey serves in opposite order (Bashir et al., 2008). The researcher actually studies phenomena in their natural settings because qualitative research is not an experimental approach, which involves a highly controlled setting that is reminiscent of quantitative research. Researchers following a qualitative approach tend to emphasise the socially constructed nature of reality, which reality is complex and multifaceted. The ultimate purpose of qualitative research is therefore to better understand such complex situations and this is often pursued in an exploratory manner. Consequently, the outcome of qualitative research is not the generalisation of results, rather to achieve a deeper understanding of experience from the perspectives of the human participants selected for the study (Maykut and Morehouse, 1994).

Researchers involved in a qualitative approach are themselves tools of data collection mainly because the collection of most of the qualitative research data is dependent on the actual involvement of the researcher in the form of interviews and observations (Gay et al., 2006, Leedy and Ormrod, 2005). The human or social world is complex and dynamic. As a result, Maykut and Morehouse (1994) are of the view that “a human-as-instrument is the only instrument which is flexible enough to capture the complexity, subtlety, and constantly changing situation which is the human experience.” Housing is interwoven into the social world that is complex and dynamic, which necessitate the study of its provision to be guided by factors referred to above. However, it could be useful to state some of the essential features of qualitative research as follows (Denzin and Lincoln, 1998):

- Participants are purposely selected on the strength of being information rich because they have actually experienced the phenomena under study.
- The intent is to understand the perceptions, experiences and the views of the participants.
- The researcher is part of the process and is the primary data collection instrument.
- Qualitative research does not aim at generalisation rather to develop a unique interpretation of a particular case. Data are subjective and the basic element of analysis is words or ideas.
- Reasoning is dialectic and inductive.
- It uses communication and observation in data collection.
- The research process revolves around research questions.

In view of the features of qualitative research stated above, it would appear that this mode of research could be very helpful in attempting to reconstruct social reality such as the
housing system. The research aim with objectives and the concomitant research questions lend themselves to a qualitative research approach. In this thesis, the method of collecting data is through interviews in order to understand and interpret a participant’s perception on Public Private Partnerships for affordable housing delivery in Nigeria. The qualitative research study is based on the postulation that valuable data would be gathered by interviewing practitioners that have been working with organisations involving in Public Private Partnerships and housing delivery in Nigeria; in order to provide a description and analysis of the best practice in Nigeria. An interactive and cyclical process of data analysis was employed with data collection, data analysis and theory development proceeding simultaneously. With the above overview in mind, it is now appropriate to focus on research methodology adopted and the research method preferred for the study.

4.5 Three Competing Policy Frameworks
There are a variety of institutional arrangements that could be used as a research tool to investigate and analyse the current Nigeria situation for the use of PPP as a mechanism for affordable housing delivery. This research has identified the Institutional Analysis Development (IAD) framework as the most suitable because it is more comprehensive and provides a feedback mechanism that enables testing to be carried out as part of development and implementation. To justify the choice of IAD over other similar tools, the following sub-sections provide a discussion that compares IAD to two other competing frameworks:

4.5.1 Co-Management Forms of Institutional Design
Co-management is a process of management in which government shares power with resource users, with each given specific rights and responsibilities relating to information and decision-making (OECD, 2011). Co-management can be defined as a partnership arrangement in which the community of local resource users, government, and other stakeholders such as private sector and external agents (non-governmental organisations (NGOs), academic and research institutions share the responsibility and authority for the management of the social-economic activities (UNECE, 2008). Through consultations and negotiations, the partners develop a formal agreement on their respective roles, responsibilities and rights in management, referred to as negotiated power (Pomeroy and Rivera-Guieb, 2006 and UNDP, 2006). Co-management is also called participatory, joint, stakeholder, multi-party or collaborative management. Co-management covers various partnership arrangements and degrees of power sharing (Sen and Nielsen, 1996).
Co-management as an institutional arrangement has been used in both developing and developed countries (Yandle, 2003). Co-management is a hybrid institutional arrangement that emphasises sharing responsibility for management of partnership between public sector and private sector to deliver social benefits such as an affordable housing in order to increase service delivery and improve decision making (Imperial and Yandle, 2005). Private sector involvement could improve the quality of the time and place information used to craft management systems by tapping local and foreign knowledge (Pomeroy and Rivera-Guib, 2006). Moreover, while co-management may increase efficiency to the partnership, private sector must have the financial, technical, and administrative capacity to perform their management responsibilities.

The concept of co-management has gained acceptance among governments, development agencies and development practitioners as an alternative management strategy to the top-down, centralised government approach (Yandle, 2003). However, co-management may not be an appropriate management strategy for affordable housing delivery in Nigeria, because the development of co-management is not self-regulating and sustainability guaranteed. Though it shows promise for addressing many of the requirements for sustainability, equity and efficiency found in IAD Framework, but still failed to address the contextual factors and pattern of interaction which are important when analyses policy intervention especially in housing sector.

4.5.2 Policy Framework for Sustainable Real Estate Markets

The framework was developed by Real Estate Markets (REM) with the cooperation of United Nations Economic Commission for Europe Working Party on Land Administration (WPLA) representatives and experts from across the region, including economists, legal experts and real estate market scholars from international organisations (UNECE, 2010). The framework is intended to give policymakers and other interested parties a reference for their future work relating to the real estate sector and its underlying market structures. The framework is meant to be the starting point for in-depth investigation of a variety of aspects related to the housing sector. The framework is designed to promote the understanding of some critical issues of the housing sector, in order to better develop management tactics and strategies that might assist with the identification of solutions to the current housing crisis. Also, to define rules and principles that might promote long-term solutions for sound real estate markets in different enforcement frameworks and in compliance with the respective legal systems, so that economic and social benefits will

This framework highlights some principles such as sustainable development, accountability, fairness and efficiency similar to the IAD framework evaluation criteria, however, effective service delivery, whether it involves housing support or poverty alleviation, requires sound policy analysis to determine which institutional arrangement will perform best in a particular setting (Majone, 1989). Given the multiple and competing policy objectives that underlie PPP affordable housing delivery, it is important to use a variety of criteria to assess overall institutional performance and understand the tradeoffs that exist between them. Moreover, institutional arrangements and the rules that comprise them can be extremely complex. Accordingly, it is important for analysts to be disciplined in their approach to institutional analysis. The IAD framework provides a useful tool for guiding institutional analysis by consider important factors such as physical condition, attribute and pattern of interaction as they influence institutional performance.

This research considers a broad-based approach to policy analysis that considers institutional design and performance needed in order to facilitate effective PPP programs for affordable housing delivery. What differentiates institutional analysis from other forms of organisational analysis is the focus on rules. Rules are prescriptions that forbid, permit, or require some action or outcome and the sanctions authorised if the rules are not followed (Crawford & Ostrom 1995). IAD Framework examines problems that institutional arrangements face and how to address these problems. In the context of PPP arrangement for affordable housing delivery, it focuses on such things as the organisation structures, which makes decisions, how decisions are made, the rules used to allocate and distribute resources, rules governing partners’ performance, and enforcement.

4.5.3 Institutional Analysis Development (IAD) Framework

Nobel Laureate Elinor Ostrom (Ostrom et al., 1994) developed the Institutional Analysis and Development (IAD) framework. The history of the development of the IAD framework starts in the 1960s in debates over the reform of American municipal government (Polski and Ostrom, 1999). It was generally thought that the cause of many administrative problems was the existence of a large number of independent public authorities within a single metropolitan area. IAD framework was perceived as a recipe for chaos that required replacement by a single coordination centre (Groenewegen, 2010). The
IAD framework has been informatively applied to a variety of research areas including urban public services, the international aid regime and forestry governance. A flexible model can be used effectively to explore the dynamics between institutions, rules, actors and policy outcomes (Ostrom, 2005). The advantage of this framework is that it includes the context in which local actors interact to create the institutional arrangements that influence individual actions and collective decisions (Andersson, 2006).

The IAD framework is a comprehensive set of causes, effects, preconditions and feedback mechanism among the various components of any institutional arrangement especially with respect to public goods and services. The IAD framework can be used to analyse and design policy interventions in a broad variety of political-economic situations (Banerji, 2013). Polski and Ostrom (1999) view the framework as primarily a research method, although policy analysts, who are evaluating policy effectiveness, initiating policy reform, or designing new policy interventions, can also use it as a tool. The IAD framework is best viewed as a systematic method for organising policy analysis activities that is compatible with a wide variety of more specialised analytic techniques used in the physical and social sciences (Polski and Ostrom, 1999). The IAD framework helps analysts comprehend complex social situations and break them down into manageable sets of practical activities. When applied rigorously to policy analysis and design, analysts and other interested participants have a better chance of avoiding the oversights and simplifications that lead to policy failures (Ostrom, 2011).

The IAD framework has influenced a variety of policy questions include rural infrastructure in developing countries (Ostrom et al., 1993, Gerrard and Polski, 1998) privatisation processes (Walker, 1994); development processes (Wunsch and Olowu, 1995) and the East Asian financial crisis (Polski, 1998). In addition, the IAD framework has influenced the analysis of a wide range of issues related to how institutions are organised for the provision and production of education, micro-credit facilities, day-care, primary health, fertilizer, and coffee (Ostrom et al., 1994). However, the fact that the framework forces inquiry as to the causes of institution performance makes it strategic. This is because only by understanding the causes of people’s performance might we begin to imagine how to change it in suitably subtle ways.

As shown in IAD Framework (chapter 5), after defining a policy question or problem, the focus of any analysis is on performance in the action arena, which includes the action situation, and individuals and groups who are usually involved in the situation (actors).
One objective of the analysis is to identify factors in each of three areas that influence the performance of individuals and groups in the policy situation: physical and material conditions, community attributes, and rules-in-use. Two other objectives are to identify and evaluate patterns of interactions that are logically associated with behaviour in the action arena, and outcomes from these interactions. This can be a very demanding task, even for very simple policy situations (Polski and Ostrom, 1999). One of the highlights of the IAD framework is the operational rules-in-use. The sets of rules explain below could enhance the partnership structure and interactions for a successful implementation.

**Position Rules**

Position rules specify the set of positions or roles that partners assume in an action situation, and the number and type of partners who hold each position (Sinabutar et al., 2014, Polski and Ostrom, 1999, Ostrom, 2011). Defining the position rules is the first step in mapping out the entire set of rules for partnerships in the provision of affordable housing. Position rules, in essence, define the characteristics of stakeholders for the partnership. These can be used to highlight the organisational capacities of all the participating organisations. They also help identify the resources, skills, and knowledge that each of these stakeholders would be able to bring forward (Ostrom, 2005). The organisational capacities, resources, and knowledge contained within each sphere can differ substantially. They could also introduce diversity into the partnership. Position rules can allow for sorting out these differences by finding synergies across the participating organisations/partners. These rules could effectively determine the power structure assigned to each position and consequently to each participating organisation (Ostrom, 2005).

Creating positions within this partnership could be a difficult task, as each organisation might have its own set of position rules within the respective organisational setup. By taking into account of each organisation’s resources and knowledge capacities, position rules could help establish a clear set of expectations for each of those involved in a partnership. In order for PPP use for the provision of affordable housing to be effective, position rules however, need to be complemented by authority and boundary rules, which define the responsibilities of the partners holding any given position within PPP arrangement.
Boundary rules

Boundary rules could be thought of as exit and entry rules: they specify which participants enter or leave positions and how they do so (Polski and Ostrom, 1999). These rules define the eligibility to enter a position, as well the process through which eligible participants may enter or leave the position (Ostrom, 2005). Under PPP for the provision of affordable housing, boundary rules determine the conditions by which an organisation or an individual may become a partner. For example, the three tiers of government, (Federal, State and Local) with their various housing agencies, the private sector, voluntary organisations and individuals carry out affordable housing delivery in Nigeria. Private sector has been the engine for the development and delivery of housing in a free market economy in Nigeria and has enormous responsibilities to co-operate fully with the public sector (NHP, 2012). The public sector may find themselves eligible for a partnership through their oversight and regulatory role and need to ensure the creation of an enabling environment in which housing development could be implemented. The membership of a partnership is therefore heavily dependent on the eligibility criteria, which in turn depends on the projected outcomes of the partnership. In other words, the proposed objective of a partnership will determine which organisational or individual entity is eligible to participate in the partnership. In addition, eligibility to join a partnership may also depend on an organisation’s or an individual’s experience with PPP housing projects. Some firms may have a history of successful collaborations with other organisational spheres. Their experiences, therefore, can contribute to establishing an effective partnership for affordable housing delivery.

Boundary rules can also determine whether the organisations have control over their decision to be part of the partnership or not. As Ostrom has suggested, open boundary rules permit eligible participants full control over the decision. These rules can be conceived in terms of invitation and compulsion. Boundary rules are considered to be invitations when they authorise holders of a position to select further holders from the set of those who are eligible. Boundary rules are compulsory when eligible participants have no control over whether they fill a position or not (Ostrom, 2005). Any combination of these rules can be found in practice; however, given the nature of affordable housing delivery partnerships, one can assume that open and invitational rules would dominate. Partnerships are established through voluntary agreement of different organisations and sectors in order to
achieve a common goal. To impose compulsory boundary rules in such circumstances could be detrimental for any partnership.

**Authority rules**

Authority rules are the next set of rules that needs to be established for affordable housing delivery partnership. These rules specify what a partner occupying a position must, must not, or may do at a particular point in the light of conditions that have, or have not, been met at that point in the process. The permissibility of actions is dependent on the position of a participant, history of actions taken on that position, and attributes of relevant state variables (Ostrom, 2005). These rules effectively define the power structure within a partnership. They highlight the responsibilities assigned to each participating individual or organisation.

One of the most significant advantages of applying authority rules to a partnership is that they help develop a clear set of expectations for partners. By highlighting the expectations from each of the partners in terms of the permissibility of actions, these rules can significantly reduce the conflicts that may arise between players from different organisational spheres. In addition, these rules are flexible enough that when facing a modification in the range of assigned actions, they can affect the basic rights, duties, liberties, and exposures of members and the relative distribution of power among the partners (Ostrom, 2005).

**Aggregation rules**

This rule governs the mechanism of decision-making, whether the individual/group or organisation may decide an action individually or collectively. While authority rules define individual responsibilities, individual actions need to be aggregated when there are multiple partners and decision makers. Partnerships, which consist of multiple partners from various organisational spheres, require an effective mode of combining the voices of these participants into a combined decision, which reflects the partnership as a whole. In cases where each of the organisational partners have their individual concerns and are motivated by different interests, lack of rules to aggregate the individual decisions from different nodes can create significant problems.

Therefore, transformation of individual actions into combined decision making requires aggregation rules. These rules determine whether a decision of a single partner/sector takes precedence over decisions by other partners or the decision of a majority applies in a given
action situation. Ostrom has highlighted two subsets of aggregation rules: (1) non-symmetric aggregation rules and symmetric aggregation rules. Non-symmetric rules treat the partners in a situation differently in regard to some decision to be made at some point in a decision process (2) symmetric rules assign joint control over an action to multiple participants so that all are treated alike (Ostrom, 2005). In the case of affordable housing provision partnerships, one may argue, aggregation rules have to be symmetrically distributed across all the partners in order to develop a sense of equal responsibility across the participating organisations. Unless any single organisation is unambiguously better suited to make decisions around a particular action situation, non-symmetrical aggregation rules are bound to create insecurity among the partners. Symmetrical decision aggregation rules could ensure minimised conflict in PPP arrangement for the provision of affordable housing and participants do not feel left out.

**Scope rules**
This rule determines the desired outcome of a partnership (Sinabutar et al., 2014). Scope rules are required to determine which of the outcomes are affected by a certain action originating from within an action arena. These can be used alternatively to assess the value of an action (Ostrom, 2005). For example, these can provide an effective alternative to the common evaluative and payoff rules within the housing industry where, instead of judging the affordable housing delivery through the quantity provided, some might be assessed based on efforts to transform the socioeconomics of the country. Therefore, instead of aiming for various inputs, these rules can shift the focus onto outcomes.

**Information rules**
Information rules affect the amount and type of information available to partners in PPP arrangement. Information rules specify information regarding what outcome is expected to be produced when the participants take actions (Polski and Ostrom, 1999; Ostrom, 2011; Sinabutar, et al, 2014). Information is especially important considering that partners in affordable housing partnerships come from different organisational, professional backgrounds and they bring different pieces of information of varying value. In such settings, asymmetries of information could affect the effective functioning of the partnership. Therefore, it is imperative that the production and dissemination of information within a partnership be governed through some form of information rules, which in turn can inform the participants of the current state of individual variables, the previous and current moves of other participants in positions, and their own past moves.
By having an impact on these variables, information rules affect the level of information available to partners. Information rules can also determine the most effective channel for communicating among the group members by highlighting the required, permitted, or forbidden channels of communication. In PPP for the provision of affordable housing, literature has emphasised the need for effective communication strategy in order to build trust between the partners. In addition, the frequency of exchange of information is also deemed important in determining how well the information is managed within a partnership. Especially in the cases where the partnership is recently developed and there is limited historical information available, frequency of information, exchange can enhance organisational learning within the partnership. Therefore, by managing the availability of information, dissemination channels, and frequency of exchange, information rules can effectively govern the information aspect of a partnership, a crucial element in long-term development.

**Payoff rules**

Payoff rules determine how costs and benefits are meted-out in partnership. These also include incentives and sanctions for the partners (Polski and Ostrom, 1999; Sinabutar, et al, 2014). Payoffs are thought to be the most critical motivating factor for any of the partners in a partnership. They are also considered important for aligning the interests of participants with the interests of the organisation. Payoff structures can affect the decision making process at the individual level as well as the organisational level. Since these rules directly affect the net costs and benefits of action or outcomes for actors in a partnership, it is imperative that the payoff rules dealing with extrinsic rewards for the participating partners are flexible enough. Another aspect of payoff structures that requires formalised rules is profit sharing. One of the biggest impediments in a partnership is profit sharing. These decisions can be effectively governed by a combination of payoff rules and disagreement rules. These rules can account both for the share of costs borne by individual participants and the resource efficiencies of each of the organisations.

**4.6 Research Method: Semi-structured Interviews**

Qualitative interviewing begins with the assumption that the perspective of others (especially professionals) is meaningful, intelligible, and able to be made explicit (Patton, 2002). An interview is a purposeful conversation, usually between two people but
sometimes involving more (Morgan, 1998), that is directed by one in order to get information from the other (Bogdan and Biklen, 2003). The interview remains a popular method of data gathering by those researching in the built environment disciplines and it has a potential to generate insights and concepts, and expand the understanding (Knight and Ruddock, 2009). The quality of the information obtained during an interview is largely dependent on the interviewer (Patton, 2002).

Interview was used as principal strategy for data collection in this research study to develop an insight in the subject area. The qualitative research study is based on the assumption that valuable data are gathered by interviewing experts that have been working with the Public-Private Partnerships organisations. The interviews were carried out between October 2013 and December 2013, including all the interviews process. Eighteen interviews were conducted. Table 5 contains the full list of respondents interviewed. A cover letter summarising the research aim was provided to all potential interviewees. A semi-structured interview questionnaire was provided and/or follow up questions were asked as appropriate. Interviews lasted between 45 and 90 minutes; most were over 80 minutes in duration.

This interview built around a set of topics rather than fixed wording (Kayrooz and Trevitt, 2005). Furthermore, semi-structured interviews are appropriate when the interviewer wishes to understand the constructs used by the interviewees as a basis for beliefs and opinions about a particular matter or situation (Easterby-Smith et al., 1991). Semi-structured interviews allow flexibility and an interactive data collection process as needed for this research. Through the semi-structured interviews, the views of different stakeholders were explored, looking specifically at the rationale, features and mechanisms of the PPP for affordable housing in Nigeria. The technique was also used to explore views on issues, problems, and factors and constraints for the PPP, as well as some suggestions to make them more effective. Etc.

To explore views on the subject area relating to the PPP, officials of the government of Nigeria were interviewed using semi-structured questionnaires, including: Infrastructure Concession Regulatory Commission (ICRC); Ministry of Finance; Ministry of Urban and Housing; Federal Housing authority. Key private sector and financial advisers who have worked on PPP housing projects were also interviewed. Assess the perceptions of staff of the principal management of these organisations to gather evidence on common constraints
and factors that could enhance the establishment and implementation of PPP on affordable housing delivery in Nigeria. Research instruments are attached in appendix A.

4.6.1 Interviews Participant’s Profiles

Considering their number of years of the working experience in the housing sector, the interviewees are professionals whose responses to the questions can be considered important. Table 5 shows personal details of the interviewees.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Job Title</th>
<th>Qualification</th>
<th>Year of Experience</th>
<th>Nature of Work</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Technical Adviser to the Director General</td>
<td>B.Sc. and MBA</td>
<td>28 years</td>
<td>Responsible for in-house technical advisory to the organisation in ensuring compliance with PPP agreements and underlying legislations among other things.</td>
<td>Public</td>
</tr>
<tr>
<td>2</td>
<td>Director, Technical Services Department</td>
<td>B.Sc and M.Sc</td>
<td>Over 30 years</td>
<td>Has an experience in coordinating activities of MDAs / States on World Bank assisted projects with emphasis on Infrastructure and Economic Reform and Governance projects</td>
<td>Public</td>
</tr>
<tr>
<td>3</td>
<td>Director</td>
<td>B.Sc</td>
<td>Over 20 years</td>
<td>An executive member of the Estate Surveyors and Valuers Registration Board of Nigeria. He oversees the Housing Development; Housing Finance and Mortgage Services; departments.</td>
<td>Public</td>
</tr>
<tr>
<td>4</td>
<td>Managing Director</td>
<td>M.Sc</td>
<td>33 years</td>
<td>Leading the organisation, providing leadership, coaching and mentoring and supervising directors under him.</td>
<td>Public</td>
</tr>
<tr>
<td>5</td>
<td>General Manager</td>
<td>B.Sc</td>
<td>Over 20 years</td>
<td>Responsible for the development, management and promotion of policies, procedures and strategies in housing.</td>
<td>Public</td>
</tr>
<tr>
<td>6</td>
<td>Assistant General Manager</td>
<td>B.Sc</td>
<td>Over 25 years</td>
<td>Has experience in the management of Civil and Electrical projects in Nigeria and beyond.</td>
<td>Public</td>
</tr>
<tr>
<td>7</td>
<td>General Manager</td>
<td>B.Sc and MBA</td>
<td>Over 20 years</td>
<td>Current coordinates the activities of the government owned agency and real estate investment advisory and responsible for managing the development of the company’s real estate assets.</td>
<td>Public</td>
</tr>
<tr>
<td>8</td>
<td>Assistant General Manager</td>
<td>HND</td>
<td>Over 15 years</td>
<td>Provide the policy guide and implement the housing policies through effective development of safe, attractive and affordable houses, as well as the provision of basic urban infrastructure.</td>
<td>Public</td>
</tr>
<tr>
<td>9</td>
<td>General Manager</td>
<td>B.Sc</td>
<td>Over 20 years</td>
<td>Developing housing Policies and Regulations in line with the existing</td>
<td>Public</td>
</tr>
<tr>
<td>No.</td>
<td>Title</td>
<td>Qualification</td>
<td>Experience</td>
<td>Profile</td>
<td>Company</td>
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</tr>
<tr>
<td>10</td>
<td>Executive Director</td>
<td>BSc and MSc</td>
<td>Over 20years</td>
<td>Has served in various senior management capacities in private organisations before rising to become Executive Director in 2014.</td>
<td>Private</td>
</tr>
<tr>
<td>11</td>
<td>Managing Director</td>
<td>BSc and MSc</td>
<td>Over 30years</td>
<td>Offering Real Estate Development, Projects Development, and General Development Consultancy. Consultants with African Development Bank.</td>
<td>Private</td>
</tr>
<tr>
<td>12</td>
<td>Managing Director</td>
<td>LL.B, LL.M and MBA</td>
<td>30years</td>
<td>Managing Director of one of the leading Property Development Company in Nigeria with vast experience in property development and management</td>
<td>Private</td>
</tr>
<tr>
<td>13</td>
<td>Executive Director</td>
<td>BSc and MBA</td>
<td>20years</td>
<td>Has experience spanning audit &amp; professional accounting practice; business assurance; financial control &amp; strategy; human capital management and organisational capability.</td>
<td>Private</td>
</tr>
<tr>
<td>14</td>
<td>Non-Executive Director</td>
<td>BSc</td>
<td>Over 30years</td>
<td>Supervising the designing and developing of big estate in Nigeria.</td>
<td>Private</td>
</tr>
<tr>
<td>15</td>
<td>Deputy Chief Executive Officer</td>
<td>BSc and MSc</td>
<td>Over 25years</td>
<td>Involved in development and management of property business in Nigeria to become one of the leading property development firms in Nigeria with several billions of Naira under management.</td>
<td>Private</td>
</tr>
<tr>
<td>16</td>
<td>Chairman</td>
<td>BSc</td>
<td>Over 25years</td>
<td>Branch chairman of one of the leading property professionals in Nigeria. He has coordinated and supervised various property developments involving PPP in Nigeria.</td>
<td>Private</td>
</tr>
<tr>
<td>17</td>
<td>Branch Chairman</td>
<td>BSc</td>
<td>Over 30years</td>
<td>Vast experience in PPP to tackle housing problem. He is a founder of a construction firm with over 20 years in operation.</td>
<td>Private</td>
</tr>
<tr>
<td>18</td>
<td>Analyst</td>
<td>BSc and MSc</td>
<td>18years</td>
<td>An independent policy research analyst in development economics, Housing, and PPP.</td>
<td>Private</td>
</tr>
</tbody>
</table>

**Table 5: Interviews Participant's Profiles**

### 4.6.2 Follow-up interviews with respondents

Two follow-up interviews were conducted with respondents to provide for more clarification. Follow-up interviews were carried out between January and February 2014. The objectives were to discuss some of the issues examined during the interview in greater depth and to determine the rationale for the respondents’ responses.
4.6.3 Sampling

Unless the research population is very small, researchers need to study a subset of it, which needs to be general enough to be applicable to the whole. This is known as a sample, and the selection of components of the sample that will give a representative view of the whole is known as sampling technique. It is from this sample that the researcher collects data. In order to draw up a sample, the researcher needs first to identify the total number of people in the research population. This information may be available in a list of company members, or a list of companies in the area. It is known as a sampling frame (Trochim, 2004). The decisions surrounding sampling methods and sample size are of considerable importance in any research. They will have a direct impact on the quality of data, and ultimately the credibility of any conclusions (Marshall and Rossman, 2006).

Sampling may be done either as a probability or as a non-probability basis. This is an important research design decision, and one, which will depend on such factors as whether the theory behind the research is positivist or idealist, whether qualitative, or quantitative methods are used etc. The two methods are not mutually exclusive, and may be used for different purposes at different points in the research; say purposive sampling to find out key attitudes, followed by a more general, random approach (Trochim, 2004). In probability sampling, each member of a given research population has an equal chance of being selected. It involves, literally, the selection of respondents at random from the sampling frame, having decided on the sample size. However, the validity, meaningfulness, and insights generated from qualitative method have more to do with the information richness of the case selected and the observational/analytical capacities of the researcher than with sample size (Patton, 2002). This type of sampling is more likely if the theoretical orientation of the research is positivist, and the methodology used is likely to be quantitative.

On non-probability, sampling the population does not have an equal chance of being selected; instead, selection happens according to some factor such as convenience/accidental, purposive and quota. Non-probability sampling methods are more likely to be used in qualitative research, with the greater degree of collaboration with the respondents affording the opportunity of detail of data gathering. The researcher is more likely to be involved in the process and be adopting an interpretivist theoretical stance. Purposive – people can be selected deliberately because their views are relevant to the issue concerned. However, the drawback of the technique is its subjectivity – the
researcher selection criteria may change over the duration of the research. Use can be made of "key informant technique" – i.e. people with specialist knowledge using people at selected points in the organisational hierarchy snowball, with one person being approached and then suggesting others (Trochim, 2004). However, the qualitative approach typically focuses on a small sample while a quantitative approach typically depends on larger sample selected randomly in order to generalise with confidence from the sample to the population that it represents (Patton, 2002). According to Patton (2002), not only are the techniques for sample selection different, but the very logic of each approach is distinct because the purpose of each strategy is different.

