

Achieving the Housing Objective of Millennium Development Goals (MDGs): The Promise of Co-operative Housing

Peter O. Adewale^{1*}, Ahmid B. Siyanbola² & Serifat O. Siyanbola²

1. Department of Architectural Technology, The Federal Polytechnic, Ado Ekiti, P.M.B. 5351, Ado Ekiti, Nigeria
2. Department of Architecture, The Polytechnic, Ibadan, Saki Campus, P.M.B. 21, Saki, Oyo State, Nigeria

*E-mail of the corresponding author: efformass@yahoo.com

Abstract

One of the targets of the Millennium Development Goals (MDGs) is to achieve a significant improvement in the lives of at least 100 million slum dwellers by the year 2020. Nigeria's commitment to this Declaration has led to a plethora of economic reforms that address housing inadequacy and other development challenges. Among these is a policy shift from direct government participation to private sector participation in housing delivery. Several studies have, however, shown that, despite all these reforms, a great proportion of its population still lives in substandard and poor houses and in deplorable, unsanitary residential environments. The objective of this paper is to review some of these strategies vis-à-vis the socio-economic context of the nation's polity with a view to finding the reasons they have not delivered as expected. The incompatibility of the market-driven reforms with the social and cultural needs and aspirations of Nigeria society was identified as a major impediment to housing delivery in the country. The paper contends that housing problem as a social good or service will remain intractable if its production is still controlled by the market forces. It then concludes by advocating cooperative approach to housing delivery and the management, maintenance and revitalization of the existing housing stocks.

Keywords: Cooperative housing, Millennium Development Goals, Public Private Partnership, Slum dwellers, Social capital

1. Introduction

Man's tendency towards city living has been on the increase in recent times. A vast number of people are increasingly migrating from rural areas to urban centres by the day, in search of better conditions of life. But, unfortunately, as they get into the cities, they become disillusioned as a result of poorly paid employment or joblessness, which makes it impossible for them to meet the basic needs of life for self and family. One of the consequences of these has been the deterioration of housing situation in the urban centres manifested in severe shortages of housing units, overcrowding and poor quality buildings which are situated in unsanitary environments.

It has become known, for instance, that one third of the world's urban population lives in slums and most urban settlements are recording an escalating rise in slum development and squatter settlements every day (Isah, 2006). In Nigeria, 75% of the dwelling units in urban centres are substandard and 6.9million out of 17 million urban dwellers are residing in slum (Olotuah, 2009). Some of the effects of this condition are upsurge in crime, violent demonstrations, outbreak of diseases and fire disaster, among others (Uji, 2004). According to Isah (2006), 80% of urban riots and demonstration that have led to loss of lives and properties emanates from these settlements.

It is in recognition of this situation that the countries of the world and all the leading international institutions, at a United Nations' Summit in September 2000, included slum improvement issue as Target 11 under the 7th

Millennium Development Goals (MDGs). The target foresees a significant improvement in the lives of at least 100 million slum dwellers by the year 2020. It is important to note that Nigeria government policies before then were not bereft of housing and slum improvement effort; various governments have always been launching housing programmes aimed at meeting the housing need of the Nigerian populace. But as can be seen in Table 1, the successive governments have failed in meeting their housing targets. The shortfall ranges from 70% to 99%. The main reasons often advanced for this low level of performance are lack of political will, high level of corruption and politicization (Benjamin, 2000; Ademiluyi, 2010; Olotuah, 2009).

Table 1: Achievement of past housing programmes in Nigeria

Plan Period	Target	Achievement	Shortfall
1 st National Development Plan (1962 – 68)	61,000	500	60,500(99.2%)
2 nd National Development Plan (1970 – 74)	59,000	17,700	41,300 (70%)
3 rd National Development plan (1975 – 80)	202,000	28,500	173,500(86%)
4 th National Development Plan(1980 – 85)	200,000	47,200	152,800(76%)
1994 – 1995 Rolling Plan	121,000	17,792	103,208(85%)

Source: Collated from Ademiluyi (2010); Federal Republic of Nigeria (1998, 2000)

