

Challenges and Strategies for Affordable Housing Ownership for the Nigerian Urban Poor

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Abstract

This paper addresses the problems militating against the urban poor in achieving home ownership in Nigeria. In doing this, it reviews the existing National Housing Policy and identifies the issue of mortgage loans affordability, which has been identified as the major constraint against the urban poor in having access to housing finance and subsequently denying them of housing ownership. The paper, therefore, attempts to proffer the appropriate strategies, which includes adoption of co-operative housing schemes and the involvement of international donor agencies in addressing the housing problems of the urban poor. This can be done through making small grants available to local co-operative groups. Indeed, for almost a decade now, more than 40 initiatives in 17 nations have received such support. The deployment of the funds demonstrate that incremental housing ownership can be achieved using local co-operative housing scheme once there is financial support from international donor agencies.

Introduction

Housing goes beyond the mere assemblage of bricks and mortar. It encompasses the totality of the environment and infrastructure which provides human comfort, enhance people's health and productivity as well as enable them to sustain their psycho-social or psycho-pathological balance. Housing characteristics and the process by which housing is constructed and occupied, are key aspects of the living standards of households in developing countries. Housing is of great importance to households in both developed and developing economies, because it is the largest fixed capital investment that households make. In developing countries, housing accounts for 10-30 percent of households expenditure, 6-20 percent of Gross Domestic Products (GDP), and 10-50 percent of gross fixed capital formation (Malpezzi, 1987). Furthermore, as the economy develops, the proportion of Gross Domestic Product (GDP) accounted for by housing investment rises. Other than human capital, housing and land are the types of capital that are most widely owned. To this extent, housing is usually used as a barometer for measuring the health and wealth of a nation.

Essentially, housing delivery involves series of processes by which housing resources such as land, labour, finance and building materials are combined to produce new housing units. It could also involve the upgrading of existing units as well as distribution of both new and existing housing to consumers (Agbola and Alabi 2000). The supply, while fixed in the short-run, involves lots of constraints, including access to land, funding, technology and perhaps executive capacity. It is therefore rewarding both at the micro and macro levels that the objectives of a project are eventually fairly achieved after putting in a lot of resources.

The heaviest burden imposed by poor living, housing and working conditions on low-income areas is mostly felt by women with children. It is important to note that women constitute over 50 percent of the world population, which currently stands at about 7 billion (National Population Commission, 2012). Here in Nigeria, with the population of about 167 million, women make up over 50%. Indeed, one can safely conclude that women make up more than half of the population of any community in the world at large. As far as affordable housing is

concerned, the most critical situation is found among single women that are household heads. Women are responsible for the health care, nutrition and education of children, adolescents and the elderly. They have their problems aggravated by the lack of proper urban services, less formal ownership ratio and lower housing quality. Ramos (1994) investigates the effects of macro-economic factors on the evolution of poverty and indigence in Brazil during the 1980s in order to identify the socio-economic groups most acutely affected by poverty and penury. Using Pnad-micro data for several years and decomposition analysis to assess the importance of different socio-economic group to total poverty, he showed that the chronically poverty-stricken groups in Brazil are: female-headed households, the illiterate, young people with no monetary earning or informal employees, which are over-represented among the poor and are even more pronounced amongst the indigent members of the population.

Rakodi (2007) in his research work titled “Land for Housing in African Cities: Are Informal Delivery Systems Institutionally Robust and Pro-Poor” noted that informal land market in Eldoret, the fifth largest town in Kenya, restrains married women from purchasing land in their own names, as a result of social unacceptability. Also, in this study, Rakodi (2007) reported that in Gaborone, the capital of Botswana, housing land delivery scheme through state sanctioned channels allows women heads of households to obtain land with a certificate in their own names, and in theory married women could do so also. However, in practice social norms adhered to by both purchasers and Board officials mean that married women would not do so in practice without the explicit permission of their husbands. Here in Nigeria, Rakodi (2007) while studying housing land delivery system through customary channels in Enugu, discovers that access to land through this medium is restricted almost entirely to men, and women can only gain access to such land through their relationship with men (normally their husbands).

Gender issues in housing ownership should include access to housing inputs such as land, labour, finance and building materials. Housing ownership is stimulated and sustained by the demand and supply mechanism. The fact that there is an unmet need for housing ownership encourages investors to explore the possibility of embarking on housing provisions which might meet the need of particular groups in the society. Therefore, the various tensions and shortages between demands for housing and its supply tend to keep the housing market alive, since the housing delivery process is substantially subjected to various dynamics in the housing markets. To this end, it becomes imperative to encourage every potential participant to be involved in housing market, regardless of sex.