However, this research is based on purposive sampling technique; the alternative use of probability sampling is not considered due to limited time and resources. The researcher made contact with potential respondents with the use of telephone and e-mails for the participation of this interview research to explain its purpose, and why the inclusion of that particular organisation/individual was deemed important. In the event of accepting an interview in principle, individuals were sent (via email) a briefing further outlining the research, as well as a copy of the question framework on which interviews were based. After allowing the contact an appropriate time to digest the mailed documents, a further phone call was used to finalise the details of the interview.

Since Public Private Partnership and affordable housing delivery is a specialised area, purposive (otherwise referred to as judgmental) sampling appears to be most fitting to the primary data collection process. The target population consisted of managerial staff in government ministries, departments and private companies that either have expressed interest, or are involved in the development of PPP projects in housing sector. The lack of a comprehensive reliable list of all participants in the development of housing projects through PPP necessitated the use of non-random sampling techniques. To check the suitability, clarity and appropriateness of the questions, drafts of the questions were discussed with practitioners and my supervisors all having experience with the delivery of housing projects through public private partnership.

The participants were selected based on their organisations’ involvement in affordable housing delivery using partnership arrangements. The researcher has thus had to build network for the data collection. The professional organisations and government officers who work to support affordable housing development and management provided a valuable link to the major players in this arena. The interviews were undertaken during one
of the busiest times of the year, the period before Christmas 2013, so the housing providers were rushing to finish their work before the end of year holiday season. On a couple of occasions, sessions had to be rearranged due to time limitations on the first meeting. The in-depth interviews conducted represented institutional perspectives, and the interviews mainly targeted affordable housing providers.

4.6.4 Pilot Study
A pilot is a small experiment designed to test logistics and gather information prior to a larger study, in order to improve the latter’s quality and efficiency. It can reveal deficiencies in the design of a proposed experiment or procedure and these can then be addressed before time and resources are expended on large scale studies. A good research strategy requires careful planning and a pilot study will often be a part of this strategy (Cochran and Cox, 1992; Ruxton and Colgrave, 2006; Lancaster et al. 2004).

The data collection process commenced with a pilot study which was conducted before the fieldwork began in Nigeria. The pilot study was intended to assess the practicality and utility of using interview techniques relevant to the study. Three participants (Nigerians in building industry with PPP experience living in the UK) and one UK citizen were asked to provide feedback on an interview structure. They were asked to comment on any confusion and their overall impressions of the loosely structured instrument, as well as to make general suggestions for improvement. The aim was to develop an interview guide that would address key topics in a sequence that would make most sense to informants (Kvale, 1996; Padgett, 1998). Once the interview structure was refined following these pilot interviews, the researcher undertook the research in Nigeria. The interviews were conducted in English being Nigeria official language.

4.7 Literature review
A literature review is a description of the literature pertinent to a particular field or topic. It gives an overview of what has been said, who the key writers are, what are the prevailing theories and hypotheses, what questions are being asked? In addition, what methods and methodologies are appropriate and useful? As such, it is not in itself primary research, but rather it reports on other findings (Trochim, 2004). A literature review “seeks to describe, summarise, evaluate, clarify and/or integrate the content of primary reports” (Cooper, 1988). A literature review may be purely descriptive, as in an annotated bibliography, or it may provide a critical assessment of the literature in a particular field, stating where the
weaknesses and gaps are, contrasting the views of particular authors, or raising questions. Such a review will not just be a summary but will also evaluate and show relationships between different materials, so that key themes emerge. Even a descriptive review however should not just list and paraphrase, but should add comment and bring out themes and trends (Trochim, 2004).

The literature review examines the key issues, and identifies PPP as a vehicle for affordable housing delivery. Special emphasis is given towards any research conducted on PPP affordable housing or associated issues, and ensuing apparent financial framework. The literature review is ongoing to provide the opportunity to evaluate concepts, theories and arguments taken from the literature. By undertaking this on an on-going basis throughout the whole research process, it ensures that the research builds on work already completed in the field of study. Researcher examined academic literature and reports by organisations with an interest in the PPP housing segment. The review is used to gain an understanding of the sector and to direct other methodologies. The researcher also reviewed existing National Policy reports, which look at housing issues as well as those, which look at the use of PPP in other sectors and at specific thematic PPP issues. Literature on the current practice of PPP internationally was extensively reviewed, including books, journals, magazines, newsletters, proceedings from conferences, workshops, seminars and other sources such as: Government reports on PPP programmes for affordable housing from different ministries and departments; ICRC reports; Previous research reports on affordable housing and PPP; Academic journal articles and newspaper reports; Conferences Proceedings; World Bank reports and policy papers and UN-HABITAT reports.

4.8 Data Analysis

Without doubt, the most widely used qualitative method in built environment research is the interview. It is a highly flexible method, it can be used almost anywhere, and is capable of producing data of great depth (King, 1994). Kvale (2007) defines the qualitative research interview as "an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena". The goals of any qualitative research interview are therefore to see the research topic from the perspective of the interviewee, and to understand how and why they come to have this particular perspective (Amaratunga et al., 2002).
Regardless of the chosen method, data analysis is the process of making meaning from collected data. According to Bogdan and Biklen (2003), data analysis involves “working with the data, organising them, breaking them into manageable units, coding them, synthesizing the information, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others”. The process of handling large quantities of qualitative data of this research range from transcribing the data collected and the use of computer software program such as NVivo, which was considered to aid in this task.

The analysis begins with identification of the themes emerging from the raw data, a process sometimes referred to as “open coding” (Strauss and Corbin, 1990). During open coding, the researcher identifies and tentatively named the conceptual categories into which phenomena observed are grouped. The goal is to create descriptive, multi-dimensional categories, which form a preliminary framework for analysis. The next stage involves re-examination of the categories identified to determine how they are linked, a complex process called axial coding (Strauss and Corbin, 1990). The purpose of coding is not only to describe but more importantly, to acquire new understanding of a phenomenon of interest. Sample quotations were retrieved from the codes. The interpretation presented draws on common perceptions provided by many interviewees, but also draws attention to alternative perspectives, as appropriate. To reduce the potential for bias and to identify contrasting viewpoints, the key themes were triangulated across interviewees and secondary data sources. The chapter five explains how this is achieved.

Codes are attached to segments of data, so that all segments of data with the same coding can be retrieved quickly and easily. Interview data coded were drawing on key themes initially identified from the beginning of the study. These themes were expanded to incorporate new issues raised by the interviewees. In order to protect the confidentiality of interviewees, the following codes are used to identify their backgrounds. Interviewees from private sector are coded PRS 1 – 9 and interviewees based in the public sector are coded PUS 1 – 9. All codes have been allocated at random so that there is no relationship between the code numbers and the order in which the cases are presented.

The software enables the text to be coded under determined categories, the frequency of themes or characteristics to be counted, and the model to be drawn and analysed. The simple nodes are then grouped as tree nodes and cases to classify the themes and collect them into groups. A simple count of the nodes is used to determine the rank of the themes.
suggested by interview participants. For example, a node entitled 'constraints' would contain all of the interviewees' comments relevant to constraints, making it easier to review these together. Information from nodes can then be organised into a matrix, with columns corresponding to several nodes of interest, and rows to respondents. The researcher was then comparing individual responses across the selected topics. This was done several times to look for different relationships, or different questions. It is important to note that the purpose of the exercise is not to determine how many respondents have the same responses, but to look for links between similar responses, and the range of issues identified by respondents who appear similar in some respects.

4.9 Model Development

Models are representations of target systems existing in the ambient world; they could be systems of words, numbers, pictures, programs, actions, and concrete images that constitute scientific communications (Ponis et al., 2014). A framework can be seen as a structure that provides elements, ideas and guidance in support of a topic area (Popper, 1994). The terms of frameworks and models are often confused and perceived as the same notion. Nevertheless, frameworks and models differ mostly on their objective orientation. Frameworks are developed to answer – “how to” questions whereas models answer – “what is questions” (Yusof and Aspinwall, 2000). Specifically, a framework represents a system detailing the activities carried out within. It can also be used to identify the empirical relationships within the framework. It provides the guidelines for the steps that should be followed to a certain discipline from organisations, constructing each step from the preceding (Popper, 1994). Models represent or explain mechanisms and operations (Yusof & Aspinwall, 2000). Models may be used to idealise situations in a given framework through assumptions or simplifications.

In this thesis, the model developed for PPP affordable housing delivery, is non-prescriptive and the elements composing them enhance only decision making. They exist to explain a certain mechanism or an operation (Ponis et al., 2014). The author also believe that to help in the implementation process, a model is needed which acts as a guide for the way forward. Of the implementation models available in the literature, many had not been considered for applicability in affordable housing delivery, good examples are (Moskalyk, 2008a, Moszoro, 2010a). This presents a gap in the current research on PPP affordable housing delivery. A question, which arises then, is how one can characterise a good
implementation model that really suits affordable housing delivery in Nigeria. To answer this, the following characteristics are considered as a guide to develop the model:

- Efficient and easily understood;
- Simple in structure;
- Having clear links between the elements or steps outlined;
- General enough to suit different environments;
- Represent a road map and a planning tool for implementation;
- Implementable.

It is important that these criteria be considered when developing a model for PPP affordable housing delivery. The development of any model has to start from an initial idea and concept (Yusof and Aspinwall, 2000). In addition, attributes, which were considered in developing this model, include simplicity, avoiding unnecessary terminology. The proposed model for the Nigerian environment must include all key stakeholders in the housing sector in both the private sector and the public sector at all the three tiers of government (as explained in section 5.7). It must also draw from the lessons learnt from other countries, particularly in the features and structure as it relates to financial and legal aspects (these lessons learnt have been summarised in subsection 3.13.1). It is to focus on the affordability of the emerging middle-class and be applicable nation-wide (considering location i.e.: varying land value and property purchasing/renting power). The aim is to substantially improve the affordable housing delivery to middle-class in Nigeria within the structured economic envelope.

4.10 Research Reliability and Validity

Validity and reliability are key aspects of all research. Thorough attention to these two aspects can make the difference between good research and poor research and can help to accept findings as credible and trustworthy (Brink, 1993). Research validity is like an integrity, character, and quality, to be assessed relative to purposes and circumstances (Brinberg and McGrath, 1985). However, both qualitative and quantitative research needs to be tested to demonstrate that the studies are credible. While the credibility in quantitative research depends on instrument construction, in qualitative research, the researcher is the instrument (Patton, 2002). That is, the credibility of a qualitative research depends on the ability and effort of the researcher. Although reliability and validity are treated separately in quantitative studies, these terms are not viewed separately in
qualitative research. Instead, terminology that encompasses both, such as credibility and trustworthiness is used (Golafshani, 2003).

4.10.1 Reliability of Research Method

While the term reliability is a concept used for testing or evaluating quantitative research, the idea is most often used in all kinds of research. Looking at testing as a way of information elicitation then the most important test of any qualitative study is its quality (Eisner, 1991). This relates to the concept of a good quality research when reliability is a concept to evaluate quality in quantitative study with a purpose of explaining while quality concept in qualitative study has the purpose of generating understanding (Stenbacka, 2001). According to Stenbacka (2001), the concept of reliability is even confusing in qualitative research. If a qualitative study is discoursed with reliability as a criterion, the concern is rather that the study is no good. On the other hand, Patton (2002) states that validity and reliability are two factors which any qualitative researcher should be concerned about while designing a study, analysing results and judging the quality of the study. This relates to the question that “How can an inquirer persuade his or her audiences that the research findings of an inquiry are worth paying attention to?” (Lincoln and Guba, 1985). To answer this question, (Healy and Perry, 2000) assert that the quality of a study in each paradigm should be judged by its own paradigm's terms. For example, while the terms reliability and validity are essential criterion for quality in quantitative paradigms, in qualitative paradigms the terms Credibility, Neutrality, Consistency or Dependability and Applicability or Transferability are to be the essential criteria for quality (Lincoln & Guba, 1985). To be more specific with the term of reliability in qualitative research, Lincoln and Guba (1985) use “dependability”, in qualitative research, which closely relates to the notion of “reliability” in quantitative research. They further emphasise “inquiry audit” (Lincoln & Guba, 1985) as one measure, which might enhance the dependability of qualitative research. This can be used to examine both the process and the product of the research for consistency (Hoepfl, 1997). Similarly, (Clont, 1992, Seale, 1999) also consent to the concept of dependability with the concept of consistency or reliability in qualitative research. The consistency of data will be achieved when the steps of the research are verified through examination of such items as raw data, data reduction products, and process notes (Campbell, 1996).

To ensure reliability in qualitative research, examination of trustworthiness is crucial. Seale (1999), while establishing good quality studies through reliability and validity in
qualitative research, states that the “trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability.” To widen the spectrum of conceptualization of reliability and revealing the congruence of reliability in qualitative research, Lincoln and Guba (1985) states that: "Since there can be no validity without reliability, a demonstration of the former (validity) is sufficient to establish the latter (reliability)".

4.10.2 Validity of Research method

The concept of validity is described by a wide range of terms in qualitative studies. This concept is not a single, fixed or universal concept, but rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects (Winter, 2000). Although some qualitative academics have argued that the term validity is not applicable to qualitative research, but at the same time, they have realised the need for some kind of qualifying check or measure for their research. For example, (Creswell and Miller, 2000) suggest that the validity is affected by the researcher’s perception of validity in the study and his/her choice of paradigm assumption. As a result, many researchers have developed their own concepts of validity and have often generated or adopted what they consider more appropriate terms, such as, quality, rigor and trustworthiness (Lincoln & Guba, 1985; Seale, 1999; Stenbacka, 2001).

Three approaches to validity in qualitative research are validation as investigation, as communication, and as action (Kvale, 2007). Researchers rely upon experience and literature to address the issue of validity, generalizability, and reliability. It is specified in quantitative paradigm but confusing in qualitative one. In qualitative research, validity has to do with description and explanation and whether or not the given explanation fits a given description (Bashir et al., 2008). The issue of validity in qualitative research has not been disregarded by Stenbacka (2001) as she has for the issue of reliability in qualitative research. Instead, she argues that the concept of validity should be redefined for qualitative researches.

In searching for the meaning of rigor in research, (Davies and Dodd, 2002) find that the term rigor in research appears in reference to discussion about reliability and validity. They argue that the application of rigor in qualitative research should differ from those in quantitative research by accepting that there is a quantitative bias in the concept of rigor, hence move on to develop the re-conceive of rigor by exploring subjectivity, reflexivity,
and the social interaction of interviewing. Lincoln and Guba (1985) argue that sustaining the trustworthiness of a research report depends on the issues, quantitatively, discussed as validity and reliability. The idea of discovering truth through measures of reliability and validity is replaced by the idea of trustworthiness, which is defensible (Johnson, 1997) and establishing confidence in the findings (Lincoln & Guba, 1985). If the issues of reliability, validity, trustworthiness, quality and rigor mean differentiating a 'good' from 'bad' research then testing and increasing the reliability, validity, trustworthiness, quality and rigor will be important to the research in any paradigm.

4.10.3 Testing Validity and Reliability

Having explained the concepts of reliability and validity in qualitative research, the question which remains to be answered is ‘How to test the validity and as a result the reliability of a qualitative study?’ If validity can be tested then more credible and defensible results (Johnson, 1997) may lead to generalisability which is one of the concepts suggested by Stenbacka (2001) as the structure for documenting high quality qualitative research. Therefore, the quality of a research is related to generalisability of the result and thereby to testing and increasing the validity of the research.

In contrast, (Maxwell, 1992) observes that the degree to which an account is believed to be generalizable is a factor that clearly distinguishes quantitative and qualitative research approaches. Although the ability to generalize findings to wider groups and circumstances is one of the most common tests of validity for quantitative research. In this sense, the validity of quantitative research is very specific to the test to which it is applied – where triangulation methods are used in qualitative research. Triangulation is typically a strategy (test) for improving the validity and reliability of research or evaluation of findings. (Mathison, 1988) elaborates this by saying:

*Triangulation has risen an important methodological issue in naturalistic and qualitative approaches to evaluation [in order to] control bias and establishing valid propositions because traditional scientific techniques are incompatible with this alternate epistemology.*

Patton (2002) advocates the use of triangulation by stating triangulation strengthens a study by combining methods, this could mean using several kinds of methods or data, including use of both quantitative and qualitative approaches. However, the idea of combining methods has been challenged by (Babour, 1998), she claims although mixing paradigms
can be possible but mixing methods within one paradigm, such as qualitative research, is problematic since each method within the qualitative paradigm has its own assumption in terms of theoretical frameworks one bring to bear on the research. Even though triangulation is used in quantitative paradigm for confirmation and generalization of a research, Barbour (1998) does not disregard the notion of triangulation in qualitative paradigm and she states the need to define triangulation from a qualitative research’s perspective in each paradigm. For example, in using triangulation of several data sources in quantitative research, any exception may lead to a disconfirmation of the hypothesis where exceptions in qualitative research are dealt to modify the theories and are fruitful. In this view, Healy and Perry (2000) explicate on the judging validity and reliability within the realism paradigm, which relies on multiple perceptions about a single reality. They argue the involvement of triangulation of several data sources and their interpretations with those multiple perceptions in the realism paradigm.

Another paradigm in qualitative research is constructivism, which views knowledge as socially constructed and may change depending on the circumstances. In any qualitative research, the aim is to engage in research that probes for deeper understanding rather than examining surface features (Johnson, 1995) and constructivism may facilitate toward that aim. The constructivist notion, that reality is changing whether the observer wishes it or not (Hipps, 1993), is an indication of multiple or possibly diverse constructions of reality. Constructivism values multiple realities that people have in their minds. Therefore, to acquire valid and reliable multiple and diverse realities, multiple methods of searching or gathering data are in order. If this calls for the use of triangulation in the constructivism paradigm, then the use of investigator, method and data triangulations to record the construction of reality is appropriate (Johnson, 1997).

To improve the analysis and understanding of construction of others, triangulation is a step taken by researchers to involve several investigators or peer researchers’ interpretation of the data at a different time or location. In a related way, a qualitative researcher can use investigator triangulation and consider the ideas and explanations generated by additional researchers studying the research participants (Johnson, 1997). The major goal of triangulation is to circumvent the personal biases of investigators and overcome the deficiencies intrinsic to single-investigator, single-theory, or single-method study thus increasing the validity of the study (Denzin, 1989). Triangulation is therefore “a validity procedure where researchers search for convergence among multiple and different sources
of information to form themes or categories in a study” (Creswell & Miller, 2000). Hence, reliability, validity and triangulation, if they are to be relevant research concepts, particularly from a qualitative point of view, have to be redefined as we have seen in order to reflect the multiple ways of establishing quality research (Golafshani, 2003).

Another approach to validate qualitative research is respondent validation. Respondent validation involves returning the research to respondents to validate either the original transcripts, the researcher's analysis of transcripts, or sections of resultant academic texts (Bryman, 2008). (Silverman, 2001) is critical of this approach, arguing that this could involve removing the original data from its original or intended context, and thus losing some of its value. Silverman (2001) argues instead for rigorous application and documentation of methods - a process that would not be regarded as 'validation' by those more familiar with a quantitative understanding of the term (Rykiel, 1996). This approach is used to validate the qualitative study findings. Triangulation is also undertaken by comparing similar academic research (Polhill et al., 2010).

4.11 Ethical Issues

Ethical issues go through the entire process of research, and potential ethical concerns were taken into consideration from the very start of this research and up to this stage (Kvale, 2007). Before embarking on fieldwork, ethical issues were considered in advance that may arise during this study and my supervisors were consulted for proper guidance. As a requirement for approval by the University research committee, the supervisory team assisted to answer the ethical form to ascertain whether research has any ethical issues. In addition, confidentiality was maintained in handling data collected from individuals and organisations (respondents) involved in the interview, also restricted in direct mention of names of respondents or organisations directly involved in the schemes assessed in this research. The researcher followed the university checklist of ethical issues as a starting point in thinking through ethical issues in design, data collection, and analysis.

Before starting each interview, permission to tape the interview was sought from the interviewee since the purpose of each interview is to record as fully and as possible that particular interviewee’s perspective (Patton, 2002). Permission was granted, with all formal interviews being tape-recorded. They were informed that transcripts and tapes would be destroyed once transcripts have analysed.
4.12 Limitations

Some limitations were faced during the data collection period; some were anticipated and others unanticipated. First, in the case of interviews, it was anticipated that there would be some non-response since some interviewees might be unwilling to respond to some questions. For example, public servant, high officials and political leaders might be unwilling or disinterested in discussing the problems of design and implementation strategies of PPPs. Second, it was thought that there might be insufficient information and data available about previous PPP programmes, especially in the government departments that still lack electronic databases. This was true. Thus, it was hard to find details of previous data and researches on these issues. However, this research did uncover some studies done by the UN-Habitat, the World Bank as well as studies from other developing countries to overcome this limitation.

4.13 Conclusion

The chapter focused on research approach issues and a distinction has been made between research methods and methodology along with the explanation and justification for the approach. Methods refer to the actual ways in which data are collected, interpreted and reported whilst; the latter refers to the study of, or a theory of, the way that methods are used. The qualitative research adopted in this research, which focuses on how individuals and groups perceive and understand their social world and construct meaning from their experiences. It seeks an in-depth understanding of human behaviour and situations. The data collection instrument that has been analysed in the chapter is the interviewing. It has been noted that data collection instrument needs to be piloted to ensure that it serves the desired purpose. Data collected are presented and analysed in the next chapter, which is chapter five.
CHAPTER FIVE
DATA COLLECTION AND ANALYSIS

5.1 Introduction
This chapter uses an Institutional Analysis Development (IAD) Framework approach to the analysis of Public Private Partnership (PPP) as an affordable housing delivery mechanism in Nigeria. The IAD has been put forward as an attempt to explain the institutional underpinnings of many complex problems encountered in the world today (Smyth et al., 2013). This approach according to Ostrom (2011) is best suited to policy tasks that involve developing new policy initiatives, or comparing alternative policy designs. The study however, depends on the IAD framework to integrate the theoretical findings of the PPP and affordable housing provision literature into the empirical findings of PPP for affordable housing delivery in Nigeria.

The three preconditions in Figure 7 (physical conditions, attributes of community and rules-in-use) could act as triggering factors or constraints in establishment and implementation of PPP for the provision of affordable housing. Hence, this research employs this analytical framework to examine the extent these three preconditions influence the PPP strategy for affordable housing delivery through interactions between partners and to evaluate the outcomes based on these interactions. In addition to providing the basis for more effective strategy, this understanding can provide a firm foundation for building partnerships for coordinated action (Polski and Ostrom, 1999).

The purpose of this chapter is to systematically present and analyse data collected on the extent to which PPP could be used to increase the provision of affordable housing in
Nigeria; In particular, data that was meant to address the research questions presented in chapter one of this thesis. The analysis will, centre on the ongoing affordable housing provision problems in Nigeria; the PPP attributes for affordable housing delivery in the area of study; the institutional and legal framework; the factors that could affect the establishment and implementation of PPP for affordable housing delivery; and patterns of interaction and evaluating criteria for PPP performance on affordable housing delivery.

5.2 Application of Nvivo 10 in Data Analysis

One distinct advantage of Computer Assisted Qualitative Data Analysis (CAQDAS) over manual methods is the ability to organise data and analysis efficiently. Therefore, a good researcher will use the computer as a tool to aid quality analysis. Computer assisted data analysis software programmes have the potential to facilitate a more rigorous approach to qualitative data analysis. To simplify and organise the qualitative data analysis, Nvivo 10 software is used to code the data from the interview transcripts into the nodes in the software with the process of thematic analysis (more details on thematic analysis is in appendix C). The use of Nvivo 10 software enables the researcher to simplify the tedious process of data analysis, by displaying the number of responses coded at each node. From this stage, the researcher was able to determine the pattern which existed in the data to draw conclusions on.

This section describes the main findings developed from the interviews conducted and the qualitative analysis employed to the data. As previously mentioned in Chapter 4 and appendix C of this thesis, all qualitative data were analysed through the method of thematic analysis. The interview data has been recorded using a handheld voice recorder and transcribed in Microsoft word. Then, these data are organised according to each theme as planned in the interview schedule. A coding scheme is derived from the participants’ own responses to each interview questions. This coding scheme is then applied to the data and all responses related to the codes are housed in parent nodes in Nvivo 10. The frequency in which the data appears in each code is recorded, and the analysis is conducted based on this information.

The Figures 8 - 11 display the sources and percentage of views from the interviewees. In this thesis, the percentage of views is shown according to the number of times the theme is mentioned. The results pertaining to each theme in the interview are explained in detail in the following section.
5.3 Physical Conditions: Current Affordable Housing Provision Problems in Nigeria

Physical conditions often influence policy action situations and constrain the provision of affordable housing in a significant ways. Physical conditions here refer to physical and human resources and capabilities relating to providing and producing affordable housing. The problems that are hindering the adequate provision of affordable housing in Nigeria explained below were mentioned by the respondents in the interviews conducted (Figure 8 below). The list below is not exhaustive but cover key problems apply to Nigerian environment.

<table>
<thead>
<tr>
<th>Affordable Housing Problems</th>
<th>Percentage of Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal capacity/Long term housing finance</td>
<td>Public: 8 (89%)</td>
</tr>
<tr>
<td></td>
<td>Private: 6 (67%)</td>
</tr>
<tr>
<td>Affordability</td>
<td>Public: 2 (22%)</td>
</tr>
<tr>
<td></td>
<td>Private: 5 (56%)</td>
</tr>
<tr>
<td>Lack of adequate infrastructures facilities</td>
<td>Public: 5 (56%)</td>
</tr>
<tr>
<td></td>
<td>Private: 6 (67%)</td>
</tr>
<tr>
<td>Government Failure/Lack of political will</td>
<td>Public: 2 (22%)</td>
</tr>
<tr>
<td></td>
<td>Private: 6 (67%)</td>
</tr>
<tr>
<td>High cost of construction</td>
<td>Public: 4 (44%)</td>
</tr>
<tr>
<td></td>
<td>Private: 4 (44%)</td>
</tr>
<tr>
<td>Restrictive access to land</td>
<td>Public: 2 (22%)</td>
</tr>
<tr>
<td></td>
<td>Private: 5 (56%)</td>
</tr>
<tr>
<td>High cost of building materials</td>
<td>Public: 2 (22%)</td>
</tr>
<tr>
<td></td>
<td>Private: 6 (67%)</td>
</tr>
<tr>
<td>Low level of Income</td>
<td>Public: 3 (33%)</td>
</tr>
<tr>
<td></td>
<td>Private: 1 (11%)</td>
</tr>
<tr>
<td>Inadequate Knowledge and experience</td>
<td>Public: 3 (33%)</td>
</tr>
<tr>
<td></td>
<td>Private: 1 (11%)</td>
</tr>
<tr>
<td>Population growth/ Rapid Urbanisation</td>
<td>Public: 1 (11%)</td>
</tr>
<tr>
<td></td>
<td>Private: 4 (44%)</td>
</tr>
<tr>
<td>High Interest Rate</td>
<td>Public: ---</td>
</tr>
<tr>
<td></td>
<td>Private: 5 (56%)</td>
</tr>
<tr>
<td>Misappropriation of fund/Corruption</td>
<td>Public: 1(11%)</td>
</tr>
<tr>
<td></td>
<td>Private: 4(44%)</td>
</tr>
</tbody>
</table>

Figure 8: Showing Interviewees Response to Affordable Housing Problems in Nigeria

One of the key problems is overcoming the obstacles of creating a functioning housing finance market. These problems may include high interest rate, and lack of fiscal capacity by government, affordability problem, low level of income and lack of access to long-term finance. Another problem is the institutional problem such as government failure, population growth and rapid urbanisation and misappropriation of fund. These are remaining paramount to the successful delivery of adequate housing in the country. Inadequate knowledge and experience challenge is also identified as a problem to affordable housing delivery in Nigeria. Most African countries face serious human and
institutional capacity shortage in dealing with the rapid pace of urbanisation and this is affecting the provision of adequate housing at required level (Giddings, 2007).

