



Shelter Co-operatives in Eastern and Southern Africa



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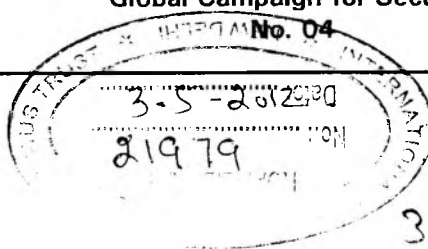
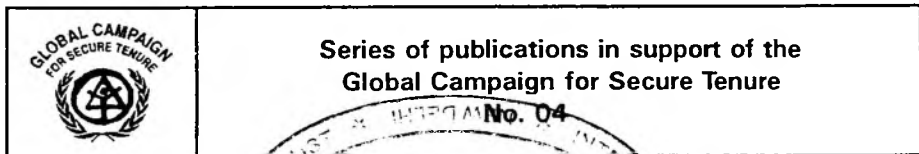
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Shelter co-operatives in Eastern and Southern Africa

Contributions of the co-operative sector to shelter development



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United Nations Centre for Human Settlements (Habitat)
International Co-operative Alliance (ICA)

Nairobi, 2001



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Preface

More than one billion people world-wide live in inadequate shelter conditions. In Africa, more than one third of the population suffer from such poor conditions. In many cities more than half of the population live in informal settlements, in health-threatening structures and conditions characterised by overcrowding and lack of basic services such as piped water, sanitation and health care. In some of the worst illegal settlements one third of the children die before the age of five.

It was against this background that Governments adopted the Habitat Agenda in 1996, stating that *“Our objective is to achieve adequate shelter for all ... through an enabling approach to the development and improvement of shelter...”* (Habitat Agenda, paragraph 3). One of the mechanisms to achieve this was identified as *“encouraging communities to form housing and multi-purpose community development co-operatives, especially for the provision of low-cost housing ... [and] Encourage ... the expansion of savings and credit co-operatives, credit unions, co-operative banks, co-operative insurance enterprises and other non-bank financial institutions ...”* (Habitat Agenda, paragraph 82).

A conference of ICA Housing and representatives of co-operative movements in Eastern and Southern Africa, convened in Uganda in 1998, identified shelter as a high priority area for the co-operative movements of the region. The participants concluded that the co-operative movement and the co-operative approach could make a contribution, in the face of rapid urban growth, deepening poverty in rural and urban areas, and the inability of governments alone to solve the shelter problem. They thus called upon the International Co-operative Alliance (ICA) to assist them to pursue this issue. As a result, the ICA Regional Office for East, Central and Southern Africa approached the United Nations Centre for Human Settlements (Habitat), to investigate potential synergies between the two agencies within the area of co-operative shelter development.

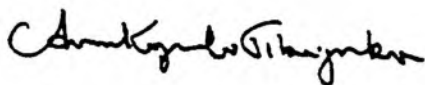
In its role as the co-ordinating agency for the implementation of the Habitat Agenda within the United Nations system, UNCHS (Habitat) actively supports the involvement of all relevant stakeholders towards the two main goals of the Habitat Agenda: ‘shelter for all’ and ‘sustainable human settlements development in an urbanising world’. UNCHS (Habitat) acknowledges the important role and contributions of the co-operative movement as a major stakeholder within the framework of an enabling shelter strategy. UNCHS (Habitat) furthermore acknowledges that there is considerable potential for extending this role and these contributions in Eastern and Southern Africa.

In this relation, UNCHS (Habitat) and ICA signed a Memorandum of Understanding in 1998, to assess the actual and potential contributions of the co-operative sector to shelter development in Eastern and Southern Africa. The purpose of the assessment was to initiate a process to analyse the possible development of a regional programme by ICA with the aim of improving the scope and effectiveness of co-operative involvement in the shelter sector in the region. The assessment is based on reports on co-operative shelter in Kenya, South Africa, Tanzania, Uganda and Zimbabwe.

This report has been prepared for this purpose and reviews the contributions of co-operatives to shelter development in the region. It also outlines the potential role of the co-operative approach in the shelter sector in the future. The assessment comes at a time when the role and definition of co-operatives in all sectors are under review in the light of liberalisation processes that have substantial impacts in the economic and social structures, particularly affecting relations between co-operative movements and governments.

The report is published as a contribution to the initiatives of the Global Campaign for Secure Tenure, which is one of the main thrusts of the new strategic vision of UNCHS (Habitat) to contribute to the implementation of the Habitat Agenda. The Campaign's focus on new and innovative options towards achieving secure tenure for all is closely linked to the potential of the co-operative approach to shelter development. The joint initiative of UNCHS (Habitat) and ICA constitutes an exemplary approach of facilitating partnerships for effective contributions to the implementation of the Habitat Agenda.

We wish to express our appreciation and gratitude to all those who have contributed to the preparation of this report.



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Graham Alder (Matrix Development Consultants) prepared the draft that forms the basis for this report. Björn Genberg (ICA) drafted section II.B. The research design was developed by Inge Jensen (UNCHS (Habitat)), Björn Genberg and Vincent Lubasi (ICA). Inge Jensen co-ordinated the activities and finalised the substantive content as well as the layout of the report. Selman Ergüden supervised UNCHS (Habitat)'s inputs to the research project and provided valuable insights. Special thanks to Jens Heiser, President of ICA Housing, for his interest and support.

The report is largely based on data collected by national consultants and presented in national reports from five countries in the region. Without their extensive hands-on experience, this report could not have been prepared. Graham Alder and Paul Munene (NACHU) prepared the report on Kenya. Kecia Rust (an independent development consultant), Tumsifu Nnkya (University of Dar es Salaam) and Emmanuel M. Byaruhanga (BWIK Consult) prepared the reports on South Africa, Tanzania and Uganda respectively. Takawira Mubvami and Amin Kamete (both University of Zimbabwe) prepared the report on Zimbabwe. Graham Alder, Amin Kamete, Takawira Mubvami, Paul Munene and Kecia Rust also played important roles in developing the research design through their contributions at a workshop convened in Nairobi 23-24 March 1999. During the course of the research project, Graham Alder represented ICA at a conference on co-operative housing in Johannesburg, South Africa, 7-9 July 1999.

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Currency exchange rates (December 2000)

1 US\$ = 1,790 Uganda Shillings (USH)

1 US\$ = 78 Kenya Shillings (KSH)

1 US\$ = 809 Tanzania Shillings (TSH)

1 US\$ = 7.6 South African Rand (R)

1 US\$ = 55 Zimbabwe Dollars (Z\$) (at Government controlled exchange rate)

List of acronyms

AIDS	Acquired Immuno-Deficiency Syndrome
CBO	Community-based organisation
CFH	Civic Forum on Housing (Zimbabwe) (also known as CHF)
CLT	Community Land Trust
CME SACCO	Cape Metal Employees Savings and Credit Co-operative Ltd.
COPAC	Committee for the Promotion and Advancement of Co-operatives
ELHMC	East London Housing Management Co-operative
GDP	Gross domestic product
HDI	Human development index
HIDF	Housing Institutions Development Fund (South Africa)
HIV	Human Immuno-deficiency Virus
HPI	Human Poverty Index
HPZ	Housing People of Zimbabwe
HSS	Housing Savings Schemes (affiliated with the South African Homeless People's Federation)
ICA	International Co-operative Alliance
ICA Housing	International Co-operative Housing Organisation
ICA ROECSA	ICA Regional Office for East, Central and Southern Africa
ICHUT	Inner City Housing Upgrading Trust (South Africa)
ILO	International Labour Organisation
IMF	International Monetary Fund
KIJICO	Kijitonyama Development Community (Tanzania)
KSH	Kenya Shillings
KUSCCO	Kenya Union of Savings and Credit Co-operatives
MNAECC	Ministry of National Affairs Employment Creation and Co-operatives (Zimbabwe) (later renamed Ministry of National Affairs, Gender, Youth Development and Employment Creation)
NACHU	National Co-operative Housing Union (Kenya)
NBBL	Norwegian Federation of Housing Associations
NGO	Non-governmental organisation
NOK	Norwegian Kroner
NORAD	Norwegian Agency for International Development

NURCHA	National Urban Reconstruction and Housing Agency (South Africa)
SACCO	Savings and Credit Co-operative (used here generically, to include 'savings and loans associations', 'savings and credit societies', 'savings and credit organisations', credit unions, etc.)
SACCOL	Savings and Credit Co-operative League (South Africa)
SAHPF	South African Homeless People's Federation
R	South Africa Rand
TSH	Tanzania Shillings
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USH	Uganda Shillings
WAT	Women Advancement Trust (Tanzania)
WCCHT	Western Cape Community Housing Trust (South Africa)
Z\$	Zimbabwe Dollars

Executive summary

I. Introduction

1. This report reviews the actual and potential contributions of the co-operative sector to shelter delivery in Eastern and Southern Africa in general, and in Kenya, South Africa, Tanzania, Uganda and Zimbabwe in particular. The report also outlines the potential role of the co-operative approach in the shelter sector in the future. The objective of this review is to initiate a process to assess the potential and usefulness of developing a regional programme by ICA with the aim of improving the scope and effectiveness of co-operative involvement in the shelter sector.

2. The role of the co-operative shelter movement is recognised in the Habitat Agenda, which also highlights the role of savings and credit co-operatives (SACCOs). The report differentiates between three main categories of organisations within the co-operative shelter sector:

- registered co-operatives (i.e. those registered under the co-operative societies act of the respective country);
- co-operative-like organisations (i.e. those embracing the basic co-operative principles and practices without being registered under the co-operative societies act); and
- other community-based organisations.

II. The regional setting

3. Rapidly decreasing household sizes imply that more than half of the annual (demographic) housing need in the five countries studied derive from South Africa. This annual need (i.e. the need due to increases in the number of households) comes in addition to current housing deficits (in quantitative as well as qualitative terms). The average annual needs (for the 2000-2010 period) in the five countries are: Kenya, 306,000 units; South Africa, 668,000 units; Tanzania 122,000 units; Uganda, 127,000 units; and Zimb. bwe, 82,000 units. This is a considerable challenge given the poor records of housing delivery systems in the past.

4. The region's economic performance during the last decade has been rather disappointing, with relatively low rates of growth. With the exception of South Africa, very limited resources have thus been made available for investments in the shelter sector. This is particularly the case for the low-income groups. The consequence is that social conditions have remained relatively poor and that poverty is still widespread in the region, with large sections of the urban population living in informal and unplanned settlements, with little or no access to basic infrastructure and services.

5. Registered co-operatives have a long tradition in the region, originally in the field of agricultural marketing, but more recently, SACCOs have become the fastest growing sector. The impact of liberalisation, withdrawal of government supervision (and support) and the termination of co-operative monopolies have had a considerable impact on co-operatives in the agricultural sector in particular, and many have thus collapsed. However, the impact on the shelter sector has been relatively small.

III. Role of co-operatives in the shelter sector

6. Co-operatives serve three basic **functions** towards the general goal of adequate shelter for its members, namely —

- they enable households to pool resources to acquire and develop land and housing;
- they facilitate access to finance; and
- they enable groups to join forces and reduce construction costs.

7. One of the more notable aspects of co-operative housing is the various **forms of ownership** involved, ranging from joint ownership to more individualistic forms.

8. There is a wide range of different **types** of co-operatives relevant for the shelter sector in the region. Most notably among these — apart from the housing co-operatives — are the savings and credit co-operatives (SACCOs). Other important actors working within the co-operative shelter sector are those involved in the production of building materials and those engaged in the improvement of shelter and infrastructure.

IV. Co-operative sector contributions to shelter delivery

9. Registered housing co-operatives have been responsible for less than 1 per cent of the total national housing production in most of the countries studied. Their contribution may have been considerably more significant in terms of introducing innovative concepts and practices.

10. There are no comprehensive data for the quantitative contribution of co-operative-like organisations. The contribution of such organisations must, however, have been considerably more important, particularly if investments in infrastructure and services are taken into account.

V. Structure and organisation of housing co-operatives

11. The structure and organisation of registered co-operatives is similar in all countries studied in this report. The quality of management and the level of democracy within each co-operative are essential for the performance of the co-operative shelter sector.

12. A specialised support organisation seems to be an essential element of an effective co-operative shelter system. Developing and managing a shelter project — whether new-build, upgrading, or purchase of existing stock — requires a considerable amount of expertise and knowledge, which is not necessarily found among the members of a primary co-operative. The ideal type of support organisation varies from situation to situation and over time. Moreover, there are several different forms of such support organisations — each with its own merits and shortcomings — including ‘secondary’ co-operatives or NGOs.

VI. Legislative, regulatory and support environment for co-operative shelter development

13. The legislative, regulatory and support environment is largely set by government (and local authority) policies pertaining both to the shelter sector and to the co-operative (and community) sector. Close government supervision and control in the past has undermined the principles of co-operatives as self-help, voluntary organisations.

14. Government controls, and direct support, has since largely been withdrawn, due to economic liberalisation. Consequently, poorly managed co-operatives have collapsed. In some cases, this increased freedom has expanded the credit options of shelter and financial co-operatives, thus leading to improved performance.

VII. Finance for co-operative shelter

15. In the countries studied, co-operatives have had difficulties in mobilising and accessing finance. Member savings are normally only a small proportion of the finance required for building a dwelling, and it is difficult to access finance from conventional finance institutions. The savings and credit movement has great potential to finance shelter, and examples from Kenya and South Africa show that this potential can be further developed. Specific examples indicate that shorter-term credit (which is already offered by many SACCOs) may suit the needs of the lower-income groups better than formal longer-term loans.

VIII. Donor support to shelter co-operatives

16. The role of donors has been (and is) important in all the five countries studied. Just about every initiative examined has in some way or other had donor involvement. The results have been mixed, but there does appear to be a trend indicating that the quality and impact of assistance has increased over time. This is presumably a result of learning from experience.

IX. Co-operative impacts in the shelter sector

17. While registered co-operatives have had a limited impact in terms of their overall contribution to shelter delivery, co-operative-like organisations have played a more significant role. The reasons for this limited impact may be summarised as —

- a negative policy framework;
- weak management of co-operatives;
- it takes time for a culture of co-operation to be built in urban (as opposed to rural) areas;
- some donor interventions have not promoted 'ownership';
- poor economic conditions, leading to a financial environment making it difficult to access financial resources;
- political interference; and
- difficulties in accessing land.

X. Conclusions: Lessons learned and the future role of the co-operative sector in shelter development in Eastern and Southern Africa

18. **The policy climate:** The adoption of an enabling approach by many governments has not always been a strategic redefinition of the role of government vis-à-vis other actors. Instead, it has often implied a withdrawal by government from the responsibility of guiding the management and growth of human settlements. Civil society, including co-operatives, has responded by moving into the spaces left by government (central and local): providing shelter, infrastructure and urban services. This report indicates that co-operatives have an important role to play in the shelter sector. Moreover, through their principle of democratic member control, they also offer a potential contribution to better governance of African cities.

19. However, if co-operatives and co-operative-like organisations are to play a significant role in the shelter sector of Eastern and Southern Africa then strategies have to be evolved to reach the poor. Targeting interventions and resources to people living poverty or to other vulnerable and disadvantaged groups may be one approach.

20. **Support institutions:** Effective institutions are required to provide support to shelter co-operatives in areas such as —

- Co-operative formation, organisation and management;
- Land acquisition;
- Providing or sourcing finance;
- Negotiating with pertinent authorities on matters such as planning permission, building standards and infrastructure;

- Physical design and contract supervision; and
- Post-occupancy management.

21. Finance: Perhaps the greatest current potential for financing of co-operative shelter is from the co-operative savings and credit movements. These are already providing considerable shelter finance in some countries. However, SACCOs need to make some policy decisions to allow them to meet demands for both short and long-term finance.

22. At the international level, co-operative movements outside the Eastern and Southern Africa region could examine the possibilities of establishing loan guarantee mechanisms, in partnership with local finance institutions.

23. Partnerships: One clear finding of this study is that — despite the different conditions in the five countries studied — successful shelter co-operatives have emerged because of their ability to network and form partnerships with a variety of stakeholders; central and local government, other co-operatives both nationally and internationally and NGOs. Partnerships need to be fostered — at both local and national levels — between all relevant actors in the co-operative shelter sector. The comparative advantage offered by each potential partner must be established. Moreover, implementation modalities should be based on the ‘best value’ approach — e.g. by selecting the most effective and efficient institutional combination for each individual situation.

I. Introduction

This report reviews the actual and potential contributions of the co-operative sector to shelter delivery in Eastern and Southern Africa. The report also outlines the potential role of the co-operative approach in the shelter sector in the future. The objective of this review is to assess the potential and usefulness of developing a regional programme with the aim of improving the scope and effectiveness of co-operative involvement in the shelter sector in the region.

The report is based on reports on co-operative shelter in Kenya, South Africa, Tanzania, Uganda and Zimbabwe.¹ As might be expected, available data is of uneven quantity and quality. While specific case studies (often project-based) have been available in some countries, there has been little comprehensive data on the co-operative shelter sector.

This first chapter provides an overview of the role of shelter co-operatives in the international development agenda. It also includes a general discussion of various categories of actors working within the co-operative approach to shelter delivery. Finally, it provides a brief introduction to shelter co-operatives in the region. Chapter II introduces the regional setting. It contains a brief overview of general economic, demographic, social and other factors that have impact for the development of the co-operative approach in the shelter sector, as well as a brief introduction to the co-operative sector in the region.

The next six chapters contain the review of the contributions of the co-operative sector to shelter development in the region. They discuss the roles played by co-operatives in the shelter sector (chapter III); their contribution to shelter delivery (chapter IV); structure and organisation of co-operatives (chapter V); the legislative, regulatory and support environment for co-operative shelter development (chapter VI); finance (chapter VII); and donor support (chapter VIII). Selected examples are used to illustrate the discussion, focusing on positive experiences. As the scope and practice of co-operative shelter varies, there are, however, not always relevant experiences from each of the five countries covered by this report.

The two final chapters contain the main findings of the study. Chapter IX contains a summary of the contributions of the co-operative sector to shelter development, and an assessment of why these impacts have been rather limited.

1. The countries were selected to capture the main trends within the co-operative approach to shelter delivery in the region. Unless otherwise specified, the data presented in this report are drawn from these national studies, namely: Alder and Munene, 1999 (Kenya); Byaruhanga, 1999 (Uganda); Mubvami and Kamete, 1999 (Zimbabwe); Nnkya, 1999 (Tanzania); and Rust, 1999 (South Africa).

Chapter X contains the main lessons learned from the survey and the implications for the development of future strategies to improve the contributions of the co-operative sector to shelter delivery.

I.A. Co-operatives in the international agenda

The United Nations has recognised the role of co-operatives in the shelter sector, through various instruments, both specifically and in its broader appreciation of the role of community organisations. The most prominent document dealing exclusively with co-operatives was prepared by the Committee for the Promotion and Advancement of Cooperatives (COPAC).² This document — “*Guidelines aimed at creating a supportive environment for the development of cooperatives*” (see annex 1) provides essential background on the role of co-operatives within a liberalised environment. However, it does not make any specific mention of co-operatives in the shelter sector.

The Habitat Agenda, adopted in 1996 in Istanbul, recognises the role of co-operatives in shelter development, acknowledging co-operatives as one of the stakeholders at the local level that support governments in their efforts to realise national shelter goals. Paragraph 56 of the Habitat Agenda states that:

“While Habitat II is a conference of States and there is much that national Governments can do to enable local communities to solve problems, the actors who will determine success or failure in improving the human settlements condition are mostly found at the community level in the public, private and non-profit sectors. It is they, local authorities and other interested parties, who are on the front line in achieving the goals of Habitat II. Although the structural causes of problems have often to be dealt with at the national and sometimes the international level, progress will depend to a large degree on local authorities, civic engagement and the forging of partnerships at all levels of government with the private sector, the cooperative sector, non-governmental and community-based organizations, workers and employers and civil society at large.”

2. Established as an inter-agency committee, COPAC is an on-going partnership between representatives of the co-operative movement and the United Nations and its specialised agencies. Members include: the United Nations, the Food and Agricultural Organisation of the United Nations (FAO), the International Labour Office (ILO), the International Co-operative Alliance (ICA), International Federation of Agricultural Producers (IFAP) and World Council of Credit Unions (WOCCU).

The Habitat Agenda strongly supports the role of co-operatives in mobilising financial resources for housing the poor. This recognition includes the demonstrated success, also noted in this study, of savings and credit co-operatives (SACCOs). The Habitat Agenda calls for the recognition, encouragement and support of the pooling of funds at the community level, in the form of SACCOs. Governments are asked to link up SACCOs with traditional financial institutions. The Habitat Agenda makes the following specific recommendations on shelter co-operatives, which are echoed and supported by this report.

