

# Assessment of Factors Affecting Procurement of Urban Housing in Lagos Mega City, Lagos, Nigeria

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## ABSTRACT

*The purpose of this study is to examine the factors that affect the procurement of urban housing in mega city of Lagos, Nigeria. The study aims to establish how land procurement methods, source of finance for housing procurement and the impact of the use of local building materials on housing procurement affect procurement planning. Data are collected using self-administered questionnaire. The data collected are analyzed using quantitative and qualitative techniques. This study is answerable to two research hypotheses tested using Chi-square. The study reveals among others that the land procurement method is mostly through land agents and the government; that the major source of finance for housing provision is by personal savings and loans from commercial banks; that the source of finance have significant impact on the procurement of housing; that the use of local building materials have no significant impact on the procurement of housing in the State. The study concludes that government should be responsible to their citizen in the provision of affordable housing and land policy should be reviewed. It recommends among others that government should show more interest and be more responsible in housing the urban poor.*

**Keywords:** Procurement planning, urban housing, land procurement, Lagos Mega City

## INTRODUCTION

According to Okupe (2000), land is a spiritual thing that belongs to the dead living and unborn. Land is the main component of shelter. European traders and monetary economy brought about landholding system. With time, various rights in land were introduced with the resultant effect that land ownership became a greater economic venture. Land speculators made it difficult for other land users and even government purpose (Atilola, 2000). The land use decree of 1978 was promulgated to correct the frustration of both government and individuals to acquire land for developmental purposes. According to Apiyo and Mburu (2014), Basheka (2008) and CIPS (2002), procurement planning is the process used by companies or public institutions to plan purchasing activity for a specific period of time. This is commonly completed during the budgeting process. Each year, departments are required to budget for staff, expenses, and purchases. This is the first step in the procurement planning process (Apiyo and

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Mburu 2014; Basheka 2008 and CIPS, 2002). Procurement planning is the purchasing function through which organizations obtain products and services from external suppliers. A good procurement plan will go one step further by describing the process you will go through to appoint those suppliers contractually. Whether you are embarking on a project procurement or organizational procurement planning exercise, the steps will be the same. First, define the items you need to procure. Second, define the process for acquiring those items. And finally, schedule the timeframes for delivery (Thai, 2004; Apiyo and Mburu, 2014). According to PPDA (2005) Public Procurement Act requires procuring entities to plan their procurements. A procurement plan helps procurement entities or procurement organisations to achieve maximum value for expenditures and enables the entities to identify and address all relevant issues pertaining to a particular procurement before they can publicize their procurement notices to potential suppliers of goods, works and services.

A procurement plan is influenced by a number of factors. These include; the value of the procurement, the type of procurement – for example, whether the procurement is sensitive, unique, high risk, or of strategic significance to the procuring entity's success, and the nature of procurement – for example, whether it involves intrinsic risks and ethical and process issues. Before any procurement transaction is conducted, Procuring Entities must determine their procurement needs which must be consistent with their organization's objectives. In this regard, the Procuring Entity should assess whether or not, a particular procurement is necessary. The assessment should take account of; the need to ensure that the Procuring Entity uses its resources effectively and efficiently; how the proposed expenditure would contribute to the entity's desired outputs; and the Procuring Entity's overall procurement philosophy in accordance with the provisions of the LSPPL (2011); CIPS (2002). This study is therefore assessing Factors Affecting Procurement of Urban Housing in Lagos Mega City. Consequently, the following research hypotheses were formulated to guide the study.

- H<sub>0</sub>1: The source of finance used has no significant impact on housing procurement in Lagos Mega City.
- H<sub>0</sub>2: The use of local building material has no significant impact on housing procurement in Lagos Mega City.

### **Lagos State Public Procurement Agency**

The Lagos State Public Procurement Agency was established on the 2nd of April, 2012 under the Lagos State Public Procurement Law, 2011. The objectives of the Agency are to ensure probity, accountability and transparency in Public Procurement throughout Lagos State. The Agency is therefore charged with the responsibility of formulating policies and guidelines relating to Procurement in Lagos State as well as certifying all Procurements prior to, during and after the awards of Contract. Its scope of operation shall include the State Government, Local Government Councils/ Development Authority and all procuring entities in the State. The Law is based on the United Nations Commission on International Trade Law (UNCITRAL) model, which

is a properly regulated procurement system benchmark on international best practice. Procurement planning is of great significance in ensuring efficiency in the government in Lagos, Nigeria. The study focused on Lagos Mega city, Nigeria; one of the States with the highest population and with the highest allocation of devolved government funds. It is a major commercial hub, both at national and international level. Lagos State was created on May 27th, 1967 by virtue of the State (Creation and Transitional Provisions) Decree No. 14 of 1967 which restructured Nigeria into a Federation of twelve states. However, Lagos as a trading port has a recorded history dating back to the Portuguese explorers of the 16th century.