A legal challenge in housing delivery has been with ownership rights under the Land Use Act 1978, which confers ownership of all land to the Governors of each state and is a substantial deterrent to housing and housing investment in Nigeria. The Nigerian housing sector needs intervention in all aspects to ensure that it functions efficiently. The thesis addresses the problem of housing delivery systems issues with a view to inform policy on housing towards improving the level of delivery in Nigeria.

Under IAD framework, the physical conditions include construction inputs like land, labour, building materials and expertise, as well as sources of finance, which are in short supply in Nigeria was mentioned by eight (89%) of the public sector and six (67%) of the private sector interviewees. One of the interviewees explained that:

*The housing challenges facing Nigeria are enormous, such as, high cost of construction, lack of housing finance, restrictive access to land, lack of adequate infrastructure facilities, and shortage and high cost of building materials... (PUS4).*

It is important to specify these conditions because they could have significant implications for affordable housing PPP strategy, as they are critical to the policy-making process (Polski and Ostrom, 1999). Provision of affordable housing refers to activities associated with financing and delivery while affordable housing production refers to all those activities that involve transforming inputs into outputs. The provision and production of affordable housing requires a certain minimum scale, adequate investment capital and particular sets of institutional arrangements to be politically and economically viable. It is widely believed that these conditions are not met in developing countries (Jamali, 2004, Jütting, 1999). A growing body of research and practical experience suggests however, that participatory institutional arrangements can provide a basis to meet these conditions where they might not otherwise be met (Gerrard and Polski, 1998, Polski and Ostrom, 1999).

Distinguishing between provision and production of affordable housing tells us quite a lot about which resources, capabilities, and coordination mechanisms are required to effectively implement this strategy. Effective strategy will depend upon a number of conditions that are specific to a particular time, place, and people. The dearth in supply of affordable housing (coupled with high interest rates) has resulted in the population seeking
a response from the government as mentioned by two (22%) of the nine public sector and six (67%) of the private sector respondents believed that government failure to address housing problems over the years has contributed to the housing deficit in the country. A private sector respondent cited a good example below:

_The failure of successive Nigerian governments to deal with the yawning housing deficit in the country is one of the causes of our present problems._ (PRS5)

Strong leadership is however, needed to address the issue of affordable housing across the country. In addition, to encourage other levels of government to strengthen public policies that increases the creation and management of new affordable housing. Political will and partnerships with the private sector could go a long way towards ensuring an adequate affordable housing provision. The affordable housing provision is difficult to finance since the infrastructure needed to provide them cannot be built without incurring significant up-front cost. The current trend of development in the country is one in which the private sector engages in house building for the privileged few (for profit sale) (Adedeji and Olotuah, 2012).

High cost of construction as mentioned by four (44%) of the public sector and four (44%) of the private sector respondents has resulted in affordability issues as identified by two (22%) of the public sector and five (56%) of the private sector respondents. In addition, many of the targeted affordable housing schemes in the country are so expensive that the majority of the populace cannot afford them. An interviewee gave a good example:

_The cost of housing construction has hit the roof, and in some cases, it is more than 20 times people’s annual income. Some housing developers are looking for immediate profits. That is human nature. They develop to sell and get a return, as quick as possible. However, this is not a sustainable way of doing business. They should not have such a shortsighted view. Now, Nigeria is growing wildly without logic and proper standards, which will be a problem in the future._ (PRS7).

This shows that present housing supply is designed to accommodate higher income groups, which results in a cumulative housing shortage for the emerging middle-income class. Yet in most government’s plans this section of the population and their needs are often overlooked. One (11%) of the nine public sector and four (44%) of the private sector Interviewees also mentioned rapid population growth and urbanisation rate as another factor that could affect the shortage of affordable housing in Nigeria. Nigeria population
stands at 173 million with a natural growth rate of 2.8 percent (World Bank, 2013). Urbanisation is 49.6 percent of the total population and urbanisation growth rate is 3.8 percent. Based on current trends in urban migration, MacKinsey Global Institute has estimated that by 2025, millions of people will occupy crowded, inadequate, and unsafe housing or will be financially stretched (Woetzel et al., 2014). A private sector interviewee also shared this notion:

... uncontrolled population increase and urban growth have necessitated failure of affordable housing delivery programmes and housing deficit in the country, as the present efforts have proved to be inadequate. (PRS8).

Two (22%) of the public sector and 5 (56%) of the private sector respondents believed that restrictive access to land has contributed to housing deficit in Nigeria. One of the main structural reasons for the state of Nigeria's housing is the Land Use Act 1978. According to this Act, ownership rights for land are vested in the office of the Governors of various State Governments. Land titles are prone to political interference because of the exclusive power of governors over state land allocation. Lack of land therefore serves as an impediment to affordable housing provision and an ill-defined land policy has created land scarcity and distortions in the land market (Mabogunje, 2011). This has ensured an increase in price beyond the affordable range of millions Nigerians (Ibem, 2011). Developing affordable housing with such high land costs presents affordability issues especially in a housing market like Nigeria where there are barriers in land availability and regulation (Mabogunje, 2011; World Bank, 2013). One of the Interviewee elucidated this below:

The price of land is extremely expensive compared with average income of the majority of the people... land has been identified as hurdles in the delivery of affordable housing for people (PRS4).

Three (33%) of the nine public sector and one (11%) of the nine private sector interviewees also believed that inadequate knowledge and expertise in affordable housing delivery schemes was a challenge facing its effective provision. Lack of adequate training can also put the public sector in a disadvantages position during the implementation of affordable housing projects. Therefore, there is a need for the development of human potential resulting from Nigeria. There may not be convincing reasons for private sector to
provide financial assistance, if the impetus for development is not coming from the country itself. For example, one interviewee stated that:

*Common obstacles we see are inadequate knowledge and expertise, lack of feasibility work and resources or capacity at government level. There are also often unrealistic expectations at government level, this manifests itself in un-bankable risk allocation arrangements, and stop-start approaches to housing procurement.*

(PUS6)

The need for additional provision of decent and affordable housing throughout Nigeria is very clear: Total current housing production is at about 100,000 units per year for 173 million. The United Kingdom stands at over 114,000 (Griffith and Jefferys, 2013) with the population of 63.23 million (2012), this is also underperformance but better in term of delivery than Nigeria. The World Bank estimate an additional 720,000 units each year are needed just to keep pace (World Bank, 2013). The findings in this section have demonstrated that the provision of affordable housing in Nigeria is difficult and any of these problems could pose a threat for successful housing delivery. A successful partnership between the public and private sectors could help considerably in creating an effective strategy to mitigate the affordable housing delivery problems in Nigeria.

5.4 Attributes of Community: Analyse PPP Attributes for Affordable housing Delivery in Nigeria

To be effective, a PPP should have unique and autonomous features to help establish its identity. The PPP should have a certain degree of autonomy, that is, freedom from political influence. Some of the most fundamental variables in the IAD framework are the attributes of the community (Imperial and Yandle, 2005, Ostrom, 2011). In relation to IAD, PPP is formed through the coming together of different organisations whose institutional values differ from each other considerably. This makes it extremely difficult to classify the attributes of the PPP as an affordable housing delivery mechanism into a common framework. This section, discusses some basic attributes for effective partnership identified from the interviewees. The lists of relevant attributes of PPP for affordable housing delivery in Nigeria identified during the semi-structured interviews are shown in figure 9.
<table>
<thead>
<tr>
<th>PPP Attributes</th>
<th>Percentage of Views</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>Shared commitment</td>
<td>4 (44%)</td>
</tr>
<tr>
<td>Sharing of risks</td>
<td>4 (44%)</td>
</tr>
<tr>
<td>Sharing of Benefit</td>
<td>3(33%)</td>
</tr>
<tr>
<td>Long-term contractual relationship</td>
<td>2(22%)</td>
</tr>
<tr>
<td>Compatible &amp; Complementary goals and visions</td>
<td>3(33%)</td>
</tr>
<tr>
<td>Win-Win Relationships</td>
<td>4(44%)</td>
</tr>
<tr>
<td>Shared responsibilities</td>
<td>3(33%)</td>
</tr>
<tr>
<td>Trust, transparency and honest communication</td>
<td>4(44%)</td>
</tr>
<tr>
<td>Sharing of resources (Human and Capital)</td>
<td>2(22%)</td>
</tr>
<tr>
<td>Joint planning and implementation</td>
<td>1(11%)</td>
</tr>
<tr>
<td>Political and social acceptance</td>
<td>1(11%)</td>
</tr>
</tbody>
</table>

**Figure 9: Showing Interviewees Responses on Requisite Attributes of PPP for Affordable Housing Delivery**

Five (56%) of the nine private sector respondents and four (44%) of the nine public sector respondents believed that one of the most important features of partnership was shared commitment. Partnerships require mutual commitment of capacity and investment. For adequate provision of affordable housing in Nigeria, both public and private organisations must show unwavering commitment:

*It is partnership since the aims and objectives are the same to provide affordable housing; and we all share resources, such as capital resources and other technical resources and as well as having the same commitment. Successful partnerships are those that primarily are ready to show greater commitment... It is critically important to establish each partner’s individual goals and to design the partnership activities to ensure that these are effectively realised. (PUS2)*

Four (44%) of the nine public sector respondents and one (11%) private sector respondent identified trust, transparency and honest communication as features of an effective public-private partnership. In cases where the attributes of both the public and private partners are not favourable towards establishing a collaborative environment, open communications could help build trust, mutuality, and favourable perceptions. Interviewees identified trust,
transparency and honest communication as features of an effective PPP. This shows that trust is one of the most important factors to consider when deciding partnership. The transparency of the partners involved, as well as honest communication in the process, is critical determinants of long-term success. A government official states good example below:

*Effective collaboration between public and private sectors is always challenging to achieve because of different parties involved and the low level of trust that often exists between partners. The credibility of the partner’s involved, honest communication as well as transparency in the process is the critical determining factor of long-term success.* (PUS2)

In any partnership, trust should be reinforced through each partner’s realisation of expected responsibilities. Reasonable performance schedules for deliverables help document the commitments of parties and ensure consistency in the implementation of the project. Partners can communicate more effectively by building personal relationships with each other. Formal and informal forms of communication between entities create opportunities to build a more open and trusting relationship. Parties must act honestly and in good faith and work under the assumption that the other partners are doing the same (Corrigan, Mary Beth, et al., 2005).

Two (22%) of the nine public sector respondents and five (56%) of the nine private sector respondents believed that long-term contractual relationship was an important PPPs feature. In addition, PPP for the provision of affordable housing could boost valuable capital, which comes together from different organisational backgrounds. Presence of such varied capital could enhance the stability of networks developed within a partnership.

*...PPP is usually long term in nature and provides an opportunity for government to make use of private sector capital to finance affordable housing projects.* (PUS7)

Two (22%) of the nine public sector respondents and three (33%) of the nine private sector respondents believed that sharing of resource was also important feature of the PPPs. Partners can develop personal ties with other stakeholders and share knowledge with each other. The sharing of knowledge can help develop an organisational program and establish a partnership, which shares common values. The partnership can gain experience through mutual knowledge sharing. The knowledge sharing could be based on technical
knowledge, as well as knowledge about organisational practices such as rules, norms, and strategies that should be implemented within the housing sector:

*We share expertise, knowledge and ideas. For example, we organise training and conferences together where we share ideas and knowledge. We share from each other’s expertise; we avail technical support of different private organisations. Therefore, sharing is one of the most important concepts and aspects of partnership (PRS3)*

Another attribute of PPP that could affect affordable housing delivery is the degree of common understanding potential partners share about activities in affordable housing provision, and the extent to which potential partners’ values, beliefs, and preferences about policy-oriented strategies and outcomes are similar. Various PPP features also create incentives that influence a partner's decisions on whether they will seek the greatest immediate personal gain from the project or be willing to manage those projects for some greater public good.

The partner's experience with affordable housing delivery is one good indicator of whether partners will be able to work together for an effective affordable housing delivery. If partners have successfully managed projects together the incentives to attempt a PPP for affordable housing delivery will be stronger than if they had no previous experience or if their previous efforts were unsuccessful.

Five (56%) of the nine private sector respondents and four (44%) of the nine public sector respondents believed that the sharing of risk is the important feature of any PPP project. A key element of PPPs is their potential to share project risks in a more economically efficient way. Thus, ensure value for money (VFM):

*There are many features on the defining of PPPs in Nigeria. Sharing of construction and operation risks between the private and public partners is one of them. In most PPP projects in Nigeria, it is observable that public authorities are the leaders and dominant partners. They award contracts and do not want to take risk, which they are in the best position to manage. The danger in this leader-follower relationship is that the balance of power tilts disproportionately toward the government. (PRS9)*

Three (33%) of the nine of the public sector respondents and five (56%) of the private sector respondents identified sharing of benefit as one of the most important features of the
PPPs. Success should be measured not by individual gain but by the combined results achieved by all stakeholders. Respondents identified sharing of benefit as an important feature of PPP:

*Let me dispel one great myth in the partnerships is the private sector that foots the bill and the public that reaps the benefits. All partners have to prosper, or else it is not a true partnership. The measures of benefits will differ, of course, but each partner must receive a reasonable return on investment. For the private sector partners, this means that they expect to make a profit.* (PUS6)

Three (33%) of the nine public sector respondents and four (44%) of the public sector respondents believed that compatible and complementary goals and visions were another essential feature of successful partnerships. Partners should share a common goal of increasing affordable housing even though their reasons for pursuing that goal differ. Private partners want to maximise profit, while governments want to increase the affordable housing:

*Partnerships must understand and respect one another's goals. All partners must focus on the complementary goals that are to be achieved. It is important for them to realise that their goals do not necessarily need to be the same for partnerships to work they must be merely compatible. For instance, both the public and private sectors want to increase housing that is affordable for the populace. Both sectors want to provide efficient services, to keep costs low and save considerable amounts of time.* (PUS1)

Four (44%) of the nine public sector respondents and one (11%) of the nine private sector Interviewees believed that a win-win relationship is an important feature of successful and effective partnerships. This feature constitutes the best guarantee of the partnership’s permanence as explained by an interviewee:

*...at times partnerships are viewed somewhat simply as inevitable ‘win-win’ relationship, in fact different partners involved in partnerships may have different plans and may be working towards quite different goals. If there are those who feel they are playing second fiddle in the partnership, you do not get the enthusiasm and effort required.* (PRS4)

Partnership does not necessarily involve providing only funds; there are many ways to contribute such as, expertise, facilities, ideas, or other resources as explained above.
5.5 Rules-in-Use

In a PPP approach, rules are an essential ingredient for successful implementation. Using the IAD framework, one can apply the concept of rules to the partnership for the provision of affordable housing in order to gain an in-depth understanding of the governing mechanisms within the partnership. Although different generic rules in the IAD framework could be applied to PPP as a mechanism for affordable housing provision, these need to be modified given the context of this research. As Jamali (2004) reveals, laws provide assurance to private partners for safeguarding their interests and alleviating risk. In the absence of the rule in use, insolvable disputes are inevitable (Grimsey and Lewis, 2004). However, the presence of operational rules-in-use can inspire the confidence of private partners and facilitate an efficient PPP processes.

<table>
<thead>
<tr>
<th>Rule-in-Use</th>
<th>Relationship with PPP Affordable Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position Rules</td>
<td>Position rules specify the set of positions or roles that partners assume in affordable housing delivery, and the number and type of partners who hold each position.</td>
</tr>
<tr>
<td>Boundary rules</td>
<td>Boundary rules means exit and entry rules: they specify which participants enter or leave positions and how they do so.</td>
</tr>
<tr>
<td>Authority rules</td>
<td>These rules effectively define the power structure within a partnership.</td>
</tr>
<tr>
<td>Aggregation rules</td>
<td>This rule governs the mechanism of decision-making</td>
</tr>
<tr>
<td>Scope rules</td>
<td>This rule determines the desired outcome of a partnership</td>
</tr>
<tr>
<td>Information rules</td>
<td>Information rules determine the most effective channel for communication among the PPP members by highlighting the required, permitted, or forbidden channels of communication.</td>
</tr>
<tr>
<td>Payoff rules</td>
<td>Payoff rules determine how costs and benefits are meted-out in PPP affordable housing delivery</td>
</tr>
</tbody>
</table>

Table 6: Relationship between Rules-In-Use and Affordable Housing Partnership

The types of rules considered in the IAD framework are closely linked to the elements of an action situation. They are the minimal but necessary set of rules that are needed to explain policy-related actions, interactions, and outcomes (Polski and Ostrom, 1999). Seven types of operational rules explained in (Table 6) above could affect the structure of PPP for affordable housing delivery. These are boundary rules, position rules, scope rules, choice rules, aggregation rules, information rules, and payoff rules (Ostrom, 2011).
The existence of these rules could help to attract investors to a country by enhancing or clarifying the legal framework applicable to PPP. This will also prevent reliance on general laws that are not specific and therefore not suited to PPP. Investors and lenders will seek comfort that the governing law of their contracts affords them adequate protection and that disputes can be resolved impartially and efficiently as mentioned by a government official:

I thought we need a secure, predictable, stable, consistent legal and regulation frameworks so that PPP can flourish. A legal framework that we understand..., that allow investors to plan investment decisions and to adopt longer term as opposed to short-term perspectives when entering PPP market and this factor can attract a better quality of investment to PPP project in Nigeria. (PUS6).

The rules by themselves might not be able to create a well-functioning environment unless backed by effective institutions and bolstered by thorough enforcement especially in a Nigerian system with such low incentives for good performance.

5.6 Action Situations: Factors Enhancing the Establishment and implementation of PPP for Affordable Housing delivery in Nigeria

The previous section (section 5.4) has addressed the attributes of PPPPs, such as working together to reach a common goal or carry out a specific task, while jointly assuming risks and responsibilities, and sharing resources and competences. Public sector is focusing attention on private involvement in housing, as a means to access its resources to achieve housing provision. Yet PPPs are not easily achieved and despite the obvious attractions of partnership, major problems to providing housing such as policy and institutional problems, technical and physical problems and housing financial problems can lead partnerships on housing to fail (Giddings, 2007). Understanding these attributes and problems is essential to determine factors that could enhance a successful PPP on affordable housing delivery in Nigeria.

The very first step in an institutional analysis is to delineate the action arena (Ostrom, 2011). The action arena may be defined as using PPP as a mechanism for affordable housing delivery in Nigeria. Government often lacks enabling factors to implement PPP successfully. The objective of this section is to determine the enabling factors that could assist the establishment and performance of using PPP for affordable housing delivery in Nigeria. Specifically to determine the extent to which such factors lead to successful PPP for affordable housing delivery in Nigeria. Interviewees identified the key factors that
could facilitate the establishment and implementation of PPP for affordable housing delivery in Nigeria (Shown in Figure 10 below). Measures such as strong legal and regulatory framework, transparency, capacity building, and good governance must be feasible in any PPP operation.

The ability of diverse organisations to work collectively is likely to be influenced not only by factors related to partners and the partnership, but also by factors that are beyond the ability of the partnership to control. One such factor is the conduciveness of the environment in which PPP operates (Jewiss and Hasazi, 1999, Taylor-Powell et al., 1998, Mattesich and Monsey, 1992). This research reveals the operating environment as a crucial component for an effective PPP in Nigeria. Hence, establishment and implementation of PPP demands a favourable environment to be successful.

<table>
<thead>
<tr>
<th>Enabling Factors</th>
<th>Percentage of Views</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>A strong legal and regulatory framework</td>
<td>5 (56%)</td>
</tr>
<tr>
<td>Good Political and socio-economic environment</td>
<td>3 (33%)</td>
</tr>
<tr>
<td>Institutional and financial expertise</td>
<td>4 (44%)</td>
</tr>
<tr>
<td>Transparency</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>Good governance</td>
<td>---</td>
</tr>
<tr>
<td>Appropriate risk allocation</td>
<td>3 (33%)</td>
</tr>
<tr>
<td>Guarantees from the government</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>National Security</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>Capacity development</td>
<td>---</td>
</tr>
<tr>
<td>Developing long term strategic collaborations</td>
<td>---</td>
</tr>
</tbody>
</table>

**Figure 10: Interviewees Responses to Factors that could Enhance PPP in Nigeria**

Five (56%) of the nine public sector and four (44%) of the nine private sector Interviewees believed that strong legal and regulatory framework is one factor that could assist the establishment and performance of PPP in Nigeria. The potential investors will look for liable and reliable legal and regulatory frameworks for protection and to be reassured as to its long-term stability. This could provide assurance to the private partner as explained by a public officer:

*I thought we need a secure, predictable, stable, consistent legal and regulation frameworks so that PPP can flourish. A legal framework that we understand..., that*
allow investors to plan investment decisions and to adopt longer term as opposed to short-term perspectives when entering PPP market and this factor can attract a better quality of investment to PPP project in Nigeria (PUS6).

Referring to the PPP in developing countries, Pessoa (2006) argued that many developing country governments lacked effective ways of regulating PPP. He suggested, however, that there was a need for legal and regulatory frameworks that could guarantee transparent and credible relationships between the different stakeholders in PPP (Pessoa, 2006). Jamali (2004) also emphasises the importance of a sound legal and regulatory system to provide a fair and transparent operating environment to steer and guide policy implementation.

Three (33%) of the nine public sector and four (44%) of the nine private sector interviewees believed that a good political and socio-economic environment is another factor that could aid the establishment and performance of PPP in Nigeria. The government would need to be committed to create an enabling environment for PPP across the country, as mentioned by private practitioner:

> A bad political climate caused by the pressure of election cycles and inadequate of some services can create problems to starting or maintaining public-private partnerships. Governments must provide assurances whenever possible to private sector partners that such political factors will not disrupt the contractual partnership. (PRS5)

Each of the projects undertake in Nigeria could face a significant political challenges. The degree to which each of them to overcome these challenges speaks to the abilities of those involved in the process – good leadership and commitment.

Four (44%) of the nine public sector and two (22%) of the nine private sector also mentioned financial expertise as a factor that can assist the establishment and performance of PPP in Nigeria.

> ...It is also essential to determine whether partners have the capacity, experience, financial knowledge and a structured institution to engage in partnership. (PRS2)

For a successful implementation, adequate and necessary expertise in the public and private sector needed for proper structure. The adeptness is not limited to financing issues alone but most importantly is the understanding PPP project in the long-term plan, its fiscal consequences, the allocation of risks and what strategies would be required for effective implementation.
Four (44%) of the nine private sector respondents and one (11%) public sector respondent believed that transparency could assist the establishment and performance of PPP in Nigeria. Transparency encourages open and competitive project to ensure partners achieve their mutual benefits. Ensuring transparency in partnership processes should be the topmost priority of any partner. PPP projects implementation needs to be transparent to retain the trust of the stakeholders. This was well elaborated by a private sector respondent:

*Partnership between public and private sectors is always challenging to achieve because of different parties involved and the low level of trust that often exists between them. The credibility of partners involved, as well as transparency in the process, is critical determining factor of long-term success... I think we need fairness, transparency, trust and confidence in any project for successful partnerships.* (PUS9)

Four (44%) of the nine private sectors respondents believed that good governance is another critical factor that could enhance the performance of affordable housing PPP in Nigeria. Government needs to recognise the importance of good governance for PPP implementation. A private practitioner cites a good example also:

*Good governance remains a concern here in Nigeria, whether it is corruption, social accountability to citizens, or building transparent systems of procurement and public financial management. Continued improvements in rule of law will further help to build investor confidence and spur greater growth.* (PRS3)

Bovaird (2004) argues that PPP might be less efficient when good governance is lacking, which is inferred into accountability and transparency. Three (33%) of the nine public sector respondents and two (22%) of the nine private sector respondents mentioned appropriate risk allocation as one of the factors that can enhance the performance of PPP in Nigeria. One of the main benefits from PPP arises from the appropriate transfer of risk. However, such a transfer and the degree to which the partner is ready to assume it sometimes impairs project implementation. A public officer gave good example:

*There should be an appropriate risk allocation to promote healthy relationship between the public sector and private sector.* (PUS2)

One of the risks identified by respondents was political risks. Political risks included items such as lack of political commitment of the government and the undesirable activities of government. Corruption, lack of coordination, accountability problems, inadequate
experience of government officials were the major risks mentioned. All these risks should be held by the partner best able to manage it (HM Treasury, 2003). However, risk allocation is a complex issue. Some risks are uncontrollable by either the public or the private partners, and some risks are allocated to organisations that cannot actively manage them in-house and therefore mitigate them by various means (Demirag et al., 2010).

Three (33%) of the nine private sector respondents and one public sector respondent thought guarantees from the government could be a factor that could help the delivery of affordable housing in Nigeria. The availability of a government guarantee boosts the security of the project. Guarantee is intended to support PPP project in the situation of the economic crisis and unforeseen challenges. Government guarantee is one of the main measures considered to boost the PPP for the provision of affordable housing project as explained by government respondent,

Guarantees that the Government from exercising certain rights that are granted to it under the project agreement or that derive from the laws of the country for example, foreign exchange expropriation guarantees, which assures the company that they will not be expropriated without adequate compensation, will not stop the Project Company. (PUS4)

Guarantees are crucial for the protection of private investment for the provision of affordable housing in Nigeria, given that the market is not mature and the regulatory and legal systems are far from firmly established.

Two (22%) of the nine private sector interviewees believed that capacity development is an additional factor that could enhance the provision of PPP affordable housing in Nigeria. There are a number of skills that must be developed for a successful PPP project, such as negotiation, contractual, technical and financial skills. The Public sector needs to take a deliberate step to develop technical skills and capacity in managing PPP project(s). PPP capacity can be built through seminars and formal training. Engaging independent transaction advisors, especially on major projects, could help build capacity within the PPP structures and improve the quality of project implementation as illustrated by a private sector respondent;

One factor is the need for capacity development. All PPP market player, whether you are government or individual, whether you are a regulator, a lender or a
developer or a concessionaire, as well as advisors, you must familiarise yourself with the concept of project structuring and global best practice. (PRS1)

Two (22%) of the nine private sector respondents thought developing long-term strategic collaborations could be a major factor that enhances the provision of affordable housing performance for PPP in Nigeria. This affords assurance to both private and public partners as mentioned by public official;

Developing long-term strategic collaborations can be an important factor, but not by itself sufficient prerequisite for successful PPP. (PUS3)

Several gaps have been identified related to issues of weak governance, security challenges, transparency, capacity building, regulatory framework, political and socio economic in Nigeria (Shown in figure 10). Clearly, the overall objective behind all these efforts is to establish an efficient affordable housing system so that Nigerians can have access to decent and affordable housing. A programmatic approach is required to address the factors identified to enable the housing sector to increase the provision of affordable housing. A policy framework is urgently needed to enable the housing sector to smoothly and speedily deliver affordable housing without impediment. A lack of institutional capacity at central institutions to provide affordable housing to Nigerian populates is an increasing constrain, therefore it is of utmost importance that such capacity is developed and that the private sector has the support it needs to provide and build affordable housing that will meet emerging middle class needs. The country needs institutions that work with businesses however, at present, institutions are failing to meet these needs.

5.7 Participants: Key PPP Actors for the Provision of Affordable Housing Delivery

The PPP actor for the provision of affordable housing could be thought of as a single individual or as a group functioning as a corporate actor (Ostrom, 2011). Outcomes of PPP for the provision of affordable housing depend on the behaviour of several actors. The major players are Public sector, and Private sector. These are two different sets of actors usually involved in PPP project. The first is the public sector organisation, including Federal, State and Local government and government ministries/departments/agencies. The second set of actor is private sector such as contractors, legal experts and investors. This research has revealed that the private sector has not been playing a significant role in the provision of affordable housing in Nigeria. However, the public sector, which has intervened through recent initiatives, has seen their overall performance been deficient
Therefore, it is apparent that the public sector has an inherent incapacity to provide appropriate affordable housing. The different combination of PPP actors and roles, with distinct potentials and constraints regarding affordable housing delivery is explained below.