Housing Ownership and the Urban Poor

By year 2000, some 900 million urban dwellers in low-and middle-income households worldwide were “living in poverty” suffering from poor quality housing, insecure tenure and/or inadequate basic services (Diana Mithin, *et al*, 2007). Most of these people occupied and still occupy land in dangerous locations such as unstable hillsides or flood-plains, because this is the only undeveloped land within the reach of low income-earning population. The price(s) they have to pay for plots or for housing is/are much increased by the absence of any land policy that supports this poor segment of the population.

Obviously, facilitating access to land and securing the means of paying for it is one of the most important prerequisites for the development of sustainable human settlement policy. Providing affordable and easily accessible land to the urban population requires modifying the Nigerian Land Use Act of 1978, to make it very effective, in achieving easier access to developable land to all, including the urban poor (Agbola, T. and Alabi, M., 2000).

Essentially, the land Use Act of 1978 should be modified to empower the town planning authorities in urban centres to acquire reasonable expanse of land for allocation, to all deserving urban dwellers, with all basic infrastructural facilities; such as drainage system, good road network, potable water, etc. provided.

Also, very important to home ownership issue is the access of the urban poor to the housing finance market. As noted by Sheuya, (2007), adequate housing finance is considered the most important factor of housing production, because it can help to produce the essential components of housing namely: land, on-site and off-site infrastructure, building materials, as well as offsetting construction costs. Unfortunately in Nigeria, housing finance market has remained very difficult for the urban poor to access. Although, the emergence of modern housing finance mechanism can be traced to the United States of America, it has contributed immensely to the economic development of many developed countries all over the world. It is pathetic to note that while mortgage assets constituted as much as 87% of Gross Domestic Products (GDP) in Denmark as at 2005, it contributed less than 0.5% to the Nigerian Gross Domestic Product (GDP), as at the same time under review (See Table 1).

Table 1: Residential Mortgages as Percentage of GDP.

Rank	Country	%
1	Denmark	87.5
2	U.S.A.	71.0
3	UK	70.4
4	Germany	54.3
5	Portugal	50.6
6	Sweden	50.0
7	Ireland	45.0
8	Spain	42.1
9	Finland	35.6
10	Hong Kong	31.0
11	Nigeria	0.38

Source: HABITAT 2005 Report on Financing Urban Shelter, p.29.

It is therefore argued that the extent to which a nation is transiting from the status of 'developing to developed,' also depends on efforts put in place to develop its housing finance infrastructure especially as it affects its legal, physical and economic environments.

The evolution of formal mortgage finance market in Nigeria can be traced to the establishment of Nigerian Building Society in 1956. The institution was transformed to the Federal Mortgage Bank of Nigeria in 1977. Following the inability of the housing finance market in Nigeria to perform as expected, the Federal Government had to embark on various reform measures which were described by Agbola and Olatubara (2007) as the most momentous restructuring in recent years. It was however noted that government intervention in the housing finance industry has not been sufficient to attract and sustain significant private sector involvement in large scale housing development. Major areas of concern, include the sourcing of loanable funds for the sector as well as the disbursement and overall structural management of funds. All these still need to be addressed (Agbola and Olatubara, 2007). Also, Abiodun (1999) and Okupe (2000) wondered why formal mortgage finance schemes that are working perfectly in both developed and some developing countries are not meeting the needs and aspirations of Nigerians.

Over the years, the Nigerian housing finance market has failed to meet the substantial loan applications of Nigerians. As a matter of fact, Nubi (2007) avers that at no time was the mortgage finance industry able to meet up with the pressure of loan demands. In 1979, the value of all outstanding loan applications of Nigerians was put at ₦223.8million and available funds equaled to ₦127.0 million; meaning that demand and supply were in the ratio of 2:1. This degenerated to ratio 4:1 in 1986 when the value of outstanding loans applications increased to ₦465.8 million and only ₦105.3 was available (Onabule, 1990).