In an attempt to tackle this problem headlong and, perhaps, its desire to join the global move of improving the standard of living of the citizenry, the civilian administration in 2004 rolled out a plethora of reforms in all sectors of economy, including housing. Among these are:

- i. Monetization policy,
- ii. Restructuring and strengthening of institution responsible for housing construction, etc.
- iii. A policy shift from direct government participation to public-private partnerships,

It must, however, be noted that despite all these reforms, housing provision has really fallen short of desired expectations, both in terms of quality and quantity. A recent study of housing situation in Nigeria, for example, puts existing housing stock at 23 per 1000 inhabitants and housing production rate at 2 – 3 per 1000 population per annum as against 8 – 10 per 1000 per annum recommended by the United Nations (Ademiluyi, 2010). With this sombre scenario, it is imperative to evaluate the current housing policy to identify the factors responsible for the low performance, and prescribe strategies suitable for mass housing production and slum development prevention.

2. An overview of the current housing policies

Realizing that the past efforts have not effectively addressed the housing problems, the government introduced a new housing policy in 2004, which is in tandem with the current policy of a private sector-led economy. The three (3) key areas of the policy that are of interest to this paper are Monetization Policy, Mortgage Financing Restructuring and Public Private Partnership.

2.1 Monetisation policy

Monetisation policy was introduced in 2004 with the objective of curbing waste in public expenses and save cost in order to have enough funds to provide basic services for Nigerians. According to the former Secretary of the Federation, some of the anticipated gains of the policy include: saving about 60% of government's recurrent expenditure, equity in the provision of amenities and encouragement of public servants to own personal houses. In this regard, the government has focused on ten aspects. These are: residential accommodation, furniture, utility, entertainment, leave, medical, meal subsidy, transport, maintenance and domestic servants (Federal Republic of Nigeria – FRN, 2003).

The intention of the government to use this policy as a catalyst to housing production can be seen in the higher rate allotted to residential accommodation (50% - 75% of annual basic salary). It is hoped that with the increase in the housing allowance for the public servants, their level of their affordability would improve. Three major setbacks can, however, be identified in this policy. They are:

- i. The need to balance between the market value of housing units and their affordability to the public servants
- ii. The policy is one-sided. It does not take into consideration other cadre of public servants such as members of the Armed Forces and the Police.
- iii. The policy has focus on public servants who constitute only 0.13% of Nigerian population (FRN, 2003). The rate allotted to the junior cadre is even too small (50% of annual basic salary). One of the fallouts of these limitations is the high rent introduced by the policy which further worsens the housing problem of the majority.

2.2 Housing financing system

In recognition of its importance in facilitating the flow of funds from the investors/depositors of those seeking to purchase house, the government restructured the housing financing system. The National Housing Trust Fund (NTHF) was revamped to encourage more depositors, thereby increasing the mortgage obligations. In the new arrangement, workers are made to contribute 2.5% of their monthly salary to the Fund. Contributors are entitled to a N5million loan at an interest rate of 6% for longer period of 30 years after six month of contribution. The capital base of Primary Mortgage Institution (PMIs), which are charged with the responsibility of disbursing loans funded by the NTHF to the borrowers, was also increased to N100 million. Various reforms were equally carried out in other sectors to encourage private investment in mortgage securities through institutional pension funds, bank consolidation which reversed the apathy to mortgage, and real estate financing.

But as at 2007, there are only 90 PMIs in the federation with a pantry sum of N37.6 billion for investment which are largely concentrated in Lagos and Abuja (The Nation, 2007). Out of these 90, only 43 met the statutory minimum paid-up capital requirement of N100 million. Of the figure, only 15 met the mortgage assets to total assets requirement (The Nation, 2007). It is apt to note that even at that meagre capital base, a large proportion of people cannot secure loan from these few institutions. According to Federal Mortgage Bank of Nigeria's (FMBN) report, individual loan secured as at 2007, stood at N9 billion to finance just 13,117 housing units which is in excess of UN's recommendation of 33% of income (The Nation, 2007).