The State is composed of the old Federal Territory of Lagos which remains the financial hub and was the Federal Capital of Nigeria (up to December 12, 1991), and the old Colony Province of the defunct Western Region of Nigeria comprising Badagry, Ikeja, Ikorodu and Epe Divisions [www.lagosppa.gov.ng/](http://www.lagosppa.gov.ng/). Lagos State has not been affected by subsequent State creation exercises and, today, it forms one of the 36 States making up the Federal Republic of Nigeria. Situated in the southwestern corner of the country, this elongated State spans the Guinea coast of the Atlantic Ocean for over 180km, from the Republic of Benin on the west to its boundary with Ogun State in the east. It extends approximately from latitude 6°2' North to 6°4' North, and from longitude 2°45' East to 4°20' East of its total area of 3,577km<sup>2</sup>., about 787km<sup>2</sup> or 22% is water. When the State was created in 1967, it inherited two systems of local government: (a) the city of Lagos with a single council, i.e. the Lagos City Council, and (b) the system existing in the colony province of the former Western Region in which there were two divisional councils, twelve district and four local councils ([www.lagosppa.gov.ng/](http://www.lagosppa.gov.ng/)).

According to Juma (2010), public procurement is very important and accounts for a sizeable proportion of the GDP. Public procurement by central government is estimated to account for 10% of the GDP in Kenya. It is further estimated that public procurement accounts for 9% – 13% of the GDP of the economies of developing countries (The Chartered Institute of Procurement and Supply (UK), (2015); (CIPS, 2002). Therefore, it is important for public institutions to have exceptional procurement plans. According to Apiyo and Mburu (2014) cited Basheka (2008) narrate that procurement plan brings some sanity in the budgetary allocations and prudent financial management. However, in Kenya, there is a conspicuous gap in procurement planning particularly in the newly developed County governments. This is following the new County governments budget estimates (Apiyo and Mburu, 2014). The government has put in place provisions to ensure realization of her long term objective of improving the quality of life of its citizens.

According to Basheka (2008), procurement planning is the primary function that sets the stage for subsequent procurement activities. A mistake in procurement planning has wide implications for local governance, measured from the two indicators of accountability and participation. According to James (2004), the ideals of planning suggest that procurement planning can be implemented in an atmosphere of complete

harmony. He adds that, as a function, procurement planning endeavours to answer the questions of what do you want to procure; when to procure it; where to procure them from; when the resources be available; the methods of procurement to be use; how timely procurement or failure will affect the user of the item(s); the procuring and disposing entity; efficient in the procurement process; and the people to be involved in the procurement. Substantial resources have been committed towards improving service delivery in areas such as infrastructure development and maintenance, rural development, human development and governance, among others. The implementation of these interventions would be incomplete without proper procurement planning (LSPPL, 2011). While there are various empirical evidences on procurement planning (Thai, 2004; Adenubi and Windapo, 2007) and service delivery in Public Enterprises (Nyumu, 2010) on budget allocation for Cooperative societies, and (Owalla, 2012) management of devolved procurement funds, there is limited research that has been carried out to determine exactly why devolved units have not been able to achieve their procurement objectives. A gap thus exists in determining the specific factors that affect procurement planning in Lagos mega city. Therefore, to bridge this gap, this study seeks to understand the factors affecting procurement planning in the study area.

## **METHOD**

The main purpose of this study is to examine the factors that affect the procurement of urban housing mega city of Lagos, Nigeria. A total of one hundred (100) houses were sampled for the study which is limited to low income urban housing dwellers. The primary data were collected from field survey by the administration of a structured questionnaire and personal interviews. The data collected are analyzed using both qualitative and quantitative techniques.