### 5.7.1 Public Sector

Public sector in Nigeria context could be identified as three levels of government and their various agencies and ministries. Nigeria has three levels of government: federal, state and local. Each state has its own legislature and executive government and is financially responsible for service delivery in areas such as housing, health, schools, as well as transport. This three-level government approach is similar to the Macario framework used in analysing the Urban Transport System in Europe (Macário, 2001). The three-level of government framework offers us an analytical approach with which to understand the Nigerian political environment within which PPP could be initiated. All levels of government have a significant role to play in forging partnerships by using their regulatory, legislative and financial tools.

At the strategic level, the Federal government defines a set of overriding objectives to be followed by other levels of government. These objectives should be in line to satisfy the needs of citizens. The Ministry of Finance is responsible for overseeing policy implementation and approving projects that will fulfil these defined goals. For affordable housing delivery, the objective has been the supply of necessary finance/machinery within the nation budget constraint (NHP, 2012). At the state level lies the tactical authority. At this level, the State in partnership with the federal government design systems for affordable housing delivery, defining policies and articulating the strategic goals into operational specifications. The State housing ministry is responsible for the planning of a statewide housing system that facilitates the achievement of economic efficiency.

The Ministry of Housing needs to demonstrate that the affordable housing delivery project is aligned with their funding strategy. The last is the local level where beneficiaries are resided. The local authority identifies the citizen in need of housing. Recent initiatives by the federal government such as Nigeria Mortgage Re-finance Company (NMRC) have shared responsibility over housing to the states (CAHF, 2015), but their efforts have not been enough to deliver adequate affordable housing. A private sector interviewee is calling
for a common national strategy to address affordable housing concerns and the federal government to reassert itself in affordable housing delivery.

*There is currently no clear nationally agreed strategy for affordable housing delivery across the three levels of government. Therefore, there is a need for the Government to facilitate a common, harmonised approach to increase affordable housing delivery in Nigeria (PRS1).*

In line with the Government’s commitment to ensure that the transfer of responsibility to the private sector follows best international practice, the Government established the Infrastructure Concession Regulatory Commission (ICRC) with a clear mandate to develop the guidelines, policies, and procurement processes for PPP and to act as a national centre of expertise in PPP (ICRC, 2012). The commission work closely with relevant Ministries, Department and Agencies (MDAs) to identify potential PPP projects, and act as the interface with the private sector to promote communication on national policies and programmes. ICRC also work closely with States that are developing their own PPP policies to ensure consistency, best practice, and a coordinated approach to the private sector supplier market.

One crucial feature on the public sector is its credibility as a basis for attracting private investment. To facilitate an effective PPP for affordable housing provision, a participating public sector must demonstrate credibility as a responsive and responsible partner in all contractual relations (Yang et al., 2013). Public sector credibility is important for the protection of private sector investment in affordable housing in Nigeria, given that its PPP market is not mature and its regulatory and legal systems are far from firmly established.

Under public sector are the Soliciting and Regulatory Ministries, Departments and Agencies (MDAs) such as ICRC. Others are National Planning Commission, Ministry of Housing, Federal Ministry of Finance, Debt Management Office and Accountant General of federation. Details are discussed below. Appendix B shows Nigerian PPP institutional framework.

**The Infrastructure Concession Regulatory Commission (ICRC)**

ICRC was established with a mandate to develop and issue guidelines on PPP policies, processes and procedures and to act as a national centre of expertise in PPP. It works closely with relevant Ministries and departments to identify potential PPP projects, and act as the interface with the private sector to promote communication on national policies and
programmes. ICRC monitors the effectiveness of the Government’s policies and processes and provides independent advice to the Federal Executive Council (FEC) on the development of its national PPP policy. It provides an opinion to FEC on whether projects submitted for FEC approval meet the requirements of the regulations. ICRC also work closely with States that are developing their own PPP policies to ensure consistency, best practice, and a coordinated approach to the private sector market. The PPP Resource Centre within ICRC provides technical assistance to Ministries and Department in the development and procurement of PPP projects. The ICRC provides oversight and strategic direction to the PPP Resource Centre and the Contract Monitoring Unit through its internal governance structures. However, The ICRC act which was signed into law in November 2005, to develop standard contract approaches has not been effective as some of the respondents still mentioned regulatory uncertainty as one of the Nigeria constraints for PPP arrangement in Nigeria (see chapter 6).

**National Planning Commission**

The Federal Government tasks the National Planning Commission (NPC) with developing investment strategy (the National Development Plan) for affordable housing delivery. Ministry of Housing and Urban Development will be asked to identify their long-term plans for Housing, and whether the investment is to be funded through PPP or from the MDA’s budget. The role of the NPC in providing tools and methodologies for the economic appraisal of investment projects to be included within the Plan will also be strengthened, and the NPC usually commission research on the economic impact of the Government’s infrastructure and housing investment programmes.

**Ministry of Housing and Federal Housing Authority**

Ministry of Housing and Urban Development and Federal Housing Authority are responsible for providing housing and accountable through its Minister for the quality of housing delivery and for the management of their resources. In this Ministry, some of the planning and coordination roles are being devolved to departments and agencies. This is to ensure better integration of planning and policies and to increase accountability. PPPs are a more complex form of procurement but still need to be integrated into the overall investment strategy for that sector, as well as the Government’s budgetary and financial strategy within the Medium Term Expenditure Framework. The Ministry of Housing will therefore be required to prepare long-term plans for affordable housing investment and
maintenance that will be incorporated into the Government’s rolling 15-year National Development Plan by the National Planning Commission (NPC). As part of this process, the Ministry will also identify where PPP is likely to offer better value for money over other forms of direct public procurement and this will be factored into the financial projections in the Investment Strategy of the Ministry.

- **Current Ministry of Housing Plan for Affordable Housing Delivery**

  Government will lead the aggressive intervention to increase supply, by undertaking construction of public housing and formulate policies that will invariably lead to private sector participation and ownership to reduce housing deficit. Government must change the budget for national housing from N1.8 Billion in 2015 to something in the hundreds of billions of Naira that matches our ambition. If government can spend N10 billion in each state and the FCT on housing alone every year subject to (a) the capacity to raise the money and (b) the capacity to utilise the funds having regards to our current construction methods and the time it take to complete construction, which our ministry intends to change by research and industrialisation of housing. If we achieve this, we will move from where we are now, start construction in all 36 States and the FCT and sustain this as we go along.

  Federal government of Nigeria is expecting State Governors to play a critical role by providing land of between 5-10 hectares for a start, with title documents, and access roads or in lieu of access roads, a commitment that they will build the access roads by the time the houses are completed. They envisage this will be leading to potential delivery of 12 flats (homes) per block and 480 Flats (homes) per state, and 17,760 Flats (Homes) nationwide, for a start. This will mean at a minimum of 4 doors and 2 windows very conservatively per home; a demand for 71,040 Doors and 35,520 Windows nationwide in year one, which we will encourage to be made in Nigeria. According to the Minister of Works and Housing, these are subject first to budgetary approvals and availability of finance (Fashola, 2015)

  **Federal Ministry of Finance**

  The Ministry of Finance will have an important role in public financial management of PPP for affordable housing delivery, and in evaluating and managing fiscal risks that may result from the terms of the agreements. The Ministry will need to ensure that the forecast costs for the Government – including any subsidies that may be required to make a project
financially viable or to ease the transition for poor households to a full cost recovery tariff – are affordable over the life of the contract and within the Medium Term Expenditure Framework. Costs and contingent liabilities will need to be reviewed as the project design and risk valuations are refined during the project preparation and procurement phases, and any significant changes to the initial estimates notified to the Ministry.

**Debt Management Office**

Together with the Ministry of Finance, the Debt Management Office (DMO) will need to be satisfied that any contingent liabilities are manageable within the Government’s economic and fiscal forecasts. The DMO will need to be consulted in advance by project teams, which are considering the involvement of multilateral agencies such as IFC, MIGA or IDA in providing guarantees or other financial instruments. The Debt Management Office responsible, among other things, for the preparation and implementation of a plan for the efficient management of Nigeria’s external and domestic debt obligations at sustainable levels compatible with desired activities for growth, development and participation in negotiations aimed at realising the objectives. It has specific responsibilities with respect to all loans and borrowings of the Federal Government and empowers the Minister of Finance to give guarantees for such borrowings and to approve loans from financial institutions to the Federal, State or Local Governments or any of their agencies. Since all PPP processes may involve Federal Government borrowings, guarantees, and other long-term contingent liabilities, by virtue of section 6 of the Act, the DMO’s approval will be required.

**Accountant General of the Federation**

The Government put in place measures through the Office of the Accountant General of the Federation to ensure that funding for payment obligations incurred through a Federal PPP contract is safeguarded to ensure prompt payment, subject to appropriate authorisation. The States will also need to develop processes to ensure that contractual payment obligations are met. Where the financial standing of the public sector contracting party is not clear then special arrangements, such as escrow accounts, may need to be set up to reduce the reliance on financial guarantees from the Government.
5.7.2 Private Sector

It is argued that in order to achieve significant increases in affordable housing provision, a new division of responsibility and spirit of cooperation between the public and private sectors is required as neither can be expected to succeed in isolation (Moskalyk, 2008). Under this new enabling strategy, the public sector is assigned the role of supporting and complementing private sector activities, whereby the former will withdraw from all activities that can be successfully and economically carried out by the latter. Nigeria needs to make massive investments beyond the means available to government in order to close its yawning housing gap. The Nigerian government believes that the private sector could play an important role in providing some of this new affordable housing investment through PPP (NHP, 2012). Most PPP projects require a range of skills, expertise, or resources not normally found in a public sector.

A number of different specialist firms could therefore collaborate to provide affordable housing. They often include contractors and other construction specialists, but may include designers, or firms specialised in providing operations or services in the sector. The Special purpose vehicle (SPV) could be created solely for the purposes of an affordable housing delivery, with the members of the consortium providing equity finance and holding shares in the company. Third party investors such as banks could provide the major part of the finance, and the financing agreements will allow these investors first call over the project revenues for the repayment of the financing, including interest charges. Although these third party investors are not shareholders, they have a strong interest in the success of the project, because if it were to fail they could lose a substantial part of their investment.

If the appropriate mechanisms are in place, private sector in Nigeria are prepared to play a much larger role in providing housing for emerging middle class. However, some level of government subsidy needs to exist for this private investment to occur. Experience shows that, to attract private finance to house the middle-income group, some form of public involvement is necessary (Wallace et al., 1998). The private sector is limited in its capacity to act single-handedly because it operates in a complex housing market characterised by high land costs, delayed developmental approval processes and soaring capital and operating expenses. The creation of new affordable housing stock is costly, and for a private sector partner to receive an adequate rate of return on its investment for an affordable housing delivery, some level of government involvement is required.
As explained in section 6.2, interviewees from the private sector consistently emphasised the importance of eliminating unnecessary regulatory burdens for affordable housing delivery. Although it remains that the current policy framework in Nigeria has not helped to foster PPP, however, this research illustrate that the private sector has a role to play in ensuring that scarce public resources are used in the most efficient and equitable way, they also support the assertion that public involvement is required to attract the private sector to deliver affordable housing to the emerging middle class Nigerians.

5.8 Patterns of Interaction

In a PPP for affordable housing delivery, the interactions between partners are a critical factor in establishing the effectiveness of this partnership. Interaction problems may arise mainly because of different organisational backgrounds of the stakeholders therefore it is essential that one understands the effect of these factors. For effective performance, the institutional structures of all participating organisations need to be completely harmonised with each other. This could be achieved by stating the proposed objective of the partnership, the number of participants, their effective role within the partnership and modes of interactions.

One of the key factors influencing the PPP as a mechanism is the availability of information to each individual organisation about the actions and decisions of others, especially where participating organisations may have different underlying motives (Munim, 2011). The interactions under IAD framework can be defined as the communication that the stakeholders have with one another. In the IAD framework, mapping the strategic interactions among PPP for the provision of affordable housing is essential to identifying and understanding the outcomes of the project (Smajgl et al., 2009). PPP partners have to play a particularly important role in facilitating communication among them, as well as in providing access to information in PPP implementation process. The IAD framework argues that it is these interactions between the various actors that shape the outcomes associated with policy design. This is a fairly profound implication as it therefore posits that for a system to work effectively it requires healthier patterns of interaction (Banerji, 2013). The government needs to specify the structure for communication between the public implementing agency and the private sector.

A private sector respondent believed that poor communication could hinder the success and performance of the PPPs project. A good partnership needs good communication
among partners. Good communication with each other is important to ensure a smooth and successful project. As one respondent cited limited communication among partners:

Many partnerships launch with great fanfare, but have trouble sustaining their agenda. Lack of a clear strategy and goals, difficulty transitioning from the original vision to implementation, limited communication among partners, power dynamics among partners, a failure to surface the self-interests of partners and incorporate them in the partnerships overall strategic plan are some of the ways these efforts falter. (PRS9)

Patterns of interaction depend, among other factors, on the availability of information to the PPP partners and on the costs and risks involved in taking diverse action (Ostrom, 2011). When focusing on PPP for affordable housing delivery, the public and private sectors are regards as clusters of organisations, and organisations as assemblies of actors, it follows that public and private actors are to a certain extent interdependent when establishing their own organisation goals; for this reason the overlap can be typified as a network in which patterns of interaction exist between actors. The interlinking between public and private sectors is an important cause of network origination. Networks are, in fact, structures or systems in which certain patterns of interaction are recognised (Bult-Spiering and Dewulf., 2006). The multiple interactions in the different action situations create patterns of interaction that, over time, result in predictable outcomes (Andersson, 2006).

Within the patterns of interactions, actors face varying opportunities to learn from the experience of other individuals, depending largely on the social connectivity. From organisation learning, it is discovered that information diffuses by three broad processes (Levitt and March, 1988): 1) diffusion from a single source such as public sector and private sector; 2) interactions with individuals who work for the organisation as temporary resource people, representing links with experiences, ideas, and information from other, similar organisations (examples of such individuals are consultants and contractors); and 3) normative processes through experts and through national and international publications. Then, the interaction between private and public interests raises questions about individual differences and the ways common interests are framed (Mahoney et al., 2009). Because private and public interests evolve over time, central questions arise about the robustness and veracity of interests in light of long-term commitments of resources to serve them. A primary goal would be to better understand how public actions might differentially affect
private interests and further how private actions may differentially affect public capabilities (Spulber, 1989, Ostrom, 1990).

Respondents often spoke of the need to have an information hub as well as support in implementing their legal and regulatory obligations effectively. One interview respondent (a government officer), mentioned that an important aspiration is to initiate processes that would facilitate the development of information bases that are bottom up and recognised partners knowledge. The partners should have access to clear information on how resources are used and on how activities are progressing. Such transparency provides access to clear information for all the partners and consequently, leads to increase confidence as stated by a respondent:

*Effective collaboration between public and private sectors is always challenging to achieve because of different parties involved and the low level of trust that often exists between partners. The credibility of partners involved, as well as transparency in the process, is critical determining factor of long-term success. In practice genuine partnerships must include the principles of equity, transparency of operations and mutual benefit. Trust and confidence in any project is indispensable for successful partnerships. (PUS2)*

Transparency should also be applied to all obstacles that emerge during the conduct of the partnership that can jeopardise its success. However, public-sector partners should understand that some private sector might not want information on their partnership-related strategies, processes, and results to be communicated to the public. If this desire does not jeopardise public interests and social benefits, the partners can establish some specific confidentiality agreements.

5.9 Evaluating Criteria: Evaluating PPP Performance for Affordable Housing Delivery

As interest in evaluating PPP performance has grown (Conley and Moote, 2003), the outcomes of its performance have rarely been empirically examined, because of the substantial difficulties associated with identifying and assessing the multiple interests and a range of professional disciplines involved (Hodge et al., 2012, Callahan and Kloby, 2007, Weech-Maldonado et al., 2003). For example (Peng and Kellogg, 2003), explained that given the multifaceted objectives of many partnerships, performance is difficult to measure only by financial outcomes. Brinkerhoff (2002) also explained that “the inability to
articulate features of partnership and its contribution to performance has heretofore discouraged its effectiveness and the investments necessary to attain its value-added”. The implication of these observations according to Hodge et al., (2012) is that any attempt at evaluating PPP as a delivery mechanism is likely to be subjected to the usual policy evaluation difficulties at the same time as incorporating inherently technical aspects. Such PPP evaluation will continue to be hotly contested not only because conflicts of interest are present for many of the important stakeholders, but also because different disciplines inherently emphasises different evaluation criteria (Hodge et al., 2012).

The most common form of evaluation focuses on how partnership efforts meet their identified goals and objectives. Goal setting is an important activity in any partnership, and a range of social, economic, and environmental goals need to be identified (Conley and Moote, 2003). In this type of evaluation, outcomes are measured and compared to targets identified in mission and goals statements. However, for a partnership to be successful, all partners must establish metrics for success, be able to quantify and track their accomplishments, and identify and address emerging problems (Babiak, 2009). Two questions are essential in the evaluation of partnerships: how is effectiveness defined for the organisations involved, and what are the criteria for the evaluation of their effectiveness. It is only by identifying these criteria that performance measurement can ultimately be carried out (Atkinson and Maxwell, 2007).

Evaluating the effectiveness of PPP for the provision of affordable housing is however, critical to measure the success of the scheme and its impact on the beneficiaries and the economy. (Agranoff and McGuire, 2003) argued that how do we know if a partnership is avoiding its responsibility if we do not know what the players are doing and how well they are doing it? The most basic issues of partnership arrangements are bound up in the ability to assess effectiveness and then compare that effectiveness against some baseline to which the partnership can be held accountable. In the context of cross-sector partnership such as affordable housing delivery, quality and quantifiable measures are usually suitable. If a partnership increases the affordable housing delivery or contribute to cost efficient partnership, the partnership could be considered successful.

The research builds on the lists of evaluative criteria generated from IAD framework (Ostrom, 2011). The right application of this framework may lead to improvements in the affordable housing delivery. The IAD framework relies on interrelated criteria to assess the overall performance of institutional arrangements (Ostrom, 2011). It is also important to
understand the relationship between PPP performance and affordable housing delivery outcomes. The criteria are explained below.

5.9.1 Efficiency
The concept of efficiency plays a vital role in studies estimating the benefits and costs or rates of return to PPP investments, which are often used to determine the economic feasibility or desirability of public policies (Ostrom, 2011). Efficiency is achieved when affordable housing are developed and provided to beneficiaries at least cost. That is, ability of public and private sector partners to build and supply houses at an efficient cost. The partnership will be assessed for its impact on the economic efficiency of the affordable housing market and the economy generally. Efficiency can be viewed in many ways. Economic efficiency focuses on the magnitude of the change in the flow of net benefits associated with an allocation of resources (Ostrom et al., 1993). It is also important to consider administrative efficiency. Given variations in PPP design, it is hard to generalise about administrative costs. PPP are designed to lower administrative costs and improve decision making by shifting administrative costs from public sector to private sector. From an affordable housing delivery perspective, an outcome has allocative efficiency if the marginal benefit equals the marginal cost. Acceptable efficiency standard is cost effectiveness - providing affordable housing at the lowest possible cost. It is believed that partnership could increase efficiency and overall quality of service delivery - to improve the efficiency of work as the private sector is more operational efficient and with a wider range of skills than the public sector. For example, one interviewee stated:

For us, the reason we involved is efficient delivery. From conception to operation, PPP methods usually develop faster and more cost-effectively than what we used to. Another significant reason is the transfer of the entire project responsibility, maintenance and operation to the private sector. This creates a significant incentive for delivery of a high quality... (PUS3).

5.9.2 Equity
There are two-types of equity generally considered in the assessment and development of public policy: Horizontal equity, which can be described as the objective that people in equal positions should be treated equally. Horizontal equity appeals to a fundamental sense of justice. While vertical equity, which also relates to an individual’s ability to pay but in this case can be described as the objective that people should pay according to their
capacity. In other words, those with a greater ability to pay should pay more (Butler-Jones, 2009).

The IAD framework (Ostrom, 2011) draws attention to two equity concepts. Fiscal equivalence holds that those who benefit from affordable housing provision should bear the burden of financing it. Redistribution equity is concerned with structuring affordable housing program around differential abilities to pay. An efficient program is not necessarily a fair program. Policies that redistribute resources to poorer individuals are of considerable importance. Thus, although efficiency would dictate that scarce resources are used where they produce the greatest net benefit, equity goals may temper this objective, and the result is the provision of affordable housing that benefits particularly needy groups. Redistribution objectives may in some settings conflict with the goal of achieving fiscal equivalence.

The challenges for affordable housing exists in a context of unprecedented global growth, the reality in most developing countries is that there is widespread inequality in cities, with millions of people living in slums without adequate housing (UN-HABITAT, 2005). Housing is an essential social determinant of equality of opportunity and community participation (Kissick et al., 2006). However, housing is expensive to provide. People whose incomes are low or irregular are likely to find it difficult to procure adequate housing through normal market mechanisms. This suggests that, there is a gap between the need for housing and the capacity to provide the desired housing type. Therefore, perceptions about fiscal equivalence could affect consumers’ willingness to procure their desired homes; there must be some way to estimate the value of costs and benefits that is acceptable to this group in order to implement redistributive equity as an evaluation device.

5.9.3 Accountability
Another common policy performance criterion is accountability. The key questions raised by Polski and Ostrom (1999) here are: 1) the extent to which the policy context facilitates low-cost information sharing or transparency, 2) the relative capacity or skill of partners to evaluate the actions of others in the policy situation, and 3) the extent to which partners have ready access to mechanisms that permit them to monitor and sanction one another. If there are imbalances in any of these areas, accountability will be impaired. Without accountability, there is no check on partnership performance. A private sector partner also confirms this:
In a PPP mechanism for affordable housing delivery, partners should be accountable to one another and to citizens concerning the development, delivery and use of public facilities and resources at their disposal. Concern for accountability need not conflict greatly with efficiency and equity goals. Indeed, achieving efficiency requires that information about the preferences of citizens be available to decision makers. PPP arrangements that effectively aggregate this information assist in realising efficiency at the same time that they serve to increase accountability and to promote the achievement of redistribution objectives (Ostrom, 2011).

5.9.4 Conformance to general morality

In addition to accountability, one might also evaluate the extent to which the policy context fosters conformance to general morality. Can partners harm each other and go undetected? If they do, do they obtain high payoffs. Are those who fail to conform to the rules or honour their commitments penalised? Can partners trust each other to play by the rules? As mentioned by one interviewee:

*Without trust, you just do not have a partnership to start... (PUS5).*

In addition to accountability, one may wish to evaluate how those outcomes fit the values of those involved. Are public sector officials or private sector partners able to cheat and go undetected to obtain very high payoffs? Are those who keep promises more likely to be rewarded? How do those who repeatedly interact within a set of PPP arrangements learn to relate to one another over the long term (Ostrom, 2011)?

5.9 Conclusion

The IAD Framework has been used as a systematic approach for analysing effective PPP for affordable housing delivery. It is a tested tool for analysing various policy problems in order to facilitate new institutional strategy. The IAD framework is a useful analytical tool. One important advantage of this framework is the possibility of identifying key variables that affect PPP arrangement on affordable housing delivery. These variables may be used as indicators in monitoring the effectiveness of any partnership and evaluating the role of PPP in shaping social interactions and decision-making processes in affordable housing delivery. Three broad categories of variables are identified: rules that govern the PPP, the...
characteristics of PPP or collective unit of interest, and the attributes of the physical conditions.

Under physical condition, the framework is used to examine current affordable housing problems in Nigeria. Identifying these problems is a significant step toward actually addressing the affordable housing shortage. The research also examined several rules-in-use that could be adopted for the PPP operations. These were position rules, boundary rules, authority rules, aggregation rules, scope rules, information rules and payoff rules. In addition, key characteristics of PPP include features such as the equality of its members or shared values as seen as an important variable for an effective PPP. The chapter also further defines the key enabling factors for PPP implementation and key players that make up the partnership.

Respondents identified a wide range of enabling factors to facilitate the establishment and implementation of PPP in Nigeria. They highlighted that a strong legal and regulatory framework, good Political and socio-economic environment, institutional and financial expertise, transparency, good governance, appropriate risk allocation, guarantees from the government, national security, capacity development and developing long term strategic collaborations. These are important enabling factors that could facilitate success and could play a vital role in making a PPP successful. It therefore gives government an opportunity to carefully analyse these factors and ensure that effective policies are enacted to improve on them.

In addition, the study highlights the role of the governments (Federal, State and local) in ensuring adequate affordable housing delivery through PPP by providing the feasible environments, which can allow the PPP to be effective. Government usually plays a critical role in encouraging PPP success in different developing countries. For example, the World Bank (1999) identified that in most cases, governments were supportive of PPPs for public infrastructure in sub Saharan Africa this contributed to their success. These findings indicate that government support and a positive attitude are considered as creating important opportunities to make PPPs successful.

This chapter draws together important issues raised in the literature and the empirical findings from the interviews, and relates them to IAD framework in turn. Although there is a potential for successful PPP for the provision of affordable housing in Nigeria, it is currently limited by some important restraints. These findings demonstrate that affordable
housing is challenging to develop and the process is sensitive to even the slightest problem. This requires strong leadership and collaboration between public and private sectors for effective affordable housing provision. The research also revealed the importance of evaluation criteria and pattern of interaction. These would have huge influence to determine any PPP performance. In addition, the IAD framework could influence the analysis of a wide range of issues related to how institutions such as PPP are organised for the provision and production of affordable housing (Ostrom et al., 1994). However, the fact that framework forces inquiry as to the causes of institutional performance makes it strategic. This is because only by understanding the causes of partners’ performance might we begin to imagine how to change it in suitably subtle ways.
CHAPTER SIX

CONSTRAINTS AND MITIGATING FACTORS ON PPP AFFORDABLE HOUSING DELIVERY IN NIGERIA

6.1 Introduction
The need to develop strategies to deliver affordable housing for all is a global challenge affecting countries right across the developed and developing world alike (Kothari, 2005, Kissick et al., 2006). Housing investment in Nigeria has been particularly low by international standards for several decades. Nigeria is not building enough homes, and in particular not enough affordable housing, despite a series of government initiatives. Private sector involvement has also been limited. Millions of households cannot afford access to decent quality housing without government support. Nigeria needs to build about 720,000 homes a year between now and 2030 to keep pace with requirements; of which 70 percent should be affordable housing. However, this chapter looks at the constraints that are hindering PPP for affordable housing delivery in Nigeria. The noticeable constraints to PPP for provision of affordable housing in Nigeria seem to be those related to partners’ capacity and to the enabling environment. This chapter is designed to identify the constraints that are affecting the PPP performance in Nigeria and mitigate factors to the constraints.

6.2 PPP Constraints and Mitigating Factors on Affordable Housing Delivery in Nigeria
An understanding of these constraints is a necessary first step toward designing strategy interventions to help deliver adequate affordable homes. While affordable housing provision could be a major contributor to the nation’s economic growth, the Nigerian government also faces significant constraints to achieve this. The Nigerian government needs to build appropriate institutions and legal system for a fairer and more transparent environment to inspire the confidence of private sector to participate.

Due regard has to be given to these constraints in developing a new model to increasing the affordable housing provision. These are not insurmountable but show that they could pose a threat if they are not properly managed. The interviewees (Figure 11 – page 159) identified a range of constraints hindering the success of the PPP for affordable housing delivery in Nigeria, including lack of regulation guarantee, inadequate financial resources, project cancellation and contract renegotiation etc. These are explained below with some
recommendations to overcome the constraints identified. These are helpful in ascertaining whether a PPP is effective, and could possibly enhance its efficiency.

To determine the PPP constraints on affordable housing provision in Nigeria, semi-structured interviews were carried out in Nigeria from public and private sectors practitioners who had participated in development and management in housing sector. Results were analysed using NVivo software and thematic analysis as discussed in chapter 5. The Figure 11 shows sources and their percentage of views from the interviewees according to the number of times the theme is mentioned. For instance only 7 out of the 18 participants mentioned lack of regulatory guarantee.