“To create new housing finance mechanisms, as necessary, Governments at the appropriate levels should:

- a). Harness the potential of non-traditional financing arrangements by encouraging communities to form housing and multipurpose community development cooperatives, especially for the provision of low-cost housing;*
- b). Review and strengthen the legal and regulatory framework and institutional base for mobilizing non-traditional lenders;*
- c). Encourage, in particular by removing legal and administrative obstacles, the expansion of savings and credit co-operatives, credit unions, cooperative banks, cooperative insurance enterprises and other non-bank financial institutions, and establish savings mechanisms in the informal sector, particularly for women;*
- d). Support partnerships between such cooperative institutions and public and other financing institutions as an effective means of mobilizing local capital and applying it to local entrepreneurial and community activity for housing and infrastructure development;*
- e). Facilitate the efforts of trade unions, farmers', women's and consumers' organisations, organisations of people with disabilities and other associations of the populations concerned to set up their own cooperatively organized or local financial institutions and mechanisms;*
- f). Promote the exchange of information on innovations in housing finance;*
- g). Support non-governmental organisations and their capacity to foster the development, where appropriate, of small savings cooperatives.” (Habitat Agenda, paragraph 82).*

I.B. Co-operatives, co-operative-like organisations and community organisations in Africa

This report takes into account the current debate on the definition of co-operatives, primarily within the international co-operative movement but also within other similar bodies (such as the members of COPAC²). The debate seeks to re-assess the definition of a 'co-operative' following the global process of liberalisation. The revision of the definition of what constitutes a co-operative is not only a result of the recent process of liberalisation. It is also based on the experience, gained over a much longer period, of co-operatives in some countries being, in effect, governmental organisations. For example, during the socialist period Tanzanian co-operatives were not voluntary, i.e. one of the essential co-operative principles. In fact, not only was membership compulsory but at one point the national movement was incorporated into the single-party state.

The report therefore uses three main categories to describe organisations in the 'co-operative' shelter sector:

- **Registered co-operatives:** Organisations registered³ under the co-operative societies act of each country.
- **Co-operative-like:**⁴ Organisations not registered under a co-operative societies act but which in general terms adhere to the basic co-operative principles defined by ICA and the International Labour Organisation (ILO) (see section I.B.1 below).
- **Other community-based modalities:** Organisations which do not accord to the co-operative principles as defined by ICA/ILO, but which are often altruistic, seek to alleviate poverty and can have a measure of beneficiary participation.

In this report, the term 'co-operative' without further qualification refers to all three categories unless otherwise specified.

I.B.1. Registered co-operatives

As is discussed in section II.B, most registered co-operatives in Eastern and Southern Africa have historically been operating in the agricultural sector.

3. By registered is meant that the organisation has had its constitution and bylaws (rules) approved by central, regional or local government or by a body authorised by government such as an association or professional body.

4. The ICA has also identified 'pre-co-operative entities' which are informal groups as "enterprises operating on co-operative principles but not meeting requirements for formal registration". As it is not automatic that such groups later become co-operatives, or is necessarily advisable, the term pre-co-operative is not used in this report as a category.

During the last two decades, however, the importance of SACCOs has been growing rapidly.

Members of the ICA have agreed to respect a set of principles which were originally formulated in the late nineteenth century and which have periodically been revised to accord with changing circumstances. The principles shown in box 1 were adopted by ICA's Centenary Congress in 1995.

Box 1. Statement of the co-operative identity

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: Voluntary and open membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic member control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3rd Principle: Member economic participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the follow-

Continues...

Box 1 (continued)

ing purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, training and information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of co-operation.

6th Principle: Co-operation among co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7th Principle: Concern for community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Source: ICA News, No. 5/6, 1995.

ILO uses a wider definition, by defining co-operatives as:

*associations of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate.*⁵

I.B.2. Co-operative-like organisations

Many organisations appear to meet the majority of these basic co-operative principles, without being registered as co-operatives. There are many reasons why they have not registered as housing co-operatives, including:

5. ILO R127 - Co-operatives (Developing Countries) Recommendation, 1966.

6. Shelter co-operatives in Eastern and Southern Africa

- They do not have the capacities needed to fulfil requirements of registration. In many cases, they can work at a simpler and more informal level.
- They do not wish to be supervised by a government ministry or may wish to register as a group or society that has a much lighter level of supervision.
- The co-operative movement as a whole may have a negative image, or it may be seen as the preserve of a particular social class or one ethnic group.
- There was no knowledge of the co-operative alternative when the group was formed.

As mentioned above, many groups are registered under other types of legislation, as companies, trusts, societies, women's groups and so forth. The question for national co-operative movements, and for the international co-operative movement, is therefore twofold:

- Should they pursue a policy encouraging all these groups to become registered co-operatives (under revised 'liberalised' co-operative legislation)?
- Should the co-operative movement adapt to accommodate those parts of the 'voluntary economic sector', with the same basic principles as co-operatives?

One methodological issue encountered in compiling this report is that there is large range and number of 'co-operative-like' organisations active in the shelter sector — outnumbering by far the registered shelter co-operatives. For example, there are over 90,000 women's groups in Kenya alone, many of which deal with shelter issues in one way or another. Again, The Homeless People's Federation in South Africa has many of the features of co-operatives. The national researchers in the five countries studied have identified materials on many of these organisations, but there is a lack of data to enable a comprehensive inventory to be made which would provide the material for an inclusive assessment. This is partly because many grass-roots initiatives are not linked to national organisations and data is often not collected or centralised.

Box 2 attempts to categorise types of 'co-operative-like' organisations with respect to their legal status (or lack of it) that can meet the principles in box 1, i.e. that they are democratic, member-controlled organisations. These are organisations at the local level where individuals or households join to satisfy their shelter needs.

Box 2. Co-operative-like organisations

Informal groups: Unregistered by any authority but may be supported by strong cultural norms.

Women and youth groups: Separate categories in many countries.

Societies: Usually the simplest form of registration under a 'Societies Act' or similar,

Shareholder companies: Under the companies act(s) and can be democratic depending on the constitution and structure.

Company limited by guarantee: Often used by charitable organisations.

It is clear that co-operative-like organisations — primarily because there are so many of them — make a much more significant contribution to shelter improvement than do registered co-operatives. However, it should be noted that even the combined contribution of the co-operative and co-operative-like sectors is very small in comparison to total supply. The bulk of housing is provided outside the formal commercial sector by households themselves. This is discussed further in chapter IV.

I.B.3. Other community-based modalities

A further category of local level organisations are those in which the intended beneficiaries of improved shelter have a measure of participation in the development and subsequent management of the shelter project or programme but do not have a structure allowing forms of ownership by the residents. There is a range of such organisations. They include the public projects that are often donor funded and where tenure arrangements may be rental or aim at ownership by residents some time in the future. They also include projects promoted by philanthropic organisations such as housing associations in South Africa. Another model is the land trust in which trusts, registered under trustee acts, hold an asset (e.g. funds, land, and buildings) for an identified group. Examples of trusts are the Catholic Church in Mathare IV-A project in Nairobi (which has formed a land trust and rents housing units to residents who are represented on a board of trustees), and the Community Land Trust in Voi, also in Kenya (see box 19). Some examples of these approaches have been included as, given the problems in engendering and strengthening local democracy in some situations, they may provide solutions worth considering. Indeed, a combination of categories is possible such as in Voi where the land is owned by a trust but housing development is undertaken through a co-operative.

I.B.4. Nature of co-operative support agencies

The above discussion of definitions focuses on co-operatives at the primary or local level. In all the countries studied co-operatives have been supported and promoted by a variety of agencies, usually located at the national level. Many of these organisations are or have been supported by external donor agencies. In many cases, co-operative shelter organisations from industrial countries have provided technical expertise while a national bilateral agency has provided the funding.

These support agencies can also be differentiated. They include:

- **Registered co-operative 'apex' organisations.** Shares in these organisations are owned by primary registered shelter co-operatives and they are democratically controlled by these 'primaries'. The main example in this report is NACHU in Kenya.
- **NGOs** that promote and support co-operatives but which are not owned or controlled by them. Examples include HPZ in Zimbabwe (see section V.C.4), the Women Advancement Trust (WAT) in Tanzania (section V.C.3), Afesis-Corplan in South Africa (note 22 on page 53) and Maji na Ufanisi (box 11) in Kenya.
- **Governments** which actively promote co-operatives (in addition to general policy support) — such as in Tanzania and to some extent South Africa — through a variety of quasi-government agencies.

I.C. Shelter co-operatives in Eastern and Southern Africa

The focus of this report is on co-operatives (in our broad definition) in the shelter sector in Eastern and Southern Africa. This report covers the following organisations/sectors within the co-operative and co-operative-like framework:

- Organisations with the primary objective of delivering new housing units to their members, often with infrastructure;
- Organisations with the objective of owning and managing existing units (individual units or, more usually, flats);⁶
- Organisations that seek to support shelter co-operatives;⁷
- Federations of shelter co-operatives;

6. This category is found mainly in South Africa.

7. Includes those focusing on the establishment of primary co-operatives and undertaking property management for these primary 'daughter' co-operatives (e.g. the Cope model, see box 15).

- Organisations that develop land for shelter;
- Organisations that finance housing and infrastructure;
- Organisations that construct housing and infrastructure; and
- Organisations that manufacture building materials.

The focus of the report is on housing, infrastructure and shelter finance. Generally, it has been found that the role of co-operatives in the construction and building materials sectors is minimal and, as with industrial co-operatives, has not been successful in Eastern and Southern Africa. One exception is the Kataayi co-operative in Uganda (see box 7).

Most registered shelter co-operatives in Eastern and Southern Africa were established in the 1980s and 1990s. In terms of membership and importance, they play only a minor part compared to other parts of the co-operative movement.

In **Kenya**, shelter co-operatives, except a few housing co-operatives started by the Asian community, were sponsored by the Central Organisation of Trade Unions through the creation of NACHU in the 1980s (see section V.C.1). In the 1990s, NACHU, with significant donor support, continued to represent and support housing co-operatives. Registered housing co-operatives comprise eight per cent of all registered co-operative societies.

In **South Africa**, shelter delivery has a much higher priority in national policy than any of the other countries. Here, the notion of registered co-operatives in shelter is only just beginning, as part of the wider social housing movement. The first housing co-operative was registered in 1999. Other co-operatives in South Africa, particularly SACCOs, have facilitated access to housing for their members. Moreover, co-operative-like institutions — such as women's groups, tenants groups organising buy-out initiatives, and community groups — have also contributed significantly to shelter delivery.

Tanzania's first shelter co-operative initiative, the Mwenge Housing Co-operative Society, was initiated by government as a pilot project in the late 1970s with major donor involvement. The housing co-operatives promoted in the new capital, Dodoma, were also a result of direct government intervention. Presently, Tanzania's housing co-operatives are weak and have only minimal support. They comprise two per cent of all registered co-operative societies.

In **Uganda**, the principle example of a successful co-operative shelter organisation is the Kataayi co-operative (see box 7). This co-operative has demonstrated the potential for replicable housing delivery and related activities in seven villages.

Zimbabwe's housing co-operatives have demonstrated viability and are some of the strongest in the region. Yet, the national economic decline since 1991 (and particularly since 1997), has substantially reduced the volume of funds available. It has also made housing less affordable to low-income groups. This has substantially slowed the development of this promising movement.

It is clear that the impact of the registered co-operative sector has generally been small and in some instances undesirable in the sense that it has become discredited as in Tanzania. Chapter IV shows that registered co-operatives in the five countries have delivered less than 10,000 units in the last 20 years. Other parts of the formal sector (e.g. public sector housing bodies, private developers) have delivered more, but still very little compared to total housing need. The informal sector has been the major contributor to overall delivery in all countries studied in this report. The relative contribution of the informal sector has been smaller in South Africa and Zimbabwe than in the other countries. The introduction of developer-driven housing subsidies may have further reduced the relative contribution of the informal sector in South Africa.

II. The regional setting

This chapter provides basic information on the economic and social context to shelter in the five countries studied by this report. It also introduces the co-operative sector in Eastern and Southern Africa.

II.A. Social and economic conditions: Effects on shelter delivery

II.A.1. Economic context

The economic context for the shelter sector has in general been negative since the year of independence in each of the countries studied, although there are significant differences between countries. Uganda experienced poor governance during the 1970s followed by civil conflict. Economic growth was only renewed in the late 1980s and has continued to the present. Meanwhile, Tanzania applied strict socialist principles from independence in 1961. Although there were some social gains, Tanzania became one of the poorest countries in the world in conventional economic terms. Since Tanzania converted to a market economy, there has been a renewal of economic growth. Kenya, which from independence recorded reasonable growth rates began to falter in the 1990s and by the end of the decade was recording very low levels of growth. Zimbabwe's macroeconomic environment has become increasingly unstable, unpredictable and insecure. In 1999, the country recorded an alarming inflation rate of 65 per cent (Mubvami and Kamete, 1999; see also table 1). In some of the countries, inflation and interest rates have stabilised or even declined during the last couple of years. In Kenya for instance, interest rates have declined since mid-1999. Only in South Africa, with its much stronger economy, has the government been able to provide significant resources to the shelter sector.

Table 1 provides key economic data for the five countries since 1980. It

Table 1. Size and growth of economies in the region (1980-1999)

Country	GDP in 1999 (US\$ billions)	Average annual growth of GDP (percentage)		Annual rates of inflation (percentage)	
		1980-1990	1990-1999	Average 1990-1998	1998
Kenya	10.6	4.2	2.2	15.8	10.6
South Africa	131.1	1.0	1.9	10.6	7.9
Tanzania	8.8	..	3.1	24.3	17.3
Uganda	6.3	2.9	7.2	15.3	10.7
Zimbabwe	5.7	3.6	2.4	21.9	29.8

Source: World Bank, 2000; UNDP, 2000.

Table 2. GDP per capita in the region (1980-1998)

Country	GDP per capita (US\$)			Average annual rate of growth in GDP per capita 1980-1998 (percentage)
	1980	1990	1998	
Kenya	337	355	334	-0.0
South Africa	4,620	4,113	3,918	-0.9
Tanzania	..	175	173	..
Uganda	..	251	332	..
Zimbabwe	638	706	703	0.5
All developing countries	892	1,026	1,308	2.1
Least developing countries	258	257	273	0.3
Sub-Saharan Africa	692	614	578	-1.0

Source: Based on UNDP, 2000.

reveals that the size of the South African economy (in terms of GDP) is more than four times as large as that of the other four countries combined. The table also shows that Tanzania and Uganda are having the strongest relative growth rates (although from low bases), while Kenya and Zimbabwe have registered weak performances. In Zimbabwe, this has been reflected in the drying up of finance for shelter and a rapid increase in construction costs.

Among the five countries covered by this report, all but Uganda have experienced a decrease in per capita GDP during the last decade (see table 2). During the same period, the GDP per capita of all developing countries has increased by nearly 30 per cent (UNDP, 2000).

II.A.2. Demographic context

South Africa has the largest population of the five countries covered by this survey (40 million), while Zimbabwe has the lowest (12 million) (see table 3). Four of the five countries (the exception being Uganda) experience falling rates of population growth. Uganda has the highest rate (3.2 per cent per year), while South Africa has the lowest (0.7 per cent per year) (United Nations, 1999). However, these figures are to some extent the result of (and disguise) different social and economic histories, including the experience of apartheid and subsequent liberation in South Africa, the HIV/AIDS epidemic in all of the countries and civil conflict in Uganda in the 1970s.

The rate of growth of the urban population in each of the five countries is considerably higher than the rate for the population in general (see table 7). The result is that urban populations as proportions of total populations are increasing rapidly. More than half of the population in South Africa is already living in urban areas. In Kenya, Tanzania and Zimbabwe the urban population is expected to increase from one third of the total population today, to about

Table 3. Total population by country (1980-2020)

Country	Total population (thousands)				
	1980	1990	2000	2010	2020
Kenya	16,632	23,552	30,080	35,205	39,719
South Africa	27,576	34,012	40,377	42,515	44,571
Tanzania	18,581	25,470	33,517	42,235	52,513
Uganda	13,120	16,457	21,778	29,831	39,409
Zimbabwe	7,126	9,863	11,669	12,863	14,310
Eastern Africa ^a	144,454	191,717	246,969	310,097	386,137
Southern Africa ^b	31,418	39,113	46,885	50,183	53,692

a: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Réunion, Rwanda, Seychelles, Somalia, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

b: Botswana, Lesotho, Namibia, South Africa and Swaziland.

Source: United Nations, 1999.

half during the next two decades. Even Uganda, which is among the ten least urbanised countries in the world, experiences urban growth rates of more than double that of rural areas. The high rate of urban growth is an important factor in the social and economic development in the region, with considerable ramifications on the demand for shelter.

Among the five countries Kenya, South Africa and Tanzania experience declining household sizes (see table 5). Only Tanzania and Uganda, where average household sizes are already relatively high (about 5.5 persons per household), experience increases in the average size of households. During the 2000-2010 period, the absolute increase in number of households in South Africa is projected to be higher than that of the four other countries combined (see table 6). During the following decade (2010-2020), however, this situation is projected to reverse, as the average annual increase in South Africa is projected to decline drastically to less than a third of the current increase. This is related to the fact that both the rate of population growth (see table 4) and household sizes (see table 5) in South Africa are projected to stabilise at

Table 4. Average annual growth of total population (1990-2020)

Country	Average annual growth rate (percentage)					
	1990-1995	1995-2000	2000-2005	2005-2010	2010-2015	2015-2020
Kenya	2.89	2.00	1.63	1.51	1.32	1.09
South Africa	1.94	1.49	0.71	0.32	0.41	0.54
Tanzania	3.22	2.27	2.32	2.31	2.23	2.12
Uganda	2.81	2.80	3.21	3.09	2.89	2.68
Zimbabwe	1.95	1.42	0.97	0.98	1.07	1.06

Source: United Nations, 1999.

relatively low levels.

What this means in terms of shelter is that, in addition to current housing deficits, the five countries will require the construction of some 1.3 million housing units each year during the next decade. The bulk of this additional need comes from South Africa, where some 668,000 new units are required each year. For the other countries, the additional annual need is as follows: Kenya, 306,000 units; Uganda, 127,000 units; Tanzania, 122,000 units; and Zimbabwe 82,000 units. This is a considerable challenge given the poor record to date in development of adequate shelter as evidenced by overcrowding, the

Table 5. Average household size (1990-2020)

Country	Average household size (number of persons)						
	1990	1995	2000	2005	2010	2015	2020
Kenya	5.15	4.76	4.16	3.74	3.42	3.20	2.97
South Africa	7.43	4.49	3.30	2.62	2.25	2.17	2.12
Tanzania	5.53	5.70	5.61	5.76	5.87	5.93	5.95
Uganda	4.88	5.23	5.46	5.72	5.68	5.50	5.22
Zimbabwe	4.82	4.24	3.97	3.65	3.42	3.23	3.03

Source: UNCHS, 2001.

Table 6. Total number of households (1990-2020)

Country	Total number of households (thousands)				Average annual increase (thousands of households)		
	1990	2000	2010	2020	1990-2000	2000-2010	2010-2020
Kenya	4,571	7,238	10,298	13,361	266	306	306
South Africa	4,581	12,228	18,910	20,985	765	668	208
Tanzania	4,606	5,977	7,200	8,826	137	122	163
Uganda	3,371	3,987	5,253	7,557	62	127	230
Zimbabwe	2,048	2,940	3,761	4,724	89	82	96

Source: UNCHS, 2001.

Table 7. Size and growth of urban population (2000-2020)

Country	Urban population (percentage of total population)			Average annual rate of urban population growth (percentage)	
	2000	2010	2020	2000-2010	2010-2020
Kenya	33.1	41.2	47.8	3.77	2.67
South Africa	50.4	53.9	59.1	1.19	1.40
Tanzania	32.9	42.8	49.3	4.96	3.58
Uganda	14.2	18.2	23.5	5.67	5.31
Zimbabwe	35.3	42.5	49.1	2.82	2.51

Source: Based on United Nations, 1999.

presence of slums and squatter settlements and poor environmental conditions in many human settlements. Some evidence for this is shown in the subsequent section on social conditions and poverty.

II.A.3. Social conditions and poverty

UNDP has, over the past 10 years, developed the most comprehensive indices of human development and of human poverty, as economic indicators alone are insufficient to measure the full dimensions of development. The human development index (HDI) measures life expectancy, adult literacy, educational enrolment, and real GDP per capita⁸. The various indicators are combined into the HDI, which is then used to rank countries. Table 8 presents the latest HDI data for the five countries, with the highest ranked country in the world (Canada) and the highest ranked country in the Eastern and Southern Africa (Mauritius) included for comparison. Table 8 shows that South Africa is clearly in the best situation among the countries covered in this report, although data conceals pockets of deep poverty. Table 9 provides an overview of the trends in human development for the five countries covered by this report (with Canada and Mauritius⁹ included for reference). According to the table, only Tanzania and Uganda — the two lowest ranked among the five countries — have experienced a positive human development trend during the last decade.

Table 8. Key human development data (1998)

Country	Life expectancy at birth (years)	Adult literacy rate ^a (percentage)	School enrolment ratio ^b (percentage)	Human Development Index (HDI)	
				Value	Rank ^c
Kenya	51.3	80.5	50	0.508	138
South Africa	53.2	84.6	95	0.697	103
Tanzania	47.9	73.6	33	0.415	156
Uganda	40.7	65.0	41	0.409	158
Zimbabwe	43.5	87.2	68	0.555	130
Canada	79.1	99.0	100	0.935	1
Mauritius	71.6	83.8	63	0.761	71

a: Literacy among population aged 15 and above.

b: Combined primary, secondary and tertiary gross enrolment ratio.

c: A total of 174 countries have been ranked.

Source: UNDP, 2000.