Transaction charges and the cumbersome process of registration of titles which make the perfection of legal mortgages difficult are some of the major factors responsible for this low patronage (FRN, 2009). The cumulative charges of consent fees, capital gain tax, stamp duty and registration fees cost as high as 40% of property value in some states of the Federation. Other reasons adduced for this scenario include inability of the borrowers to provide a reliable guarantor, low monthly income, among others.

2.3 Public-private partnership

Public-Private Partnership is a new policy which cedes majority of housing delivery to the private sector. The role of the government is to provide an enabling environment for the private sector to invest and operate in a free market. The programme tailored to attract private capitals, is to include innovations like Build, Operate and Transfer (BOT) and Repair, Operate and Transfer (ROT).

The fundamental problem with this initiative is the conceptualisation of housing as an economic good and when housing is included among the production of goods, it becomes interested as a product of investment and a means of income generation. But the private developer is a profit-driven builder that utilizes product to make profit. This is evident in the prices charged by different categories of houses by different developers in Abuja, Nigeria (See Table 2). The interest rate charged by these developers ranges from 6 – 10% while the down payment lies between 10% and 15%. In most cases, the amortization period is 15years.

Table 2: Current prices charged by the selected private developers

Developer	2-Bedroom Semi-Detached	3-Bedroom Semi-Detached	3-Bedroom Detached	4-Bedroom Detached	4 – Bedroom Duplex
EFAB	N10.5m	N12.0m	N13.0m	N18.0m	N22.5m
NIFA	N12.0m	-	N15.0m	N20.0m	N25.0m
CITEC	N12.5m	-	N15.5m	N20.0m	N27.0m
ADKON	N13.0m	-	N16.0m	N20.0m	N28.0m

Source: Adewale, et al (2010)

Going by the average national household income of N48, 000 (Odia, 2011) and the fact that a family is not expected to spend more than 30% of their income on housing (Benjamin, 2000; Agbola and Adegoke, 2006); it will take about 35 years to save up a capital that could purchase the cheapest house, even on a mortgage basis; and 212 years to pay off the mortgage premium. Obviously, this is unrealistic. Incidentally, 70% of Nigerians are living below this level of income. From the foregoing statements, it is apparent that more than two-third of Nigerian population will still continue to be homeless if the nation is to rely on this strategy.

3. The way forward: co-operative housing option

Although, private property is increasingly being recognized all over the world as the main motivating force in economic development, it will be difficult from the forgoing discussion for a free housing market to achieve a socially optimum level of output with adequacy in quantity and quality in developing countries. Neither can it be expected to distribute the output equitably. This is due to a wide gap between the masses of the poor and the few rich, which was brought about by high rate of unemployment, arrears in payment of salaries and low income of the population. Besides, the adoption of deregulated housing market, like other western methodologies that have been applied to African development challenges in the past and have consistently recorded failure, seems to be inappropriate to the socio-cultural condition of these societies (Adewale, et al, 2010). The initiative, rather than fostering the feeling of community that characterizes most traditional African societies, gives rise to pure individualism, egoism and shareholder's value.

Therefore, if the country is to adapt to the new political and economic order as well as to economic globalization, and at the same time meet the basic needs and aspirations of its citizenry, there is need for an organized self-help where weak individuals are encouraged to join forces and co-operate with others so as to compete with those few ones who are stronger, richer, better equipped and more powerful. Co-operative housing, no doubt, fulfils these requirements. A key characteristic of housing co-operative is that people collectively own and govern their housing on a not-for-profit basis. The model provides a framework for aggregating demand as well as systematic approach to financing, acquisition and development. This combined demand through co-operative reduces costs through financial packaging and non-profit development status, as well as through bulk purchasing. It pools resources for engagement of staff and facilitates good performance standards for estate management and maintenance.

Just like the existing co-operative societies in the country, housing co-operative is usually founded by at least seven persons. It acquires legal status with the approval of its charter by the ministry in charge of commerce and industry where all co-operative societies are registered. The accounts and activities of the co-operatives are managed by the management committee elected by the general assembly of members under the inspection of the ministry. The general assembly meets at least once a year to review and approve the activities and accounts of the management; to elect management committee members for the next year; and to take decision concerning the work programme of the co-operative and monthly obligation of each member.

