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## **Problems of Construction Industry in Nigeria**

Problèmes de l'entreprise de la construction au Nigéria

Probleme der Bauindustrie in Nigeria

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### **SUMMARY**

The paper reviews the problems of the Construction Industry in Nigeria: it discusses the major role being played by expatriate construction companies and also the limitations and problems of the indigenous contractors. An assessment is made of the effect of Government policy on the Construction Industry.

### **RESUME**

Cet article résume les problèmes de l'industrie de la construction au Nigéria: le rôle prépondérant joué par les entreprises de construction étrangères et les limitations et problèmes des entrepreneurs locaux. Une appréciation est faite sur l'effet de la politique du gouvernement face à l'industrie de la construction.

### **ZUSAMMENFASSUNG**

Der Vortrag beleuchtet Probleme der Bauindustrie in Nigeria: er behandelt die führende Rolle, die ausländische Baufirmen spielen sowie die Begrenztheit und Probleme der einheimischen Kontraktoren. Es wird eine Einschätzung über den Effekt der Regierungspolitik bezüglich der Bauindustrie gemacht.



The Construction Industry is of crucial importance in the economy and in national development particularly in developing countries. There cannot be much progress in national development without the provision of basic infrastructure, a network of good communication systems, rail and road network for movement of goods and people, water supply, housing and urban development.

In economic terms, the importance can be assessed by the rate of investment. In Nigeria's third national development plan, the planned expenditure on construction activities accounts for about 40 % of the ₦ 30 billion earmarked for the whole plan period. This is by far the largest share of any single sector of the economy. Apart from having the largest rate of expansion, the Construction Industry indirectly influences the economy in many other ways. It provides employment for about a quarter of the labour force; it has necessitated improvements in transport facilities and has led directly to the establishment of local industries for manufacture of cement, roofing materials, metal frames for windows and doors and terrazzo flooring.

## 1. THE STATE OF THE CONSTRUCTION INDUSTRY

The Building and Construction Industry has had a rapid and steady growth over the past two decades and it also has one of the highest rates of expansion in any sector of the Nigerian economy.

The Nigerian Construction Industry is dominated by a few large expatriate firms who carry out about 90 % of the work. There are many small Nigerian contracting firms which account for the rest of the work. These are mainly in the area of building construction, though recently one or two are embarking on civil engineering works. Even in the area of small building works and commercial and industrial buildings, only a few are able to compete successfully with expatriate firms.

The indigenous contractor is faced with the problems of working capital, poor management and lack of good organisation.

### 1.1 Finance

Finance is very important in the Building and Construction Industry. The contractor has to invest on plant which is expensive in the case of civil engineering jobs, and requires cash for payment of workers salaries, purchase of materials, etc. Inadequate finance can severely limit the scope of activities of a contractor.

In recent years the problem of finance has become soluble. The commercial banks are under considerable pressure from the Government to assist indigenous companies and any contractor who has demonstrated a good sense of responsibility and shows some creditable construction record should not have much problem in attracting funds from the banks.

### 1.2 Personnel

Nigerian labour is extensively used by both expatriate and indigenous construction companies even though the industry is capital intensive. By European standards, the output of labour on building and civil engineering sites is very low. Labour wages are relatively low and for civil engineering projects, the overall labour cost is small in relation to the total output. One interesting point is that expatriate contractors always get better productivity out of Nigerian workers, this can only be ascribed to better supervision.



### 1.3 Management

The question of organisation is rather more serious. The most common complaint against Nigerian contractors is that they do not complete jobs on schedule. Most of the problems that arise come from bad planning and inefficient organisation. It is the efficient organisation of men and equipment that makes for good results in terms of job quality, completion time and profit margin. People often assumed that labour is cheap and they put workers on site without proper supervision that ensures productivity. This is wasteful; when one talks of cheap labour, it is in relation to labour costs elsewhere.

The lesson here for the indigenous construction company is that contracting is not a field in which one-man enterprise can succeed. Contractors should form proper companies with trained technical personnel and managers.

## 2. GOVERNMENT POLICY ON CONSTRUCTION

Government policy efforts to encourage Nigerian Contractors have taken several forms. One form was to reserve projects costing ₦ 100'000 or less for only Nigerian Contractors and another was to encourage partnership with expatriate firms. In spite of these efforts, participation of Nigerian Contractors in the construction industry has been relatively small.