Having taken into consideration the abysmal performance of the Federal Mortgage Bank of Nigeria in meeting the housing needs of the average Nigerian, the government decided to formulate the first ever National Housing Policy in 1991 and introduced the National Housing Fund in 1992, ostensibly to strengthen the development of a viable housing finance industry in Nigeria. Surprisingly, the National Housing Fund Scheme was able to realize only ₦19.9 million as at 1992, and this increased to only ₦5.26 billion in year 2000 and to ₦24 billion in 2007 (Atagher, 2007). This amount represented deductions from the salaries of government workers and very few employees in the private sector. The amount collected was less than 10% at its projection. Accessing funds under the scheme has been a bigger problem. Certainly, the urban poor have not been able to have access to the funds, because of bureaucratic bottlenecks and limited loanable funds under the scheme.

What is Co-operative Housing?

Fasakin (1998) defines co-operative housing as a society that co-operatively owns a group of houses or flats in which each member participates actively in all matters of decision-making on the estate. In a similar vein, Sazama (2000) defines a housing co-operative as a co-operative in which member-residents jointly own their buildings, democratically control them and receive the social and economic benefits from living in, and owning the houses. Also, National Co-operative Housing Association of America (2001) describes it as a form of multi-family ownership venture between co-operative corporations and the corporative owners, called tenant-stockholders.

International Donor Agencies and Co-operative Housing

In most cities in low-and middle-income nations, between one-quarter and one-half of the population live in informal or illegal settlements, many of which are under threat of eviction and most of which are denied investment infrastructure and services (Mitlin and Satterthwaite, 2007).

This paper describes an initiative meant to overcome these constraints by recommending funds to support grassroots initiatives managed by Transitional Network of Slum/Shack/Homeless People's Federations and their support NGOs. In 15 nations, grassroots savings groups and the larger Slum/Shack/ Homeless People's Federations are found engaged in many community-driven initiatives to upgrade slum and squatter settlements, and to secure land tenure, to develop new housing that low-income households can afford, and improve provision for infrastructure and services (including water, sanitation and drainage). In 1996, six of these federations formed Shack/Slum Dwellers' International (SDI) as a network through which they could learn from each other and find ways to collaborate to make their work more effective. A small secretariat based in Cape Town, South-Africa, helps to support other nations. The activities of SDI are summarized in Table II, which highlights the centrality of savings and tenure-related activities. Savings, as elaborated below is the core organizing process to build strong local organizations. Savings groups, composed mostly of women, federate at the city and national levels to provide

institutions that can share assets and resources (mainly, knowledge and finance), and thereby strengthen and extend the activities of local savings groups. These city and national federations also have a significant role in negotiating with state agencies to secure policy improvements and additional resources.

This arrangement has worked tremendously to alleviate the housing problems of the poor in the benefiting countries. Appadurai, Arjun (2007), declares that “without poor women joining together, there can be no savings, without savings there can be no federating, without federating, there is no way for the poor themselves to enact changes in the arrangements that disempowered them”. The predominance of women as participants in this process has resulted in a strong concentration on shelter-related activities, in large part, because women take on most domestic and child-rearing responsibilities and often have income-earning activities at home. Groups have developed a number of strategies based on the opportunities within their particular context to improve shelter for low-income groups. City-level strategies demonstrate how city redevelopment can avoid evictions and minimize relocations. This combination of activities has resulted in the various ways in which federations develop their own urban poor funds, which provide capital for community investments. Each of these federations works very closely with a support NGO, staffed by professionals, who assist in a range of task-related activities and to provide management-related functions, technical development services and documentation for a professional audience. As the process has grown in significance, city governments and some national governments have become interested in supporting these community-driven approaches, recognizing their potential contributions to poverty reduction and urban development.

Table II: Summary of the National Federations that are SDI Affiliates

Name of Country	A. Date	B. No of Settlements where there is a process	C. Active Saver	D. Savings	E Houses Built	Tenure Secured (number of families)
India	1986	5,000	100,000	US\$1.2m	6,000	80,000
South Africa	1991	750	30,000	US\$1.2m	15,800	23,000
Thailand	1992	42,700	5 Million	US\$ 206m	30,000	30,000
Namibia	1992	60	15,000	US\$ 0.6m	1,200	3,700
Cambodia	1993	288	11,300	US\$ 145,000	3,300	800
Philippines	1994	148	42,727	US\$631,830	13,388	18,191
Zimbabwe	1995	62	45,000	Z\$ 280m	750	3,500
Nepal	1998	396	3,147	US\$173,402	50	85
Sri-Lanka	1998	130	21, 506	US\$ 29,469	100	2,000
Colombia	1999	1	60	US\$ 10,000	----	60
Kenya	2000	50	20,000	US\$ 50,000	110	5,600
Zambia	2002	45	14,000	US\$ 18,000	-----	138
Ghana	2003	15	12,000	-----	-----	----
Uganda	2003	4	500	US\$ 2,000	-----	150
Malawi	2004	100	20,000	US\$ 50,000	660	1,260
Brazil	2005	5	100	US\$ 4,000	----	7,000
Tanzania	2004	16	1,000	US\$ 2,000	-----	-----

Source: Diana Mitlin and David Satterthwaite, 2007.