<table>
<thead>
<tr>
<th>Constraints</th>
<th>Percentage of Views</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>Lack of regulation guarantee</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Inadequate financial resource</td>
<td>4 (44%)</td>
</tr>
<tr>
<td>Inadequate knowledge and skills</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Poor financial analysis and projections</td>
<td>7 (78%)</td>
</tr>
<tr>
<td>Lack of leadership</td>
<td>6 (67%)</td>
</tr>
<tr>
<td>Contract renegotiation and cancellation</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>Inadequate Monitoring and due process</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Inappropriate sharing of risks</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Lack of transparency</td>
<td>3 (22%)</td>
</tr>
<tr>
<td>Poor communication</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Corruption</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Non-competitive bidding</td>
<td>3 (33%)</td>
</tr>
<tr>
<td>Suspicion or mistrust</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>Greed and arrogance</td>
<td>2 (22%)</td>
</tr>
<tr>
<td>Organisational and cultural barriers</td>
<td>1 (11%)</td>
</tr>
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Figure 11: Respondents Views on PPP Constraints to Affordable Housing Delivery in Nigeria
6.2.1 Lack of Regulatory Guarantee

In evaluating the constraints on public private partnership for affordable housing delivery in Nigeria, this research points to the importance of a favourable regulatory environment and effect of effective law in developing sustainable and efficient PPP affordable housing delivery. There are currently no noticeable initiatives to improve regulations in Nigeria, despite fairly weak regulatory set-up, and a lack of cohesion within the government agencies involved. According to the chairman, ICRC, Nigeria, the fundamental challenges facing the commission is the refusal of some Ministries, Department and Agencies (MDAs) to comply with contract terms and conditions that have led to arbitrary cancellations and persistent disputes in law courts. These institutions seemingly act with impunity, have clouded the PPP program in Nigeria, and continue to be a disincentive to private investors (ICRC, 2012).

Fine (56%) of the nine private sector respondents and two (22%) of the public sector respondents believed that lack of regulatory guarantee was the constraint to success and performance of PPPs in Nigeria. To strengthen PPP for affordable housing delivery in Nigeria, partnerships should have written rules and recognised organisational divisions with clear roles and responsibilities. A rule of law is not only laws and institutions; it is also the application and enforcement of the laws, which is important as explained by a respondent:

*The Public sector needs to be aware that it takes good regulations to make PPP successful. An adequate legal framework addressing issues such as compensation on termination is a necessary prerequisite for healthy PPP project (PUS4).*

Regulations set forth the rules of the partnership: the regulations that govern how the partnership operates on a daily basis and how standards for performance and decision-making are defined. Regulations translate a partnership’s fundamental principles and values from an unstructured concept into a clear set of guidelines and structures that implement those principles every day. These regulations should contain vital information that each partner should know to make a sound contribution to the partnership’s development. The quote below highlights the imperative of having an effective set of regulations in the Nigerian environment.
...there were numerous proposals on the tables of many banks on PPP projects involving electricity, roads amongst others, but banks want to be sure that they would not be hammered at the end of the day by regulations (PRS1)

Most, if not all, countries that have successfully developed PPP programmes have adapted their legislation and regulations to help achieve this aim (FEMIP, 2011). A well-designed PPP legal framework includes transparent procurement procedures, safeguards public and private sector rights, and offers clear guidelines for project implementation. However, given the relatively early stages of the PPP process in Nigeria, the enactment of PPP legislation can demonstrate political commitment but not in itself sufficient, it has to be effective and reliable.

A robust legal PPP framework should include the ability of the SPV to grant effective security over its assets, shares, and revenue streams; adequate step-in rights for lenders (e.g. enable strongly underperforming operators to be replaced); guarantee payment of appropriate compensation on termination; offer certainty regarding contractual rights and enforceability; and offer an impartial forum for dispute resolution (e.g. international arbitration) (FEMIP, 2011).

6.2.2 Inadequate Financial Resources

Four (44%) of the nine public sector respondents and three (33%) of the private sector respondents identified lack of financial resource as a constraint that hindered success and performance of PPP on affordable housing in Nigeria. One of the key constraints in meeting the required affordable housing delivery in Nigeria is insufficient capital because there are other public services competing for limited state finances. The efforts of Nigerian government and international donors have barely affected the need for new affordable housing particularly for low and moderate-income families. Very little new housing is actually being built by the formal sector (Giddings, 2007). A respondent elucidated this:

I also thought that housing authority do not have enough financial resources to do all that needed to be done... (PRS6)

The lack of adequate financial provision by the government for the housing programmes in particular further increasing affordable housing shortages. Public private partnership is increasingly seen as a solution to this constraint not only in Nigeria but also around the world. The partnership, however, must find new ways to go down market to reach emerging middle class families where the demand and need are the greatest. Housing has
generally not been a high priority for international donors. The World Bank has been the largest donor in the sector. A good example was the $300 million given in 2013 (Udo, 2013). However, the impact of this fund has not been evident in the country. The United Nations actor in the sector is UN-Habitat, but resources at its disposal remain very modest (Giddings, 2007).

In addition, limited availability of affordable debt can also be a constraint to the provision of affordable housing in Nigeria. To ease financing constraints, Public and private sector partners’ priorities should similarly include developing longer-term bond markets; developing investment policies and regulatory guidelines that encourage banks, insurance companies, pensions and mutual funds, and other financial institutions to help finance affordable housing delivery (Burger and Hawkesworth, 2011; OECD, 2011). A respondent cited good example:

*The availability of affordable debt is a key issue, which is why countries will be looking at different models to avoid reliance on particularly the bank debt market... (PRS3)*

Access to housing finance is a critical tool for making housing affordable. Putting the low income citizens into decent housing will still require subsidies and other government measures (Woetzel et al., 2014), but they estimate that 80% of the funding needed to close the affordable housing gap could come from private investment (Woetzel et al., 2014). Affordable housing can be financed through pension funds and sovereign wealth and also contributions from the international donors such as World Bank and Africa Development Bank (Sanusi, 2012).

Governments own land that could be suitable for development. However they are constrained from building due to lack of finance as mentioned above. Equally, housing providers experience very high land costs as a major barrier to development in the areas of greatest housing need. Governments could lease their land for affordable housing delivery while retaining the freehold (i.e. the long term ownership), while leaving the government with a stronger ability to ensure that public assets are put to best use. Models like this are already in use in the UK – including the Birmingham Municipal Housing Trust and Kensington and Chelsea’s partnership with Grainger Plc over a private rented development (Shelter, 2014).
6.2.3 Inadequate Knowledge and Skills

Partnership’s skills and implementation experience would have a good bearing on project viability. Well-written contracts cannot overcome institutional weaknesses (Gausch, 2004). The PPP process is complex and tests institutional capacity at every stage (Hodge and Greve, 2010). Contract design and implementation requires the internal expertise to predict and allocate risks, and specify objective performance criteria that will not trigger disputes in the future. Monitoring also requires professional skill to ensure compliance and impose penalties while gaining the confidence of the operator that actions are independent and objective (Trebilcock and Rosenstock, 2013).

Four (44%) of the nine private sector respondents and two (22%) of the public sector respondents believed that inadequate knowledge and expertise on PPP scheme was challenge facing its effective implementation. The private sector often possesses the experience and technical skills that could aid an affordable housing delivery. More needs to be done to foster collaboration between private sector and public sector to drive new tools, incubate new ideas to meet affordable housing needs in Nigeria. As one interviewee mentioned, there is a gap in the sort of training required to tackle the severe skills shortages affecting housing sector.

...constraint to Public Private Partnership is the lack of home-grown talent in the area of technical competence. (PRS9)

The development of technical skills within the private sector – amongst sponsors, contractors and banks – will also be important. Building the human resource capacity to run the partnership arrangement is a significant step in a successful PPP project. Even the best designed PPP arrangements will not work without the necessary managerial and technical capacity at all levels. The partnership needs to build planning, implementation, and financial management capacity in each sector.

There are several areas of skill shortages such as financial projection, basic planning processes, project implementation, project design, supervision and monitoring mechanisms. All these are areas of critical shortages in terms of skilled manpower. What we need to do to meet these constraints is to design a strategy, with built-in capacity management systems (PRS7)

As mitigating factor, designing a strategy, with built-in capacity management systems could enhance the PPP success. Where international organisations are participating in a
PPP programme, there may be natural transfer of skills but formal training programmes should be introduced to ensure understanding of the project finance and operation discipline within the private sector and to ensure that the public sector takes due account of market capacity, appetite and concerns.

6.2.4 Poor Financial Analysis and Projections

Seven (78%) of the nine public sector respondents and three (33%) of the nine private sector respondents believed that financial planning is a key component of any successful partnership. This is because the process of creating financial projections for the PPP income, expenditure and cash flow will enable them to discover any discrepancies and unrealistic assumption made. This could be an issue for both the private and public sectors; as one government official elucidated below:

*Many of the failed concessions were fashioned out without proper understanding of the issues at stake and financial requirements. The projects were not properly configured and there has not been enough thinking done ahead and enough analysis about what needs to be put in place...most PPP failures can be attributed to inadequate or non-existent feasibility studies, including unrealistic revenue forecasts and undefined public contribution of funds. Other common reasons for failure include lack of adequate financial analysis, flaws in the bidding process and lack of a suitable model to follow (PUS8)*

Nigeria should learn from the international community, which has considerable experience, which can be applied to assist in developing its own funding structures and risk allocations, and in transferring knowledge to domestic financial institutions. These are important catalysts for attracting other funders to support projects, since their experience regarding economic viability could help create confidence in the creditworthiness and robustness of the projects. PPP arrangement though filled with financial complexities should be best left to experts:

*...So it's important to use people that have done it before, that can bring some history and some direction to the process and can help identify the risks and really think them through (PRS8).*

However, to create successful partnerships between the public and private sectors, the financial structure should be simple and based on real experience (World Bank, 2014).
6.2.5 Lack of Leadership

The lack of leadership could be a bane to successful public private partnership for affordable delivery housing in Nigeria. Six (67%) of the nine public sector respondents and four (44%) of the private sector respondents felt that leadership was lacking at the highest levels of government. They believed that there should be a clear vision from leadership and proper structure for PPP implementation. The outlook on the Global Agenda also illustrates this reality. From the results of this year’s Survey on the Global Agenda, 86% of the respondents strongly agree the world is facing a leadership crisis today. Respondents cite ‘lack of leadership’ and ‘the weakening of representative democracy’. Political leadership is unsurprisingly taking the most heat in nearly every country surveyed including Nigeria; the public’s confidence in business leaders far surpassed their confidence in government leaders (Gergen, 2015). A private sector interviewee gave a good example:

*Leadership is lacking at the highest levels of government and no proper structure for PPP implementation. This goes beyond housing policy formulation, but should at least provide clearer and more predictable intent on when, why and how to use public private partnership for housing sector (PRS6)*

Without effective and influential leaders, affordable housing delivery partnerships will probably falter. Having a good PPP structure is important but a partnership is about interacting to achieve the expected outcomes and every PPP partners has a responsibility to be part of the process. Where the public authority takes this role with vigour, it provides positive momentum. The private sector has the experience, networks and skill to make a partnership work. It also seems that the size of the partnership is not a crucial factor in its success, although cross-sector partnerships are naturally more complicated to manage but a well-structured partnership could be effective for affordable housing delivery. The public sector body should be responsible for affordable housing policy oversight and regulation, with complete control generally reverting to them at the end of the contract term. It is of vital importance for political and organisational leadership to support a PPP initiative. Leadership is central to the success of PPP in that all other attributes for successful implementation of the initiative depend on leadership (Diamond, 2006).

However, to resolve this leadership constraint, partnership needs moral, effective leadership, collaborating and communicating across boundaries – private sector (profit and non-profit) and political leaders all have a role to play (Gergen, 2015). Other virtues
identified to win back the confidence of the populace are a global interdisciplinary perspective; empirical planning; strong communication skills; a prioritisation of social justice and well-being over financial growth; empathy and courage. Ultimately, these leadership qualities have to be cultivated. Training, coaching and mentoring are also the best way to develop tomorrow’s leaders. There is a consensus that improved education of our polity will result in better leadership (Shahid, 2015).

6.2.6 Contract Renegotiation and Cancellation

...revoking a contract and re-awarding it to a different company not only delayed the project but also triggered doubts in private companies minds about whether such changes were spurred by political rather than economic issues (PRS1)

Although trends in cancellation may not be an issue in developed countries, it is a concern in Nigeria and especially in PPP projects. The World Bank, Private Participation in Infrastructure (PPI) Database shows that out of the 6,146 private infrastructure projects in developing countries that are covered in the Database, 359 projects were cancelled between 1990 – 2013 representing 5.8% of all projects by number after the date of financial closure. In Nigeria, out of the 55 projects reaching financial closure, 6 projects cancelled between 1992 -2013. That represents about 11% of the projects. In a number of cases, unrealistic project design and poor management of the PPP process could also be cited for project cancellation. Some authors also attribute its cancellation to a lack of commitment by parties involved to the long-term future of the contract (Pratap, 2011).

Six (67%) of the nine private sector interviewees believed that project cancellation was the critical constraints on the success and performance of the PPPs on affordable housing. One of the important issues the partnership needs to tackle during the PPPs contract is termination of contract prematurely. Cancellation, if exercised too often, will undermine private sector confidence in the PPP market as stated by one interviewee:

...Federal and some state governments have cancelled various PPP agreements signed by their immediate past administrations. All those cancellations have reduced confidence in entering partnership with the governments (PRS5).

Five (56%) of the nine private sector respondents and one (11%) of the public sector respondents also mentioned contract renegotiation as a constraint that hindered successful PPP in Nigeria. PPP contracts could be subject to renegotiation for reasons, such as, the nature of the agreement, quality of the partners and duration of the project. In actual sense,
governments change and the new people in authority may be dissatisfied with the initial agreement terms. Therefore, it is prudent to stipulate renegotiation procedures clearly and to allow independent arbitration if necessary. One of the private sector interviewees cited some other reasons for this:

*The biggest problem I think both globally and within Nigeria, was renegotiation of the contract, this has turned out to be an enormous problem particularly in developing countries. Renegotiation takes place for various reasons. In developing countries, a lot of it is to do with corruption, politicians change and new politicians want a slice of the action and things of that sort (PRS4).*

Public private partnership contracts are by nature incomplete contracts and hence lend themselves to renegotiation (Raje, 2014). Given the critical importance of private investment to meet Nigeria’s affordable housing needs, it is essential to put in place, appropriate remedial measures and ensure equitable justice to private players in case of genuine commercial unviability of contracts. However, it also evident from the global experience of PPP renegotiation, that both parties to make opportunistic can use it gains from the contract (Trebilcock and Rosenstock, 2013; Gausch 2004). The overarching theme is that renegotiations should not be ruled out in principle, hence a case by-case analysis is warranted given the unique nature of each PPP contract, and both parties should have right to seek renegotiations, if the contract results in losses (Raje, 2014).

The most effective way to minimise this would be to set up/identify an independent quasi-judicial regulator for every sector to examine renegotiations on a case by case and act as mediator and a judge. Certain political factors such as political cycles, corruption, and opportunism could lead to increased likelihood of renegotiations; and lack of adequate knowledge on concession design, including risk allocation, and the award criteria could have an impact on renegotiations. Regulatory arrangements are significant, with the existence of an independent regulatory agency in reducing the probability of renegotiation (Guasch, 2004).

An important step would involve setting up of appropriate cancellation and renegotiation mechanisms to minimise the need and discourage opportunistic or frivolous renegotiation, identification of risks involved in renegotiation and putting in place appropriate safeguards to prevent them (Raje, 2014). Gausch (2004) suggests that the renegotiation mechanisms should be embedded in law rather than the contract or decree, as law is more difficult.
legal framework for renegotiation and cancellation also implies that change in government regimes would not result in overturning or dismantling of projects by the previous government.

Some other guidelines to be adopted to attack the constraint of PPP contract renegotiation and cancellation are the following:

- Causes for cancellation and renegotiation should be laid down in the contract
- Provisions for competitive re-bidding along with/in lieu of renegotiations contracts should be built in to discourage parties from using renegotiations as a bilateral negotiations process for mutual benefits, within a short period of initial award of contract.
- The contract should stipulate the renegotiations approach, criteria and process.
- Imposition of heavy fines on frivolous or opportunistic renegotiation attempts.
- Establish a freeze period for renegotiations and cancellation; say no renegotiations or cancellation will be considered for three to five year after contract award. Only few exceptions can be accepted.
- Specification of the regulatory mechanism to be used for the purpose of renegotiation. (Guasch, et al., 2014; Guasch, 2004; Engel et al., 2000; Raje, 2014).

6.2.7 Inadequate Monitoring and Due Process

Public private partnership is a long-term commitment; therefore, successful delivery could depend entirely on the performance of both the public and private sectors. A sound and robust contract could fail to meet the desired objectives if it is not managed and monitored effectively (Ahluwalia, 2012). The process of performance monitoring needs to be dynamic and under constant review because project circumstances undergo a change over time due to the long duration of PPP program. Four (44%) of the nine private sector respondents and two (22%) of the public sector respondents thought that inadequate monitoring and due process by government is a constraint to effective PPP performance in Nigeria. Monitoring has to be achieved in a way that enables the anticipation of difficulties time. Consistent monitoring should ensure prompt measures for managing the potential threat of the private and public partner’s failure and subversion of due process in the award and implementation of the projects as stated by a respondent:

*Government's attempts at providing affordable housing to drive economic growth and development have been hindered by massive corruption and subversion of due*
process in the award and implementation of projects. Some of the government infrastructural projects have yet to be completed due to subversion of due process by ministries, departments and agencies of government, resulting in avoidable loss of billions of naira. In addition, corruption in the handling of projects by many self-seeking and inept public officers and contractors has led to massive inflation of costs and undermined the legitimacy of their monitoring and supervision responsibilities (PUS1).

The purpose of monitoring and due process is to ensure that the partnership achieves the agreed objective. Monitoring and due process roles should be carried out either by the Contract Management Team or by an Independent body. However, it is important to remember that the private partner will also be monitoring the public sector performance to be sure it also upholds its end of the agreement. A partnership that has monitoring strategies is well on the way to being a transparent partnership. Codes of conduct and written regulations alone might not be enough. An independent disciplinary committee is required to conduct investigations and sanction PPP players who do not follow rules, regulations and values. An interviewee mentioned good example:

*On-going monitoring of the performance of the partnership is important in assuring its success. This monitoring should be done on a daily, weekly, monthly, or quarterly basis for different aspects of each partnership (PUS8)*

Ideally, the PPP initiative should unfold within a quality assurance framework in which a monitoring mechanism and the feedback system are streamlined (Kroukamp, 2004). It should also be ensured that the medium and long-term objectives are clearly identified and pursued. The monitoring mechanism is only a tool for ensuring that the objective of PPP for affordable housing delivery is fulfilled. It is therefore necessary to ensure appropriate project-specific monitoring arrangements to ensure compliance. A mechanism to monitor and enforce implementation of the agreed terms and delivery of affordable housing would need to be institutionalised. The mechanism should be capable of ensuring that the public and private sectors carry out their obligations in accordance with the respective agreement with a view to safeguarding the user interests (Ahluwalia, 2012). Hence, the system would entail a clear indication of what is intended to be achieved to enable the public to compare the delivered affordable housing with output specifications.
There needs to be other underpinning preventative measures and procedures for enforcement, such as evaluation, monitoring and disciplinary processes. If there is no threat of sanction, partnership regulations could be ignored. Independent disciplinary committee is required to conduct investigations and sanction PPP players who do not follow rules, regulations and values. A mechanism to monitor and enforce implementation of the agreed terms and delivery of affordable housing would need to be institutionalised (Ahluwalia, 2012).

6.2.8 Inappropriate Sharing of Risks

A strong partnership should allocate each risk to the party that is most capable of managing the risk. The risk distribution reflected in a long term PPP contract should be covered back-to-back in the other main contracts (especially the construction and operation contracts) in order to adequately ring-fence the SPV (FEMIP, 2011). Four (44%) of the nine private sector respondents and two (22%) of the public sector interviewees believed that inappropriate sharing of risks was a constraint that hinders the success and performance of the PPP. Effective PPP arrangement involves reasonable sharing of risks between the public and private sectors partners. One respondent explained the effect of risks sharing in a partnership:

*Fair and reasonable allocation of various risks is vital to PPP success. If risks are inequitably or wrongly allocated beyond the capacity of the parties concerned, PPP projects would fail. PPP projects may fall apart due to failure on the part of the private sector participants. In contracting out the PPP projects, the government should ensure that the parties in the private sector consortium are sufficiently competent and financially capable of taking up the projects (PRS4).*

The core of PPP is the allocation of risks to the organisation that is best able to manage it at the least cost (Hood and Megarvey, 2002). Many risks in PPP projects are transferred to the private sector because of its ability to manage such risks. Allocating risks in this manner can facilitate the achievement of value for money for the taxpayers because of proper and effective management of project risks. Achievement of value for money can be realised because the private sector investors put up their own capital, skills and experience enabling the public sector to get the benefit of commercial disciplines, innovations and efficiencies (Smith, 2000). However, if the private sector are to assume all the risks of the projects, it could be too expensive and if the public sector are to do so it could probably
fail, to achieve its expected objectives primarily because of high construction costs, time overruns, and operational inefficiencies (Mustafa, 1999).

Therefore, for the allocation of risks to be effective, the public sector should not transfer risks that are under its control to the private partner, nor should it assume the risks that are beyond its control (Akintoye et al., 2003). (Loosemore et al., 2006) recommend that risks should only be transferred to or retained by the party possessing five qualities:

- Awareness: is fully aware of the risks they are taking;
- Mitigation and diversification opportunities: provides evidence of having the capacity to manage the risk effectively and efficiently (since it has opportunities to mitigate and diversify risk – thus reducing risk);
- Technical skills and resources: has the capability and resources to assess and evaluate risk;
- Risk tolerance: possesses an appetite to take the risk; and
- Compensation for risk: has the opportunity to charge the appropriate premium for taking risk.

Not all risks the private sector partner cannot control should be allocated to the public sector. Therefore, where an event occurs outside the private sector's control, it could be fairly compensated (in time and money), by defining principles such as "relief events" or "compensation events" in the contract or identifying relief which the parties agree should be available in the event of the application of the civil law concept of "imprevision" (economic rebalance). The private sector partner can often manage its risks through insurance – for this reason, the availability of insurance on commercial terms is a key requirement for an active PPP market. Related to this, the public sector should take great care before conceding unnecessarily wide definitions of force majeure in PPP contracts – again, international standards and norms are a useful guideline here but specific regard should be had to insurability (FEMIP, 2011).

### 6.2.9 Lack of Transparency

According to (TransparencyInternational, 2009), maximum transparency at every step leading to the contract and throughout its implementation is the basis for the successful design, setup and implementation of a program. Enhancing transparency within a weak institutional environment like Nigeria could be a huge constraint to any partnership arrangement. Improving transparency is associated with the development of democratic
values, greater policymaking capacities, economic growth, and corruption abatement. In theory, the institutional procedures for assessing, collecting, and monitoring contract are adequate. In practice however, vital institutions are often incapable of performing their designated tasks due to widespread corruption and a lack of independence from the ruling governments (Woodside, 2008). Transparency could help combat corruption by clarifying rules and providing disciplinary mechanisms sanctioning unethical or corrupt behaviour. Introducing transparency measures is one of the most challenging things that a partnership can do, but ultimately one of the most rewarding.

Three (33%) of the nine public sector respondents and two (22%) of the private sector believed that lack of transparency was a constraint on the success and performance of the PPPs in Nigeria. The need for upholding transparency in the entire PPP project duration has been noted as a key factor in determining the success of PPPs. Transparency during the entire process of PPP implementation is important, because it minimises the possibility of corruption. In the word of one interviewee:

*In order to attract investment you have to create a regulatory and institutional environment, which ensures that people who want to invest find your country attractive. Private sector investors are always looking for a corruption free environment. They do not want to come and bid for a project and then find out that they have lost because somebody has gone behind the door and make payments. Therefore, we have responsibility to ensure that the processes are transparent, competitive and transparently competitive. These must be enshrined and entrenched in the process we are adopting (PUS1).*

In order to promote transparency, it would be necessary to have in place transparency rules which should be respected by the partnering organisations and enforced by the government or independent body. One of the most pertinent documents to a transparency strategy is the code of conduct. Codes of conduct are usually short documents that describe values that the partnership considers paramount to the behaviour of its players. Using codes of conduct openly declares the partnership’s expectation of its players. Improving transparency requires not only strengthening institutions, but also altering the perverse incentives faced by the political elite to engage in unproductive rent seeking activities. Altering these incentives and consequently constructing a system where decision-making considers, firstly and fore mostly the welfare of the public, is a serious challenge (Woodside, 2008).
However, transparency must receive some degree of support from the governing elite to have a chance of altering these incentive structures and to improve partners’ confidence. A clear and unrestricted oversight and monitoring role for civil society is highly desirable in any country. This will increase trust in the process and highlight the monitors’ independence. Nevertheless, in case Nigerian government will not, at this time, be prepared to allow civil society to play such a role. In this case the oversight and monitoring function could be performed in one of these two ways: The government employs what in some US cases has been called an “Independent Private Sector Inspector General” (or IPSIG). The IPSIG, a private sector company or individual, would come with the necessary expertise. Such an arrangement can be acceptable provided the IPSIG is given not only full access but also the contractual right to seek correction of any procedural problems or improprieties and, if no correction takes place, to inform the public of the impropriety. In any case, the IPSIG should be accountable to the public in general. Alternatively, the government commits itself to provide full public disclosure of all relevant data regarding the evaluation of the competing bids. This would include a statement, that the evaluation criteria announced in the invitation to tender were fully applied, a list of the bidders and their prices, a list of the bids rejected, including the grounds for rejection, the major elements and aspects of the evaluation process and the specific reasons for selecting the winning bidder. The government should also at this time announce its own cost estimate for the project (Transparency International, 2009).

**6.2.10 Poor Communication**
Communication is crucial to the functioning of a partnership to ensure that there are clear information flows among partnerships. This could help the partners to understand how their alliance really functions, the constraints under which it operates, and the respective roles of the other partners, organisations and people involved (Byrne, 2006). A partnership can have good strategies, but without clear and open communication, it might not be successful. A successful partnership will have a clear communication structure that is well known and understood by its partners and is reinforced by the partnership’s internal communications and training mechanisms (Breth and Quibell, 2003). For a partnership to be successful partners, need to communicate responsively and regularly. Three (33%) of the nine private sector respondents and two (22%) of the public sector respondents believed that poor communication has been hindering the successful performance of the PPP project in Nigeria.
Many partnerships launch with great fanfare, but have trouble sustaining their agenda. Lack of a clear strategy and goals, difficulty transitioning from the original vision to implementation, poor communication among partners, power dynamics among partners, a failure to surface the self-interests of partners and incorporate them in the partnerships overall strategic plan are some of the ways these efforts falter (PRS9).

In a well-organised partnership, every player should be able to describe their position in the communications structure and name the person to whom they regularly report and also who provides them with information. These are all essential for building an effective partnership structure. Acknowledgment and understanding of the views of each partner is also essential for building loyalty to achieve corporate goals (Breth and Quibell, 2003). Without such acknowledgment and understanding, partners can lose their incentive to support the scheme, and that could be detrimental to the success of delivering adequate affordable housing.

Successful communication strategy implementation will positively affect the work environment and relationships with sponsoring organisations, employees and other stakeholders (PRS7).

Open and honest communication within partners is therefore essential; it should not only provide them with a regular information flow about the work and achievements, but also engage them and help create a feeling of ownership. Designing guidelines for open and honest communication is a cornerstone of good partnerships and can be built by creating norms and structures for its effectiveness. Partnerships should use consistent communication norms in every interaction and meeting, engage in open dialogue with parameters, and include healthy conflict. Partners should establish ground rules and norms for communication; create a framework to use for dialogue.