8. GDP at purchasing power parities.

9. Mauritius being the highest ranked country in the region covered by this report.

Table 9. Trends in human development (1975-1998)

Country	Human Development Index (HDI) values				
	1975	1980	1985	1990	1998
Kenya	0.441	0.487	0.509	0.530	0.508
South Africa	0.645	0.659	0.678	0.705	0.697
Tanzania	..	..	..	0.406	0.415
Uganda	..	..	0.366	0.361	0.409
Zimbabwe	0.519	0.546	0.606	0.599	0.555
Canada	0.865	0.880	0.902	0.925	0.935
Mauritius	0.626	0.652	0.682	0.718	0.764

Source: UNDP, 2000.

The Human Poverty Index (HPI) “brings together in one composite index the deprivation in four basic dimensions of human life — a long and healthy life, knowledge, economic provisioning and social inclusion” (UNDP, 2000: 150). Indices include survival (age of mortality), adult literacy, access to safe water, health services and sanitation, underweight children, real GDP per capita (and distribution of wealth) and percentage of the population below the poverty line. The HPI rankings, and selected indicators, for the five countries covered by this report are also shown in table 10. Although South Africa is ranked considerably higher than the other countries, it should be noted that due to its past apartheid policies it has skewed development indicators based on race. In 1999, the HDI for whites was 0.897 while that for blacks was 0.5. The provision of basic services, including housing, is therefore most urgent to the disadvantaged races.

This disparity is also reflected in table 11, which illustrates how the poorest 20 per cent of the population in South Africa has a significantly smaller share of income or consumption (2.9 per cent) than in the other four countries

Table 10. Human Poverty Index (1998)

Country	People not expected to survive to age 40 (percentage)	Population without access to safe water (percentage)	Human Poverty Index (HPI-1)	
			Value (percentage)	Rank ^a
Kenya	30.6	56	29.5	51
South Africa	25.9	13	20.2	33
Tanzania	35.4	34	29.2	50
Uganda	45.9	54	39.7	67
Zimbabwe	41.0	21	30.0	52

a: A total of 85 developing countries have been ranked.

Source: UNDP, 2000.

Table 11. Other key poverty data

Country	Share of income or consumption, by income category (percentage)		Population below poverty line (percentage)	
	Poorest 20 per cent (1987-1998)	Richest 20 per cent (1987-1998)	US\$ 1 per day ^a (1989-1998)	National poverty line (1987-1997)
Kenya	5.0	50.2	26.5	42.0
South Africa	2.9	64.8	11.5	..
Tanzania	6.8	45.5	19.9	51.1
Uganda	6.6	46.1	36.7	55.0
Zimbabwe	4.0	62.3	36.0	25.5

a: At 1993 purchasing power parities.

Source: UNDP, 2000.

(between 4.4 and 6.8 per cent). The percentage of population that is living on less than one dollar a day (e.g. the World Bank benchmark for income poverty) is however, considerably smaller in South Africa than in the other four countries.

With poorly performing economies and reduced government budgets to social services (in conformity with liberalisation policies), housing, health and education needs have far outpaced existing facilities. Economic liberalisation, promoted in particular by the IMF and World Bank, has included requirements to balance budgets and to facilitate the reduction of barriers to trade, privatisation of public companies (parastatals), removal of price controls and creating market-determined interest and currency exchange rates. Attempts to reduce government expenditure have led to a change in the government role regarding service provision in the social sectors, including shelter.

II.A.4. The economy and shelter delivery

The above broad economic and poverty-related data give a picture of economies that are unable to make significant investments in shelter, particularly from the public sector. It also portrays levels of poverty which imply that households are unable to afford a reasonable standard of shelter.

In Kenya, around half the population in most urban centres lives in unplanned and congested settlements with very poor environmental conditions. In Nairobi, 55 per cent of the population lives on 5.5 per cent of the residential land area (and 1.58 per cent of total land area) (Matrix Development Consultants, 1993). A very rough estimate suggests that in Nairobi alone there are some 300,000 households living in informal settlements. Moreover, there are roughly the same number of housing units — most consisting of one room in a 'barrack' block. An estimated 500 units are developed in these settlements every week.

South Africa's two major economic policies — the Reconstruction and Development Program of 1994 and the Growth, Employment and Redistribution Strategy of 1996 — aim at increasing economic growth and reducing income gaps. Within the housing sector, the approach is to provide subsidised housing units for low-income households on a large scale, and to create an environment for the integration of this housing into the non-subsidised housing market (see box 3).

In Tanzania, 28 per cent of people in urban areas depend on agriculture in open spaces between urban and peri-urban areas. There has been an influx of people to urban areas mainly due to economic hardship. According to various estimates, some 40-70 per cent of these urban dwellers live in informally built shelter in unplanned settlements. Most of these settlements lack even the most basic services such as clean water, sanitation, waste disposal systems, access roads, health and education services. The quality of shelter has been retarded by several factors. These include poor economic growth, past land policies that prevented a workable land market, and severely restricted access to credit for the construction and improvement of housing.

Box 3. South Africa's housing crisis

The housing crisis can be defined from a number of angles. At its most basic, it involves a housing backlog of about 3 million households. In urban areas, it is estimated that the backlog is 1.92 million units, while in rural areas, the backlog is estimated at 300,000 units. In a country with 8.3 million households, this indicates that a third of the population is effectively homeless. The reasons for their homelessness stem from a range of inter-related factors. These include poverty and unemployment, lack of access to land and credit, a dysfunctional housing market unable to provide affordable, decent housing for the poor, inefficient systems of government support for housing delivery, social and economic segregation of households, and so on. The Government's 1994 Housing White Paper further defines the crisis based on the following statistics:

- New household formation is 200,000-250,000 per annum.
- 58 per cent of all households (4.8 million) have secure tenure.
- 9 per cent of all households (780,000) live under traditional, informal, inferior and/or officially unrecognised tenure arrangements in mostly rural areas.
- 18 per cent of all households live in squatter settlements, backyard shacks, or in over-crowded conditions, without secure tenure.
- Total formal housing stock is estimated to 3.4 million units.
- Formal housing provision for low-income households (houses costing below US\$ 7,500) was less than 20,000 units during the 1993/1994 financial year.

Source: Rust, 1999.

Uganda is characterised by a high proportion of the population living in rural areas. In 1997, it was estimated that 50 per cent of Ugandans lived in thatched houses. Moreover, the housing backlog was estimated at 350,000 units in 1991. By 1999, this figure had been reduced to 270,000. The general housing situation, however — both in terms of quality and quantity — is generally poor (Byaruhanga, 1999).

Zimbabwe's macroeconomic environment has made housing inaccessible and unavailable to the majority of the population. Macroeconomic factors have reduced the capacities of public institutions, companies and individuals to deliver housing. In 1999, the housing deficit had increased to over one million units. By 1996, all housing production systems could only produce 25,000 units annually (Mubvami and Kamete, 1999). This does not compare well with the need for new housing as indicated by the increase in number of households, e.g. 89,000 per year (see table 6).

II.B. The co-operative movement in Eastern and Southern Africa

The history of the co-operative movement in Africa can broadly be divided into three stages; colonial, immediate post colonial and liberalised. South Africa has followed a somewhat different path, because of its particular history.

II.B.1. Pre and post independence

Co-operatives have a long tradition in the region. Encouraged by colonial governments, the first agricultural co-operative organisations were established already before the First World War. Uganda's first co-operatives were formed as early as 1913. The first group of co-operatives was set up by the white farming communities. When allowed, native producers also formed agricultural co-operatives in order to purchase inputs and secure markets for their produce. By the time of independence, co-operatives were well established in all the countries in the region. Moreover, the colonial administration had set up separate departments to promote and control the co-operative sector, which primarily comprised agricultural marketing societies.

Following independence in the 1960s and later, the new governments strongly encouraged the formation of agricultural co-operatives. There are several interrelated reasons for this emphasis on co-operatives. First, co-operatives were seen as suitable middle-of-the-road organisations in newly independent societies, which, in varying degree shied away from the Western capitalistic economic model. Co-operatives fitted well into African socialism or humanism, as for instance in Tanzania and Zambia.

Second, co-operatives were not only seen as economic organisations. They were also regarded as suitable mechanisms whereby the rural population could be mobilised for general development purposes in a participatory and democratic manner. The consequence was that co-operatives — particularly the agricultural marketing societies — to a certain extent became tools for government policies and rural development plans. Governments and donors alike made use of the co-operative structure for a number of well-intended development interventions. Unfortunately, these were often imposed on the members.

Third, it was important for the new governments to be able to control the marketing of important cash crops. This was achieved by entrenching the state marketing boards, which together with the agricultural co-operatives were given monopolies over the cash crops.

In order to initiate the formation of new co-operatives and support the sector it was necessary to expand the government promotional and controlling machinery. The result was rapidly expanding co-operative movements, which were established without the internal mobilisation of the membership and without due consideration to economic sustainability. In Zambia for instance, the number of co-operatives rose from 220 in 1964 to 1,120 five years later.¹⁰

This externally initiated and controlled development of the co-operatives had a number of consequences. First, a considerable number of newly registered co-operative organisations soon became dormant. They were simply not viable. Preparation work was hasty and in many instances, ideological zeal overrode practical economic considerations. Second, and of much greater significance, was the fact that an outside agent (e.g. the government) initiated — and then put itself in ultimate control of — the co-operative sector. The government conditioned the co-operators, and thus shaped the behaviour of the organisations for decades to come.

One of the basic characteristics of the co-operative model is that it is a voluntary organisation (see also box 1). This implies that not only should members initiate the formation of their co-operative, but there should also be a real choice with regard to the services offered. Neither of these two conditions were present after independence. In addition, with today's knowledge about the development process, it is rather easy to detect the deficiency in this top-down approach.

This was the general pattern of co-operative development in the region. There was, however, one extreme case when it came to subjugating co-

10. ICA records.

operatives to political purposes, namely Tanzania. Through a politicising of society and centralising of the Tanzanian economy, the primary co-operatives were forced to adjust their structure to the administrative set-up. Moreover, the co-operative members were also affiliated to the political party as a mass organisation.

II.B.2. Agricultural co-operatives

Agricultural marketing co-operatives dominate the co-operative scene. This is mainly due to the importance of the agricultural sector in the region. The typical co-operative member in the region is a small-scale farmer. The producers/members are organised in primary marketing societies, which can range in size from a couple of hundred members to large societies of several thousand individuals, as for instance in Kenya's coffee growing areas. Most primary societies are affiliated to a secondary co-operative body, the co-operative union, operating at district or provincial level. At primary level the produce is collected, and in some cases processed, before being forwarded to the marketing boards via the union. Agricultural inputs are also sold by the primary society, through the co-operative system.

The co-operative unions provide services to the primary societies: bulk purchase of inputs, bookkeeping, transport, training, etc. Many unions became strong and influential to the extent that they sometimes encroached upon the 'independence' of the primary societies. The unions are affiliated to a co-operative apex body at national level, of which also the non-agricultural co-operatives are members. The co-operatives in most countries therefore form a three-tier structure, in some cases with other specialised co-operative national organisations adding a fourth tier.

The typical co-operative member (who is a small-scale male farmer) does not belong to the poorest strata of the rural population. He has a produce to market, which gives a regular income, however small. The agricultural co-operatives organise the better-off farmers as well as the smallest; from a relatively wealthy coffee producer on the slopes of Mount Kilimanjaro in Tanzania, to the impoverished peasant in a remote area of Zambia producing a few bags of surplus maize.

II.B.3. Other co-operatives

The co-operative model has also been used to organise people in the region for other economic purposes. Financial co-operatives (i.e. SACCOs) have been important in urban as well as rural areas. This type of co-operatives is second to agriculture in terms of number of members. Although the efforts to establish co-operative banks in the region have largely failed (the exception being

Kenya), SACCOs will play an increasingly important role in providing financial services to low-income people.

Consumer co-operatives have been around for many years in most countries. Although important to the individual member, co-operatives within consumer goods distribution, housing, fishing, handicraft, etc., are less significant in the overall economic perspective, compared to the agricultural and financial co-operatives.

There are approximately 21,000 registered co-operative societies of all types in Eastern and Southern Africa. They have a combined membership of more than six million individual members. And, as indicated above, the overwhelming number of these members are either farmers marketing their produce through agricultural marketing societies (and in many cases also members of a rural savings and credit society), or employees in the private sector and in government service being members of a work-based SACCO. Members of other types of societies constitute a small minority, possibly ten per cent of the total co-operative membership in the region.

The above figures should be read with caution since the number of registered societies does not tally with the number of active societies. The liberalisation of the economy in the 1990s has drastically reduced the number of active societies (see section II.B.5 below). Furthermore, the statistics contain a number of double memberships (e.g. farmers being members of agricultural as well as savings and credit societies). Finally, the distribution is skewed in favour of Kenya, where very successful urban and rural savings and credit movements account for more than 2.5 million members.

II.B.4. Significance of the co-operative movement

When trying to assess the performance of the co-operative movements in the region from the time of independence up to the beginning of the 1990s, it is important to recognise that they were to a large extent initiated and controlled by the governments. Much of the basic requisites for genuine co-operative development were consequently absent during those years. The co-operative identity thus became blurred, or was entirely lost, as was the case in Tanzania. Furthermore, the governments were able to control the prices on agricultural outputs and inputs, and the agricultural pricing system was tilted against the producer. Despite these limiting circumstances, most co-operatives managed to carry out their basic functions. Whether this performance can be judged satisfactory or inadequate depends on the yardstick used.

Nevertheless, the fact remains; millions of farmers have since independence been able to procure inputs and sell their cash crops through their primary societies. They have thus been incorporated into the monetary economy.

Furthermore, many people have been encouraged to save a small portion of their income, depositing it with a SACCO, and later obtaining a loan. Likewise, although on a smaller scale, artisans have marketed their products through a co-operative, fishermen have landed their catch at their society, and people have improved their housing through the membership of a co-operative. Moreover, often not properly acknowledged, many illiterate members have through their co-operative taken the first steps in learning how democracy works in practice. Although the co-operatives got off to a flawed start in the 1960s, and the governments took too great an interest in them during the following 30 years, they have nevertheless been of great economic importance to many million co-operative members.

In terms of national economics however, it is only the agricultural marketing co-operatives that have played a significant role. This is mainly because of their role in the monopolistic regime for cash crops. The co-operative dominance in many agricultural markets has, however, changed considerably in the 1990s.

II.B.5. Present situation

Two interrelated events in the 1990s have changed the co-operative scenario in the region for good: the economic liberalisation and the consequent process of governments de-linking themselves from the co-operative sector. Governments realised that open markets require co-operatives free from state control and support. Accordingly, most of them introduced new legislation during the 1990s, giving co-operatives the room to manoeuvre on their own in an open market. This new political freedom has affected all types of co-operatives. Co-operatives are now adjusting to the fact that neither over-zealous interventions, nor direct support can be expected from the government.

The new legislation might not in all cases give the co-operatives the independent status they should be afforded in accordance with the global co-operative principles (see box 1). However, de-linking the state from the co-operatives should be viewed as a process. There is a need to change mental attitudes, both among co-operators and among governments. It is clear that this will take some time. While the legislation in a few countries does not live up to required standards for autonomous co-operatives, the overall direction is quite clear. The co-operatives in the region are at crossroads: with political freedom and open markets, they are for the first time able to determine their own fate.

As part of the liberalisation process, the role of government in supervising co-operatives has been greatly reduced. In practice, the new role is more akin to that of the Registrar of Companies. This means that in most countries the ministry responsible for co-operatives no longer supervises (or interferes in) the

day-to-day operations of co-operatives.¹¹ Co-operative liberalisation may turn out to be positive in terms of organisational strength and benefits to members as well as to consumers.

The heritage of governmental support and control since independence meant that co-operatives were not well prepared for the new economic order. Many agricultural co-operatives simply did not pass the test, and had to give way to other, more efficient actors on the market. For other weak co-operatives¹² that have survived, the process of change is rather problematic. These have little steady external control in situations where the government once played a strong supervisory role. A 'supervisory vacuum' has been created. One challenge for some co-operative movements is how this vacuum can be filled by the co-operative movement itself.

Despite this, many co-operatives were able to adjust to the new circumstances, and are operating successfully and competitively in the market. Others again had to reduce their role to that of mere collection and price negotiation centres for farmers and private buyers. Moreover, new co-operative and co-operative-like initiatives are currently introduced to address the marketing problems of the small-scale farmers.

To the detriment of many small-scale farmers, particularly those in remote areas, voids have emerged. New market actors have not always filled gaps created by non-functioning co-operatives. New actors have so far been less interested in (or unable to provide) the comprehensive set of marketing services the co-operatives sought to offer. Other over-optimistic actors emerge one season and disappear the following. Many agricultural markets in the region are thus in a state of flux.

11. Such as hiring and firing of staff, and other business decisions.

12. Those with weak leadership, which have political/ethnic divisions, and/or where elected officials seek personal rather than collective gain.

III. Role of co-operatives in the shelter sector

In general, the experience in Sub-Saharan Africa is that registered shelter co-operatives attract members for one primary reason: to get access to a house/dwelling for themselves and their family. Co-operatives provide three basic functions towards the achievement of this goal —

- They enable households to pool resources to acquire and develop land and housing. This is particularly the case when, as in Zimbabwe, local authorities give priority to co-operatives.
- They have access to finance which, in many instances, derives from donor funding. This is the case in all the five countries studied. The volumes are, however, not substantial compared to overall formal shelter investment, except perhaps in Zimbabwe. This finance may be channelled through an intermediary institution, such as the private sector building societies in Zimbabwe, or direct through a housing co-operative apex organisation as in Kenya. Co-operative intermediary or supporting institutions have, in effect, become retailers of donor finance.
- They enable groups to join forces and reduce costs in undertaking construction.

It is not the desire to own property collectively that attracts members to co-operatives. The traditional forms of communal property rights in rural Africa have not necessarily translated to urban areas (and are losing value in many rural settings). Furthermore, life in towns can be highly individualistic and competitive. The lack of co-operation in urban areas, in the broad sense, stems perhaps from a post-independence expectation (encouraged by political elites) that the state (or local authority) would provide housing and services.

Also, traditional ties have broken down to some extent and have to be reformed in the relative anonymity of the cities and towns. The situation does vary from country to country. Kenya for example has since independence followed a market system. Ownership of a title deed to land is a highly prized objective. Even in Tanzania, which has had a system where the state owns the land and therefore, in theory, land had no market value, there has always been an informal land market.

The desire for individual land title is relatively recent. Traditional communal land tenure was almost universal in Sub-Saharan Africa until colonial times and has persisted in many rural areas to this day. One reason is the denial of land tenure under colonialism (and under apartheid in South Africa). Again, the introduction of a capitalist market system, especially in urban areas, means that land can be utilised to store value, to make speculative profits and as security for loans. Another attribute is the ability to pass on land as an inheritance.

As the ability of most governments to provide shelter and services has been drastically reduced, self-help through co-operation becomes an alternative delivery system. Some of these efforts are organised as registered co-operatives, others as co-operative-like initiatives. Even in South Africa, where housing has a high political priority, co-operation in the widest sense (including social housing and national/provincial public sector programmes) is an essential part of the housing delivery system. These co-operative efforts complement those of direct governmental programmes and private developers (which are often subsidised by government).¹³

Each country will have to explore the various modes of co-operative tenure and organisation that are suitable for them. They will also have to assess which types are suitable for different types of physical development: detached houses, apartment blocks and so forth.

III.A. Registered housing co-operatives

As mentioned in chapter I, housing co-operatives undertake one or several of the following functions:¹⁴

- Acquiring land and constructing housing and infrastructure;
- Owning and managing existing units; and
- Financing housing and infrastructure.

Housing co-operatives can be structured in a number of tenure forms ranging along a continuum from a collectivist approach to a more individual approach. Four such categories of approaches are discussed in the sections below:¹⁵

III.A.1. Joint ownership housing co-operatives¹⁶

Following construction, the co-operative continues to own all the land, houses and common areas. Members do not own their own units individually.

13. Even in South Africa, it is argued that the *"co-operative model alone [don't have] a great chance towards reducing poverty without comprehensive public intervention and outside financial assistance. It is not the co-operative model as such that can address the comprehensive backlog of houses for the poor and maybe these unrealistic expectations have actually prevented any significant progress or development"* (e-mail communication from Siri Sandhu, Cope Housing Association, 15 March 2001).

14. Cope Housing Association (see box 15) for example, constructs new housing units and continues to be involved in the management of these afterwards.

15. For a more in-depth description of co-operative tenure options (and other aspects of co-operative housing) see UNCHS, 1989.

16. Sometimes known as 'continuing' housing co-operatives.

Instead, through their membership of the co-operative, they own an equal share in all the assets of the society. They also have a joint responsibility for repaying a loan if one has been taken. Furthermore, members cannot sell their houses on the open market. When a member leaves, a transfer of the house is usually to the co-operative that finds a new member to occupy the unit, often at less than market value as one goal is to provide affordable housing. It is, however, possible for individual members to take some money when they leave. This may be calculated based on their contribution to date in repaying the principal on the loan, or on the replacement value of the unit.

This category of co-operatives is often seen as the purest form of co-operative. It is argued that the joint ownership model does not only provide a buffer against market forces. It also engenders community participation, leading to social gains beyond the creation of improved shelter. However, in an inflationary environment it can be very difficult to persist with this approach when market values of units may be far higher than a value based on construction cost.