## **RESULTS AND DISCUSSION**

The analysis of the annual income of the respondents in the study is presented on table 1. The result on table 1 shows that 78.7% of the respondents earned above N450,000 annually and are on the civil service salary scale GL 13 and above 8.1% earned between N250,000 and N450,000 on civil service Salary scale GL 7-12 while 13.2% on the civil service salary scale GL1-6 earn below N250, 000. Table 2 implies that 70% of the respondents procured their houses at a cost that is below N1, Million. Twenty percent procured their houses at a cost between One Million and Five Million Naira, while ten percent procured their houses at a cost above N5 Million. The study sought to determine the land procurement method adopted by the respondents in the study area as presented on table 3. It is shown on this table that 55.4% of the respondents that built their homes bought their land through agents 25.4% from Government 12.6% is by inheritance and 6.6% from mortgage process. The table shows the type of materials used for construction of building component. Table 4 shows that 93.5% of respondents live in houses built with conventional building materials such as sandcrete blocks,

concrete etc., while 6.5% live in houses built with materials from local source. According to table 5, the study sought to know the source of finance for the development of housing in the study area, thus, hypothesis one was tested. The results of the tested hypothesis reveals that the source of finance used has significant impact on housing procurement. The hypothesis was tested at 0.05 level of significance (table 6). The study further sought to know whether or not the use of local building materials has an impact on housing procurement. For this purpose, hypothesis two of the study was tested. The hypothesis holds that the use of local building materials has no significant impact on housing procurement.

The hypothesis was tested using chi-square test at p-value = 0.05. The result of the test as presented on the table 7 implies that using local building materials has no significant impact on the respondents' ability to afford the houses developed. Also a study by Atilola (2000) reveals that land ownership became a grant economic venture, which led to high cost of land purchase from government due to the high cost of land documentation and the cumbersome procedures of obeying such. These have an impact on housing procurement.

**Table 1:** Average Income of Owners of Urban Houses Provided by Government

Civil Service	Scale	Annual Income (N)	Percent (%)
Grade Level	01-07	Below 250,000	13.2
Grade Level	08-11	250,000 – 450,000	8.1
Above grade level	12	Above 450,000	78.7
<b>Total</b>			<b>100</b>

*Source:* Field Survey, 2015

**Table 2:** Purchase Cost of Urban Houses Provided by Government

Purchase Cost	Response (%)
Below N1 million	70.0
N1- 5 Million	20.0
Above N5 Million	9.5
<b>Total</b>	<b>100</b>

*Source:* Field survey, 2015

**Table 3:** Land Procurement Method

Land Procurement Method	Response (%)
Government	25.6
Inheritance	12.6
Land agents	55.4
Mortgage	6.6
<b>Total</b>	<b>100</b>

*Source:* Field survey 2015

**Table 4:** Materials Used in Housing

Material	Percent
Conventional Material	93.5
Local material	6.5
<b>Total</b>	<b>100</b>

*Source:* Field survey 2015

**Table 5:** Housing Finance Source

Sources of Finance	Response
Loans from commercial bank	15.5
Government loan scheme	35
Mortgage facility	7.0
Personal survey	70.2
Gift	3.8
<b>Total</b>	<b>100</b>

*Source:* Field survey 2015

**Table 6:** chi-square test result on procurement of urban housing

Procurement of housing Source of finance and housing procurement	X <sup>2</sup> value	Df	P. valve	Decision
	36.804	2	0.001	Reject H <sub>0</sub>

**Table 7:** Chi-square test result of the used of local material on housing procurement

Variables	X <sup>2</sup> value	Df	P. valve	Decision
Use of local materials and housing procurement	6.450	3	0.174	Accept H <sub>0</sub>

## CONCLUSION AND RECOMMENDATIONS

The aim of this research is to assess the impact of economic and social indicators such as finance, land procurement method and the use of local materials on the procurement of urban housing. The procurement of houses is difficult because of the source of finance which is majorly from personal savings. In addition, houses are more affordable when built on land procured from local land agents than through government agencies. The utilization of neither the conventional or local building material in housing construction affect the procurement of houses. From the conclusion, it is recommended that government should show more interest and be more responsible in housing the urban poor. Government should ensure that land is cheaper and that the new housing policy reform promotes a very vibrant mortgage system that would encourage easy access to funds for home ownership and the government should be responsible to their citizen in the provision of affordable housing and land policy should be reviewed.

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