The main objective of housing co-operative in its own case is to obtain housing by erecting a new or renovating an older building, to maintain such a building at economically justified cost and to carry out all activities relating to the building's management and operations. Members acquire dwellings in freehold ownership status after construction is finished and then the co-operative that fulfilled the task is either dissolved or transformed into management co-operative. In this case, the tenant stakeholder purchases stock in the co-operative corporation. Upon purchase of the stock, he signs a perpetual lease which gives him a legal or exclusive right to occupy a dwelling unit as long as all the obligations are met. Rental tenure is also possible in co-operative housing: the co-operative construct blocks of flats which are let out to members. The tenants manage the properties on an investment basis with an option to purchase. One interesting thing about this democratically – controlled

organization is its voluntary and open membership: member are free to participate or leave. A member who intends to terminate his membership can do so by trading his documents of access to the unit in the open market, or by transferring the titles to a member on the waiting list. In the case of market trading, the buyer of the shares compulsorily becomes a member before formally taking over the flat.

The effectiveness of this option in housing provision has been well discussed in the literature. For example, Turel's (2002) study on the contribution of co-operatives to housing in Turkey puts its share in total occupancy permits at 30-35%. In the main cities of Norway, 30-40% of its families were reported to be living in co-operative housing (Pedersen 2002), while 17% of the total number of rent-reduction housing units in America is through co-operative model. In Poland, 80% of housing construction in the '80s was also provided through this model (Jankowski, 2002). Adedeji and Ogunrayewa (2004) also demonstrated how the Egyptian and Indian governments were able to change through co-operative housing the living pattern of Bedouin and Bharawada from pastoral nomadism to sedentary pastoralism and from subsistence to market-oriented dairying.

Apart from solving housing problems, co-operatives have the potential of contributing to the establishment of the new social infrastructure or the development of the existing one. This they do by collaborating with the local authorities to plan and construct shopping complexes and other service units in their areas. In some bigger housing estates in Poland, for example, co-operatives have constructed special buildings for various kinds of social services like social clubs, libraries, cultural centres, etc. (Jankowski, 2002). These housing investments and activities enhance the architectural outlook and the development of the cities.

As pointed out by Turel (2002), co-operatives gives life to the concepts of corporate responsibility and citizenship and build the social capital needed for a rich civil society, which is unfortunately being eroded by the on-going globalization process. The incidence of crime in cooperative housing estates is also reduced greatly (Adeniji, 2006) as prospective members are screened thoroughly prior to their being admitted. By the virtue of the spin-off role of housing in the macro-economy, this safe, secure and affordable housing ultimately increases employment and educational opportunities for individuals and, in the long run, enriches communities.

4. Conclusion and recommendations

Nigeria's diverse housing problems revolve around overcrowding and slum housing as many Nigerians cannot afford decent homes. Government, over time, has intervened in the housing provision through direct involvement in construction and the provision of other enabling instruments for the participation of the individual developers. These measures have, however, done little to improve the situation. The concession of housing production to the private sector does not fare any better as houses provided by these operators are out of reach of even the medium income earner. An effective and realistic strategy for providing decent houses at decent environments and decent prices is, therefore, crucial.

This paper has examined housing co-operative. It considered the strategy as a good alternative to housing delivery and even to the management, maintenance and revitalization of the existing housing stocks. According to the paper, the strategy offers one model of housing that empowers members through training, business and credit, and build community support networks. By accumulating surpluses that could form a basis for shared equity in the asset, it provides examples of where social capital facilitates economic capital. It also fosters a sense of community and engenders a secure and aesthetically-pleasing environment.