In Africa, there are very few examples of joint ownership co-operatives. The reasons for their persistence, for example in Tanzania, have possibly more to do with the requirement to pay off a joint mortgage than to retain joint ownership. The new housing co-operatives in South Africa are utilising the joint ownership model. In Kenya and in Uganda, joint ownership is only used when housing units are built for rental and the objective is income generation for the members. In Zimbabwe, most co-operatives are not joint ownership but multiple ownership.

III.A.2. Multiple mortgage housing co-operatives

In the multiple mortgage model the co-operative owns and maintains the common areas, e.g. roads, paths, recreation areas and other community facilities. Meanwhile, the members own their separate units and the land.

Where a long-term loan has been taken each member has a separate loan agreement with the financing institutions. This is often the only arrangement acceptable to the lending institution. For example, in Zimbabwe each member has an individual mortgage arranged by the co-operative. The member obtains title after 51 per cent of the mortgage has been repaid. ELHMC in South Africa has developed its own approach (see box 4).

Many financing institutions refuse to lend on a joint basis to a co-operative. The main reason for this is that they perceive it would be difficult to recover the debt in case of default by one or more individuals. In a multiple mortgage co-operative, a member can normally sell the unit on the open market. This category of co-operatives is sometimes known as a sectional title (as in South Africa) or as a condominium (in other parts of the world).

Box 4. Ownership in East London Housing Management Co-operative (ELHMC) (South Africa)

The focus of the ELHMC will be on facilitating the co-operative production of housing units by its members. This appears to be a greater priority than the longer-term option of co-operative ownership. Once these units have been built, and after the four year period of ELHMC ownership of the units (required by the institutional subsidy) has passed, it is expected that many members will opt for individual ownership of their units. Alternatively, members may opt to leave the co-operative, transferring their share to an ELHMC member that is not yet housed. In this case, the member will receive the value of their share in the housing co-operative plus the value of their personal investment in the unit. This is then calculated based on a formula that takes into account factors such as inflation. The roles of the various housing co-operatives will therefore change over time, with the changing needs of the various communities concerned.

Source: Rust, 1999.

III.A.3. Limited housing co-operatives

In a limited housing co-operative system the co-operative acquires land and then subdivides the land on completion of the project. Each member thus receives his or her own plot. On completion of construction (or before) the society is then wound up, as it has achieved its objective of providing a plot (and usually services and superstructure). The individual plots become the property of each member.

In Kenya, land-buying co-operatives, mainly in rural areas, are created with land purchase as the primary and sometimes only goal. Housing co-operatives that want to extend their functions beyond land purchase have encountered problems and their projects have stalled. This has primarily been due to high interest rates and the high cost of construction. A similar situation has existed in Zimbabwe, but HPZ is currently involved in establishing a system for affordable mortgage finance (see section VII.B.2).

III.A.4. Other tenure variations

A number of variations on the above basic types of tenure are emerging in response to real situations on the ground. One of the most interesting is the Community Land Trust in Voi, Kenya, which resulted from an upgrading initiative (see box 19). The Trust owns the land as a collective on a permanent basis. Individuals only own the houses that have been constructed in a co-operative manner. An individual homeowner who wishes to leave, can sell only the house (the Trust even retains the first right to buy) but not the land. In some cases the co-operative acts as a developer, contracting services of builders on behalf of members.

III.B. Role of other registered co-operatives in the provision of shelter

Table 12 summarises the functions of other registered co-operatives (i.e. those not registered as housing co-operatives). Some of these are discussed in more detail in the following sections.

Table 12. Functions of other registered co-operatives in shelter

Type of co-operative	Basic function in shelter sector	Remarks
SACCOs	Providing a pool of funds from which qualifying members can borrow based on their contributions. Lending for development (including housing), school fees, emergencies, enterprises and emergencies such as illness and death.	Lending on a one-time basis for house deposits (with larger long-term financing from a mortgage institution), land purchase or incremental building. SACCOs do not provide long term finance. They also tend to be work-based, comprising members of one employer. Special funds for housing are present in South Africa and are planned for Kenya.
Contracting and building materials	Manufacturing of building materials, including bricks and metal fabrications (window- and doorframes, burglar proofing) and concrete blocks on a co-operative basis.	Common in high-density areas of Zimbabwe and the 'model' rural example in Uganda (see box 7).
Building materials retail and wholesale outlets	Stock and sell building materials to individuals or contractors.	Numerous in Zimbabwe but are sometimes mistaken for private companies. Not specifically for housing.
Agricultural marketing	Provision of loans for housing.	Presence in shelter development noted in Kenya.
Multipurpose	Construction and building materials.	Offering a wide range of services to members, including shelter development. In Uganda, many shelter co-operatives were registered in the multipurpose co-operative category before 1992.

III.B.1. Savings and credit co-operatives (SACCOs)

In three of the countries studied, the most significant co-operative players in the shelter sector are not the housing co-operatives. Instead, it is SACCOs, which are strong in Kenya, and growing in Zimbabwe and South Africa. They also

have potential in Tanzania and Uganda. The latter have faced severe problems following liberalisation and the introduction of competition.

In Kenya, SACCOs have a national membership of 2.5 million, and a share capital of around US\$ 30 million. The Kertyan movement is largely based around the work place, i.e. employees in an organisation, either public or private, belonging to a single SACCO society for that organisation. More recently, Kenya has seen the growth of rural SACCOs which have proved to be very successful (ICA, 1998). SACCOs provide a wide range of loans, which are normally categorised in SACCO statistics as loans for development, for school fees and for emergencies.

The largest categories of loans (in Kenya), in terms of loans taken and total amounts, are development loans and a large proportion of these is used for housing related investments. This includes land purchase, deposits for house purchase (often with the larger amount for longer term financing being provided by a mortgage institution), or used for incremental building. In the latter case, a new loan is frequently taken as soon as the previous loan is paid off.

Tanzania is currently rebuilding its co-operative sector, including the SACCOs. In the shelter sector, WAT (see section V.C.3) has programmes intended to promote housing co-operatives, establish SACCOs, training youth in production of building materials and construction, and campaigning for women's land and property rights. With some assistance from Rooftops Canada and the Canadian Co-operative Association, WAT has supported the creation of two women's SACCOs for housing in Dar es Salaam and in Mbeya.

South Africa provides an interesting example of how a SACCO can be used as a base for housing development. The CME SACCO Ltd serves the savings and credit needs of Cape Metal employees, in the Western Cape Province. Although it was registered as recently as 1997 it has already established a specialised housing loan scheme (see box 5).

Box 5. Cape Metal Employees (CME) SACCO Ltd. (South Africa)

Key facts CME SACCO:

Launched: 1992 (but operated informally within factories prior to this date).

Membership: 1,006 households, all linked to the metal and engineering industry in the Western Cape.

Average household income: 75 per cent earn between R 2,500-3,500 per month.

Asset value: R 3.5 million in members' savings.

Loan capacity: R 4.5 million (including R 1 million for housing initiative).

Continues...

Box 5 (continued)

Key facts on CME SACCO's housing loan fund (first 20 months of operation):

Launched: 1997, based on request from the CME SACCO members.

Loan capacity: R 1 million.

Capital base: R 1 million from the Western Cape Community Housing Trust (WCCHT), repayable by 2001 at 10 per cent per annum.

Interest rate on housing loans: 20 per cent per annum, repayable over 3 years.

Total loans dispersed: 116.

Total value of loans dispersed: R 828,737.

Total repayments received: R 303,449.

Default rate: 2 of 116 loans or 1.7 per cent.

In addition to the WCCHT loan mentioned above, NURCHA (see section III.F.2.g) has provided a grant of approximately R 160,000 to pay a percentage of the Housing Loans Officer's salary costs, decreasing each year.

The housing initiative offers loans of up to R 10,000 to CME SACCO members. Monthly repayments on a R 10,000 loan are R 380. Members must have saved continuously for six months preceding their application. In addition, applicants must earn less than R 3,500 per month, and must qualify for the government's housing subsidy. Applications are submitted to a Housing Loans Committee (comprising two members and a representative of the WCCHT). In order for a loan to be approved, a member's provident fund and savings accrued should together amount to at least 50 per cent of the loan amount requested. The remaining 50 per cent of the loan is secured by a 25 per cent guarantee from NURCHA and a 25 per cent guarantee from CME SACCO.

The CME SACCO also offers other loans. A R 25,000 loan, based on savings, is available for any purpose at a rate of 22 per cent, payable over three years. Emergency loans of up to R 500 are available at a rate of R 10 for every R 100 borrowed, repayable over five months.

Source: Rust, 1999.

III.B.2. Construction and building materials co-operatives

The experience with co-operatives that have been formed to manufacture building materials and to undertake construction has largely been disappointing. This applies both to registered co-operatives in Zambia and to the building brigades in Zimbabwe. The latter are not strictly co-operatives or even co-operative-like. These co-operatives have generally been formed as a response to unemployment, often youth unemployment. They have often lacked the skills and management capacity to compete effectively with the private sector, both formal and informal. In Zimbabwe, the government-inspired building brigades had considerable political support. However, ultimately they failed, as the quality of their work was unsatisfactory. Yet, there is some indication that independent construction co-operatives can succeed. The

Box 6. Construction co-operatives in Bulawayo (Zimbabwe)

The **Bulawayo Instant Muscle** co-operative was formed in 1984. It operates in the building materials and construction business sector and manufactures bricks, window frames and trusses. The executive committee consists entirely of males in their forties, the exception being one committee member who is 62. The co-operative members earn an average monthly income of Z\$ 2,628 each per month.

The **See Light Construction Co-operative** was formed in 1989 and had built 860 houses for clients in high-density areas by 1999. It is similar to a building brigade but is by no means a pseudo-co-operative, having no known patronage links with local or central government. The membership is entirely male. Members have an average monthly income of Z\$ 1,500. The co-operative is not specifically geared towards housing, but is in the general construction business.

Source: Mubvami and Kamete, 1999.

Bulawayo Instant Muscle Co-operative and the See Light Construction Co-operative — both in Bulawayo, Zimbabwe — exemplify this (see box 6).

It should be noted that there are also co-operative retailers and wholesalers of building materials in Zimbabwe. They supply to any customer, not solely to the co-operative sector.

Box 7. Kataayi Multipurpose Co-operative Society (Uganda)

Kataayi is a registered multipurpose co-operative society. It was established in the mid-1980s. It has six principal areas of activity; each managed by a specialist committee: schools; food and nutrition; building; agriculture; AIDS and orphans; and Kataayi Appropriate Building Technology Education Centre (KABTEC).

The co-operative operates in the Masaka District and provides services to a number of villages. Although the membership consists of only about 140 families, services are extended much more widely, also to non-members. The initial work of the Kataayi co-operative was to introduce appropriate building technology, stabilised soil blocks and clay roof tiles. Thousands of households have built or improved their housing in this way. The co-operative has a tile- and block-making factory that produces items for sale.

The co-operative also runs a construction training centre, where young people (including AIDS orphans) are trained in construction skills and then establish their own enterprises. The co-operative has also built and runs a secondary school, emphasising practical skills such as construction and agriculture.

The success of Kataayi can be attributed to a dynamic and visionary leadership in the early years. This has later been successfully institutionalised. Also, there has been measured support from donor and technical support agencies.

Source: Rooftops Canada.

Kataayi in Uganda is a rural multipurpose primary co-operative providing construction services (see box 7). It began as a grass-roots initiative and was part of a considered attempt to alleviate poverty and provide shelter through the generation of construction-related employment.

The experience of Uganda illustrates that a shelter co-operative can provide a basis for other activities that are not necessarily of an economic nature. Co-operative organisations have become a channel through which health issues such as HIV/AIDS, environmental education and gender awareness are discussed.

III.B.3. Rural co-operatives supporting shelter

Kenya provides an example of innovative co-operative modalities adopted in a rural context in Meru (Eastern Province). Two co-operative housing societies were formed by members of agricultural co-operatives to help them improve their living conditions alongside improvement of their cash crops (see box 8). These two co-operatives have been able to lend to their members without borrowing from a bank. They can lend an individual member up to KSH 1 million (approximately US\$ 13,000). This indicates that members are in the middle- to higher-income brackets.

Box 8. Katheru Rural Co-operative Housing Co-operative Society (Kenya)

The members are all farmers in Meru, dealing mainly with coffee and dairy produce. The members are predominantly male as agriculture is based on land, and most farmland in the area is in the name of the male spouse. Out of the 24 new members recruited in 1997, five were women.

The co-operative gives housing loans to its members. The crop, which is marketed through the co-operative is used as security for the loan. The following shows data from the annual report for 1997:

• Membership		676
• Share capital	KSH	12,598,778
• Loans for the year	KSH	3,637,000
• Outstanding loans	KSH	12,257,323
• Total cumulative loans since formation	KSH	35,729,500
• Surplus for the year	KSH	372,880

At mid-1999 exchange rates, the cumulative loans equal approximately US\$ 475,000.

Source: Alder and Munene, 1999.

III.C. Role of co-operative-like organisations in shelter

A variety of co-operative-like organisations in the region are active in improving shelter and infrastructure. They range from very informal groups to those which have registered under legislation such as societies acts and companies acts. An informal structure is usually sufficient for limited objectives, such as improving roads and water supplies in a neighbourhood, or modest revolving credit schemes for building improvement. Formalisation becomes necessary as organisations become responsible for handling cash, managing external funds (e.g., from a donor), and owning land.

Two examples of co-operative-like organisations are provided here. The Seven Buildings Company of Johannesburg (see box 9) is a tenant-purchase group, while the Kijitonyama Development Community (KIJICO) in Dar es

Box 9. The Seven Buildings Company — A buy-out initiative (South Africa)

The initiative began in 1991, when a group of tenants in seven buildings in Johannesburg's inner city made an offer to purchase their buildings from their common landlord. Throughout the entire negotiations process with the landlord, the 435 resident households were represented by a committee of residents, supported by a legal advisor from the Legal Resources Centre, and other professionals from NGOs including the Cope Housing Association (see box 15), Actstop and Planact. These NGO services were paid with donor funds, and there was no charge to the tenants.

In 1996, the group was the first to receive institutional subsidies to assist them with the purchase of their building. Other than this, however, the Seven Buildings Company has received no additional grant funding. The Seven Buildings Company has contracted the property management services of Uptown Projects, an inner-city property management company that has experience with inner-city tenant buy-out initiatives. Uptown Projects' fees are covered by the rents collected from residents.

An important feature of the Seven Buildings Company has been its capacity to overcome adverse situations and consequently its resistance to insolvency. Notwithstanding the collective purchase of the building, rental collections among residents remained problematic. By March 1997, rental arrears amounted to US\$ 166,700. Following the implementation of a strict arrears policy, however, this had been reduced to US\$ 21,700 by August 1998. Resident participation in the governance and management is cited as critical to this success.

This very characteristic, however, seems to be an obstacle in the Seven Buildings Company's quest to access loan finance. The representation on the Board of Directors by residents has been cited by the HIDF as a conflict of interests. It believes that resident Board members would be disinclined to vote for a rental increase, even if this were in the interests of the company as a whole.

Source: Rust, 1999.

Salaam (see box 10) is a residents group involved in improving infrastructure.

KIJICO is interesting as it demonstrates a growing trend of community organisation in urban areas of Tanzania. It has been stimulated by the failure, over many years, of local authorities to provide even minimum services and the parallel breakdown of the system of physical planning and land management. Curiously, while the socialist values of the 'ujamaa' period (from independence to the early 1990s) in theory supported community self-help, in practice the development of community organisation responses have become more evident following political and economic liberalisation. Observers comment that

Box 10. Kijitonyama Development Community (KIJICO) (Dar es Salaam, Tanzania)

The Kijitonyama residential area is located in Dar es Salaam, some eight kilometres from the city centre. In 1991, the area started to be densely developed without services. All access roads were undefined, swampy and with many potholes. Sanitation and water supply systems were poor. Back seepage of polluted water in the clean water supply system was experienced at times of low pressure.

In 1993, 53 residents of Kijitonyama started as an informal self-help group, in order to co-ordinate the improvement of the access road, water supply and sanitation to the area. They were able to raise a total of TSH 16 million (US\$ 32,000) in less than 3 months. TSH 5 million (US\$ 10,000) was used to realign the pipes and improve the water distribution network along the main access facilitated by the Water Authority. TSH 11 million (US\$ 22,000) was used for road improvement by filling in potholes, grading and providing simple storm water drainage.

In 1994, a formal community organisation was registered in the name of KIJICO and a twelve-member committee was elected to run the organisation. KIJICO attracted the attention of the Community Infrastructure Programme, funded by the World Bank and Irish Aid. Negotiations between KIJICO and the then City Council in 1994, resulted into selection of KIJICO to be a beneficiary of the Dar es Salaam Community Infrastructure Programme. The Community Infrastructure Programme was conceived as part of the overall Sustainable Dar es Salaam Project supported by UNCHS (Habitat) in partnership with the Dar es Salaam City Commission.

Further negotiations between KIJICO, the Community Infrastructure Programme and the City Commission led the Government of Tanzania to select the Kijitonyama community as one of the two pilot communities in Dar es Salaam to benefit from the Government-initiated Urban Development Programme. The programme is funded under the Urban Sector Rehabilitation Programme of the World Bank. The aim of the programme is to improve infrastructure in eight towns in Tanzania. The construction of a tarmac spine road, improvement of sanitation, storm water drainage and community access roads in the area started in April 1999. Residents contribute five per cent of the construction costs of community access roads.

Source: Nnkya, 1999.

despite the past rhetoric of self-help, the reality was that the state was seen as the provider.

In other parts of Dar es Salaam, community groups are organised to provide water supplies in informal housing areas not reached by the state corporation responsible for water and sewerage. Through a project supported by WaterAid (an NGO based in the United Kingdom), seven groups — registered as societies — have been formed to manage the water taken from new boreholes. They are also responsible for maintaining the reticulation system and for collecting payments for the water. Work is presently under-way to ensure that the seven groups can create a representative organisation. This is necessary as Tanzania moves towards privatising the water utilities.

It should be noted, however, that many of the CBOs set up to tackle local urban problems in Dar es Salaam are predominately catering for the middle class. Moreover, the majority has been established by civil servants or by recently retrenched civil servants (Nnkya, and Lerise, 1999).

A CBO in Kenya has improved water supplies in one of Nairobi's most notorious slum areas. This experience, which is described in box 11, is not

Box 11. Community organisation around water in Nairobi (Kibera, Kenya)

The Kibera informal settlement in Nairobi is one of the densest settlements in Kenya, and indeed in Africa. It is estimated that approximately half a million people reside in the area. Conditions are very poor, characterised by —

- severe overcrowding (5 persons sleeping in one room of 9 square metres)
- inadequate water supplies through standpipes with high charges per litre of water; and
- very poor sanitation, which presents a health risk.

Supported by an NGO, Maji na Ufanisi was established as a CBO in one area of approximately 60,000 people, known as Lini Saba. The CBO, Ushirika wa Usafi (Co-operative for Cleanliness) has organised a water supply system to standpipes. Ushirika wa Usafi is a self-governing body, which developed as a result of painstaking application of a community organisation process by Maji na Ufanisi.

There are now four water kiosks, which are managed and regulated by Ushirika wa Usafi. These collect over KSH 10,000 per week (US\$ 130) from all the four water kiosks. The water is sold to the community at considerably less than the cost charged at standpipes owned by private individuals.

The intensive community-organisation approach used by Maji na Ufanisi has enabled Ushirika wa Usafi to be financially and organisationally sustainable. It now takes a much broader role in representing the community vis-à-vis the authorities.

Source: Alder and Munene, 1999.

only a good example of co-operative efforts to improve shelter conditions. It is also a good example of a real process of empowerment.

IV. Co-operative contributions to shelter delivery

The contributions of shelter co-operatives in the region are difficult to quantify. As noted elsewhere, statistics are of a variable quality and are not necessarily presented in the same way in each country. Where comprehensive data was not available the national reports provided information on selected co-operatives and therefore a full national picture does not emerge. It is not only data on co-operative housing that is limited. In most of the countries statistics on housing production also have deficiencies. For example, although in Eastern Africa (and to some extent in Southern Africa) the greater proportion of urban housing units is produced informally, these are not normally reflected in statistics.

The most useful measure of performance of housing co-operatives is the number of housing units completed. The national reports do show (regardless of limitations in data) that **registered** housing co-operatives contribute only a small fraction of national output in housing. In most countries the contribution is less than one per cent (see table 13). South Africa, where the first housing co-operative was registered as recently as in 1999, had only six registered housing co-operatives by March 2001. Yet, the Newtown Housing Co-operative had already completed 351 units (see also box 15). Since NACHU (see section V.C.1) began operations in the mid-1980s, co-operatives in Kenya have constructed or rehabilitated 995 units. Zimbabwe has recorded the best performance with 3,200 units (see table 17 for more details). Tanzania has

Table 13. Registered housing co-operatives and their contribution to shelter delivery (by late 1999)

Country	Number of co-operatives	Number of members	Number of units built/improved
Kenya	418	30,000	995 ^a
South Africa ^b	5 ^c	n.a.	404
Tanzania	136	6,638	906 (minimum)
Uganda	13 registered (5 active)	n.a.	1,000–2,000 (estimate)
Zimbabwe ^d	154	3,050	3,200

a: Built by 145 member co-operatives of NACHU, and excluding rental properties.

b: Data refer to March 2001.

c: In addition to these five primary co-operatives, one secondary co-operative is registered and has applied for registration of nine additional primary co-operatives (e-mail communication from Siphso Simelane, Cope Housing Association, 16 March 2001).

d: Data on 10 urban centres only.

built 906 units, but again, most of these were built in the 1980s. The contribution in Uganda is difficult to assess, but the Kataayi co-operative has helped several thousand families build improved housing units (see box 7). Very roughly estimated, no more than 10,000 units have been built or improved through registered co-operatives in the past two decades in the five countries studied.