All partners must agree to group norms and rules and be willing to hold each other accountable. Partners’ needs and self-interest must be addressed. Why is each partner involved? What does each partner hope to gain? What are they willing to commit? What would failure mean to their organisation? What would a successful outcome look like? The partnership must learn how to engage in healthy, productive conflict. Conflict is necessary for facing contradictions that must be addressed for a partnership to move forward and implement partnership objectives (Publow, 2010).
6.2.11 Corruption

According to Transparency International (2009), there are two types of corruption. The first is when an official does his job, but accepts illegal payments to do what he is required to do. The second type of corruption is when an official accepts payment for a service he is not allowed to provide. Corruption could cost partnerships money. It cost money when funds are directed away from the partnership and instead, to individuals, or because of strict fines for allowing illegal behaviour.

Three (33%) of the nine private sector respondents and two (22%) of the public sector interviewees believed that corruption is one the main constraints to effective PPP project in Nigeria. According to one respondent, this has hindered the provision of affordable housing in the country:

"Government's attempts at providing affordable housing to drive development have been hindered by massive corruption. Corruption in the handling of projects by many self-seeking and inept public officers and contractors has led to massive inflation of costs... (PUS1)."

Partnership must have accountability mechanisms, and disciplinary bodies that actively investigate and take action against partners who have infringed upon the rules. Interviewees point out that accountability flourishes in countries where enabling environments exist. Written rules can help partnership establish certain values, but the behaviour of the partners within the partnership must correspond to the written rules – partners must be accountable for their actions. A PPP must also develop and implements monitoring strategies that enable accountability to stakeholders - in other words, the partnership develops monitoring to encourage good habits. According to Transparency International (2009), there are two ways to promote accountability. The first is to have a system in which those who are governed have some sort of check on those who govern. This is called vertical accountability. The second way to promote accountability is to have a system in which independent organisations have some sort of check on those who govern. This is called horizontal accountability because it is a peer organisation that is contributing to the accountability. Corruption eradication system could include freedom of information laws within a partnership and creating ethics offices or watchdogs within the partnership as mention by a respondent:

"Different elements of Institutional infrastructure have to be in place for PPP to succeed, strong watchdogs and regulators, a robust system of audit, good advisors, and a banking system that is equipped (PUS4)."
For organisations to be held accountable for their performance there should be requirements against which to gauge the performance of the PPP. An audit system must have the capacity to cope with the intricacies of the PPP projects. The audit system could report to the independent body, which should act as the custodian of public interest (Breth and Quibell, 2003, Chène, 2015). Effective monitoring and oversight of public private partnership is essential to break the circle of impunity, ensure that acts of misconduct are adequately detected and punished, and make corruption a high-risk / low-reward activity. Mechanisms designed to promote horizontal accountability typically include checks and balances on public and private sectors provided by independent institutions, as well as anti-corruption and law enforcement agencies (Chene, 2015). Therefore, partnership must have different elements of Institutional infrastructure in place for PPP to succeed.

6.2.12 Non-competitive bidding

A key success factor in a partnership is the degree of open and transparent competition at bidding stage (FEMIP, 2011). Three (33%) of the nine public sector respondents believed that non-competitive bidding is a constraint to the successful PPP project in Nigeria. The vice in the process of competitive bidding is a great obstacle for fair transaction and equal collaboration. The competitive process can spur greater innovation and provide a mechanism for selecting the best value proposal. One respondent stated the effect of non-competitive bidding:

*Several projects have been known to fail at start-up because the process of selection of the partnership was flawed. There are also projects carried out by a previous government, which succeeding governments have failed to honour (PRS2)*

Below are some recommendations to mitigate Non-competitive bidding constraint:

- Clearly define in the bidding documents the quantity and quality of affordable housing delivery required the applicable periods.
- Ensure that bids are opened transparently in a public tender opening event in the presence of the participating bidders and that key elements of all bids are shared transparently with the bidders.
- Make bidding documents easily accessible, including to civil society, free of charge.
- Require that important pages of all the opened bids are counter-signed by tender opening officers (typically up to three) in the presence of the participating bidders – this is to help ensure that bids are not tampered with post-opening.
- Conduct minimum due diligence on bidders to determine whether they are reliable companies or not
- Require bidders to provide integrity assurances and disclose any convictions or investigations relating to corruption.
- Restrict or manage contact between bidders and procurement staff or members of the evaluation committee and rotate staff in sensitive positions to the extent possible.
- Ensure that the bid evaluation team has the technical expertise needed and have no conflicts of interest.
- Publicise the award decision immediately, notify unsuccessful bidders and offer to explain why their bid was not accepted.
- Provide sufficient time between contract award and commencement for unsuccessful bidders to appeal the decision (Kühn and Sherman, 2014)

6.2.13 Other Constraints are: Greed, Arrogance, Suspicion and cultural Differences

Two (22%) of the nine public sector respondents and one private sector respondent believed that greed and arrogance are the constraints that hindered the success and performance of the PPPs as explained by one respondent:

*Sometimes partners want more than they give, whether it is money, control or public recognition...all partners have to prosper or else it is not a true partnership. Too often, I have worked with organisations who think they have all the answers and sometimes, they do. However, their blinding belief in their cause can get in the way. Partnerships mean understanding everyone’s ideas and interests. It is a shame to see arrogance stand in the way of progress (PUS8)*

Two (22%) of the nine private sector respondents and one public sector respondent also explained that suspicion is an impediment to effective PPP. This shows how mistrust could undermine the effectiveness of PPP. Trust is a huge concern when public and private sectors collaborate for a specific project. It will be very difficult to have an effective partnership if each partner cannot be trusted. A good example is stated below:
However, there are suspicions that investors might not be too keen on collaborating with government in providing affordable housing because of experiences with them. Virtually every PPP initiative of the government in the last decade has failed or been bogged down by disagreements, litigations and other problems (PUS1).

A last constraint mentioned by one (11%) private sector respondent is cultural barriers. This suggests managing culture is important to effectively enhance partnership performance as explained by a private sector official:

\[
\text{The big problem is cultural differences. We in industry are used to getting things done yesterday. Government, with their specific constraints and multiple constituencies, cannot always put the same value on time as we do... (PUS5).}
\]

If partnerships are to be effective in addressing the issues of affordable housing delivery, substantial work will need to be done to develop the accountability and transparency, the legal and regulatory framework, and the mutual trust that is necessary for partnerships to succeed.

6.3 Summary and Conclusion

Although there is a potential for an effective PPP on affordable housing delivery in Nigeria, it is currently limited by some constraints listed in Figure 11 above. Despite these constraints, there are opportunities for implementing PPP for affordable housing delivery in Nigeria if there are impetuses for private sector to participate. An enabling regulatory, legal and political environment is the cornerstone of an effective PPP. Governments must ensure that mechanisms are in place for a smooth running of PPP arrangement in the country.

While the private sector could emerge as a significant player in affordable housing delivery and public infrastructures across the world, the potential of PPP to drive much needed investment and efficiency gains has not been fully realised in many countries such as Nigeria (The Economist Intelligence, 2011). Interviewees claimed that their experiences have been negative and that the constraints have been too great. Despite the sustained, high and broad-based growth recorded in the country and the contribution of the private sector to this, lack of a conducive environment remains a dampening factor. The failure of the housing sector to provide sufficient levels of affordable housing in Nigeria can be
explained by a number of constraints stated above. These emerging issues may challenge the establishment and implementation of PPP for affordable housing delivery in Nigeria.

Public private partnership makes new demands on the public sector, as technical skills are required to specify and monitor an affordable housing delivery, understand complex financial structures, and allocate risks in the most efficient manner. Why Public Private Partnerships (PPP) enable the public sector to access the discipline, skills and expertise from the private sector (HM Treasury, 2012), they are in short supply in Nigeria. Respondents mentioned lack of regulatory guarantee as a critical constraint on PPP. Nigeria has limitations regarding the legal issues, relating to PPP. Referring to the PPPs involved in social sector development in developing countries, Pessoa (2006) argued that many developing country governments lacked effective ways of regulating PPPs. Thus, he suggested that there was need for legal and regulatory frameworks that could guarantee transparent and credible relationships between the different stakeholders in PPPs (Pessoa, 2006).

The key to developing a credible PPP programme is having an environment free or relatively free of corruption. Effective monitoring and oversight mechanisms to control corruption need to be designed to promote accountability on public and private sectors presided by independent institutions (Chene, 2015). While there is anecdotal evidence, of the critical role such institutions can play in detecting and punishing corruption, there is relatively little (recent) empirical evidence of the impact such approaches may have on reducing corruption. It is also important to ensure effective communication within the partnership and to the wider public - this is always a primary challenge in PPP (FEMIP, 2011).

Continuing financial limitations, poor feasibility assessments, poor financial analysis and projection and regulatory barriers have caused delays in the implementation of PPP projects, while concerns about project cancellation and contract renegotiation, political interference and lack of monitoring and due process have arisen once contracts have been signed. However, the identified constraints can assist in developing effective tools for the implementation of PPP for the affordable housing in Nigeria to enhance the process, build appropriate institutions and legal system for a fairer and more transparent environment to inspire the confidence of private sector to participate. A strong contractual framework, and a robust security package, could incentivise all key project parties to be disciplined in reaching a successful project implementation. There are, however, a number of conditions
that need to be satisfied aside that careful selection and delivery of projects in the context of a well-understood and appropriate legal, regulatory, and financial environment is essential (FEMIP, 2011).

This chapter also established some guidelines which partnership needs to display if it is to respond effectively to constraints outlined earlier in this chapter. Partnership needs to develop capacity building, a clear statement of objectives for affordable housing delivery, transparent, and well-communicated strategy, a clear institutional framework, independent oversight, sustainable financing mechanisms, allow flexibility for implementation and learn from experience. Against this background, and in order to reduce affordable housing deficit in Nigeria, there is a need to address existing constraints and prepare for future ones by focusing on: monitoring, ensuring good governance and coordination across relevant institutions and sectors and the full and meaningful participation of relevant stakeholders at appropriate levels. To complement national action and capacity, there is a need to enhance international cooperation.
CHAPTER SEVEN

PPP FRAMEWORK FOR AFFORDABLE HOUSING DELIVERY

7.1 Introduction
In this chapter, a new framework and model of PPP for affordable housing is developed that could enable Nigeria to tackle its housing shortage. This research recognises that a central mechanism to increase affordable housing provision should be introduced to improve the ineffective affordable housing markets in the country. For too long government has accepted inadequate affordable housing as inevitable, despite evidence of the detrimental effect on citizens and to the economy. The framework is developed based on the findings from an extensive literature review and from the research carried out as part of this thesis on the current affordable housing situation in Nigeria. Also, the model is developed with the understanding that partnership varies between the two parties depending on the outcomes that are to be achieved. This means the private sector will be able to make a reasonable profit from the affordable housing delivery while the public sector could achieve its objective in providing affordable housing to the middle class. Affordability could be pursued by reducing debt service costs so that housing is relatively affordable and the project is viable without the need for ongoing government subsidy assistance (Pomeroy et al., 1998). This chapter looks at development of the model, the establishment of new independent body, and the financial methods to be employed, the government guarantee and availability of land and the development of PPP framework for affordable housing delivery in Nigeria. The PPP framework has five components and is explained in details.

7.2 Development of a Schematic Model for Using PPP to Deliver Affordable Housing in Nigeria
From the review of the literature on a typical PPP structures (a good example is shown in Figure 12) and the identification of their operating mechanisms, it has been possible to develop the model for the PPP on affordable housing delivery in Nigeria. For this research, PPP is initiated by the government and involving private sector to deliver affordable housing. The model represents various participating groups in a PPP project including engineers (designer), contractor (builder), operator and financiers and Nigeria three tiers of government, with international organisation and the proposed independent body.
There are a number of PPP models characterised by joint working and risk sharing between the public and private sectors (HM Treasury, 2012). Based on the PPP defining features, rationale and operating mechanisms, this research has developed a model for PPP to aid the increase in the supply of affordable homes in Nigeria (shown in Figure 13). With low-middle class Nigerians struggling to get a foot on the housing ladder, there is need for innovative strategy to deliver affordable housing because demand for affordable housing is currently outstripping supply. PPP is a cross-sector relation that could be initiated by either the government or private sector. This partnership model is based on mutual recognition of respective strengths and weaknesses. The motivation for PPP is to overcome the limitations of a single sector and maximise the benefits by using PPPs that obtain resources from different sectors or players. Hence, all players contribute resources (such as financial resources, human resources, political resources and political support), share expertise, experiences and knowledge, participate in the decision-making process and work towards the common goals of achieving adequate affordable housing delivery.

The main rationale for PPP model is to encourage affordable housing delivery, which would not otherwise be achieved except by working together with two or more sectors. There are other numbers of good reasons, for instance, the use of PPP could foster
economic growth and develop new viable opportunities for infrastructure facilities, better quality and more cost-effective delivery, enhanced asset utilisation and quality and accelerated delivery of affordable housing. The model is developed based on the concept of concession arrangement, which involves long-term relationships between public and private partners. Under the concession (e.g. DBFO, BOOT) the private sector will be awarded a contract to design, construct, finance and operate or sell affordable housing delivery.

This research proposes that when bringing in the private sector partners, it is critical for the government to have an independent body (INAHC) for national coordination process. The model is designed to enable the provision of affordable housing at local level using PPP through a Special Purpose Vehicle (SPV). Creating a new model would mean deciding on new structures, financing methods, its place in the National Housing Policy, how land is acquired, governmental oversight and the type of affordable housing delivery it should offer. This also means balancing choices between the private and public sectors, and ensuring the required skills are available. Details are explained in section 7.3 below.

7.3 The PPP Model Requisites for Affordable Housing Delivery

This section discusses some basics steps that could aid the implementation of the model:

**Special Purpose Vehicle (SPV) Formation**

The PPP transaction for affordable housing delivery will be created by using an SPV which acts as the financing, development, management and operating company for the project and is the legal owner of the concession that is granted by the public sector authority. Therefore has an important role among various participants in the project though many agreements fastened with it. In addition to the initial contribution by the government such as land, grants and subsidies, the SPV is able to raise extra financing, either through subordinated debt from the project participants or senior secured debt from the capital markets or from banks (ESCAP, 2008; Yescombe, 2007; FEMIP, 2011).
All contractual agreements between the various parties are negotiated between themselves and the SPV. The agreement sets out the basis on which the company is established, giving such details as its name, ownership structure, management control and corporate matters, authorised share capital and the extent of the liabilities of its members (ESCAP, 2008). An SPV can take the form of a corporation, trust, partnership, or a limited liability company. The SPV may be a subsidiary of the sponsoring firm, or it may be an orphan SPV, one that is not consolidated with the sponsoring firm for tax, accounting, or legal purposes (or may be consolidated for some purposes but not others) (Gorton and Souleles, 2007).

As shown in Figure 13, the SPV lies at the centre of all contractual and financial relationships (Yescombe, 2007). This includes the procuring authority (the local, state and national governments) as well as institutional investors, development finance institutions, and local and private sector investors. The SPV is responsible for designing, constructing, and operating affordable housing projects.
central government), with beneficiaries of the affordable housing provided by the SPV, with design, construction and operations contractors as well as with the investors and financiers in the project. The project is intended to provide affordable housing to the beneficiaries, but the fundamental contracting parties are the SPV and the procuring authority, which enforces the PPP contract and represents the beneficiaries of the project. In this arrangement, the private sector consortium forms an SPV to develop, build, maintain, and operate affordable housing delivery for the contracted period. Within the PPP, it is the SPV that signs the contract with the government(s) and with subcontractors to deliver affordable housing (Witters, Marom, Kurt and Lucent, 2012).

There are two basic types of project finance: non-recourse finance and limited recourse project finance. Non-recourse project finance is an agreement where lenders look solely to the cash flows of a project to repay debt service. Lenders have no recourse against the participants in the sponsoring consortium; instead they must rely on the revenue generated by the project as the source of loan repayment. On the other side, limited recourse project finance permits creditors and investors some recourse to the sponsor. Lenders look mainly to the cash flows of the project to repay debt service but where, under certain conditions lenders may also have access to legal security for repayment (FEMIP, 2011; Yescombe, 2007) that is, the Federal Government providing irrevocable standing payment orders (ISPO) as shown in Figure 14. However, the actual structure of a PPP depends on the type of partnerships (Engel, Fischer and Galetovic, 2010). In such situation, lenders require a third party guarantee to the loan.

An SPV can raise financing for PPP investment in a variety of ways (an example of this is given in Figure 15. Where services are sold to the public, the private sector can go to the market using the projected income stream from a concession (e.g., rent revenue) as collateral. Where the government is the main purchaser of services, government is responsible for the payments related to the demand for services or, in most cases, service payments by the government (which are based on continuity of service supply, rather than on service demand) can be used for this purpose. The government may also make a direct contribution to project costs (in the form of equity, loans, or subsidies), or it can guarantee private sector borrowing (Hemming, 2006; Turley and Semple, 2013)

Desirability of the public sector obtaining major approvals, environmental assessment, land acquisition prior to PPP contract award to prevent unnecessary cost, delays, uncertainty and risks (unless these demonstratively are better managed by the private sector). Concession provisions are required which allow for government or an independent body
(NGO) oversight over various aspects of the contractual arrangement (which are of vital importance in protecting the public interest). Protecting the public interest also involves ensuring that developments will be maintained and operated to a high standard after construction (Molnar, 2003; ECMT, 2003; Sader, 2000).

Affordable housing projects have long gestation periods, and are often not financially viable on their own (UN-Habitat, 2005; Woetzel et al., 2014). A feasibility study may reveal that a project is not commercially viable or attractive to private investors but is economically and socially desirable from long-term considerations. In such a situation, various options can be considered for improving the project’s commercial viability and attractiveness. These options may include government intervention of various types and provision of incentives or subsidies. Government support is also well justified when a
project can generate substantial external benefits, which cannot be captured or priced by the project operator. Social welfare is improved by undertaking such projects with government support. Government support may also be crucial in the early years of PPP development in a country or in an untested PPP market (UNESCAP, 2011).

The government may also contribute to the long-term equity capital of the SPV in exchange of shares. In such a case, the SPV is established as a joint venture company between the public and private sectors and the government acquires equal rights and equivalent interests to the assets within the SPV as other private sector shareholders. Sometimes, governments want to ensure a continued interest in the management and operations of infrastructure assets such as a port or an airport particularly those which have strategic importance, or in assets that require significant financial contribution from the government. In such a case, a joint venture may be established, which is not the focus of this research (Tuteja, 2011; Yescombe, 2007).

**Establishment of Independent National Affordable Housing Commission (INAHC)**

This research proposes the establishment of the Independent National Affordable Housing Commission (INAHC) to co-ordinate the affordable housing delivery nationwide. The Commission will be responsible for procuring, regulating, directing and monitoring the affordable housing activities. There is a need to take a more long-term approach when it comes to the major investment decisions like housing so that governments will be held to account over the long-term, making decisions, and then staying with them. In order to ensure successive governments do continue with the implementation of the schemes, the following should be implemented:

- Set up an Independent National Affordable Housing Commission (INAHC) for regulation, allocation and monitoring of the scheme. This could guarantee continuity of the strategy.
- The independent body will regulate governments’ activities and protect the public interest to ensure that their objectives are achieved.
- Set out Local, State and National affordable housing Goals that Nigeria should achieve over the coming years, backed by a clear, costed and coherent plan.
- Introduce PPP-affordable housing legislation in Nigeria (This will require political will to facilitate.)

The objectives of the Independent National Affordable Housing Commission (INAHC) would be:
• Protect affordable housing assets

• Ensure affordable housing providers (SPV) are financially viable and properly governed

• Maintain confidence of lenders to invest into the housing sector

• Encourage and support increase in affordable housing delivery throughout the country

• Ensure beneficiaries are well protected and have opportunities to be involved in the management of their housing

• Ensure value for money in service delivery

**Initiator**

PPP is a specific form of public procurement and can encompass a wide range of ownership arrangements (Clayson and Taqi, 2011). Private sector involvement in affordable housing is an important part of the strategy to meet the needs and aspirations of working families in Nigeria. In the typical private sector consortium, the lead sponsor of the project company is usually a large construction contractor or engineering company. For housing projects the supporting firms will have specialised expertise in housing delivery and management, as well as project financing. The initiator role is to articulate the vision for an affordable housing delivery, conduct the land search, source all required expertise and negotiate with all key stakeholders in order to draw the partnership together and ensure the vision is retained throughout the process. The initiator will need to fund the initial stages prior to other partners/funder investing and production of the conceptual masterplan and outline business plan. Under this model, the INAHC puts together a package to provide affordable housing for the emerging middle class in Nigeria within guidelines set by the government.

**Financial Methods**

Current levels of foreign investment, international aid and government finance are clearly not meeting the current demand for housing (UN-Habitat, 2005; NHP, 2012). That is why private sector commitment will be required to co-finance and deliver the project. This represents a way to tap current healthy private sector balance sheets (Griffith and Jefferys, 2013). Overall, the aim is to provide affordable housing as a bankable product. Financing new affordable housing delivery need to employ variety of means in order to achieve
The achievement of this model could be based on significant levels of upfront financial assistance provided through these various means. The PPP approach to provide affordable housing is only as good as the tools and funding mechanisms that they have at their disposal (Pomeroy et al., 1998).

The SPV could borrow on its own account from institutional investors, and provide the channel for other investors and funders to be involved in affordable housing delivery. This provides a funding route that avoids the constraints on the borrowing of the local government themselves; however, it comes at a cost as banks and investors will place a higher risk premium on the project. However, Federal government guarantees could reduce the cost of using SPV, which raise debt off the balance sheet of local governments, and make their use viable for the funding of affordable housing delivery.

The Government could provide a housing grant for affordable housing provision. The key issue is to ensure that finances for the scheme are affordable and are justified economically by delivering sufficient economic returns and social benefits to offset their costs, irrespective of their accounting treatment (FEMIP, 2011). Therefore, the participation of the public sector in affordable housing delivery provides a necessary certainty to the financial viability of the project. It also serves as the necessary condition to attract the foreign capital to participate in financing of the project (Moszoro, 2010). The partnership should continue to search for new sources of financing, which could contribute to the effective PPP implementation of affordable housing delivery in Nigeria. Further local markets should be exploited as potential sources of affordable housing funding, not only to
increase financing availability and diversification, but to reduce currency risks associated with projects being funded with foreign-denominated debt when revenues are received in local currency (Scandizzo, 2007). Increasing the involvement of local banks and financial institutions in affordable housing delivery requires renewed effort to create new financial instruments and a favourable environment.

Government should continue to push for the reforms necessary to deepen local capital markets and increase the availability of long-term domestic capital. Pension funds are possible funding sources that have not been sufficiently tapped. Nigeria has over N4.6 trillion in pension funds, which yield predictable streams of income in the long-term that match their typical long-term liabilities. In addition, they hedge against inflation and are less volatile. Across the world, pension funds, insurance companies and private equity are playing an increasing role in infrastructure and housing finance (Sanusi, 2012). Diversification into longer-term assets tied to affordable housing investment cannot only contribute to financing needs but also helps alleviate the mismatch between pension portfolio investments and long-term obligations to pensioners.

**Government Guarantees**

If the government and the investors consider that the project is viable as a concession, but the lenders are not confident on the demand level, another cost-effective way of providing support to enable the project to proceed would be for the government to guarantee some of the debt. So long as a case can be made that such a guarantee is unlikely to be called upon, this may not have any effect on the public budget (Yescombe, 2007). This can also reduce the cost of borrowing to a level that makes development schemes viable. Guarantees are an advantageous way for the government to increase the number of affordable homes built without necessarily increasing the level of public sector net debt. In general, the guaranteed debt is recorded exclusively as the borrowing of the SPV.

Similarly, governments commonly grant revenue guarantees to concessionaires, especially when concessions last a fixed term. Guarantees are contingent subsidies (Engel, Fischer and Galetovic, 2014). In all such cases, the proportion of support needs to be carefully considered: it is obviously unreasonable for the government to guarantee 100% of revenues or customer usage, as this not only negates any real risk transfer but also removes the incentive on the part of an SPV to increase the numbers of customers (Yescombe, 2007). The guarantee is designed specifically to attract investment into affordable housing
delivery from investors who want a stable, long-term return on investment without exposure to residential property risk. This does not mean that the federal government would take all of the risk as risk sharing arrangements would be put in place. However, the housing industry according to Walley (2014) requires; sound macro policies guaranteeing low volatility, low inflation to promote longer-term finance, and lower interest rates – such an environment can do more to improve affordability than the largest subsidy schemes.

**Land**

According to (Alakeson, 2011), land is the single biggest cost of housing development and accounts for around 30 percent of total costs. The land ownership system acts as a deterrent to new house building in Nigeria. State governors allocate land for development through an opaque administrative mechanism, which is not responsive to demand (World Bank, 2009). Land costs are inevitably a key determinant in both shaping broader housing affordability constraints and the financial viability of the initiative. Nigeria’s current land market places major hindrances in the way of increasing affordable housing stock:-

- Not enough land is released
- Land is very expensive
- Land prices are highly volatile,
- Cumbersome land acquisition processes (World Bank, 2013)
- Faulty urban planning and by-laws (Mabogunje, 2011)
- Inefficient land records, resulting in litigation over land transactions (World Bank, 2013)
- Lack of political will to address land and land related issues.

All of these issues create risk for the development sector (Ouedraogo et al., 2006) and could raise the cost of new affordable housing, increase the risks of provision and decrease country ability to deliver new affordable housing. Nigeria will not deliver quality affordable housing if the task left purely to the private market. Any given plot of urban land that comes up for auction goes to the highest bidder, and that bid will reflect the value of high density commercial or luxury residential use. Housing for low-middle income households is unlikely to compete with the prices currently offered. Because of this, it is vital that Nigerian government take charge of land allocation and ensures that adequate urban land, or some portion of all urban land, is reserved for that purpose.
Releasing public land at no charge could be one way to help increase the short and longer term affordable housing delivery and can also be a way of taking a stake in an investment fund for the provision of affordable housing. The government also needs to put in place new structures to make land release more easily accessible. This release of land will lower input costs into the scheme and help overcome public sector finance hurdles. Ownership of the land can therefore represent a powerful basis for partnership in addition to the public sector being responsible for all planning approvals, construction permits and property registration. This could be attractive to investors as the relevant governmental body will be responsible for obtaining any authorisations and consents directly related to obtaining the land. With demand for homes so high the Government must release enough land to build several million new homes and therefore need to put in place new structures to make this easier. In order to have access to urban land, the local government will need to collaborate with state government in leasing urban lands while retaining the freehold.

Local Government contribution

The cost of housing delivery in Nigeria has made it difficult for Nigerian local governments to provide quality affordable housing for their citizens. The local authority(s) would be expected to make a small financial contribution to the partnership if such opportunity is available. The lack of financial resource and limitation on amount they could borrow has been effectively preventing all layers of government from responding to affordable housing needs... Local residents could also be offered opportunities to invest in the partnership, giving them a chance to share in the long-term economic growth of the area, and incentivising them to support its success rather than oppose development.

Infrastructure for affordable housing delivery

Having secured the land one of the key functions of the SPV would be to bring forward the enabling infrastructure, including road, drainage, water, electricity, gas, telecommunications, sewer, landscape and the like, and also enabling the provision of social infrastructure such as green spaces and sport facilities. There are three aspects to be addressed, namely planning, funding and delivery. Constructing and financing infrastructure brings its own set of challenges, and therefore delivering this requires a specific set of expertise. To recognise the additional stakeholders, expertise and financing requirements, a separate entity would be set up, which should also allow the project risk
for these assets to be ring-fenced. It is expected that most of the construction costs will be funded by debt.