However, because of its nature and democratic principles, co-operative movement needs active and well-informed citizens. It is, therefore, imperative to raise awareness on the rights and duties of co-operative members as well as their understanding of the technical and legal aspects related to the maintenance and management of the housing stock. Members should be trained in the art of building construction, landscaping and estate maintenance and management. This could be done by the professionals in the housing sector. The government can be active collaborators in this process of devising a co-operative housing system by providing financial and technical assistance to the co-operative through:

- provision of financial concessions, by way of tax rebates and grants to co-operatives targeted at the low-income earners, or providing mortgage finance to members, with heavy interest rate subsidies,
- provision of infrastructure to co-operative housing projects,
- provision of land for housing co-operative,

- promulgation of appropriate legislation to give muscle to the co-operative housing system,
- funding of research in co-operative housing,
- policy that guarantees both the young and the old easy access to education.

References

- Agbola, S.B. and Adegoke, S.A. (2006). Housing Sector Reforms and Sustainable Development in Nigeria. *Environ-Link*. 1(1), 1 – 13.
- Adedeji, S.D and Ogunrayewa, M.O. (2004). Co-operation amongst the Nomads and Relevance Towards the Co-operative Housing Scheme. *AARCHES – J*. 3(2), 18 – 21.
- Ademiluyi, I.A.(2010). Public Housing Delivery Strategies in Nigeria: A Historical Perspective of Policies and Programmes. *Journal of Sustainable Development in Africa*. 12(6), 153-16.
- Adeniji, G. (2006). The Imperatives of Social Capital for Sustainable Urban Development in Nigeria: A Conceptual Analysis. *Environ-Link*. 1(1), 192-205.
- Adewale, P.O, Adhuze, O.O., Siyanbola, A.B and Adiukwu, F.O. (2010). Housing Vision 20:2020: Issues, Prospects and Challenges. Paper presented at the Third National Conference of School of Environmental Studies, the Federal Polytechnic, Ado-Ekiti. March 8 – 10.
- Benjamin, S.A. (2000). Housing Policy in a Federal System: Past, Present and Future in Akinbamijo, O.B. Fawehinmi, A.S., Olotuah, A.O. and Ogunsemi, D.R. (eds) *Effective Housing in the 21st Century Nigeria*, Akure: The Environmental Forum, 30-39.
- Federal Republic of Nigeria (1998). *First National Rolling Plan, 1990 – 1992*. Abuja: National Planning Commission.
- Federal Republic of Nigeria (2000). *Seventh National Rolling Plan, 1996-1998*. Abuja: National Planning Commission, Abuja.
- Federal Republic of Nigeria (2003). *Report of the Committee (Civil) on Monetization*, Office of the Secretary to the Federal Government, Abuja.
- Federal Republic of Nigeria (2009). Report of the Vision 20:2020 National Technical Workshop Group on Housing. *Nigeria Vision 2020 Programme*. National Planning Commission, Abuja.
- Isah, A.D. (2006). Manifestation of Slums: A threat to Urbanisation. Paper presented at the 2006 Annual Conference of the Association Architectural Educators in Nigeria (AARCHES). Held at Federal University of Technology, Minna, 25 – 26 October.
- Jankowski, J. (2002). Housing Cooperatives in the Development of Local Communities in Poland. *Report of Colloquium on Contribution of the Cooperative Sector to Housing Development*. Turkey: Ankara Central Housing Development, 127 – 134.
- Odia, S. (2011). What is Affordable Housing: Facing the Home Faith. *This Day*, 16(5832), 48.
- Olotuah, A.O. (2009). *Demystifying the Nigerian Urban Question, Inaugural Lecture Series 53*. Akure: Federal University of Technology, Akure.
- Pedersen, R.B. (2002). Co-operative Housing: the Norwegian Housing Model. *Report of Colloquium on Contribution of the Co-operative Sector to Housing Development*. Turkey: Ankara Central Housing Development, 85-90.
- The Nation (2007). 2020: Nigeria Needs 720,000 Houses Yearly. *The Nation* Tuesday, October 16, pp. 21.
- Turel, A. (2002). The Contribution of Housing Co-operatives to Housing Provision in Turkey. *Report of Colloquium on Contribution of the Cooperative Sector to Housing Development*, Ankara: Central Housing Development, 65-78.
- Uji, Z.A. (2004). Squatter Settlements in Nigerian Urban Centres: Do they Really Exist? *AARCHES-J*, 3(2), 31-37.