There are a number of reasons for this limited performance. The macro-economic context is important. Many economies experience high inflation and high interest rate regimes (see section II.A.1), making credit accessibility for housing difficult. Depreciating currencies and decreasing real incomes are weakening co-operatives and resulting in incomplete or delayed projects. In addition, financial institutions are reluctant to lend to low-income households, whether individually or through co-operatives. The reasons for the limited contribution of registered housing co-operatives to shelter delivery are discussed in more detail in section IX.H. That chapter also presents recommendations on how this poor performance might be addressed. Further details on some of the countries follow in the sections below.¹⁷

IV.A. Kenya

The latest available official data regarding turnover and share capital for shelter and related co-operatives in Kenya are from 1993. The main reason for this is that most co-operatives tend to delay reporting their returns to the Registrar of Co-operatives.

There appears to be a decline in both share capital and turnover in Kenya's housing co-operatives in recent years (see table 14). There are two probable explanations for this.¹⁸ In the 1992/1993 financial year, economic liberalisation led to a substantial depreciation of the Kenya Shilling and an increase in interest rates. This led to steep rises in construction costs. The result was that

Table 14. Economic trends in Kenya's housing co-operatives (1991-1993)

Year	Turnover (KSH thousands)	Share capital (KSH thousands)
1991	29	97,556
1992	31	128,196
1993	24	52,212

Source: Alder and Munene, 1999, based on district reports to the Ministry of Co-operative Development.

17. Details on South Africa's short experience is not included here as it is discussed elsewhere in this report.

18. It should be noted that interpretation of share capital and turnover for housing co-operatives is difficult, because savings are constantly used as investments for land purchase and deposits for housing.

the construction sector suffered the worst decline in recent Kenyan history. This had a severe impact on housing co-operatives, and it effectively froze many co-operative projects. Since 1993, only three 'formal' co-operatives have been able to move ahead with construction. As mentioned in section II.A.1, interest rates have declined since mid-1999. It will, however, take some time for the benefits to be passed on to the construction sector. Moreover, the macro-economic situation is still serious.

Not only is finance expensive, it has also proved to be very difficult to access. NACHU (see section V.C.1), has attempted to source affordable finance from a number of institutions. These include pension funds, the state National Social Security Fund, housing finance institutions and the Co-operative Bank. None of these has been prepared to lend for co-operative housing.

The 995 housing units constructed by NACHU affiliated co-operatives (see table 13) is only a very small proportion of national formal housing delivery. It is even a smaller proportion of the total national delivery, i.e. including informal sector production.

Housing co-operatives in Kenya are almost wholly limited to urban areas. Nairobi alone has 56 out of the 145 NACHU affiliated housing co-operatives. Only two of the NACHU affiliated housing co-operatives are involved in rural housing (see box 8). There are no current data on non-NACHU affiliated housing co-operatives, but it is widely believed that they are making very little progress.

IV.B. Tanzania

Tanzania's first post-independence housing co-operative initiative was donor-driven, by the international co-operative housing movement and the United Nations, in the 1970s. It had two components: improvement of the Government's capacity to develop a co-operative housing movement, and implementation of a pilot project in Dar es Salaam. The second initiative was connected to the development of Dodoma as the nation's capital. It included a strategy for housing co-operatives to deliver significant numbers of housing units. This initiative also had heavy government involvement and donor support, principally from UNDP.

The rapid increase in the number of housing co-operatives in the early years of independence is therefore mainly attributed to these initiatives. Moreover, it was also a result of the consequent high expectations created among the members of these first co-operatives. Dodoma recorded high co-operative registration (see table 15) because of the moving of the national administrative capital from Dar es Salaam to Dodoma. The Dodoma co-

Table 15. Membership in housing co-operatives, Tanzania by region (1971-1998)

Region	Number of co-operatives				Number of members		
	1971	1987	1990	1998	1971	1990	1998
Arusha	-	1	-	-	-	-	-
Dar es Salaam	3	13	29	16	500	2,400	843
Dodoma	-	10	57	81	-	2,941	4,713
Iringa	-	2	2	7	-	56	37
Mbeya	-	3	3	7	-	25	42
Mtwara	-	1	4	3	-	85	22
Mwanza	-	1	2	5	-	38	106
Pwani - Kibaha	-	1	2	2	-	197	263
Tabora	-	1	2	3	-	90	49
Kagera	-	-	1	-	-	36	-
Mara	-	-	1	1	-	25	25
Morogoro	-	-	3	4	-	54	222
Ruvuma	-	-	3	-	-	70	-
Singida	-	-	5	3	-	132	49
Rukwa	-	-	1	1	-	41	195
Tanga	-	-	2	3	-	67	47
TOTAL	3	33	117	136	500	6,257	6,613

Source: Nnkya, 1999.

operatives have been successful in obtaining plots. Yet, financing for construction has been more difficult to come by, and most of them have not completed their project targets.¹⁹

During the 1980s and 1990s, there was a waning of co-operative numbers in most parts of the country. This was partly due to the introduction of economic reforms. It was also related to the fact that the high expectations of co-operative society members in Tanzania — except for the very special case of Dodoma — were short lived. Many registered co-operatives thus became inactive. Table 15 reflects this decreasing number of active co-operative societies in many regions. In fact, if Dodoma is excluded the number of co-operatives fell from 60 to 55 between 1990 and 1998, while the number of members fell from 3,316 to 1,900.

19. According to information provided by Anna Shayo of WAT, the Dodoma co-operatives were virtually dead by early 2001.

IV.C. Uganda

The data on Uganda's shelter co-operatives presented in table 16 are taken from a 1995 survey. However, as many co-operatives in Uganda are registered as multipurpose it is difficult to compile accurate data on the size and impact of co-operatives in the shelter sector. Prior to 1992, shelter co-operatives were registered by government as multipurpose and many may not have changed their status to the housing co-operatives category by the time of the 1995 survey. Any deduction on the size and significance of the co-operative shelter movement would therefore be speculative.

The total membership in the 13 formally registered housing co-operatives was estimated to 429 people. Moreover, as can be seen from the table, five of these 13 co-operatives are dormant.

Table 16. Status and location of registered shelter-related co-operatives in Uganda (September 1995)

Type of society	Total ^a	Society status				Location		
		Active	Semi-active	Dormant	N.a. ^b	Rural	Urban	N.a. ^c
Agricultural marketing	3,398	1,081	1,367	912	38	3,295	101	2
Brick making	18	2	6	10	0	14	4	0
Carpentry	6	2	2	2	0	3	3	0
Housing	13	5	2	5	1	7	6	0
Multipurpose	349	93	80	165	11	261	76	12
SACCOs	587	301	117	160	9	314	269	4
Transport	163	41	22	95	5	82	63	18
TOTAL	4,534	1,525	1,596	1,349	64	3,976	522	36

a: Total number of co-operatives registered.

b: Status not given or not available.

c: Unspecified or not available.

Source: Byaruhanga, 1999, citing co-operative movement statistics.

IV.D. Zimbabwe

The Zimbabwean co-operative housing movement has been the most successful in Eastern and Southern Africa in terms of delivering units. Yet, the shelter co-operatives are concentrated in Harare (see table 17). In fact, nearly 90 per cent of the housing units constructed by co-operatives in Zimbabwe by 1999 were located in that city (2,800 out of 3,200 units). The contributions of co-operatives to total housing supply amounted to 5.8 per cent in Harare, compared to 1.6 per cent for the country as a whole.

Table 17. Contributions to housing development by housing co-operatives by centre in Zimbabwe (up to 1999)

Centre	Number of housing co-operatives	Number of housing units constructed by —		Contribution of co-operatives to total housing supply (percentage)
		Co-operatives ^a	Other actors ^b	
Harare	123	2,800	48,312 ^c	5.8
Bulawayo	4	195	84,805	0.2
Masvingo	7	6	n.a	n.a
Mutare	4	23	12,254	0.2
Kwe Kwe - Redcliff	5	128	15,670	0.8
Kadoma	1	13	9,287	0.1
Chinhoyi	2	0	6,300	0
Bindura	3	21	5,238	0.4
Gweru	3	0	17,978	0
Gwanda	2	14	3,190	0.4
TOTAL	154	3,200	203,034	1.6

a: Includes all units completed 1980-1999, and units under construction in 1999.

b: Includes all units completed 1980-1999.

c: Figure for 1996.

Source: Mubvami and Kamete, 1999.

Most housing co-operatives were initiated in the urban areas where demand is highest. In smaller towns and in the rural areas it is cheaper to rent accommodation and the incentive to invest in housing through the co-operative system is not so high.

The co-operatives that are employment (workplace) based have had more success in construction than those with community (area) based membership. These work-based co-operatives, some of which have fewer than 25 members, usually obtain considerable support from their employers. The support can include —

- giving time for employees to manage the co-operative;
- providing staff and resources for administration;
- providing and/or accessing and guaranteeing finance; and
- pre-financing and sourcing building materials.

However, the number of dropouts and defaults on loans in work-based co-operatives is higher than that in the community-based ones. The main reason for this is that a significant proportion of the work-based co-operatives has lost membership due to retrenchment of staff. Delays in registration, backlogs in

Box 12. “First come only served”: Pyramid savings in co-operatives (Zimbabwe)

As non-profit organisations, housing co-operatives can not legally engage in business for profit, especially that which is not related to their mission. This is particularly true of the co-operatives whose motive is to provide housing for their members. According to MNAECC officials, venturing into income generating projects that are not complementary to house construction is illegal. The only other sources of finance for housing co-operatives are rents. In the absence of sustainable long-term finance, housing co-operatives have to rely almost exclusively on member contributions. Pooling resources in housing co-operatives could become like the notorious pyramid schemes whose motto seems to be first come only served. This problem can only be addressed by the development of adequate sustainable long-term finance.

Source: Mubvami and Kamete, 1999.

Most housing co-operatives have accumulated very small amounts of savings.²⁰ The accumulated member savings in a housing co-operative is usually a function of, among other things, the date of formation of the co-operative, membership structure, and the stage of construction. Although, co-operatives are required to save 25 per cent of any mortgage amount, such savings are not necessarily liquid, as savings are rapidly converted into equity.

Most of those with the lowest amounts are actually in the process of constructing their houses. These co-operatives have sunk most of their savings into construction. Alternatively, they have just been formed and have just started collecting subscriptions and have not yet accumulated significant funds. Again, those that have completed construction have low balances in the bank.

The early years of the Zimbabwean co-operative housing movement (e.g. the 1980s) saw co-operatives using what were essentially pyramid savings schemes (see box 12). Only those who were allocated housing units first could benefit from the savings of all the members. Members at the back of the queue stood very little chance of obtaining a unit unless the co-operative could access external finance.

20. By mid-1999, the total savings of 27 such co-operatives in Zimbabwe with a total membership of 3,400 was Z\$ 4.5 million (or US\$ 82,000) (Mubvami and Kamete, 1999).

V. Structure and organisation of housing co-operatives

V.A. General structure of housing co-operatives

The use of the word 'co-operative' has been protected by law in all countries covered by this study. The formal structure and legal form of registered housing co-operatives are almost identical in all five countries studied in this report, and very similar to those of co-operatives in other sectors. Housing co-operatives must:

- be run according to co-operative principles (see box 1);
- accord with the Co-operative Societies Act in the respective countries;
- have bylaws approved by their annual general meeting and by the ministry responsible for co-operatives;²¹ and
- have annual general meetings at which the management committees are elected and accounts examined (additional special general meetings may be called to discuss urgent topics).

Co-operatives are structured to be participatory with each member having a single vote at the annual general meeting. All members have a right to attend and contribute at all meetings, be elected on the management committee, participate in the formulation of by-laws, call a general meeting and to withdraw from the organisation.

Management committees normally meet at least once a month. There may be sub-committees created from the management committee to increase efficiency in running the organisation. Committee members are not paid, but may receive an honorarium to meet their official expenses. In large co-operatives, secretariats exist for day to day running of the co-operatives. In some cases, advisory (or 'supervisory') committees are appointed to have a financial oversight role. However, when there are weak controls, management problems can occur. Box 13 describes some such problems in the Kugarika Kushinga Housing Co-operative in Mabvuku, Harare.

Co-operatives in most countries are required to provide annual audited accounts to the national co-operative ministry. Many co-operatives appear unable to fulfil this requirement. It also appears that few co-operatives keep proper minutes of meetings. The failure to provide accounts and keep minutes makes data at the national level difficult to obtain. In four of the countries covered by this study (i.e. all except Uganda, which undertook a co-operative

21. Usually the Government, sometimes through national co-operative 'apex' organisations, provides model bylaws, and these are used by new co-operatives.

survey in 1995) there has been little effort by co-operative ministries to seek information through surveys etc. This exacerbates the problems arising from the paucity of the data.

Co-operative Acts in most countries have changed in line with economic liberalisation and subsequent reduction of the role of governments in the co-operative sector. In Kenya for example, the Commissioner of Co-operatives

Box 13. Co-operatives and governance: Ethics and conduct in Kugarika Kushinga Housing Co-operative in Mabvuku, Harare (Zimbabwe)

Disregarding the law: Salary

Section 68 of the Co-operative Societies Act (Chapter 167) stipulates that the chairperson of a co-operative is not entitled to a salary. The chairperson of the Kugarika Kushinga Housing Co-operative is also the administrative officer. He gets a monthly salary despite legal stipulations to the contrary.

Disregarding the law: Investment, transparency and democracy

The co-operative went outside the legal boundaries of the Act in buying and operating a commuter omnibus. The purchase of the 76-seater bus was the result of a unilateral decision made without consulting the stakeholders. In the first five months of its operation, the bus made a net profit of US\$ 790.

Operational inefficiency: Poor record keeping

The co-operative does not have an accurate up-to-date record of its membership. While the register kept by the Registrar of Co-operatives at MNAECC shows a membership of 1,600, the chairman of Kugarika Kushinga Housing Co-operative had a figure of 2,000.

Operational inefficiency: Investment, affordability and cost recovery

There is evidence of some misplaced optimism, over-confidence and miscalculated investments. Over US\$ 420,000 had been spent on building houses for 361 members. This is equivalent to around ten years of contributions. The co-operative still owes over US\$ 130,000 to the Ministry of Local Government and National Housing. Based on current contributions alone (US\$ 50,000 per annum), it would take almost half a century for the last member to get a house.

With an average monthly income at US\$ 17, a member would have to pay 48 per cent of the monthly income to stay in the cheaper four-roomed houses (rent US\$ 5 per month). In addition, the member would still pay the US\$ 2.60 subscription and administration fees to the co-operative. This proportion does not include monthly rates and electricity charges.

The co-operative also has an uneconomic cost-recovery method. At US\$ 5 per month for four rooms and US\$ 10 for six rooms, rents are too low. A proposal to double the rent has been rejected. This is hardly surprising considering that mid-1996 arrears in rentals and contributions were about US\$ 80,000 — an equivalence of 18 months' subscriptions. The management committee thus finds itself with two problems, namely uneconomic rents and member defaults.

Source: Mubvumi and Kamete, 1999, citing Mapedza, 1996.

Box 14. Ownership and the role of the employer in work-based co-operatives in Tanzania and Zimbabwe

While co-operatives operate as independent organisations with elected leaders, their association with employers has implications on their performance and sustainability. Work-based housing co-operatives are dominant in Zimbabwe and present in Tanzania. These co-operatives rely on a wide range of facilities from the employer. For example, the employer of members of the Sigara Housing Co-operative of Tanzania negotiated an extension of their loan repayment to the Tanzania Housing Bank. The firm also provided additional resources required for building materials, transport of these materials to the construction site, and even advanced money to members to help them meet their contribution requirements. Work-based co-operatives also have the advantage that the employer can guarantee loans. In these co-operatives, the employer plays an important leadership role. Personnel managers are heavily involved in the formation of the co-operatives and in resolving disputes. The influence of the employer in determining all outcomes in the co-operatives management can therefore be assumed to be significant.

Work-based co-operatives are, however, only as viable as the employing organisation. Redundancies witnessed in Zimbabwe because of firm restructuring have had direct impact on the savings of co-operatives. Redundancies and resignations in struggling firms result in reduced contributions to co-operative funds and subsequent delays in project completion.

Source: Mubvami and Kamete, 1999; and Nnkya, 1999.

now only serves to register new co-operatives and to ensure that they are audited annually. The Commissioner's permission is no longer required in procurement and other management matters.

Members are those who pay a subscription fee and purchase shares. In housing co-operatives, unlike co-operatives that trade, there are usually no dividends paid and the housing unit comprises the dividend. The legal minimum membership of a co-operative varies. In Uganda for example, the minimum number is 30, while in most other countries a minimum of ten persons can form a housing co-operative.

In work-based co-operatives, the role of employers is often crucial. Some such issues are outlined in box 14.

V.B. Gender issues in housing co-operatives

The representation of both men and women in membership as well as in meetings is generally about equal in the five countries studied. This is not necessarily the case in individual co-operatives. Work-based co-operatives such as those in Zimbabwe for example, comprise largely male members. Meanwhile, the members of the ELHMC in South Africa (see box 4) are predominately women. Moreover, there is an all-women housing co-operative

in Masvingo (Zimbabwe) with 10 members, which has not yet been able to initiate construction. In many circumstances, however, participation appears to be ascribed by gender. There is some indication of gender stereotypes in the election of office bearers in Zimbabwe. Here women are preferred for the post of treasurer, due to the belief they are more honest than men are. Women are also often secretaries. However, in all countries men usually occupy the position of chair of the management committees.

Current efforts seek to include affirmative action in the running of co-operatives. There are also efforts to increase women's participation and to promote women's leadership in co-operatives. HPZ in Zimbabwe insists that in the training events it organises at least one participant from a co-operative must be a woman. In Kenya, NACHU organised a gender workshop that recommended incorporating women in leadership and lobbying for the removal of discriminatory legislation that restricts credit to married women. The NACHU constitution has provisions for gender balance since 1999. It provides that two seats on the Board will be filled by the gender that is under-represented on the first seven seats elected. In practical terms, this means that a minimum of two women is guaranteed seats on the Board.

In Tanzania, WAT is particularly focussed on ensuring women's access to housing and land. Co-operative activities in Uganda are still male dominated. However, in an attempt to raise the participation of women, all co-operatives in Uganda are required by law to have at least one woman on their management committee. No particular information on gender issues in shelter co-operatives is available from Uganda.

V.C. Structure and organisation of supporting institutions

One lesson that can be drawn from the experience of co-operative housing in the countries under study, and indeed worldwide, is that primary co-operatives need guidance and support from an organisation(s) with capacity and experience. Developing a housing project — whether new-build, upgrading, or tenant purchase of existing stock — requires a considerable amount of expertise and knowledge. For most primary co-operatives, the process of land acquisition, planning, designing and construction occurs only once. It is not a cyclical process such as marketing a crop. Members of co-operatives, most of whom have little or no experience of shelter development, need advice.

The institutional forms that have arisen to supply this advice vary considerably. Four main modalities are identified below, and most of these supporting organisations are further described in the following sections.

- The support organisation is a **co-operative**. NACHU in Kenya (see section V.C.1) is a co-operative in itself. Its shares are owned by member primary housing co-operatives, and it has a Management Committee elected by the members.
- An NGO provides support. HPZ in Zimbabwe (see section V.C.4), WAT in Tanzania (see section V.C.3) and the Homeless Peoples Federation (see section V.C.2). Cope Housing Association (see box 15) and Afesis-Corplan²² in South Africa are examples of this. Ultimately, such NGOs are not controlled by the co-operatives that they support. They may, however, be accountable to them. HPZ, for example, has legal contracts with co-operatives specifying the services it provides and the costs it will apply. The majority of individuals on the HPZ Board

Box 15. Cope Housing Association (Johannesburg, South Africa)

Cope is a non-governmental development organisation formed in 1989 to help address the housing backlog by involving low-income communities in finding affordable solutions to their housing problems. Cope is currently a continuous house building (land acquisition, planning, designing and construction) and house management company (today organised as a Section 21 company, see box 22).

Cope's approach follows the Scandinavian model of housing co-operatives with a 'mother' co-operative (Cope) forming 'daughter' co-operatives for each project. Individuals are members of both the daughter and mother co-operatives. Cope has received technical and financial support from the Norwegian Federation of Co-operative Housing Associations (NBBL), funded by NORAD, from Rooftops Canada and from other donors.

The Association aims at cost recovery of its administration through fees for housing development and property management. A main challenge for Cope has been transforming itself from an NGO offering free services to the urban poor into an organisation charging fees for its services. During the 2000/2001 financial year, Cope had a cost recovery rate of 30 per cent from implementation and property management fees. It aims to attain full cost recovery by 2005.

Main objectives:

- "The delivery of affordable housing in the greater Johannesburg area.
- Provision of property management services to the co-operatives to ensure sustainability and long-term affordability.
- Participation in the development of housing policy.