The International Institute for Environment and Development (IIED) of the United Kingdom also works with Shack/Slum Dwellers International (SDI) in documenting the Federation's initiatives and presenting these to professionals and institutions working in international development. In addition to the vertical relations embedded within the funding process, there are more complementary activities in which both IIED and SDI are engaged.

Between 2002 and 2006, these two institutions have supported the understated development projects in various locations across the world:

- Savings groups in Cambodia, Colombia, India, Kenya, Malawi, Nepal, Philippines, South-Africa, and Zimbabwe to obtain land for shelter development.
- Slum/Squatter upgrading and successful negotiations for land tenure in Cambodia, India, and Brazil,
- Bridge financing for federation initiatives in India, Philippines and South Africa (where government support was promised but slow to be made available);
- Improved provision for water and sanitation in Cambodia, Sri-Lanka, Uganda and Zimbabwe (usually accompanied by improved land tenure);
- Settlement enumeration in Brazil, Ghana, Namibia, Sri-Lanka, South-Africa and Zambia (providing the information base for upgrading and for new land tenure initiatives);
- Exchange visits by established federations to urban poor groups in Angola, East-Timor, Tanzania and Zambia;
- Community-managed shelter reconstruction after the Tsunami in India and Sri-Lanka; and Federation partnerships with local governments in shelter initiatives in India, Malawi, South-Africa and Zimbabwe.

In terms of the outcomes from these processes, of particular note is the first land development program in Lilongwe, Malawi, where women using a low-cost adobe brick technology, constructed 200 houses in two months (Mitlin and Satterthwaite, 2007).

Interestingly, the major thrust of Nigeria's National Housing Policy of 1991 and its subsequent amendment in 2006 was the development of a housing finance system geared towards the provision of an enabling environment for the generation of housing finance; with the private sector as the main source (Olotuah, 2009). Unfortunately, this has not been able to meet the housing needs of the Nigerian urban poor. Thus, having taken due cognizance of the short-comings of the various housing programmes in meeting the housing needs of the urban poor and given the modest achievements of cooperative housing schemes in the aforementioned countries, this paper advocates the formation of housing co-operative unions as a strategy for the provision and maintenance of low-income housing for the urban poor in Nigeria.

Conclusion / Recommendations

Apart from the fact that communal and co-operative values are inherent in most Nigerian cultures, co-operative housing has proved to be a pragmatic and cost-effective means for home-ownership for the urban poor. The principle has been encouraged and endorsed by several international organizations, such as the United Nations Centre for Human Settlement, the International Institute for Environment and Development, the

Shack/Slum Dwellers International Organisation, etc. Furthermore, co-operative housing has been tested in many nations all over the world and has proved to be the best way of addressing the housing problems of the urban poor at least in four major ways:

First, the effectiveness of funding goes directly to grassroots organizations formed by urban poor groups for savings and loans. This means that these organizations have a central role to play in project development and management, and they make sure that funding goes as far as possible by pushing down unit costs, and by adding their own contributions, using the funds to leverage additional support.

Second, the fund is very flexible, in that, it supports what it is meant to do. This means that it can respond to opportunities and priorities identified by local groups. It responds to what grassroots organizations, their federations and local support NGOs adjudged to be the most effective way to secure land or housing tenure and basic services.

Third, decision making about the allocation of the fund is embedded within Slum/Shack Dwellers International (SDI). So, all the federations support the local activities that are funded, because they set the priorities. The process through which the different federations support each other in development activities helps to strengthen the confidence of the urban poor and ensures their ownership of the development process.

Finally, as elaborated above, the nature of the relations within this group, and between the donors that support it, IIED and SDI, who help to manage it, and the groups that receive support allows for more constructive support for grassroots communities both within and between each agency. It is not simply that the funds are delivered to local groups in a useful way, rather, the institutions designed to support this process play effective roles in their execution. In this mobilization and federating strategy, women play a vital role in view of the significance of their percentage in the country. Therefore, adopting this concept in meeting the housing needs of the urban poor would be a veritable way of addressing the enormous housing problems confronting this country.

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