The position has improved somewhat during the execution of the Second National Development Plan. By this time, some engineers had entered the Construction Industry as contractors and their record so far has been encouraging.

A new innovation is the Government decision to participate in the construction industry by forming joint construction companies with some expatriate firms. The original intention which presumably is to try to reduce cost, is a good one. Construction cost has been rising steadily and it has reached a stage where it is difficult or well nigh impossible to estimate the cost of a project accurately. There are two major factors responsible for this. Apart from the rising cost of construction materials and equipment, there is a great deal of work (some would say too much work) available and the contractors do not have the executive capacity to do all the work. Quite often, advertisements calling for tenders are ignored by contractors.

However, in trying to solve one set of problems, one hopes that new ones are not created. A government construction company that does not compete for government jobs has a virtual monopoly will not be an economic proposition nor will it lead to reduction in costs. The idea of sharing in the profits can also prove to be illusory, as any Accountant knows well, profit is a question of definition. A Government joint venture should also provide its share of Nigerian manpower. A Government construction could be useful if it provides an opportunity for Nigerian Engineers to take part in the construction industry in the country but this will not be achieved by simply acquiring shares in an expatriate firm and giving the firm a monopoly of government projects.

This is perhaps a convenient point to mention the question of Indigenisation. The Indigenisation Decree puts the Construction Industry in Schedule II. This means 60 % Nigerian Ownership of Construction Companies and 40 % expatriate. The aims of the Federal Military Government are laudable and one should congratulate it on a major piece of legislation. The ultimate objective must be that Nigerians run their own affairs either in the construction industry or in other fields of endeavour. However, the nation needs to emphasise and re-define its objectives.



The most essential objective to be achieved with this policy is a transfer of technology such that in future, Nigerians will be able to build bridges, flyovers and skyscrapers all by themselves. There is a distinction between this and a share in or transfer of profits. What do we mean then when we say that Nigerians must own 60 % of an industry? Do we mean that Nigerians only take 60 % of the profit or do we mean that Nigerians must also contribute as much as 60 % of the expertise required in carrying out a construction project? There is no doubt that we have to aim for a transfer of technology, so as to ensure that we can execute our development projects ourselves but the present acute shortage of manpower makes it unlikely that we can achieve this immediately.

### 3. CONSULTING SERVICES

The profession of consulting engineers was rather slow in starting in Nigeria. A few took the plunge in the early 1950's and concentrated on buildings. These firms were invariably one-man operations and were in no position to cope with major civil engineering projects.

The Federal Ministry of Works actively encouraged participation of Consulting Engineers in the development projects of the 1970-74 Plan. The strategy was to encourage larger combines or association with foreign firms. This has, to a large extent, proved to be a successful experiment. Several firms of Consulting Engineers have sprung up in the last five years and in association with foreign firms have taken part in some of the complex and major development programs. They have also taken up the challenge of modernisation and some have been able to use the new sophisticated tools of computers, etc. However, the practice of distributing work equally between firms has led to fragmentation which could hamper the development of indigenous expertise. Patronage should reflect expertise: well established firms with several competent engineers are likely to perform better than single individuals. Council of Registered Engineers of Nigeria which has been set up to regulate the practice of engineering profession in Nigeria is now attempting to control the establishment of consultancy firms.

Consulting Engineers profession differs from other business in several respects: it is not, strictly speaking, a business concern, it is service in a specialised ability and the duty of the Consulting Engineer is to seek the best interests of clients at all times. This is why the tradition has been to invite the best consultant in a field to advise or protect the client's interest in a particular project. There is however, a growing trend among clients particularly State Governments, which request Consultants to quote or tender for a job. The disadvantages of the procedure however outweigh any apparent economic gains. It is not the cheapest advice that the Client needs but the best and since there is a fixed scale of fees, it is better to select Consultants on the basis of competence.

The shortage of experienced manpower in the Ministries of Works, creates a serious problem in the implementation of projects. This often means that a proper assessment or comment on the Consulting Engineers reports is not possible. The few officials that are available are far too busy to be able to read each report in detail. This means that there are considerable delays in obtaining approval for preliminary projects and in a Military Regime where the emphasis is on achievement, the Consulting Engineer could be blamed for the delay. This situation also makes it imperative that the best Consultant be retained for a particular job so that even if his advice is implemented, it could not lead to disastrous results.