Continues...

22. Afesis-Corplan is an NGO that supports communities in housing and local government in the Border Kei area of the Eastern Cape. It also supports the ELHMC.

Box 15 (continued)

- Facilitating access to finance for housing co-operatives.
- Empowerment of the housing co-operative members through various capacity building programmes.
- To become a fully member-based housing association.”

Contribution to housing supply:

By March 2001, Cope had been responsible for the development of a total of five different co-operative and co-operative-like initiatives in South Africa, contributing a total of some 528 housing units:

New construction:

- Newtown Housing Co-operative. South Africa's first housing co-operative: 351 units.

- Bertrams One Development Company. A Section 21 company: 53 units

Purchase and refurbishment of existing buildings:

- Philani Ma-Afrika Housing Association. A Section 21 company: 67 units
- Everest Court Housing Association. A Section 21 company: 35 units
- Hadar Court Collective Housing Company. A Section 21 company: 22 units.

“Developer Of The Year 2000”

In September 2000, Cope received the award from the Institute for Housing in South Africa as the Developer Of The Year with the following text: *“Cope Housing Association has pioneered the concept of co-operative housing provision in South Africa. By doing so its activities have contributed to the significant regeneration of the Johannesburg inner city, thereby strengthening the social fabric and democratising homeownership.”*

Source: Cope Housing Association, 2001; Siri Sandhu and May Sommerfelt (e-mail communications of 15 March 2001 and 18 April 2001).

are representatives from co-operatives. They are appointed by the Board, however, not elected by their own societies.

- **Private firms** with social objectives can also provide specialised support (apart from conventional consulting services such as architecture and engineering). The Seven Buildings Company in Johannesburg, for example (although not a registered co-operative), receives support from Uptown Projects, which is a private company (see box 9).
- The **Government** can provide technical services.²³ The Government of Tanzania attempted this on a nation-wide basis and more intensively in

23. As distinct from providing an enabling environment through legislation.

Box 16. The “Low-Cost Housing Unit” (Dodoma, Tanzania)

The “Low-Cost Housing Unit” was established in 1981 to support the development of co-operative housing in Dodoma, Tanzania. Dodoma, a small town in central Tanzania, had been identified as the new capital of Tanzania, and considerable public resources were devoted to developing the new city.

The “Low-Cost Housing Unit” was intended to provide a range of technical and financial services to housing co-operatives, including preparation of building plans, supervision of building works, manufacture of building materials, site layout, installation of infrastructure, providing co-operative education and liaising with the Tanzania Housing Bank. However, the “Low-Cost Housing Unit” lost impetus as the role of Dodoma was reduced. Moreover, a combination of a civil service culture, the nature of Tanzanian socialism and a top-down approach further reduced the effectiveness of the “Low-Cost Housing Unit”.

Source: Nnkya, 1999, and Graham Alder.

Dodoma where a ‘Low-Cost Housing Unit’ (see box 16) was formed as part of the Capital Development Authority.

The ideal type of organisation will vary from situation to situation and over time. However, there does appear to be consensus that governments should restrict their interventions to providing a supportive and enabling environment, as was done in Zimbabwe and to some extent in Kenya. Direct technical support from governments to co-operatives has been found not to work, as was the case in Tanzania (see section IV.B).

A separate issue is whether technical support organisations should also act as housing finance institutions for the co-operative housing sector. There are two concerns that require clarification:

- whether housing finance expertise and technical co-operative housing expertise **can** be combined within the same organisation; and
- whether one organisation **should** combine the two functions, as this could lead to a conflict of interest, particularly in apex organisations where the Board represents the co-operatives applying for funding.

The following sections provide details on the main supporting organisations in four of the five countries studied in this report.²⁴

24. Uganda has no national support organisation for housing co-operatives.

V.C.1. Kenya: The National Co-operative Housing Union (NACHU)

NACHU is registered under the Co-operative Societies Act. It is owned by 145 affiliated primary housing co-operatives, although there are approximately 424 registered housing co-operatives countrywide. The annual general meeting, which is composed of delegates from the primary housing co-operatives affiliated to NACHU, is the supreme authority. It elects Board members who are the equivalent of management committees in the primary housing co-operatives.

The Board of NACHU has a Chairman and Vice Chairman, both elected by the Board members. The General Manager is the Secretary to the Board. The Board meets quarterly but may call additional special Board meetings. The Board has three subcommittees, dealing with: Projects; Education and Training; and Finance. There is also an Executive Committee of the Board to facilitate quick decision-making. Day-to-day operations are undertaken by the Secretariat, which is headed by the General Manager as the chief executive, and has three departments: Project Development; Education and Training; and Finance and Administration.

NACHU provides a range of services to members. These include technical construction advice and management and training support (see box 17). Broadly, NACHU has two main strands of activities. It supports registered housing co-operatives to construct housing for members in a quite conventional manner. The second strand has been donor-funded programmes targeted at low-income groups. NACHU has developed considerable experience in this area with programmes seeking to enable slum-dwellers to rehabilitate their houses and to build additional rooms to let. In a number of instances, it has organised housing co-operatives as part of a larger infrastructure and housing project. The innovative Community Land Trust project in Voi is a good example of that (see box 19).

NACHU affiliates do not make periodic subscriptions. Instead, they pay an entry fee and purchase nominal shares. The shares portfolio has not grown

Box 17. The impact of training (NACHU, Kenya)

NACHU has observed positive impacts on the ground of its support through training. Co-operatives which have benefited from its intensive education and training activities are more focused, knowledgeable and organised than those formed during the late 1980s and early 1990s. These 'older' co-operatives were often formed on a 'political' basis, particularly by trades union branches. They often had unrealistic expectations, and their management committees were not controlled by the members.

Source: Alder and Munene, 1999.

to any significant size. This is related to the fact that few housing co-operatives have been able to complete their projects (mostly due to the financial climate). Fees from these projects were supposed to be NACHU's main source of income. As very little income from this source is forthcoming, NACHU has been unable to pay dividends to its members. In fact, if NACHU had not been supported by donors, it may not have survived.

The Commissioner of Co-operatives has in the past refused NACHU permission to generate income by undertaking direct development of housing, in addition to development for member co-operatives. This is no longer an impediment, however, as the Co-operative Societies Act has since been amended, and neither the Commissioner nor the Registrar of Co-operatives now has such powers.

However, there have been some emerging problems with co-operative democracy following liberalisation. Co-operatives were closely supervised by the ministry responsible for co-operatives in the past. This was generally seen as interference in the internal affairs of democratic organisations. However, liberalisation, which entails much reduced supervision, has in some instances left a vacuum where compensating checks and balances have not been instituted. For example, co-operatives can become highly politicised and election to office can be sought for personal gain rather than to serve others. These problems can become exacerbated in instances where there are ethnic divisions.

Another problem experienced by NACHU, is that donor funds are intended for low-income beneficiaries, while some of the members have higher incomes (without being well off). This can lead to tensions as new low-income co-operatives can 'jump the queue' for access to resources.

V.C.2. South Africa: The South African Homeless People's Federation

The South African Homeless People's Federation is a movement of over 86,000 households involved in over 1,200 savings collectives in over 1,000 homeless communities across South Africa. As an example of a good NGO/community based partnership, the Federation's primary goal is —

"to develop its members' capacity to conceive, control and implement their own poverty alleviation strategies through the development of their own communities" (cited in Rust, 1999).

With a membership that is 85 per cent female, most leadership positions are held by women. While not structured legally as a co-operative, 'co-operation' is at the centre of all of the Federation's activities. The seven

principles for co-operatives (see box 1) are implicitly supported in everything the Federation does and stands for.

The Federation was established in 1993/1994, following an intensive networking process among homeless communities across South Africa. The process began in 1991, with the establishment of Housing Savings Schemes (HSS) in local areas. The Federation is the national network for these informal structures, and provides a focal point for the social and economic mobilisation of the homeless. Each day, a collector visits the household to collect their savings and to discuss the affairs of the HSS and the general community. There is no maximum or minimum amount of member savings. The only criterion is that they must save every day.

With a pool of savings, an HSS is able to allocate loans to its members. HSSs offer two types of loans. **Crisis loans** are available at an interest rate of one per cent per month, while **income-generation loans** are available at an interest rate of two per cent per month. Each HSS has its own specific criteria for allocation of loans. Yet, they all have a commitment to the development of the community through financial, as well as personal support for its individual members.

V.C.3. Tanzania: The Women Advancement Trust (WAT)

WAT was founded in 1989 as a non-profit NGO. Its mission is to promote the advancement of women through education and training. Among its many **objectives** is —

- to promote adequate shelter,
- to promote savings initiatives,
- to implement the Habitat Agenda; and
- education on human settlements and environment.

WAT has the following four **programmes**:

- promotion of housing co-operatives;
- establishment of savings and credit societies;
- training youth groups in construction skills and making of building materials; and
- the campaign for women's equal rights of access to land, property ownership and inheritance.

WAT is the only NGO in Tanzania that is active in promoting other NGOs involved in shelter development. During the preparation for the Habitat II conference, WAT organised a National Workshop on Co-operative Housing Exchange. With support from Rooftops Canada, WAT also organised a one-

day workshop in April 1999 with the aim of promoting the establishment of housing co-operatives.

WAT has managed to assist in the formation of two women SACCOs for housing in Dar es Salaam and Mbeya and gender-mixed SACCOs in Dodoma. With funding and technical support from Rooftops Canada, WAT has offered training to SACCO members. It aims to continue to support such groups in managing their credit societies for new housing construction or improvement.

V.C.4. Zimbabwe: Housing People of Zimbabwe (HPZ)

Another approach can be seen in Zimbabwe where HPZ supports the establishment of a separate co-operative apex organisation. This move is supported by many co-operatives. This will separate the advocacy and representation functions, particularly vis-à-vis government and local authorities, from the technical support functions.

HPZ is a non-profit organisation founded in 1992 with the aim of *“creating a vibrant, sustainable housing cooperative movement in Zimbabwe”* (CFH, 1999: 16). Financial assistance comes from co-operative movements in Sweden, Canada and Germany. HPZ works with local authorities, government agencies and housing co-operatives *“to assist people of limited means in building and maintaining affordable housing for themselves”* (ibid.). The organisation offers consultation in housing finance, management training, legal services and technical services in the development of both housing co-operatives and housing.

HPZ development services (e.g. those that have to do with the formation and registration of co-operatives) are charged on a negotiable sliding scale. The income is used to cover the cost of staff time and overheads.

The organisation is an important national advocate for co-operative housing. It carries out research in various housing-related issues like mortgage finance and interest rates. HPZ is also the secretariat of the national task force, which is elected each year at the annual HPZ seminar.²⁵ The task force has the mandate to set up a national co-operative apex organisation, with HPZ assistance. HPZ has also been instrumental in establishing the Housing Co-operative Trust Fund in which each co-operative saves and uses savings as collateral for its own mortgage or mortgages for their members. The Trust Fund has not yet decided to offer loans itself. Instead, it assists co-operatives

25. Information provided by Rooftops Canada.

to access funds for mortgages through building societies. The funds are provided by USAID and are targeted at people within a certain income range.²⁶

26. Since 1998, the maximum income to qualify for this funding is about ZS 3,000.

VI. Legislative, regulatory and support environment for co-operative shelter development

For shelter co-operatives to flourish it is important that they exist within a positive and enabling environment. This environment is largely set by government (and local authority) policies pertaining both to the shelter sector and to the co-operative (and community) sector. As was outlined above, the performance of national economies is a critical factor. Poor economic performance — as has been the case in most of the countries studied — severely limits the ability of the co-operative shelter sector to deliver, especially when finance is unavailable or unaffordable.

National economic conditions affect the shelter sector in all countries. One finding of this study is that some of the initiatives studied are responses to a situation in which people turn to self-help approaches. This chapter therefore focuses on the effect of policies on co-operative shelter in the five countries studied.

As outlined above, close government supervision and control, including granting of monopoly status, undermines the principles of co-operatives as self-help, voluntary organisations (see box 1). Government controls, and direct support, has largely been withdrawn due to economic liberalisation. Consequently, poorly managed co-operatives — that were heavily dependent on the government — have collapsed. Yet, reduced government involvement has given more powers to management committees. In some instances, it has even increased the credit options for shelter and financial co-operatives, as they have become less restricted in their areas of operation. The following sections summarise the position in each of the five countries.

VI.A. Kenya

National shelter policies are in line with provisions of the Habitat Agenda and seek to create enabling environments for actors outside of government. Whatever their good intentions, these policies have so far had little real impact on shelter delivery. To the majority of the population, these policies are almost irrelevant, as the majority of residential housing is constructed informally with very little government or local authority participation. There are some signs of progress however.

There have been some recent moves to address the needs of these informal settlements using a partnership approach through the Nairobi Informal Settlements Co-ordination Committee (see box 18).

Box 18. Nairobi Informal Settlements Co-ordination Committee (Kenya)

The Nairobi Informal Settlements Co-ordination Committee has been created by stakeholders in Nairobi (the Central Government, the Nairobi City Council and organisations representing civil society). The Committee has drafted a 'Development Strategy for Informal Settlements'. The Strategy reviews the existing situation in informal settlements in terms of characteristics, land issues, poverty, governance, activities of agencies and co-ordination arrangements.

The main **objectives** of the Nairobi Informal Settlements Co-ordination Committee, as outlined in the Strategy, are to —

- achieve socio-economic development that will directly benefit the poor;
- improve access of the poorest residents to the means to achieve increased productivity;
- improve access of residents of informal settlements (many of whom are tenants) and the poor in general, to improved infrastructural services, shelter and a healthier living environment;
- increase access of the poor to educational and training opportunities; and
- ensure environmental sustainability.

The **arenas** for achieving the objectives are:

- land tenure, physical planning, housing and infrastructure;
- environmental health and sanitation;
- education and training; and
- income-generation opportunities, skills development and employment.

Achievements to date are based on the following elements —

- a level of public concern based on accurate information about the extent and dimensions of poverty — the need for good data which should be widely available;
- willingness by stakeholders to sit down together, understand one another's position, and find common ground;
- expert guidance (that is facilitative and not directing) in institutional matters and in urban poverty; and
- energetic and enthusiastic individuals willing to take a chance and take innovative decisions and initiatives.

Source: Alder and Munene, 1999, citing Alder and Ogero, 1998.

The enabling shelter approach in Kenya has also created some opportunities for innovative approaches to housing. A notable example is in Voi where the co-operative approach is linked with a land trust on an upgrading and secure tenure project on communal land (see box 19). This project exemplifies how — in terms of addressing poverty issues — synergies developed through partnerships can increase impact. Furthermore, NACHU has also formed shelter co-operatives within informal settlements (often led by women) which have obtained secure tenure, rehabilitated dwellings and generated income.

Finally, the approach of partnerships in shelter development has increased the possibilities for citizen participation in planning. This has been made possible by the Physical Planning Act of 1996. In addition, following a lead taken by central government, some local authorities have adopted bylaws that allow the use of affordable building materials, thus reducing costs.

Box 19. The Community Land Trust (Voi, Kenya)

The Tanzania/Bondeni project in Voi involved the introduction of an innovative community-based land management system called the Community Land Trust (CLT), as a basis for settlement upgrading. The Tanzania-Bondeni CLT has been registered under the Trustees Perpetual Succession Act.

Tanzania/Bondeni is an informal settlement that has been in existence since the 1950s. It was characterised by a host of problems typical of such settlements in Kenya: insecurity of tenure, overcrowding, inadequate municipal services, high incidences of disease, high infant mortality rates, low incomes and unemployment. The land had been occupied without formal approval.

Since its initiation in 1990, the Tanzania/Bondeni upgrading project has realised several outputs. These cover the areas of physical planning, community organisation, land tenure and improvement of the physical environment. A physical layout plan for the settlement has been produced, which meets the approval of Voi Municipal Council, the Commissioner of Lands as well as the community. About 300 structure owners affected by the re-planning process have already relocated to the resettlement plots provided.

The community has been organised into a structure that will provide a basis for local decision-making and self-governance. It empowers the community and provides a vehicle for negotiation and advocacy with other actors on community interests. It, for example, allows the community to put pressure on the Council for better services.

The Commissioner of Lands has already provided a block title to the community in the name of the Tanzania/Bondeni CLT. The CLT in turn will provide subleases to individual members of the trust. This type of tenure system was selected by the community as a way of protecting the poor from possible displacement by effects of the open land market. The land is owned communally through the CLT and cannot be sold by individuals. Individuals own the structures and other developments that they undertake on their plots. They can inherit and bequeath such developments. If a member wants to move out of the settlement, then he/she can sell the developments done but not the land itself. In any event, the CLT retains the first option to buy.

The implementation of the project has been a partnership of many actors who have assisted in a variety of ways. The role of NACHU has been to assist the four housing co-operatives established by the residents by providing technical support and loans for house construction and rehabilitation. From this and similar projects NACHU feels that

Continues...

Box 19 (continued)

the partnership approach to the project has increased impact in reducing poverty on a sustainable basis. During implementation there was close collaboration between the Commissioner of Lands, the Small Towns Development Project situated in the Ministry of Local Authorities (funded by GTZ, a German international development agency), the Voi Municipal Council, NACHU and a number of others. NACHU reports that the record of loan repayments is much better in these partnership projects than when NACHU acts alone. The main reason seems to be that the intensity of the effort plays a role in educating beneficiaries in their rights and responsibilities.

Source: Alder and Munene, 1999.

I.Q. South Africa

Within the overall policy framework to promote social housing, the primary interventions are the institutional subsidy (see box 20) and the People's Housing Process (see box 21). These interventions were included in the Housing White Paper of 1994.

As has been mentioned above, within the broad framework for social housing, co-operative housing is at the moment marginal as the pure form (registered under co-operative legislation) has only recently been introduced. It should be noted that the first registered co-operative did apply for this subsidy. In South Africa, it appears that there should be an assessment of housing co-operatives vis-à-vis other social housing options. This assessment would support the necessity to evaluate the legal structure in support of housing co-

Box 20. The institutional subsidy mechanism (South Africa)

The institutional subsidy is one of five subsidy mechanisms: individual, project linked, consolidation, institutional and relocation assistance. An additional mechanism is to be created specifically for rural housing.

The institutional subsidy provides financial assistance to housing institutions seeking to provide housing for low-income earners with tenure arrangements alternative to direct, individual ownership. The institution receiving the subsidy on behalf of the beneficiary must be legally registered as a company, co-operative or communal property association. Beneficiaries may only take transfer of the property after four years following occupation. Otherwise, they cannot benefit from the full subsidy allocation. If they take transfer prior to the four-year period, the institutional subsidy is converted to an individual subsidy and awarded based on a sliding scale, linked to the beneficiary's income. It is because of this characteristic that a number of developers — that might otherwise have followed the project-linked subsidy route, developing housing for immediate ownership — may have opted to apply for the institutional subsidy, postponing individual ownership for their clients for four years.

Source: Rust, 1999.

Box 21. The People's Housing Process (South Africa)

The policy regarding the People's Housing Process seeks to support the poorest of the poor. Its target group is families which only have access to housing subsidies, and wish to enhance these by building or organising the building of their homes themselves. At the centre of the arrangement is a support organisation contracted by beneficiaries (or made up of beneficiaries themselves) to assist and support them in the process of housing development. The government offers a Facilitation Grant that pays for workshops, targeted at facilitating the identification or establishment of a support organisation and the completion of subsidy applications.

Source: Rust, 1999.

support the necessity to evaluate the legal structure in support of housing co-operative registration.

No legislation has yet been developed to specifically facilitate the role of co-operatives in shelter development in South Africa. The legislative framework comprises a range of existing laws that also apply to other contexts. Co-operatives can register as agricultural, special farmers' or trading co-operatives. While presumably useful for agricultural co-operatives in the context in which they operate in South Africa, the Co-operative Act is not actively supportive of housing co-operatives. Lodged in the Department of Agriculture, it has been little used beyond farming and other agricultural-related enterprises — except recently for public transport, and specifically the taxi industry. While the Co-operative Act makes it feasible for housing co-operatives to register as trading co-operatives, it does not provide participants with a range of tenure options. An alternative is to register under Section 21 (see box 22).

Other legislation of relevance to housing co-operatives is the Share Blocks Control Act, the Sectional Title Act and the Communal Property Associations Act. These acts provide for joint tenure, but they have not yet been explored by co-operatives. The reasons for this may be summarised as —

- a desire for individual ownership to housing units (share blocks);

Box 22. The Section 21 Company (South Africa)

The Section 21 company is generally the preferred choice for Social Housing Institutions. It does not support a co-operative approach as it by its very nature is set up by its members for the benefit of others, rather than for the benefit of the members' themselves. The Section 21 company is used primarily by educational, charitable, religious or certain housing companies established as 'not for gain', that wish to benefit from the possible tax advantages offered. The company has no shareholders and members have no claims against the company when it is liquidated.

Source: Rust, 1999.

- poor record among the higher income classes and therefore not encouraged among the poor (sectional title); and
- the weaknesses when applied to large communities (communal property).

The best-known example of funding initiatives is the government's national housing subsidy scheme (described in section V.C.2). In situations where funding over and above the subsidy is required, a series of other mechanisms have been developed by the government, NGOs and donors. These include bridging finance (see box 27), working capital loans, guarantees and grants. Traditional financial institutions are not yet involved in the co-operative shelter sector. However, some social housing institutions are beginning to engage with banks on this issue (see more on this in section VII.C).