** Provision of Raw Materials **

Choice of building materials can affect delivery costs. In India, for example, housing providers use bricks made from fly ash, a waste product from coal-fired power plants, to replace cement (Woetzel et al., 2014). UN-Habitat’s report on sustainable building materials provides a comprehensive overview of building materials for emerging market contexts. It emphasis on natural materials such as wood and straw based materials and earth and stone based materials as well as on recycled materials. Possibilities to use concrete in a more sustainable way are also considered (UN-Habitat, 2012). Governments should encourage innovation in sustainable and low-cost building materials and techniques for affordable housing delivery. Purchasing of material, equipment, and services for construction can be highly inefficient. Best practices in procurement involve selection of an appropriate purchasing strategy, commercial optimisation, and technical optimisation. Depending on the type of building material, these procurement excellence practices can cut costs by as much as 25 to 30 percent across key spending categories (Woetzel et al., 2014).

** Eligibility, Sale and Allocation **

This model would provide good quality rental homes within the reach of families on middle incomes while public sector will continue to build homes for social rent. At the end of the concession period, all the properties will be transferred into full ownership of the government. The new buildings will make an important contribution to closing the gap in housing supply in the country and help unlock jobs and promote growth and economic activity. This arrangement would give tenants a security and stability too often lacking in the private rented sector. The rent will depend on the design standard and the location of the homes as well as the profit agreed between public and private sector partners.

The housing standard requirements will be in accordance with specific design standards and criteria agreed to between the partners. The private sector in collaboration with local government under the supervision of INAHC will allocate houses by assessing the eligibility of the applicants based on specific criterion. However, the public sector will also participate in finding eligible beneficiaries for the houses.
7.4 Evaluation of PPP Model for Affordable Housing Delivery

Despite the increased attention on PPP for housing provision, the outcomes of PPP performance have rarely been empirically examined, because of the substantial difficulties associated with identifying and assessing the multiple and diverse interests involved (Callahan and Kloby, 2007, Provan, 2000, Weech-Maldonado et al., 2003). For example Peng and Kellogg (2003), explained that given the multifaceted objectives of many PPPs, performance is difficult to measure only by financial outcomes. Brinkerhoff (2002) also explained that the inability to articulate features of PPP and its contribution to performance has until now discouraged its effectiveness. Agranoff and McGuire (2003) argued “how do we know if a partnership is avoiding its responsibility if we do not know what the players are doing and how well they are doing it?” The most basic issues of PPP arrangements are bound up in the ability to assess effectiveness and then compare that effectiveness against some standard to which the partnership can be held accountable (Babiak, 2009). Therefore, evaluating the effectiveness of a PPP model for the provision of affordable housing is critical from the perspective of the organisations that make up the partnership and the beneficiaries (emerging middle class).

Once a model has been developed, evaluation criteria should be formulated. These should be used to measure the effectiveness of the model (IFAD, 2003, IFAD, 2009). Frisby et al., (2004) noted that the measures of partnership effectiveness are complex. One reasonable response to this difficulty is to track multiple dimensions of success. Connell et al., (1995), said that an ideal set of criteria should reflect the partnership objectives upon which, each criterion will be measured. A practicable set of distinct criteria has been selected that can adequately measure the PPP model’s success for affordable housing delivery. This is based on the evaluation criteria outlined in chapter 5. These evaluation criteria were selected on the basis that each criterion would have impacts on the ability to improve the supply of affordable housing effectively. The impact could be positive or negative, and could also be intentional or unintentional impact (Leach et al., 2002).

Below are the established evaluation criteria for the developed PPP Model on Affordable Housing Delivery. These are designed to assess the outcome of the PPP model on affordable housing delivery:
• **Relevance and Appropriateness**

The relevance factor determines whether the model can be implemented to meet Nigeria’s affordable housing needs. It assesses whether model objectives are focused on the right priorities when designed, and if it should be adjusted to suit changing circumstances during implementation. Appropriateness emphasises the extent to which the model is be tailored to local needs and the political environment, and compliments other initiatives in the country. It includes how well the affordable housing delivery model takes into account the economic, social, political and environmental context, thus contributing to cost-effectiveness.

• **Increase in supply**

The required outputs will need to be clearly specified in measurable terms in the PPP contract, which also includes an effective and clearly specified mechanism for monitoring and enforcing performance.

• **Affordability**

Housing affordability is an issue for most of Nigerian families, but accessing housing that is reasonably adequate in standard and location is of pressing concern for emerging middle class households. For these potential beneficiaries, housing must not cost so much that the household is unlikely to be able to meet other basic living costs.

• **Efficiency**

The housing is provided with the objective of long-term efficiency. This is achieved when affordable housing are developed and provided to beneficiaries at least cost. That is, the ability of the public and private sector collaborates to build and supply houses at an efficient cost. An affordable housing delivery outcome has allocative efficiency if the marginal benefit equals the marginal cost. This is the extent to which the model achieved, or is expected to achieve, benefits proportionate with inputs, based on economic and financial analysis or unit costs compared to alternative options and good practices. This will be assessed based on expert judgment or an economic feasibility study.

• **Effectiveness**

This is the extent to which, the affordable housing delivery model's major objectives are achieved at project completion, or are expected to be achieved. Some confusion may arise over the understanding of what project objectives are being assessed. Meanwhile the
affordable housing delivery model goal could be defined as a substantial increase in affordable housing provision. The effectiveness of the model is measured with respect to expectations of all key stakeholders regarding model impact on affordable housing delivery. An example of this would include meeting government objectives, and to be consistent with the housing sector’s strategy and relevant development plans.

- **Equity**

  Affordable housing delivery would improve horizontal equity by giving those occupying them a similar level of assistance. Public and Private sectors involved in implementation of this model would ensure those in need occupy the housing. This improves vertical equity by ensuring that affordable housing is not occupied by high income households who have the ability to own their houses. Equity relates to an individual’s ability to pay according to their capacity.

- **Residents experience on quality of affordable housing deliver**

  This criterion relates to the experience of the occupier, which directly correlates to the quality of affordable housing being provided and the associated services. Key to this are whether the needs of the residents are being met, and to what extent the environment has contributed to the residents’ quality of life experience. In addition to the quality of housing, there are a number of factors that play a critical role in influencing the experience of residents. E.g., the proximity of the housing to urban centres and job markets, proximity to transport links, community cohesion and crime rates, the social mix of the community and the provision of public amenities such as parks, clinics and schools.

- **Risk transfer**

  Risks associated with the design, construction, finance, operation and maintenance of the affordable housing should be transferred contractually to the party that is best able to manage them. This can be achieved by considering the effect and probability of these risks. Partnership should assess effect and probability as high, medium and low. These should be in line with the model’s objectives to determine which risks might affect the objectives of affordable housing delivery and being evaluated in line with legal requirements, costs and partners concerns.
• **Sustainability**

The possible continuation of net benefits from a partnership intervention beyond the phase of external funding support, it also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project’s life. Sustainability is assessed by reviewing the risks and uncertainties faced by a project, and whether adequate steps have been taken to avoid or mitigate these risks.

• **Promotion of Housing Innovation**

The extent to which Partnership intervention has: (i) introduced innovative approaches to increase affordable housing delivery; and (ii) the extent to which this approach is likely to be replicated and scaled up by government authorities and the private sector. Innovation in PPP is the development of an improved and cost effective affordable housing delivery model. This encompasses institutional approaches, as well as housing policies and partnerships. How partners directly support innovation and, together, facilitate its processes and promote its replication and scaling up.

• **Performance of partners (Both Public and Private Sectors)**

This criterion assesses the contribution of partners to the affordable housing delivery model’s design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner’s expected role and responsibility in the project life cycle.

• **Improvement in stakeholder’s capacity**

The last criterion of successful PPP on affordable housing delivery is the extent to which a partnership has improved its stakeholders’ capacity for achieving future, tangible accomplishments. Partnerships have the potential to promote greater knowledge, new interpersonal relationships, and mutual understanding, which are believed to be important ingredients for fruitful partnership.

**7.5 Public Private Partnership Affordable Housing Delivery Framework**

The analytical framework provided gives a practical tool to guide the Nigerian government and private sector alike in designing PPP for affordable housing delivery. This could help PPP players to identify the tools that are appropriate to the Nigerian environment, which could potentially, be the most effective for initiating change. Despite apparently
flourishing research on PPP arrangements, there has been a general lack of frameworks especially for affordable housing delivery. This research seeks to fill the gap by attempting to identify critical factors for an effective framework. PPP in Nigeria is a concept undergoing development but “inconsistencies on the part of government have given it a bad name” (Kehinde, 2014). This suggests that the development of PPP in Nigeria is still at an embryonic stage and that the public partners still have to improve their understanding and practice of how to engage with the private sector.

Much work has been done to understand the Nigerian housing systems, particularly to understand the public and private sectors’ responses to the affordable housing shortage. The premise is that in regularised systems the emerging middle class Nigerians have the best prospects of having access to decent and affordable housing. The PPP framework developed in this thesis is based on five parts as shown in Figure 16: capacity development, the operating environment, project development, project financing and Government commitment. This can be used to support PPP for affordable housing delivery in Nigeria. After examining the constraints in chapter 6, it was possible to develop a framework of PPPs for affordable housing delivery in Nigeria.

7.5.1 The Need for PPP Framework for Affordable Housing Delivery

A PPP framework is the combination of policies and laws that define how and when PPPs can be used to deliver public services. It includes the institutional responsibilities, rules and procedures for developing and implementing PPPs (PPIAF, 2012). The aims of such frameworks typically include promoting the use of PPPs and to improve execution of PPP projects (Ibid). The rationale for this section is to develop a PPP framework for effective implementation of affordable housing delivery. The framework highlights the factors and constraints that could hinder the successful implementation of affordable housing delivery in Nigeria, and includes recommendations for improving the implementation. Moreover, the framework identifies the key elements and their roles in the provision of affordable housing. The development of the framework is based on findings from the extant review of literature and the empirical data (Chapter 5 and 6). This section helps to finalise the achievement of the aim and objectives of this research.

There is evidence that PPP affordable housing delivery has some issues relating to operating environment, inadequate funding, lack of capacity development and inadequate government commitment, hence the need to adopt effective approaches for its implementation. In response to this, a framework for implementing PPP affordable housing
delivery has been developed in this study so as to guide stakeholders in their activities to meet affordable housing needs in Nigeria. For the framework to succeed there is need for the government to create an enabling environment in the form of good governance, an effective legal framework and efficient administrative structure. This will promote sustainability activities of other stakeholders and help to meet affordable housing needs. Stakeholders in the housing sector also need to be proactive, maintain a good relationship and communicate effectively with each other in order to enhance the effectiveness of the framework.

Figure 16 presents the framework for implementing PPP affordable housing delivery. The framework consists of five main component areas to achieve adequate affordable housing delivery. Discussions about each section of the framework are given in the following sections.

**Figure 16: PPP Affordable Housing Delivery Framework**

- **Capacity Development**
  
  Capacity development and training for public sector officials, agencies, and decision makers in housing sector as explained in the thesis will be needed for effective PPP arrangement. This is one of the problems that are unique to the Nigerian public sector. They lack capacity to lead or even understand the need to provide appropriate incentives
for PPP activities (Gidado, 2010). Capacity development will help the public sector in Nigeria adapt to its new role in the PPP arrangement. The challenge is to continually develop public institutions, procedures, and processes for effective delivery of affordable housing through PPP. Public sector officials will also need capacity development to effectively manage the partnership. Access to high-quality experts and advisors with PPP transaction skills is particularly important (ADB, 2012).

Despite promises to facilitating PPP, Nigerian governments (at Federal and State level) have shown lack of experience and have repeatedly breached signed agreements. The Lagos government’s PPP programme suffered a remarkable set back when the government announced, in 2013, its intention to “buy-back its rights pertaining to the concession” (Lagos-State-Government, 2013) of what was generally referred to as the state’s flagship PPP project – the Lekki-Epe Road Concession. Lagos State however, was not alone in varying the rights of the parties in a negotiated agreement. The Federal Government terminated concessions relating to airport services (Akanbi and Eze, 2012) and road construction (Bello, 2012). The wave of breaches in the terms of PPP agreements, including the terminations of concessions has significantly rolled back the progress that Nigeria had made concerning PPP. It has also exposed the weakness of the regulators, as well as of the ICRC. Although several attempts have been made in recent years by governments at both federal and state levels to rekindle investor confidence as well as public hope in PPPs, some governments' actions have generated a high level of sensitivity towards PPPs.

Governments need, however, sufficient capacity to undertake analyses and road maps for provision of affordable housing through PPP and this has to be in line with the overall policy and development framework of the country. Relevant agencies should be able to clearly communicate the strategic rationale for the project; whether the project is affordable; whether the project is bankable; and whether the government agency has the right resources, skills, and organisation to manage the procurement process.

- Operating Environment

Some projects have been embarked upon in Nigeria without overarching enabling environment developments. PPPs are complex and a number of preconditions are required to assure PPP projects are successfully realised. The lack of frameworks to facilitate PPPs in Nigeria or the lack of appropriate frameworks founded on practical principles is often a
major reason the private sector is hesitant to enter into a PPP. Interviewees identified the key factors that could facilitate the establishment and implementation of PPP for affordable housing delivery in Nigeria. Measures such as strong legal and regulatory framework, transparency, capacity building, and good governance must be feasible in any PPP operation (detail discussed in Chapter 5.5).

Establishing a housing market for PPPs demands a favourable environment to ensure that private partners can operate with a (low) level of production costs and a reduction in public sector restraints (Yang et al., 2013). The operating environment is composed of some essential elements. Primarily is the presence of laws as the “rules of the game.” As Jamali (2004) reveals, laws provide assurance to private partners for safeguarding their interests and alleviating risk. A sound legal system also assists in ensuring the efficient operation of partnerships in accordance with broader policy objectives (Zouggari, 2003); in contrast, in the absence of the rule of law, insolvable disputes are inevitable, frequent, and painful for private partners (Grimsey and Lewis 2004). In Nigeria, despite a huge potential for private participation in the financing and operation of housing delivery, the application of public private partnership has been slow and inadequate. In addition, chapter 5.4 emphasises the importance of a sound rule-in-use to provide a fair and transparent operating environment and a strong administrative structure to steer and guide PPP for affordable housing delivery in Nigeria.

Considering international best practices, the Nigeria legal framework for PPPs presents some deficiencies. Although certain requirements for the procurement process for PPPs and for the contents of the PPP agreement are set out in the ICRC Act, but the approval of PPPs at the Federal level depends solely on the decision of the Federal Executive Council. For instance, Under the ICRC Act, the formal role of the Commission (essentially to monitor performance) begins only after the concession agreement has been signed (ICRC, 2005). However, ensuring that the terms of the contract are complied with is not likely to be sufficient to prevent poor projects and abuses if the ICRC is not involved in approving the terms themselves or the manner of selection of the concessionaire. Until this gap in the Act has been addressed it can be said that the legal framework for PPP in Nigeria is ineffective. Robust laws governing PPPs are central to the elimination of constraints (Discussed in chapter 6) that might make it difficult for a public and private sector to willingly enter into a PPP arrangement. Regulatory framework is to ensure that the PPP arrangement is prepared and implemented in a way that best serves the public interest. This
is to avoid financial, legal and operation mistakes, which means that any mistakes made by the partnership in preparing and creating the PPP arrangement could have a substantial negative impact for years to come.

The research stated that PPPs would not function in the absence of good governance. Good governance requires strong public sector with administrative capacity and governments capable of making credible policy commitments. The effectiveness and consequences of PPPs are conditioned by the institutional capacity of any country. All private sector companies, not only on housing, face a dilemma if there is uncertainty and unpredictability about future government policies and lack of credibility of policy statements or the ability to implement project successfully. The logic and propositions developed in this research produce a practical framework for assessing Nigeria situation in terms of its governance and institutional capacity to absorb private sector investments in affordable housing delivery in Nigeria.

Another element is the presence of anticorruption mechanisms (Chapter 6.2.11). Corruption frequently occurs in PPPs in which the government supervision agency or its affiliate is also a partner (investor or party of interest) in the project (Transparency International, 2009). Anticorruption measures fall into numerous categories. Examples include the improvement of openness, fairness, good communication strategy and transparency in the bidding process; the enforcement of the supervision of operation; and the strengthening of performance, evaluation, and auditing. Therefore, the ability of governments to prevent, control, and eliminate corruption is crucial in safeguarding PPP market in Nigeria. Partnership must have accountability mechanisms, and disciplinary bodies that actively investigate and take action against partners who have infringed upon the rules (Details are explained in chapter 6)

An effective Framework can serve as a strong statement, underpinning the government’s commitment to private sector participation in affordable housing delivery. The entire PPP framework hinges on the principles of achieving better value and affordable services. An appropriate framework is a prerequisite to creating an environment that fosters private investment in affordable housing and where it is in place, it is important to ensure that the law is sufficiently flexible and responsive to keep pace with the developments in various implementing sectors (UNCITRAL, 2001). For a regulatory process to be credible, it must be transparent and objective. Rules and procedures must be coherent and objective for the purposes of fairness, impartiality and prompt action from the regulatory body concerned.
With the right legal and regulatory environment, the private sector appetite for private investment will increase and the required financial resources to increase affordable housing delivery will be made available.

- **Project Development**

Interviewees believed that financial planning and adequate project preparation is a key component of any successful partnership. Better planning and project preparation lead to better, more efficient projects at implementation. The failure of Nigeria to close on a meaningful volume of PPP transactions to date, or subsequent delays, underperformance, and/or cancellation of PPP projects that do progress, can be directly attributed to lack of sufficient project preparation (NHP, 2012).

Government would need support in developing a credible and recognised advisory capability to cover economic, fiscal, and contractual structuring; risk allocation; and project financing to develop PPP for affordable housing delivery. ICRC in Nigeria should be in position to assist governments as a neutral moderator in negotiating the requirements of the public sector with the private sector willing to collaborate on a project as mentioned earlier but reverse is the case. ICRC ideally should have the resources to support public sector in their PPP efforts and a deep understanding of affordable housing delivery and a well-informed understanding of the issues and investment criteria. With adequate skills, resources, and knowledge the ICRC could help government develop PPP initiatives. The missing link required enabling a flow of well-prepared and structured projects, capable of being externally financed PPP for affordable housing needs in Nigeria is the presence of good advisers.

To determine if affordable housing delivery is appropriate for a PPP, an objective assessment is fundamentals to determine the extent to which private sector involvement can be achieved or whether the project is best suited for public sector implementation. This could be achieved using value-for-money (VFM) analysis through the filter of public sector comparators (PSCs). These same tools can be used to test the PPP project design to assure principles of value and affordability are achieved throughout the structuring process, thus reinforcing confidence of the public sector and other keys stakeholders (ADB, 2012).

To combat weakness in project preparation ahead of bidding, the Nigerian government needs to have access to appropriate skill sets to achieve proper project development. Often,
such resources require external professional services to, for instance, conduct preliminary designs, develop technical and operating criteria, create preliminary financing structures and undertake exploratory discussions with financing parties, and apply legal services to prepare project contracts and bidding documents. However, their omission from project preparation undermines the likelihood of project success as a PPP.

- **Project Financing**

The financing arrangements specify who pays for affordable housing delivery and how. Conceptualising new financing arrangements is the first step in a partnership because no PPP will be sustainable unless it can pay for the investments over the long term, not just for construction but also for operation and maintenance. While financing may come from several sources – public sector, international organisations and institutional investors, the financing arrangements are more likely to be sustainable if three principles are followed, fiscal equivalence, administrative simplicity, and special accounts (Gerrard and Polski, 1998, Ostrom, 2011). According to them, fiscal equivalence holds that those who benefit from affordable housing provision should be the burden of financing it. While administrative simplicity is an important component in optimising project delivery and special account is a different account from the sponsors account.

The PPP approach to provide affordable housing is only as good as the tools and funding mechanisms that they have at their disposal (Pomeroy et al., 1998). The affordable housing development include direct financing, guarantees, loan and/or guarantee syndications, more judicious and innovative use of limited ordinary capital resources funds and innovative new financial instruments. Because of the government-limited resource, the use of co-financing, commercial financing (supported by guarantees, where appropriate or necessary), International finance aid, and specialised development finance institution to leverage its resource.

The National Housing Investment Bank (NHIIB) could be set up as a public organisation, to loan to the providers of affordable housing. This idea is not new - the Dutch Bank Nederlandse Gemeenten (or BNG) is a well-established, specialised lender serving local and regional authorities as well as housing, utilities, healthcare, welfare and educational institutions. This business model provides the basis of how a dedicated bank could work in Nigeria. Ownership of BNG is restricted to the Dutch public sector: the Dutch State’s shareholding is 50% with the remainder held by Dutch local authorities and one water
board. Being a specialist lender to the public sector helps to minimise the costs of providing social services to the public (Chaloner and Pragnell, 2014).

A similar structure could be set up in Nigeria, with ownership of the bank exclusively in the hands of the federal government, shared with local authorities or as a not-for-profit vehicle. The bank would need to raise finance so that it could extend loans to the SPV for affordable housing delivery and other providers of new affordable housing. This could come from issuing bonds to the capital markets, as is the case with BNG, and the bank could also use special savings accounts (housing ISAs) to raise finance from retail deposits, as in the French livrét A scheme (Chaloner and Pragnell, 2014). The funds collected from ISAs and other sources will be lent out as low cost long term loans to affordable housing providers. The Bank could be a new institution, or part of an existing institution such as Mortgage Bank of Nigeria and Nigeria Mortgage Refinance Company.

- **Government Commitment**

The research has shown that overall public sector performance on affordable housing delivery has been deficient. It is therefore apparent that the public sector has an inherent incapacity to provide appropriate affordable housing (See Chapter 5.6). Redefining the role and responsibilities of the government in affordable housing delivery is critical. The public sector, whether it involves as a partner or regulator, must possess the appropriate aptitude in terms of expertise, knowledge, and information, as well as the means to acquire the appropriate aptitudes if it does not yet possess them. One crucial feature on the government side is its credibility as a basis for attracting private investment. To facilitate smooth PPP affordable housing delivery, Nigerian government must demonstrate credibility as a responsive and responsible party in all contractual relations. Among them are political checks and balances, an independent juridical system, and independent regulation. A lack of government credibility is prevalent in Nigeria. With changes in government, new officials may eagerly seek ways to terminate contracts that they believe to be unfair or unreasonable.

A successful PPP requires a strong central administration structure to steer and guide policy implementation (Jamali, 2004). Managerial and administrative problems represent risks for private sector that wish to invest in affordable housing. In any PPP project, it may be clear which of the multifarious government departments/agencies has the authority to negotiate and sign a contract and whether a promise from an appointed government
representative is enforceable and reliable. To resolve this constraint, partnership needs moral, effective leadership, collaborating and communicating across boundaries – private sector (profit and non-profit) and political leaders all have a role to play (Gergen, 2015). Other benefits identified to facilitate adequate affordable housing delivery are a global interdisciplinary perspective; empirical planning; strong communication skills; a prioritisation of social justice and well-being over financial growth; empathy and courage. Ultimately, these leadership qualities have to be cultivated. Training, coaching and mentoring are also the best way to develop tomorrow’s leaders (Shahid, 2015).

7.6 Conclusions

This model is about more than just funding: It is about empowering the local areas to take a strong strategic leadership role in planning, funding and delivering affordable housing at the right local level. There are a number of PPP models characterised by joint working and risk sharing between the public and private sectors (HM Treasury, 2012). Well-formed partnerships with the private sector can deliver clear benefits: in driving forward efficiencies, getting projects built to time and to budget; and in creating the correct disciplines and incentives on the private sector to manage risk effectively (HM Treasury, 2012). The successful implementation of this model could be attributed to the environment of the partnership. The partnership agreement should clearly define the role of each partner in the scheme. Therefore, a cohesive team with diverse skills and experience can enable a partnership to achieve more than one partner might on its own.

The rigidity in the current land tenure system in Nigeria has worsened the housing shortage. A recent international review of land supply conducted by the Cambridge Centre for Housing and Planning Research suggested that successful countries are much more proactive in the land market (Monk et al., 2013). In order for Nigeria to increase its level of affordable housing delivery and to build an effective partnership in the housing sector, the country needs to consider carefully its land market.

The model reveals that the private sector has a key role to play. They have invaluable expertise in such areas as construction, design, finance, land development, marketing and property management. Furthermore, it has the unique ability to raise support for affordable housing delivery, leverage needed resources and better manage risk. Good example of PPP for the provision of housing is Regent Park, in Canada which shows how a public sector that lacks resources to develop a site can invite the private sector to raise the necessary
capital to help with the design, construction and management of the project and bring in vital marketing skills to re-brand a highly stigmatised low-income community (Moskalyk, 2008).

The U.S. experience also shows that affordable housing can be provided through PPP. However, this experience is based on significant levels of upfront public financial assistance provided through various grant and tax credit programs. These subsidies, combined with policy support, had leveraged additional private sector financing in support of the goal of providing affordable housing. Over time, the system has grown and built on itself and now produces almost 100,000 units of affordable housing annually (Pomeroy et al., 1998). The U.S. experience clearly suggests that some level of funding from government is a critical prerequisite to encourage and stimulate financial support from other sources and to stimulate the creation of mechanisms that can act to stretch limited public investment further.

It is worth noting that the existence of strong public and private leaders with vision and credibility is an imperative prerequisite to the success of an affordable housing delivery. The leadership role is not simply about resource commitments but rather reflects the organisation’s ability to involve the participation or support of other key stakeholders (Moskalyk, 2008). Leadership is also important because there is currently limited experience in the development of PPP for affordable housing in Nigeria. This means that the private sector is dealing with an unfamiliar market. While in theory, there is great potential for success in this market sector, the uncertainty of it could increases the risk for the private investor. Furthermore, private sector interests though inevitable should not be driven alone by a direct return on their investment but by greater economic goals to help restore and re-energise the country-housing sector. However, the model represents a refreshing departure from the traditional Nigerian experience.

The government must also establish clear regulatory frameworks and implement appropriate subsidy mechanisms. The creation of a regulatory framework alone, however, does not necessarily guarantee effective regulation. As all local governments are different, the public and private sectors will face a steep learning curve as they try to define and regulate their relationships with each other and their roles in providing affordable housing. In particular, the public sector needs to define a clear allocation of responsibilities between the national and state governments, and a clear statement of its role as a regulator.
The financing arrangements specify who pays for affordable housing delivery and how. Conceptualising new financing arrangements is the first step in a partnership because no PPP will be sustainable unless it can pay for the investments over the long term, not just for construction but also for operation and maintenance. While financing may come from several sources – public sector, international organisations and institutional investors, the financing arrangements are more likely to be sustainable if three principles are followed: fiscal equivalence, administrative simplicity, and special accounts. That is, people’s financial contributions should correspond as closely as possible to the benefits that they receive (re-distributional equity goals however, may temper this objective, and the result is the provision of affordable housing that benefit emerging middle class Nigerians), their contributions should be collected in the simplest possible way, and the proceeds should be deposited into a special account that is used only for the service in question (Gerrard and Polski, 1998, Ostrom, 2011).

For a partnership to be successful, it needs to establish metrics for success, be able to quantify and track its accomplishments, and spot and address emerging problems. Each PPP should be accompanied by a well-designed, rigorous evaluation. Whilst a wide range of PPPs exists around the world, there is a lack of rigorous evidence on the impact of these programs (World Bank 2006). Two questions are essential in the evaluation of partnerships: how is effectiveness defined for the organisations involved, and what are the criteria for the evaluation of their effectiveness. It is only by identifying these criteria that performance measurement can ultimately be carried out (Atkinson and Maxwell, 2007). Evaluation has a crucial role in assessing whether strategies have actually met their intended objectives. This model must has evaluation of its effectiveness built in from the start; it must be reviewed regularly to ensure that it is still delivering the desired outcome; and the lessons learned from evaluation must be available and accessible to all stakeholders.

This model could be useful to government bodies, investors, housing developers and professionals in relation to the public private partnership in the housing sector. For successful implementation, there is need for deep understanding of the issues related to affordable housing delivery and PPP strategy. Therefore, evaluation criteria explained above is intended to determine whether the model could have the desired effects on emerging middle class households, and institutions involved. These could also explore unintended consequences, whether positive or negative, on beneficiaries. Of particular
interest for this research is the extent to which PPP model for affordable housing delivery could contribute to the housing provision in Nigeria.