VI.C. Tanzania

Tanzania, like Kenya, is on paper enlightened and progressive in many aspects of shelter policy. Tanzania initiated some of the very early upgrading sites-and-services projects, which were considered very innovative in the 1970s. However, while policy towards shelter co-operatives was also positive, in reality the approach and capacities of the government system to support co-operatives was extremely limited. In some instances, it actually presented direct obstacles. One notorious example was that the Registrar of Lands would not allocate land to a housing co-operative until it was registered as a co-operative and the Registrar of Co-operatives would not register a co-operative until it had been allocated land. All this has changed since liberalisation, and the co-operative movement has had to begin almost anew, with new institutions.

Government direct support to shelter co-operatives is now virtually non-existent. However, contingent on the withdrawal of government from shelter provision, co-operatives, and particularly co-operative-like organisations, do have more institutional space in which to operate. The main reason for this is that they are now more accepted as partners in the urbanisation process. There is virtually no direct support to housing co-operatives. The exceptions are the modest support to a number of co-operative-like initiatives by the WAT and some other NGOs.

The history of heavy government involvement affected the growth and performance of credit facilities. The Tanzania Housing Bank, a monopoly, collapsed in 1995 following many years of poor management, which in turn was affected by government control. To date, there is no formal source of credit financing for shelter development in Tanzania.

VI.D. Uganda

As is the case in the other countries covered by this study, co-operative legislation in Uganda has changed with liberalisation. This has led to a withdrawal of government supervision and support, and increased ownership and management of co-operatives by members. Co-operatives are now treated more like companies. This, combined with the withdrawal of the Government, has led to the liquidation of many non-viable co-operatives in the agricultural sector.

By mid-1999, there was a housing backlog of 70,000 units in urban areas and 250,000 units in rural areas. There is also a need to build 1.3 million units during the 2000-2010 period, just to house the additional households (see table 6). Given the limited national resources, and the magnitude of the task, all alternative construction methods must be employed to meet this target. The Government of Uganda has drawn up a national housing policy and a strategy to meet these policy objectives,²⁷ and has placed emphasis on housing co-operatives in the delivery system.

This strategy and the linked National Plan of Action promise to create an environment that is conducive to shelter development. It therefore, puts responsibility on the Government to create (and implement) the required enabling policies and legislation.

On the side of legislation, the environment has been positive. In the past, co-operatives were seen as, and actually turned into, instruments of implementing political policy. Under the new Statute of 1991, however, co-operatives are no longer seen as a Government Department or agent, for implementing government policies. Instead, they have been allowed to play the role they should have played in the past, like any other private sector enterprise. In fact it is very clear under Clause 58 (Schedule (ii)) of the Co-operative Statute that the Companies Act becomes operative upon winding up of a co-operative society.

Current government policy towards co-operatives is positive, in both the shelter and co-operative spheres. Yet, the very limited scope to date of the co-operative shelter movement, and other similar initiatives, makes it difficult to assess the effect of the policy framework. What can be concluded, however, is that the Government policy does not appear to obstruct the development of co-operative shelter.

27. The National Shelter Strategy for Uganda, Vols. I & II is currently being revised.

VI.E. Zimbabwe

Zimbabwe arguably has the most positive environment for shelter co-operatives in the region. While all shelter delivery systems suffer from poor macro-economic management, a relatively positive framework of support for shelter co-operatives has been established. This includes preferential allocation of land to co-operatives, as well as technical support. Box 23 outlines the experience with the partnership approach within the co-operative shelter sector in Zimbabwe.

Previously, plots could only be allocated to individuals. Changed legislation, however, now allows groups to own plots (i.e. including co-operatives). Other land allocation regulations — including those that were based on age and the number of children — have also been relaxed. Furthermore, to support low-income families, only co-operatives where members make a minimum monthly contribution of Z\$ 300 per month are recognised by the Harare City Council for allocation of plots. One problem is that there is often a mismatch between the size of the land allocated and the number of members in a co-operative requiring land.

Local authorities in Zimbabwe provide housing designs at minimal fees. Additionally, most authorities have an officer assigned to housing co-

Box 23. Linking for advantage, partnerships in Zimbabwe

Partnerships between co-operatives and other NGOs such as HPZ have been beneficial. It indicates an increasing role of co-operatives in dealing with housing crisis in Zimbabwe. These partnerships are also strengthened by relationships with other NGOs, like the Civic Forum for Housing. These organisations have been working with various housing co-operatives to improve efficiency in management of co-operatives.

HPZ has developed some handbooks on how to form housing co-operatives. It has also developed packages for co-operatives on financial management, application procedures and information packages on women and co-operative housing in the country. These packages have proved to be very useful to housing co-operatives.

The Intermediate Technology Development Group (IT Zimbabwe) has been working with some co-operatives in Chitungwiza, Marondera and Epworth to develop appropriate technologies for construction and improving on cheap materials that can be used for constructing cheap houses. Such partnerships at the local level should be encouraged.

The various organisations mentioned above have some partnerships with local authorities. The co-operatives themselves relate to the local authority through the regulatory controls. Other organisations, like HPZ and IT Zimbabwe, have forged partnerships with the local authorities and negotiate on behalf of co-operatives.

Source: Mubvami and Kamete, 1999.

Box 24. Minimum building standards in urban areas of Zimbabwe

Plot size

- Minimum plot size for a stand-alone house is 150 m² with front boundary of 8.5 metres width. Large plot sizes can be provided to co-operatives if they can afford them.
- Minimum plot size for a semi-detached house is 105 m² with a front boundary of seven metres.
- The house is set back from the front boundary by six metres and from the back and side boundaries by one metre.

Infrastructure

- Every house is to be connected with tap water, sewer toilets and baths or showers. They should also have electricity connection points.
- Every stand shall have road access of either gravel or tar finish with storm drains. Stand access road reserve shall be 8.5 metres wide.
- Sewer pipes shall have a minimum diameter of 100 mm and laid in trenches 0.3 metres below the ground surface. Pipe fall or gradient shall be 1:6 from house to 1:5 at the mains connection point.

The house

- The minimum size of a room is 7.0 m² with a minimum width of 2.1 metres.
- Unless other materials are approved for use, walls shall be built of burnt bricks, cement blocks or stabilised soil blocks. Floors shall have granolith finish. Roofing shall be made of asbestos sheets, tiles or corrugated iron sheets.
- Every room shall be provided with window areas, which are not less than 10 percent of the floor areas.

Source: Mubvami and Kamete, 1999.

operatives to provide advice on technical matters. Co-operatives have also been provided with assistance to prepare their financial audits.

The Ministry of National Affairs, Employment Creation and Co-operatives (MNAECC) provides both registration and training. Unfortunately, registration is slow, taking up to a year and, in some extreme cases up to four years. This is a significant impediment to the functioning of housing co-operatives in Zimbabwe. Training from the MNAECC includes management, the concept of co-operatives (pre-registration), bookkeeping, leadership, income-generation and brick making.

HPZ provides training in general and financial management. It also conducts research on co-operative housing. Moreover, it has established the Co-operative Housing Trust Fund (see section V.C.4) and is championing the setting up of an apex housing co-operative organisation. Workshops on gender have also been facilitated by NGOs.

Although changes in housing standards to enhance affordability do not apply only to housing co-operatives, their relaxation has assisted co-operatives to some extent. Housing standards have in the past made housing provision expensive and out of reach for many home seekers. These changes, resulting from a ministerial circular of 1992, have included reduction of minimum house size from 200 to 150 square meters in 1992 and relaxation of standards on the building lines.²⁸ The new standards are detailed in box 24.

However, despite the attempt to make standards more appropriate and affordable, the effect of some of these standards is still to make houses relatively expensive. They also tend to delay the activities of co-operatives, as they have to wait for the various required approvals that ensure minimum standards are met.

28. The National Housing Convention in 1997, at which housing co-operatives and the HPZ were represented, resolved that minimum plot sizes should be restored to the pre-1992 level of 312.5 square metres.

VII. Finance for co-operative shelter

In the majority of countries studied, co-operatives have had difficulty in mobilising and accessing finance. Finance is derived from four principal sources —

- internal finance from members' own savings (sometimes augmented by informal borrowing) contributed as share capital or through similar mechanisms augmented by informal borrowing) (see section VII.A);
- external finance from co-operative finance institutions (such as SACCOs and co-operative banks) (see section VII.B);
- external finance from other formal financial institutions (such as building societies, banks or special government programmes) (see section VII.C); and/or
- international finance (see section VII.D).

External finance is essential for co-operative shelter developments at any scale. Arguably, lack of finance is the most pressing problem for co-operative shelter developments in Africa, even in the light of the numerous other constraints.

Unfortunately, most co-operative shelter organisations in the five countries studies have found that access to external domestic (in-country) funds is drying up. This is mainly due to the adverse macro-economic conditions that have led to a squeeze on credit and a rise in interest rates (to a level of 20-30 per cent, or even higher). In Tanzania, there is no formal housing finance system at all, as the Tanzania Housing Bank was liquidated in the mid-1990s. In Uganda, the Housing Finance Company of Uganda revived its fortunes during the 1990s following a period of low activity (due to the poor economic performance of Uganda during the 1970s and 1980s). However, it mainly lends to individuals and to private developers and — partly as there is hardly any co-operative housing sector — it has not yet been able to lend to co-operatives.

South Africa is somewhat different from the other countries. It has a mature housing finance system, but one which in the past did not serve the majority. The post-apartheid government placed considerable emphasis on housing delivery with ambitious targets. A number of different subsidy and financing schemes were introduced to finance housing development (see for example box 20). Nevertheless, low-income households still find it difficult to obtain housing finance.

Against the above background, the most useful examples in the region for the purposes of this report are drawn from Kenya, South Africa and Zimbabwe.

Examples from these three countries are thus used below to illustrate the discussion on co-operative shelter finance.

VII.A. Internal finance

Individual members' savings form the basis for internal finance. They are accumulated in the form of share capital or, in the case of co-operative-like organisations, by using other mechanisms. These savings have two main purposes:

- to raise the capital required to meet the objective, i.e., providing shelter in some form; and
- to demonstrate the commitment of the members to the co-operative and to the project (which also gives confidence to external financing organisations, see box 25).

In normal circumstances, the proportion of required finance that can be accumulated by members is very small in proportion to the amount required to complete a project. Typically, it is in the range of 5-10 per cent. Yet, this varies with the financial means of the members and the overall cost of the project.

Raising finance is particularly difficult for the poor. Given the opportunity offered by owning an asset and/or improved living conditions, however, poor people are able to mobilise a surprising large level of resources. In addition to savings from income, they are able to convert other assets into

Box 25. Members savings stimulate external investment

One advantage of the co-operative (and co-operative-like) model is that the self-help aspect, in finance as in other respects, provides a basis for external finance. If co-operatives can demonstrate commitment and organisational capacity by mobilising their own internal finance through members savings, this provides confidence to external financing agencies to lend to them.

Examples of this are:

- In Kenya the low-income rehabilitation (often led by women) projects supported by NACHU which have been funded by the Ford Foundation on a revolving loan basis and the women's housing projects in Voi funded by Zero-cap of the Netherlands. Both have excellent repayment records.
- Funding of co-operatives in Zimbabwe by the traditionally conservative building societies which then gave USAID the confidence to provide credit through the same channel.
- Financing of the Kijitonyama Development Community (KIJICO) in Dar es Salaam under a World Bank financed project after the KIJICO had financed initial infrastructure investment from their own funds.

cash and to use informal networks for borrowing. The poor can also contribute in the form of labour by participating in the construction process. This has to be carefully planned and managed, as using self-help labour does not necessarily reduce overall building costs.

In Zimbabwe for example, as non-profit organisations, housing co-operatives can not legally engage in business for profit — especially that which is not related to their mission. Thus, in the absence of sustainable long-term finance, housing co-operatives have to rely almost exclusively on member contributions. Initially, pooling resources in housing co-operatives led to 'pyramid schemes' whose motto seems to be 'first come only served' (see box 12).

The funds required for providing shelter — even to a minimum standard, and using self-help where appropriate — are considerable in comparison to the income, savings and assets of co-operative members. This is particularly the case for the poorer members. In most countries costs often also include installation of both on and off-site infrastructure. This is the case as government and local authorities frequently no longer have the resources to provide this, even if it is within their mandate. When co-operatives do try to raise funds through pyramid schemes, as in Zimbabwe, member frustration is the inevitable result (see box 12). Thus, access to external finance is critical.

VII.B. External finance from co-operative and similar organisations

This section reviews the various sources of external funding that have some connection with co-operative or co-operative-like organisations. Included are co-operative apex bodies/federations, co-operative banks, co-operative savings and credit organisations and NGOs dedicated to the co-operative social sector. As can be seen, there is a considerable variety of organisations involved with different structures of ownership and control.

In South Africa, a relatively wide range of avenues exists, besides the institutional subsidy described in box 20, for financing of co-operatives within the social housing framework.

VII.B.1. Savings and credit co-operatives (SACCOs)

As discussed earlier, there are strong indications that SACCOs — that in effect are community-based co-operative finance institutions — provide significant resources for shelter development. Moreover, this financial contribution is becoming increasingly important. SACCOs provide considerable funds for housing in Kenya, they are developing interesting mechanisms in South Africa

and are being revived in Tanzania (where WAT is supporting SACCOs savings and credit schemes with shelter objectives).

SACCOs are to some extent 'sealed' systems and not directly connected to financial markets. Members save and receive relatively low returns in the expectation of obtaining a loan at a reasonable rate of interest.²⁹ The majority of borrowers are not eligible for loans from banks, because of their relatively low incomes and low loan amounts. The maximum loan period offered by the SACCOs is usually three to four years. This precludes long-term loans that would cover the greater part of the cost of a housing unit. Therefore, when borrowing for housing purposes, members tend to borrow sequentially and build incrementally. In other words, they borrow again when one loan is repaid and build their shelter incrementally.

One of the benefits of the SACCO approach is that the housing loan is not tied to the asset value of the housing unit that is developed, but rather to the savings accrued by the SACCO member. This is of particular importance when it comes to low-income housing, as the housing unit developed is often considered by lenders to be of insufficient quality to constitute sufficient collateral for the loan.

The following sections look at the examples of Kenya and South Africa, and note one new development in Zimbabwe.

VII.B.1.a. Kenya

Over the past three decades Kenya has established an extremely strong SACCO movement. It is based mainly on employment-based societies, i.e. societies where all individual members have the same employer. Employees working for a country-wide organisation, such as teachers in the public service, civil servants or employees of a large private company, can be spread all over Kenya. Loans are based on savings and repayment capacity, which again is linked to income. There are 2,500 SACCOs with a total membership of 1.5 million individuals and a share capital of KSH 20 billion³⁰ (around US\$ 250 million). Thus, the SACCOs are becoming significant financial institutions.

In their lending procedures, SACCOs are more concerned with loan eligibility than the purpose for which the loan is required. Despite this, the borrower usually has to state the purpose of the loan in his/her loan application. Statistics on loans for shelter are, however, not centralised nationally. The

29. Usually one per cent per month, compared to much higher commercial rates of between 15 and 50 per cent per annum, which have been common in the region.

30. Data provided by KUSCCO.

proportion of loans for housing purposes has thus been estimated here based on interviews with representatives of two large SACCOs. In these two SACCOs, some 80 per cent of 'development' loans³¹ are used for various housing purposes. The most commonly cited reasons for housing-related loans are to purchase land (urban and rural areas), to build a house (urban and rural areas) and to pay deposit for a house (urban areas).

As mentioned above, loans from SACCOs for shelter-related purposes tend to be used incrementally. The borrowers build stage by stage and take consecutive loans for financing stages in the shelter process (from land acquisition to construction). Loans are sometimes also used to pay for shares in a housing co-operative.

In Kenya, which has the most widespread system in the region, the primary SACCOs³² are federated to the national apex organisation, the Kenya Union of Savings and Credit Co-operatives (KUSCCO). KUSCCO runs an inter-lending programme through which surpluses in some societies can be lent to others that require additional funds.

Given these surpluses, there are proposals for KUSCCO to establish a separate long-term finance arm specifically for housing. NACHU and KUSCCO are currently negotiating to define their separate responsibilities in developing the fund.³³ In essence, KUSCCO will mobilise and manage the funds while NACHU will provide professional services to housing development. There are still some policy and structural issues to be overcome. These include the possible competition for deposits between SACCOs and the proposed housing finance arm. Yet, there is clearly a potential in this approach that raises and lends funds at less than the current prohibitive rates of interest.

The Co-operative Bank in Kenya, which is owned by the co-operative sector, has so far only been able to offer medium-term loans to co-operatives. These funds provide the basis for individual loans given to members and secured by individual title. The bank has so far been unable to offer longer-term loans.

31. Loans are categorised into three categories: school fees, emergency and development.

32. That is, those where the individual members belong.

33. By mid-March 2001, negotiations were still going on, but at a Board level of the two institutions. A memorandum of understanding have already been drawn up. The two institutions have, however, already started co-operating. The first four loans disbursed by KUSCCO recently were evaluated by NACHU as the technical arm of the collaborative effort (e-mail communication from Paul Munene, NACHU, on 20 March 2001).

VII.B.1.b. South Africa

The Savings and Credit Co-operative League of South Africa (SACCOL) Ltd. was established by SACCOs and credit unions around South Africa, as their national association. SACCOL's main objective is to assist with the development of the SACCO movement at the employee and community level. SACCOL established a Central Finance Facility SACCO in July 1998, in which members are required to invest 10 per cent of their total asset base. Every SACCO or members of SACCOs are eligible to apply for a loan that will be granted subject to the fulfilment of criteria set out in the Central Finance Facility's loan policy. See box 26 for more details on SACCOL.

See also section III.B.1, and the example of CME SACCO (box 5), which serves the savings and credit needs of Cape Metal employees in the Western Cape in South Africa.

Box 26. The housing initiative of the Savings and Credit Co-operative League of South Africa (SACCOL) Ltd.

SACCOL represents: SACCOs and credit unions throughout South Africa.

SACCOL membership: 20 SACCOs and one credit union, with 5,800 members.

Average household income of SACCOL members: 75 per cent earn R 2,500-3,500 per month.

Through its provision of loans through the Central Finance Facility, SACCOL noticed that a large proportion of loans being accessed (42 per cent of a survey of a third of SACCO loan portfolios) was used for housing purposes. This translates into 4,246 housing loans, worth R 3,420,000 — 36 per cent of SACCOL's total assets of R 9.5 million. With 36 per cent of its loans being tied up for three years, however, SACCOL faced liquidity constraints. Consequently, SACCOL has developed a special housing loan that operates from a separate fund, capitalised with member loans as well as loans from external sources. In the short term, R 200,000 of SACCOL assets have been set aside for pilot loans to two member SACCOs. These two SACCOs — the Cape Metropole SACCO in Cape Town, and the Tshiya SACCO in Vereeniging — have demonstrated that they have the capacity to operate as financial intermediaries for the disbursement of SACCOL loans to their members. Both SACCOs had received the go ahead from their boards to apply for loans by mid-1999.

In the second phase of the initiative, SACCOL hopes to draw R 3 million from the Rural Housing Loan Fund for primarily rural loans. In the third phase, SACCOL hopes to draw funding from the National Housing Finance Corporation for urban housing loans. SACCOL also intends to engage with NURCHA to secure guarantees for its housing loan products.

Continues ...

Box 26 (continued)

SACCOL's housing loans policy includes the following criteria:

- Loans are made either to SACCOs (or in cases where a SACCO has not accessed a wholesale loan for on-lending to its members) to individual SACCO members.
- Individual member applicants must be in good standing at their SACCOs for at least six months.
- Loans are only awarded if repayments are affordable to the applicant, and if they constitute no more than 20 per cent of the applicant's take home salary.
- Loans may be used to build an affordable house, extend or otherwise modify an existing structure, pay a deposit towards the purchase of an existing structure, or top-up the government subsidy. Borrowers are not permitted to use asbestos material on their houses.
- Loans are repayable over three years.
- Three categories of loans are available. Different loan amounts and interest rates (generally between 22-30 per cent per annum) apply to each:

Fully secure, in which members can offer their pension/provident fund as security, and in which employers are willing to institute payroll deduction procedures for repayments. For these, members may apply for six Rands for every one Rand saved, up to a total of R 15,000.

Semi-secure, in which members are either able to offer their pension/provident fund as security, or in which employers are willing to institute payroll deduction procedures for repayments. For these, members may apply for five Rand for every one Rand saved, up to a total of R 15,000.

Unsecured, in which the member will make repayments individually on a monthly basis without the security of a pension or provident fund. For these, members may apply for four Rand for every one Rand saved, up to a total of R 10,000.

Source: Rust, 1999.

VII.B.1.c. Zimbabwe

One SACCO in Zimbabwe is designed to lend specifically for housing. This association, which is sponsored by Shelter Zimbabwe, brings together former squatters in a holding camp³⁴ in Hatcliffe. By March 2001, this SACCO had not yet started lending.³⁵ It was still in the process of mobilising savings. The most established SACCOs are not specifically focusing on housing, though

34. A holding camp is an area where former squatters rounded up in Mbare and Epworth were forcibly placed. The government insists that this is a transitional measure.