The overall development aim of this research is to develop a PPP affordable housing delivery framework. There are five components to achieve this: The first component will provide capacity development to government institutions in the area of PPP for affordable housing delivery. The second component is the promotion operating environment such as well as legal/ regulatory reform. The third component is project preparation to help develop viable PPP arrangements in Nigeria. The fourth component is the project financing, this involves innovative financing methods and the fifth is the government commitment to in the area of administration, structure and leadership as shown in figure 16.
CHAPTER EIGHT

CONCLUSION AND RECOMMENDATIONS

8.1 Introduction
The importance of any research study should be reflected in the conclusions and recommendations it makes, and these must be considered in terms of the research aim identified at the start of the study. The purpose of this last chapter is therefore to draw the study to its end by presenting conclusions and recommendations resulting from both the literature review and the empirical research findings concerning the provision of affordable housing in Nigeria, through public private partnership.

The research was set out to develop a framework for the use of PPP to enhance the provision of affordable housing in Nigeria. The study has identified factors that could facilitate the establishment, performance and success of PPP as a mechanism for affordable housing delivery. The study also sought to identify issues, problems and constraints that could be hindering the performance and success of using PPP for affordable housing delivery in Nigeria. As a first step in researching PPP for affordable housing delivery, a comprehensive literature review was undertaken. Literature findings have revealed the need for adequate affordable housing provision for the emerging middle-class, and also shown that this could not be met by using current approaches due to poor understanding of the problem situation.

Below are the summations on how the aim and objectives are achieved.

8.2 Work Accomplished

The research aim is to develop a framework for the use of Public Private Partnership to enhance the provision of affordable housing in Nigeria. In order to achieve the aim, the research sought to address the following objectives:

1. Critically evaluate the current state of affordable housing provision in Nigeria
2. Identify the rationale, features and mechanisms of the PPP arrangements for provision of affordable housing in Nigeria.
3. Identify the main constraints in establishing PPP for the provision of affordable housing in Nigeria
4. Establish mitigating strategies to overcome the constraints to make the PPP more effective for the provision of affordable housing.

5. Develop a model for the effective application of PPP for the provision of affordable housing to the emerging middle-class and make recommendations for implementation.

Objective One

The Nigerian government’s ability to tackle affordable housing shortage has been limited by a host of issues and problems. The study highlights some of these problems (Figure 8) and underlying factors that could enhance housing delivery in Nigeria. It is important to specify these problems because they could have significant implications for affordable housing PPP strategy, as they critical to the policy-making. The provision of affordable housing requires a certain minimum scale, adequate investment capital and particular sets of institutional arrangements to be politically and economically viable. It is widely believed that these conditions are not met in developing countries (Jamali, 2004, Jütting, 1999). A growing body of research and practical experience suggests however, that participatory institutional arrangements can provide a basis to meet these conditions where they might not otherwise be met (Gerrard and Polski, 1998, Polski and Ostrom, 1999).

The problems identified in current affordable housing provision in Nigeria depict quite a lot about which resources, capabilities, and coordination mechanisms are required to effectively implement housing strategy. A successful partnership between the public and private sectors could help considerably in creating an effective strategy to mitigate the affordable housing delivery problems in Nigeria.

Objective Two

The key two rationales for the use of PPP may be identified as a macro-economic argument that the use of private finance enables investment that the government could not otherwise afford, and a micro-economic argument that the involvement of the private sector introduces to a sometimes overly bureaucratic public sector a range of efficient management practices and techniques which should increase value for money (Demirag et al., 2010). This explains that the rationale for using PPP is both the macro-economic need for finance, and expectations that this finance will generate other micro level benefits. By adopting the PPP approach, the government can make the best use of the private sectors’
resources in funding public projects to meet the needs of public services and facilities in the community.

Moreover, the principal policy imperative of any government seeking PPP is the increasing emphasis on improving the efficiency and quality of public services and the most important driver for PPP development is the increasing recognition of the role the private sector can play in achieving these objectives of improved quantity and quality of public services. PPP offers an opportunity to capture private sector efficiencies and introduce appropriate risk sharing mechanisms between the public and private sector (EIB, 2004). Achieving these could encourage many governments, as well as the Nigerian government, to involve the private sector in affordable housing delivery in Nigeria.

An effective PPP should have unique and autonomous features to help establish its identity. The PPP system in any country should have a certain degree of autonomy, that is, freedom from political interference. PPP is formed through the coming together of different organisations whose institutional values differ from each other considerably. This makes it extremely difficult to classify the features of the PPP as an affordable housing delivery mechanism into a common framework. This objective, discusses some basic features for effective partnership identified from the interviewees (Figure 9). The lists of relevant features of PPP for affordable housing delivery in Nigeria identified during the semi-structured interviews are shown under section 5.4.

**Objectives Three and Four**

Chapter 6 examined the constraints and mitigating strategies to overcome them. One of the fundamental purposes of any government is to improve the quality of life of its citizens through the provision of suitable and affordable housing. The government in Nigeria is however often under a series of severe constraints for a number of apparent reasons, such as lack of technical, legal and financial resources. Furthermore, the limited resources available in the country are not efficiently utilised. The government wants to be involved in too many activities yet, not in an effective and adequate manner. A change in the way government business is being conducted is therefore perhaps appropriate. In addition, the Nigerian government has not been responsive to the affordable housing needs of the people and the private sector (that has the resources that can be harnessed to complement those of the public sector in the provision of affordable housing) is not doing enough, perhaps, due to lack of a conducive business environment in the housing sector.
In terms of partnership between the private and public sectors, the lack of transparency and corruption make it hard for the private sector to make commitments and undermines the credibility of Nigeria’s PPP process. The Public sector often lacks the right set of skills. PPPs are a set of complex arrangements, requiring specialised skills in structuring transactions, financial analysis and projection, legal expertise and more. The public sector often lacks the project finance skills to develop pre-feasibility studies, to allocate risks efficiently, to structure the PPP, and to interact and negotiate with private investors. PPP projects that have not been established well have resulted in cancellation and renegotiation of the project. A difficult land acquisition process has been another serious stumbling block. Land acquisition is a major challenge in any affordable housing provision and has crippled several initiatives/programmes with the land costing up to 30 percent of the total housing investment. An effective partnership between the public and private sectors can enable these constraints can be overcome.

This research has highlighted a number of issues in addressing PPP as a mechanism for affordable housing delivery. These indicate a need to develop an action-oriented strategy that public sector and private sector could implement to increase affordable housing delivery in a supportive and complementary manner. A successful partnership depends on strong leadership, good communication strategy and adequate planning; these are the basis for effective partnership. Well-designed, comprehensive plans that are part of a wider national strategy, as well as transparent and competitive procurement and balanced risk allocation are all crucial factors for a successful PPP programme (FEMIP, 2011). Building trust amongst partners was found to be the vital foundation for successful design and implementation. This trust requires underpinning through good governance, especially a strong regulatory framework, efficient and effective monitoring and evaluation processes, transparency and accountability to combat corruption and the elimination of political interference in programme operations.

This research also highlights the importance of transparency in the competitive bid process. Non-competitive procedures are often appealing, either for the public sector looking to move quickly or for private sector looking to gain the advantage. However, PPP contracts for affordable housing delivery and any other PPP projects will require a strong transparency and competitive bid processes in order to ensure they provide value for money. Planning for ongoing monitoring and review is essential – the public sector needs to have the capacity to monitor and manage the process, ensuring compliance and
resolving disputes when they arise. They also need to contemplate the possibility of renegotiation as the situation changes over the years of the PPP arrangement. Together, these important elements provide a practical and powerful framework for effective public private partnership.

**Objective Five**

Chapter 7 examined the model for PPP affordable housing delivery in Nigeria. The model is developed to facilitate and stimulate the affordable homes in Nigeria. As shown in Figure 13, the SPV lies at the centre of all contractual and financial relationships. The project is intended to provide affordable housing to the beneficiaries, but the fundamental contracting parties are the SPV and the procuring authority, which enforces the PPP contract and represents the beneficiaries of the project.

This model describes a number of financial methods (Figure 15) and other requirements that can help design a better and more innovative PPP model. This research examines the best possible way to create the new and functional model to create value for beneficiaries. For successful implementation of this model, factors, such as the legal environment, good governance, good leadership and more should be put in place. Once implemented, this model’s success can be tied to a basic set of operating rules. Rules provide a clearer sense of the partnership’s value proposition and are a source of guidance regarding actions that might compromise the outcomes.

This is a development model that will see the Nigerian government enter the build to let market. These will be targeted at people on middle incomes by charging below-market rents. The government will donate plots of land for the development. At the end of the concession period, all the properties will be transferred into full ownership of the government. The new buildings will make an important contribution to closing the gap in housing supply in the country and help unlock jobs growth and economic activity.

The problem of affordable housing in Nigeria is dynamic, and requires the government to be equally dynamic in their development and adaptation of solutions. The government has limited power to address the problem on its own – both the scale and speed of urbanisation are too much for any one sector. Instead, government could dramatically increase their effectiveness by harnessing the creativity and resources of the private sector. To do so, the government in Nigeria should consider using the model examined in this research that not only makes the financing and construction of affordable housing an attractive proposition
for the private sector, but could also make private sector institutions compete to win contracts.

The emerging middle class should be able to buy or rent a home at a price they can afford. If Nigeria can solve the dysfunctions at the heart of its housing system, it can create a market that builds enough homes, at reasonable prices. The good news is that this has already been achieved in comparable countries that have intervened to create more stable affordable housing and land markets, and in doing so have transformed the quality and quantity of their affordable housing stock (Hall and Falk, 2013).

For the PPP model to have maximum impact, the Nigerian government needs to focus on driving change at the national and state levels, bringing PPPs into the mainstream and explicitly supporting private sector involvement in affordable housing delivery. A stronger and centralised body should be established to support PPP particularly in affordable housing delivery. The research has proposed the National Independent Affordable Housing Commission (NIAHC) to coordinate the affordable housing delivery in Nigeria.

**Aim**

The research has revealed in chapter 5 and 6 issues, problems, factors and constraints relating to PPP as a mechanism for affordable housing delivery in Nigeria prompting the need to adopt effective approaches for implementing PPP affordable housing delivery. In response to this, a framework for implementing PPP on affordable housing delivery has been developed in this study so as to guide PPP partners in their activities for meeting affordable housing needs in Nigeria. For the in PPP affordable housing to succeed there is need for the government to create an enabling environment in the form of good governance, a strong legal and regulatory framework and efficient administrative structure (Figure 16). This could help to meet affordable housing needs. PPP partners in affordable housing delivery also need to be upbeat and maintain a good relationship and communicate effectively with each other in order to enhance the effectiveness of the framework.

Moreover, an effective PPP needs to secure political support, that is, projects of this magnitude require strong government backing, to improve on the existing housing strategy. Another important element is to foster a stable and supportive regulatory environment. The regulatory environment does not need to be flawless but robust enough to facilitate the private sector participation. Securing the right mix of local and international experts could also be an important element for an effective PPP for affordable housing delivery.
The framework developed gives a useful tool to guide the public sector and private sector in establishing and implementation of PPP on affordable housing delivery. The PPP framework developed in this thesis is based on five components: capacity development, the operating environment, project development, project financing and Government commitment. This can be used to facilitate PPP for affordable housing delivery in Nigeria. The task ahead is to try to build these desirable qualities into PPP for affordable housing delivery and to continue evaluate operational PPP processes to improve the outcomes that could be achieved by this mechanism for affordable housing delivery in Nigeria.

8.3 Conclusion

Most developed and developing countries, and international organisations such as the World Bank and UN-Habitat, see significant potential for the use of PPPs to help overcome inadequate infrastructure and housing; however, designing and implementing PPPs remains a challenge. PPPs have been widely used around the world for different purposes and in different sectors; but its definitions have considerably varied. This research looked at three broad arrangements in the definitions of PPPs. These are; as tools of financial arrangement; as tools of governance and management and as tools of the development process. Key reasons have been identified for the need for PPP on affordable housing delivery in Nigeria; government failure to meet the increasing needs and demands of citizens for affordable housing and the inadequacy of government resources. In addition, bureaucratic dysfunctions in Nigeria and lack of sufficient experience have further boosted the need for PPP on affordable housing delivery.

While Nigeria has its own challenges and unique circumstances, it is established here that an absence of effective delivery mechanisms have been a major issue. It could be argued that delivery of affordable housing can be improved by means of applying PPP as mechanism for its delivery. There has been a great push to involve the private sector in the housing provision. Such an idea has the fundamental premise that the participation of the private sector leads to greater effectiveness and efficiency in the provision of housing (Werna, 1999). It has however been discussed here that such a premise still needs to be meticulously proven.

In order to analyse the potential for using PPP in the delivery of affordable housing in Nigeria, the research used the IAD framework to generate the questions that need to be addressed when conducting a PPP analysis for affordable housing delivery. Careful
analysis of the IAD framework shows that strong policies on housing may be well-defined only if the various components of the framework are considered. Sound policy analysis is also essential to determine how PPP can perform best in a Nigerian situation. Therefore, the research used IAD framework to consider important factors that could affect the establishment, performance and success of using PPP in Nigeria. Through the IAD framework, the research has highlighted critical institutional factors that could either facilitate or hinder the implementation of PPP.

Research also provides insight into the potential evaluation of partnerships by exploring the criteria by which to assess effectiveness. This understanding may ultimately lead to the significant improvements in the collaborative delivery of affordable housing. Organisations enter into partnerships for multiple reasons: to meet specific objectives such as improved efficiency or increased stability, to gain power or control over other organisations (Babiak, 2009). For partnership to prosper and achieve these objectives, any partnership must establish metrics for success, be able to quantify and track their accomplishments, and spot and address emerging problems.

This study draws together important issues raised in the literature and the empirical findings from the interviews, that there is a potential for successful PPP for the provision of affordable housing in Nigeria; though it is currently limited by some local constraints. Against this background, and in order to reduce affordable housing deficit in Nigeria, there is a need to address existing constraints and prepare for future ones by focusing on: monitoring, ensuring good governance and coordination across relevant institutions and sectors and the full and meaningful participation of relevant stakeholders at appropriate levels. To complement national action and capacity, there is a need to enhance international cooperation.

8.4 Contribution To Knowledge and Originality

This research has developed a framework for implementing PPP affordable housing delivery in Nigeria. Whilst there is substantial literature about the concept of PPP and housing, there has been little empirical evidence on the development of a framework for implementing PPP on affordable housing. This lack of evidence may be indicative of the ineffectiveness of the numerous initiatives and of flaws in strategies for housing provision or housing policies in Nigeria. The framework developed gives a useful tool to guide the public and private sector in establishing and implementing PPP for affordable housing
delivery. For the research project to achieve this goal, it was necessary to undertake an in-depth study of the Nigeria’s problem situation. The IAD framework was adopted as a research vehicle using qualitative tools for data collection and analysis. This contribution to knowledge in understanding the problem and developing a solution has been carried out by validating and refining existing knowledge to generate new knowledge (revealing the component parts, structure, problems and constraints).

This new knowledge enabled the research to develop a model for PPP affordable housing delivery. The developed model shows the new structure, financing methods, how land could be acquired, government oversight through an independent body and the type of affordable housing delivery. The model offers an effective and efficient delivery mechanism to manage and fund affordable housing initiatives by collaboration between the government and the private sector to deliver affordable housing that fits the local context. It establishes rules for governance, including deciding how affordable housing benefits will be allocated and in doing this to manage the performance of housing-related regulatory processes. The findings of this research would help the government to partner with the private sector developers and financiers to effectively use PPP for provision of affordable housing to the emerging middle-class in Nigeria.

8.5 Recommendations

Nigeria should improve its strategy for the provision of affordable housing in order to reduce housing dearth. Resources in Nigeria, just like in many other developing countries in Africa, are inelastic whilst demands for housing continue to increase. The limitations of the housing system in Nigeria can be attributed to the fact that the demand for housing outstrips available supply and government resources have proved inadequate in providing a solution. The following are recommendations for an effective PPP affordable housing delivery in Nigeria.

- To move from the current low levels of new housing production to the targets proposed by Nigeria Government Vision 2020, the affordable housing sector needs to have enhanced financial and technical capabilities. Innovative financing mechanisms – such as affordable housing financing funds that include a blended range of investments from traditional grants to low-interest loans to conventional financing – are required to provide the capital base.
- The main challenge will be to develop affordable housing policies that address the constraints that to date still affecting PPP in affordable housing delivery from
functioning efficiently. The key challenges that the new affordable housing policy will need to address are to:

- put in place the institutional and regulatory frameworks and incentive structure needed to enable an expanded private sector role in the delivery of affordable housing in a competitive and transparent environment;
- Ensure that the regulatory framework and incentives allow the development of affordable housing delivery to serve the needs of the emerging middle class Nigerians.

- Government should establish a national affordable housing policy that will drive PPP in the country’s housing sector. Without such policy, it might be very difficult to have efficient and effective PPP. In order to design efficient affordable housing delivery policies and programmes, federal, state and local governments and private sector should work in partnership that they should commit stable and long-term funding to a comprehensive national affordable housing strategy. Federal, state and private sector should also collaborate with local governments, service providers and civil society organisation that are the closest to the need of the population.

- Moreover, collaboration is needed between federal and state governments to help establish local housing trust funds. This can stimulate the creation of local affordable housing partnerships and fuel development of locally designed affordable housing initiatives.

- The respective roles of the Ministries, Departments and Agencies (MDAs) involved in PPP for affordable housing delivery should be defined more clearly than in the past to ensure their roles do not overlap in the PPP implementation process.

- The political leadership of the country should be assisted in the development of an understanding of the problems that bedevil the housing system. It is therefore essential that the political leadership of the country is educated on the fundamentals of PPPs and be convinced about the virtues of these institutional arrangements. Support of the political leadership is very critical and a sound understanding of the intricacies of such partnerships (Carley, 2006).

- There are a number of changes that should be made such as reform of the land management, which acts as a constraint to increasing affordable housing delivery. Remove bureaucracy that prevents use of land efficiently. Government should act as a progressive land owner interested in it for economic and social benefits of the
Streamline the complex bureaucratic and costly procedures governing the issuance of land subdivision and building permits.

- This research also recommends that to ensure a successful affordable housing delivery, a national affordable housing plan should be built from the local government level where the needs are identified. The plan should respond to the affordable housing shortage at local government level across the country. Moreover, it should provide the funding and tools to meet the diverse housing needs of Nigerian people. Reform at local government level should focus on building successful new affordable housing at their locality, whether as part of urban regeneration or through new settlements is fundamental. Moreover, this must not just be about the number of housing but building of high quality, well designed and environmentally friendly affordable housing.

- Huge investment in affordable housing is needed in Nigeria. The government should continue to push for the reforms necessary to deepen local capital markets and increase the availability of long term domestic capital. Resources for this investment must come from a variety of sources: both traditional, such as public funding, private investment, and foreign direct investment (FDI), and using innovative financial mechanisms.

- Finally, Public and private sector partners should learn from international experiences of private participation to achieve more efficient and effective PPP for affordable housing delivery in Nigeria.

8.6 Recommendation for Further Research

Recommendations for further research have been identified during the progress of this research. The following areas are related to PPP on affordable housing delivery that can be done for further research:

Following the implementation of the proposed PPP model, further study would be needed to evaluate the actual PPP impact on affordable housing delivery. This is the case study assessment of a PPP arrangement in the Nigerian housing sector and would draw out lessons for improving the effectiveness and viability of PPP projects in Nigeria.

The research provides an understanding into the appropriate incentives needed for affordable housing delivery for private sector participation. Future studies should explore
in more depth the different incentive mechanisms most appropriate for different housing providers. Issues around the incentive response, how different housing providers would respond to different incentive mechanisms, and approaches to more effective monitoring of partnerships should be examined.

In addition, availability of reliable data about the success or problems of using a PPP approach to increase affordable delivery could help affordable housing providers to build successful partnership for the development and management of affordable housing.

Finally, further research work can also focus on extensive funding and financing mechanisms for affordable housing delivery.
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APPENDIX A – Research Instruments
Research Interview Letter

To Whom It May Concern:

Research project: Public Private Partnership (PPP) as a Mechanism for Affordable Housing Delivery in Nigeria

Request for a research interview

Dear Sir or Madam

I am Akinniyi Julius Ojebode, a Doctoral Research (PhD) student at School of Environment and Technology (SET), University of Brighton, United Kingdom. I am currently carrying out a research project on Public Private Partnership as a mechanism for affordable housing delivery in Nigeria. The broader aim of the project is to develop a framework for the use of PPP to enhance the provision of affordable housing in Nigeria and it is my hope that the project and the results will be of interest to you and your organisation.

The research interview will be carried out face-to-face, and can be conducted at a time and place at your convenience. The planned length of the interview is app. 60 minutes. To benefit fully from the interview I would like to record it on an electronic sound recorder. This is standard research procedure. The recorded interview will not be shared with any third party and all citations from the recording will also ensure your organisational and individual participant’s anonymity. The interview guide is attached herewith for your consideration.

I hope that you will find the project of interest. In that case I suggest an appointment in the first week of December (2 – 6 December). If you will be so kind and contact me at a time of your convenience, we can make the further arrangements.

If you have any concerns or complaints about the ethical conduct of this research, you should contact the listed below:

Dr. Kassim Gidado (Principal Lecturer) Email: K.I.gidado@brighton.ac.uk
Noel Painting (Senior Lecturer) Email: N.J.Painting@brighton.ac.uk

Please find my contact details below.

Best regards,

Julius Akinniyi Ojebode

E-mail: a.ojebode@brighton.ac.uk
Consent Form

Research title: Public Private Partnership as a Mechanism for Affordable Housing Delivery in Nigeria

Researcher: Akinniyi Julius Ojebode (PhD Research Student)

I, Miss. Mrs. Mr. Dr……………………………………………………………………………

Organisation: ...........................................................................................................

Position………………………………………………………………………………………

I agree to participate in the interview, which examine PPP as a mechanism for affordable housing delivery in Nigeria.

The purpose, process and the nature of this study has been explained to my satisfaction and I have read the information sheet. I understand the principles and the process of the study. I’ve been given contact details for the research supervisors in case of any complaint. I understand that this interview contains questions related to my experience, roles and responsibilities in my organisation.

I understand that all my details including contact details will remain confidential and all the data will be stored in a locked/secured office at the University of Brighton, which will be destroyed thereafter. I understand that the research supervisors (teaching staff of the University of Brighton) may look at relevant and anonymous sections of any data collected during this interview for teaching purposes.

I understand, I am free to withdraw at any time without giving any reason and my participation is voluntary. My withdrawal will not affect my statutory rights.

I understand that the only anonymous excerpts of this interview will be used as part fulfilment of the PhD thesis writing up which will be held at the School of the Environment & Technology, University of Brighton. I give my consent and permission to the researcher to use anonymous excerpts from this interview.

I can be contacted for any further study.

Thank you for your participation

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Questions for Semi-Structured Interviews

The purpose of the research interview is to explore the views, experiences, beliefs and/or drives of both the public sector and private sector organisations on the current state of affordable housing provision in Nigeria, factors that could facilitate the establishment, performance and success of PPP as a mechanism for affordable housing delivery and issues, problems and constraints that could hinder the use of PPP for affordable housing delivery in Nigeria.

The respondents or interviewees for this research were drawn from representatives of key stakeholders who are directly related to the delivery and management of affordable housing and PPP. Interviewees are from two groups: public sector and private sector organisations. The private sector participants were considered from construction, real estate and PPP background. While Government officers were considered from both state and federal levels. They are regulatory and soliciting MDAs dealing with housing and PPP.

An exploratory study has been used in this research to pinpoint problems with the current initiatives in the affordable housing delivery both from the literature and the stakeholders’ perspectives. The semi-structured interview format consisted of a personal introduction, and explanation of interview protocol and the signing of a consent form. The researcher asked permission to use a tape recorder to record the discussion. At the end of the interview, the researcher informed the interviewee that the researcher might in touch for follow-up questions if need be.

Eighteen people were interviewed, with 50% from public sector, while the others were from private sector. The participants were ruminated by the earlier interviewees who were involved in affordable housing and also Public Private Partnership’s initiatives. They provided not only explanation of their current ideas but also further contact details of related stakeholders. This research aims to identify the key issues, problems and constraints on PPP that could emanate in affordable housing delivery projects. This information will be utilised to develop a framework for successful partnerships in delivering affordable housing projects. The interview questions divided into 5 sections based on research questions and research objectives are shown below:

Affordable Housing

1. What is the current state of affordable housing in Nigeria?
Partnerships Mechanisms

2. What are the reasons behind partnerships for housing delivery in Nigeria?

3. What are the different features of PPPs on affordable housing in Nigeria?

Views on performance, enabling factors and constraints

4. What are your views on and how would you describe the performance of PPPs Nigeria?

5. What are the enabling factors that assisted the establishment and performance of PPPs?

6. What do you think are the factors that lead to successful PPPs, especially in affordable housing delivery?

7. What are the constraints that are hindering the success and performance of the PPPs?

8. What are your suggestions to overcome these constraints?

Effects of the PPPs

8. Do you think that the PPP has been effective for affordable housing delivery for the middle income earners?

9. What approaches can be utilised to encourage participation, and stimulate PPPs in housing sector

The Ways to Improve the PPPs for Affordable housing delivery in Nigeria

10. How could public and private sectors improve their performance and make PPPs more effective for affordable housing delivery?

11. Do you have any suggestions relating to these PPPs?
APPENDIX B - Nigeria’s PPP Institutional Framework
APPENDIX C – Thematic Analysis

All interviews were transcribed and analysed as off-line documents using the Nvivo software. Interview transcripts were analysed using the description and thematic text approach. The software enables the text to be coded under determined categories, the frequency of themes or characteristics to be counted, and the model to be drawn and analysed. The simple nodes are then grouped to classify the themes and collect them into groups. A simple count of the nodes is used to determine the rank of the themes suggested by interview participants. The emerging group was developed to analyse across different questions.

The common thematic analysis is used to find the main issues suggested by the interviewees (example of emerging themes is listed below). After identifying emerging themes, the analysis continue by classifying similar themes into the same category, calculating and tabulating number of organisations that have mentioned them. Identified themes have been divided into two sectors for reporting — public sector and private sector. Semi structured interviews were conducted to elucidate participants’ past experiences and/or current activities in development or management of affordable housing through PPP. Typical examples that illustrate the screenshot of Nvivo 10 showing the nodes are attached below.
## Example of Emerging Themes

09/05/2016 18:07

**Coding Summary By Node**

**Public-Private Partnerships (PPPs)**

09/05/2016 18:07

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### Constraints that hinder the success and performance of PPP: Constraints Identified

**Document**

**Internals\Interviews\PRS3**

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Lack of political support

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A poor level of partners’ commitment, conflicts and poor decision making, lack of clarity on roles and lack of trust and

**Internals\Interviews\PRS4**

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lack of relevant skills and experience of project partners

renegotiation of the contract

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lack of local talent in the area of technical and structuring competence

Organisational and culture barriers
No funding

no model for them to follow
problem with risks allocation

lack of adequate experience
low level of transparency

Inadequate knowledge, skills and capacity by participants both in public and the private
Poor structure
Poor evaluation
Monitoring and due diligence by government
Non-competitive bidding
Poor financial projections
Access to funds

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massive corruption

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Subversion of due process in the award and execution of projects.

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large scale and widespread institutional mediocrity

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Deficiency of vision and lack of direction in the project management.

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Corruption

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non-competitive and non-transparent selection of private sector partners,

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Wrong or poor financial analysis and projections as well as improper costing of the projects.

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Wastage, inflexibility and lack of bidding
Financial challenges

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inadequate or non-existent feasibility studies,

Weak institutional capacity and PPP strategy
Unrealistic revenue and cost estimations
Lack of thorough financial and economic analysis
Inappropriate sharing of risks
Public resistance
PPP procurement takes time

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Time
Lack of competitive procurement

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Greed
Poor procurement competition

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**Internals\Interviews\PUS8**

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Poor legal framework and enforcement
Screenshot of Sources Folder for NVivo 10 Analysis
Screenshot of Nvivo 10 Showing Nodes