35. E-mail communication from Amin Kamete, 16 March 2001.

they may lend to members who will use the loans for house-related purposes. Statistics do not record the amounts used for shelter investment.

VII.B.2. The Housing Co-operative Trust Fund (Zimbabwe)

HPZ is currently involved in establishing a Housing Co-operative Trust Fund in Zimbabwe, in an attempt to give shelter co-operatives in Zimbabwe access to money markets. The proposed Fund will thus make it possible for co-operatives to get considerably higher interest rates (some 40-50 percent) than on ordinary savings accounts (25 percent and below).³⁶ At the same time, it makes sure that the co-operatives enjoy the advantages of a traditional savings account. With the Housing Co-operative Trust Fund, co-operatives will continue to make their regular contributions and funds from several co-operatives will be pooled. This will reduce banking costs and offer higher returns. It is envisaged that the Fund could serve as collateral for member co-operatives.

VII.C. External finance from non-co-operative sources

Finance from non-co-operative sources is currently important only in South Africa and Zimbabwe (the building societies). As noted above, co-operatives have not had access to long-term finance in Tanzania since the collapse of the state-owned Tanzania Housing Bank. In Kenya, while there are functioning housing finance institutions, principally in the private sector, these focus mainly on the middle and upper-income market and prefer lending to individuals, not to co-operatives.

Three examples of innovative financial mechanisms from South Africa are described below. All of these provide finance to the social housing sector, of which housing co-operatives are a part. A new NGO initiative in Kenya is also noted, as well as the building societies in Zimbabwe.

VII.C.1. Housing Institutions Development Fund (HIDF) (South Africa)

The HIDF is a division of the National Housing Finance Corporation, which is a development financier that provides a range of loan products at preferential interest rates to emerging social housing institutions. Two housing institutions operating in a co-operative like way have sought finance from the HIDF. The Cope Housing Association (see box 15) sought finance for a 53-unit project in Bertams, Johannesburg in 1997. The funds were only paid out in late 1999.

36. Consultations and extensive lobbying have been conducted, but the Trust Fund has not yet been established (e-mail communication from Amin Kamete, 16 March 2001).

Lack of familiarity with the co-operative model and associated risks were cited as reasons for the delay.

The Seven Buildings Company (see box 9) which manages 435 units across seven buildings of inner city Johannesburg has also sought finances from HIDE. The request was yet to be approved by mid-1999. This was also due to unfamiliarity with the governance and management arrangements of this co-operative-like institution.

The Cope Housing Association has since received long-term finance from HIDE for 351 housing units in the Newtown Housing Co-operative, and HIDE "have developed a fair trust in the co-operative system."³⁷

VII.C.2. uTshani Fund (South Africa)

The uTshani Fund is the revolving fund of the South African Homeless People's Federation. The Federation established the uTshani Fund in 1995, to increase the lending capacity of the HSS. The Fund is capitalised to the tune of R 50 million, based mainly on donor and loan funding. This includes a R 9 million grant from a German NGO, Misereor, and a R 10 million grant from the Department of Housing.

The uTshani Fund provides 'wholesale' loans to HSS, who on-lend this money to groups of members (usually between 10-20) for housing purposes. The HSS then collect repayments from the group, and repay the loan on a monthly basis to the uTshani Fund. Repayments are calculated over 15 years, at an interest rate of one per cent per month. For a maximum loan of R 9,978, this amounts to a monthly repayment requirement of R 120.

In applying for a loan on behalf of its members, the HSS must demonstrate affordability, and must provide rough building plans. In addition, the HSS is required to deposit five per cent of the loan amount in the uTshani Fund over the life of the loan.³⁸ Loans are provided to members by the HSS in the form of building materials, rather than as cash.

In 1998, the uTshani Fund was accredited by the Department of Housing to act as their agent in the distribution of housing subsidies in five of South Africa's nine provinces. Consequently, the uTshani Fund is now able to offer its members subsidies as well as loans for housing purposes.

37. E-mail communication from May Sommerfelt, 15 March 2001.

38. In the longer term, the uTshani Fund may use the interest earned on this 5 per cent to access insurance for borrowers against death or disaster.

VII.C.3. Loan guarantees in South Africa — The National Urban Reconstruction and Housing Agency (NURCHA)

NURCHA is the primary guarantor in the low income housing industry in South Africa. It is a non-profit (Section 21) company that facilitates housing delivery by removing financial obstacles to the provision of subsidised housing. NURCHA provides bridging finance guarantees (see box 27) for developers and contractors, end-user finance guarantees to people earning less than R 1,500 per month, and capacity building grants to communities.

The Seven Buildings Company (see box 9) and the CME SACCO (box 5) have benefited from this facility. NURCHA provided a 50 per cent, two-year guarantee on finance that the Seven Buildings Company received from the Inner City Housing Upgrading Trust (ICHUT). In the case of CME SACCO, NURCHA provided a 25 per cent guarantee on individual loans. NURCHA is also providing bridging finance to the Cope Housing Association.³⁹

Box 27. Bridging loans in South Africa

Bridging loans are possibly the most sought after form of finance for social housing institutions in South Africa, especially given the delays in accessing working capital loans. For example in Johannesburg, ICHUT offers short-term finance and technical capacity for project design and feasibility. Its bridging finance product provides funding for two years prior to projects securing institutional subsidies from PHDB and long-term finance from institutions such as the HIDF. At the national level, the Urban Sector Network's Opportunity Fund provides a similar product. The Urban Sector Network is a membership body comprising urban development NGOs from around South Africa, including those seeking to develop housing co-operatives.

Source: Rust, 1999.

VII.C.4. NGO finance in Kenya

K-Rep Holdings, a prominent NGO in the field of micro-credit, has recently begun a pilot low-cost housing programme. The scheme will only fund the construction costs of a dwelling, not infrastructure or land acquisition costs.⁴⁰ The three main aspects of the programme are —

- development of low-cost building technologies;
- community mobilisation; and
- low-cost housing finance.

39. E-mail communication from May Sommerfelt, 15 March 2001.

40. Reported in HiFi News, July 2000, No.7.

VII.C.5. Building societies in Zimbabwe

Mortgage lending is crucial to long-term housing finance in Zimbabwe. This includes finance for housing co-operatives. Mortgage rates have traditionally been controlled and subsidised. Despite deregulation elsewhere in the financial sector, the Government continues to subtly control deposit and lending rates in building societies. Building societies are the only finance institutions legally authorised to advance mortgage loans.

The low lending rates in housing mean that private sector housing finance institutions can only manage to pay very low interest on deposits. The much higher rates offered elsewhere in the financial sector (the money markets, finance houses, discount houses, unit trusts and commercial banks) have resulted in a massive outflow of funds from building societies. Twice, in 1992, and 1998, this outflow of funds resulted in the cessation of mortgage lending, as mortgage finance became scarce. The suspension of mortgage lending in 1998 is still effectively in place as far as co-operatives are concerned. This is so despite a verbal commitment by the National Social Security Agency to provide mortgage financing through building societies.

VII.D. International finance

International finance for shelter in the region has almost exclusively been provided by international donor and funding agencies. For example, the two most prominent organisations providing housing finance in Zimbabwe were the World Bank and, more recently, USAID. USAID's Housing Guaranty Program provided finance to building societies for low-cost housing. This money was on-lent to building societies until 1997. USAID funds were lent through building societies at no interest and mixed with members savings of 25 per cent and were matched by Building Society funds (see also box 25). This resulted in a reduced interest rate of about 15 per cent, instead of the market rate of 25 per cent.

By the beginning of the third quarter of 1999, USAID funds were just about the only long-term funds available for low-cost housing in Zimbabwe. These funds were originally due to terminate in 2000. The funds are now expected to last until 2002, as it will take that long for all the funds to actually be advanced to co-operatives.

As indicated above, KIJICO in Dar es Salaam (box 10) was first assisted by the UNCHS (Habitat) Sustainable Dar es Salaam Project. This attracted additional capital from the Urban Infrastructure Project, which was funded by the World Bank.

However, external (international) funds, while receiving a high profile, are no substitute in the end for well functioning domestic systems. Given the state of most Sub-Saharan economies (excluding South Africa), the prospects for sourcing credit from international financial markets is not promising. Moreover, international lending agencies do not place a high priority on housing investment *per se*. There is, however, an increasing interest in tackling urban poverty through improvements in environmental infrastructure and improved shelter.

VIII. Donor support to shelter co-operatives

Co-operatives in Africa have received external technical and sometimes financial support directed specifically at developing and strengthening shelter. The results have been mixed. However, the quality and impact of assistance seems to have increased over time, presumably as a result of learning from experience.

Rooftops Canada has supported regional workshops, exchanges and training placements since 1983. These activities have involved most of the countries in Eastern and Southern Africa, including all the five countries covered in this report. The activities have also provided for exchange visits for NACHU staff. Prior to 1988, NACHU has also received institutional support from the International Co-operative Housing Development Association.

Overall, support given by experienced housing co-operative organisations with an emphasis on capacity building has paid dividends. In the past, the majority of these organisations were based in industrial countries: for example in Canada, the United States of America, Scandinavia and Germany. In 1999, a new relationship was established between South Africa and Argentina that is diversifying the network of exchange and support.

VIII.A. Kenya

In Kenya, NACHU has been the main promoter and supporter of housing co-operatives. It has been assisted by a range of international agencies, as is summarised in table 18. Without this continuing support, NACHU would have found it extremely difficult to continue as a viable organisation. In the face of diminishing donor funding, NACHU is currently strategizing how to continue its work.

Table 18. Summary of external support through NACHU, Kenya

Year(s)	Donor	Amount (US\$)	Purpose
1990	USAID	154,738	Bridging finance for Kariobangi project.
1993	Rooftops Canada	270	Training.
1993	Ford Foundation	34,653	Institutional support.
1992-95	USAID/Kenyan Government	94,594	Institutional support.
1994	Ford Foundation	47,856	Institutional support.
1995	Ford Foundation	42,619	Institutional support.
1995	Homeless International	1,540	Institutional support.

Continues...

Table 18 (continued)

Year(s)	Donor	Amount (US\$)	Purpose
1995	Rooftops Canada	11,257	Strategic planning for NACHU.
1996	Ford Foundation	77,097	Institutional support.
1996	Rooftops Canada	5,609	Gender workshop for housing co-operatives.
1996	Homeless International	1,580	Institutional support.
1997	Ford Foundation	78,752	Institutional support.
1997	Rooftops Canada	5,553	Education and training (housing co-operatives).
1997	Zero-Kap (the Netherlands)	4,138	Finance for a women housing co-operative project in Voi (start of a revolving fund for new housing).
1997	Goal International (Ireland)	16,191	Fund for resettlement project for one co-operative (start of a revolving fund for resettlement).
1998	Ford Foundation	148,648	Institutional support.
1998	Rooftops Canada	15,018	Local government officials workshop on housing co-operatives. Also a follow up of gender workshop.
1998	UNDP	2,495	Sanitation in one of the resettlement projects.
TOTAL		742,608	

Source: Alder and Munene, 1999, citing NACHU records.

VIII.B. South Africa

South Africa has received significant support for shelter from both internal and external agencies (see table 19). This is perhaps because of the government's policy priorities. Some of this support is directed through housing co-operative movements based in industrial countries. In some instances, co-operative and co-operative-like institutions have access to wider programmes intended for the social housing sector. It should be noted that the social housing sector in South Africa (the category in which co-operatives fall) has faced criticism of non-sustainability due to heavy reliance on external funds.

Table 19. Forms of support received by various co-operatives and co-operative-like initiatives in South Africa

Beneficiary	Support	Country/ Agency
Amalinda Housing Co-operatives	No support other than that provided through ELHMC and EL SACCO.	-
CME SACCO	R 1 million, 10 per cent interest, deferred payment loan from the WCCHT (supported by USAID).	USA
Communal property associations	Support from the department of Land Affairs in the registration process and ongoing conflict management process, as well as in funding, with a R 16,000 land settlement grant per household.	South African Government
Co-operative Housing Foundation	USA-based technical service NGO operating internationally.	USA
Cope Housing Association	Heavily dependent on donors until 2001. A contract for the 1997-2001 period with NBBL and NORAD included the provision of two technical advisors from Norway, core funding for Cope's administration and a revolving fund NOK 13.5 million (US\$ 1.5 million) for bridging finance. Under an extended contract (up to 2005) technical assistance will be short-term and core funding will be gradually reduced. Cope also receives core funding from the European Union and technical assistance from Rooftops Canada as well as from other donors.	Norway, European Union, Germany
EL SACCO	No support yet accessed. Afesis-Corplan suggests that the SACCO will need to be capitalised with external funding.	-
ELHMC	Supported by Afesis-Corplan until 2001. Afesis-Corplan is supported by the Swedish Co-operative Centre. In addition, the project will access R 16,000 x 196 units as per the institutional subsidy, 196 People's Housing Process grants, infrastructure grants from the Consolidated Municipal Infrastructure Programme, electricity grants from Eskom, loan funding from the Urban Sector Network's Opportunity Fund (funded by the Swedish International Development Agency), and bridging finance from NURCHA (funded by a range of international donors).	Sweden, South African Government, Eskom, International donors

Continues....

Table 19 (continued)

Beneficiary	Support	Country/ Agency
Housing savings schemes (HSS)	No support other than that provided through the uTshani Fund, and, when approved, R 16,000 per unit developed, plus People's Housing Process grants.	South African Government
Inner-city tenant buy-out initiatives	No support aside from R 16,000 subsidy x number of units (though not in all cases).	South African Government
Newtown Housing Co-operative	Support for R 16,000 x 351 units as per the institutional subsidy. Long-term loan funding from HIDF, bridging finance from ICHUT.	South African Government through HIDF and ICHUT
SACCOL CFF	Seeking loan funding from the Rural Housing Loan Fund (capitalised with a German government donation), and the National Housing Finance Corporation (capitalised with South African government funding).	Germany, South African Government through NHFC
Social housing initiatives	Generally supported by NGOs, CBOs or local or provincial authorities, with a strong international donor component.	South African Government, International donors
South Africa Homeless Peoples Federation	Supported by People's Dialogue and international donors.	International donors
Ubunye Co-operative Housing uTshani Fund	Support from the Methodist Church mission, based in Canada, plus R 16,000 x number of units. R 10 million grant from the Department of Housing, R 4 million grant from the Department of Welfare, and R 10 million loan from the Land Bank. Accreditation to administer the housing subsidy scheme on behalf of government. International donor funding from Misereor, Bilance, USAID, Homeless International.	Canada, South African Government, Germany, USA

Source: Rust, 1999; and e-mail communication from May Sommerfelt, 15 March 2001.

VIII.C. Tanzania

It was noted above (section IV.B) that the earlier co-operative approaches in the shelter sector in Tanzania were unsustainable. The main problem was that they were generally top-down interventions that relied on a system using government ministries to provide technical support.

VIII.D. Uganda

Information on support to Uganda is sparse though it has been noted earlier that housing co-operatives there have received donor assistance. For example, the Kataayi co-operative (see box 7) has received Canadian \$ 200,000 worth of tools and equipment from the Government of Uganda, Rooftops Canada and the Canadian Co-operative Association. Only Canadian \$ 30,000 of this was actually earmarked for housing purposes, e.g. for tile and block-making equipment. The larger balance was to be used for building a primary and secondary school and for farm equipment.

VIII.E. Zimbabwe

In Zimbabwe, there has been considerably more success based upon the creation of a support NGO, HPZ. It in turn has received considerable support from Rooftops Canada and the Canadian Co-operative Association on a declining basis since 1991. The support has been in the form of cash for the operations of HPZ and as Canadian technical volunteers. Since the mid-1990s, HPZ has also received considerable support from the Swedish Co-operative Centre and some from *Terre des Hommes*.

One benefit of external support is that these funds can be used to leverage a far greater amount of domestic funds. Since 1990, HPZ has received technical and financial support of about US\$ 70,000. This has resulted in the construction of 3,200 units at an average cost of US\$ 2,700 per unit,⁴¹ or about US\$ 8.5 million. HPZ is working towards self-sustainability through fees for services provided. The hope is that by 2004 HPZ will be self-sufficient from fee income.

Table 20 summarises external support to housing co-operatives in Zimbabwe.

Table 20. External support for co-operatives in the housing sector in Zimbabwe

Nature of support	Notes	Agency
Co-operative formation and development	Familiarisation with goals and structure of co-operative, formation and registration;	HPZ; MNAECC; CFH; local authorities
Financial planning and management	Establishment of appropriate accounting systems; investment, auditing, financial planning, monitoring and loan repayment	HPZ and MNAECC

Continues...

Table 20 (continued)

Nature of support	Notes	Agency
Legal services	Preparation and negotiation of contracts, mortgages and other legal documents; development of constitution and by-laws	HPZ
Technical services	Mainly related to project development: securing of land; creation of building and development plans; management and mortgage; origination of mortgages; sourcing of materials; procurement of contractors; implementation of overall building scheme.	HPZ; MNAECC; local authorities.
Information	Providing information on various housing issues and processes like land acquisition, housing construction and finance	CFH
Advocacy	National lobbying on policy, legislative and institutional changes	Politicians; academics; HPZ; CFH
Investment	Housing Co-operatives Trust Fund takes advantage of high yields in the money market	HPZ
Financial resources	Financial resources in the form of ordinary loans, concessionary loans and grants	Building societies; bilateral agencies (USAID; World Bank), employers

Source: Mubvami and Kamete, 1999.

41. The cost of an average co-operative house is estimated to ZS 80,000 (US\$ 1,455) by April 2001 (e-mail communication from Amin Kamete 20 April 2001).

IX. Co-operative impact in the shelter sector

To analyse the potential for co-operatives to become a greater player in shelter development in Eastern and Southern Africa, it is essential to examine the impact of past experiences. An assessment of positive achievements (or failures) is essential to plot a course for the future.

The sections below focus on shelter co-operatives that are involved in the provision of housing and infrastructure. The majority of registered co-operatives in this category are registered as housing co-operatives. Some of the co-operative-like organisations have a wider mandate including, for example, community infrastructure and employment generation. The last section in this chapter assesses the reasons why the impact of the co-operative approach in the shelter sector has been rather limited

IX.A. Shelter delivery

The co-operatives that are active in the shelter sector have had a rather limited impact in terms of their contribution to overall shelter delivery. It must be noted, however, that they have succeeded, to some extent at least, in introducing innovative concepts to the overall shelter delivery process. The role of co-operatives in the building materials and construction sectors has been insignificant, despite a few interesting initiatives.

The co-operative housing movement in Kenya is institutionally well established. Despite this, the contribution of the co-operative shelter sector (i.e. that built by NACHU member societies) to housing production is only 995 units. This is a very small proportion of national formal housing delivery, and an insignificant proportion of the national total, i.e. if the vibrant informal sector is included in the equation.

In South Africa, housing co-operatives are only just beginning. The first one was registered in 1999, and by March 2001, only six had been registered.⁴² The wider social housing movement, of which co-operatives are a part, has played a much more significant role. The potential of the housing co-operative sub-sector and the overall social housing sector seems to be considerable, as they operate in a favourable policy and financial environment.

The co-operative housing sector in Tanzania resulted from first, a donor-driven intervention and second, from the particular circumstances surrounding

42. Five of these are primary co-operatives and the sixth is a Housing Management Co-operative (ELHMC). The latter has applied to the Registrar of Co-operatives for registration of a further nine primary housing co-operatives (e-mail communication from Siph Simelane, 16 March 2001).

the development of the new capital, Dodoma. The latter also had substantial donor involvement. While Tanzania has had a housing co-operative sector for quite some time now, it has never had an institutionalised housing co-operative 'movement' driven by demands from members and potential members of co-operatives. Again, the contribution of housing co-operatives to national shelter production is minimal, probably between one and two thousand units since the early 1980s.

In Uganda, even allowing for difficulties in interpreting co-operative statistics, there are very few examples of co-operatives in the shelter sector. The only significant example is that of the quite successful Kataayi co-operative, which has made a significant contribution to shelter delivery and employment generation in a rural area (see box 7).

The housing co-operative movement in Zimbabwe is perhaps the most successful among the five countries studied. The 3,200 units completed amount to 1.5 per cent of the total recorded national housing delivery. In the capital Harare, co-operatives have accounted for over five percent of the total number of housing units produced since 1980. However, new developments have been severely constrained by restricted access to land, the low capacity of co-operatives to save and develop feasible development plans and the lack of finance from housing finance institutions.

On the basis of the experiences reviewed in this report, three major questions relating to the experiences of co-operatives in the shelter sector in the five countries covered by this report are outlined below. These questions need to be discussed further.

- Why has the co-operative housing sector been unable to have a larger impact? Is it due to factors intrinsic to the co-operative housing model? Alternatively, is it related to the fact that the entire formal housing sector in Eastern and Southern Africa faces similar problems?
- Why do co-operative-like organisations appear to have had a greater impact? Is this a result of them having different legal and organisational structures (which are perhaps less formal) or are there other factors?
- How can the various co-operative approaches be co-ordinated and developed to address the pressing problems of shelter development in Eastern and Southern Africa?

IX.B. Co-operative capacity and sustainability

In Kenya, NACHU has developed capacity in terms of staff skills and in the broader sense co-operative housing is recognised as one approach to solving shelter needs. NACHU has however been almost totally reliant on external donor organisations for finance.

In terms of building capacity for a sustainable housing co-operative movement, South Africa is only just beginning (i.e. in terms of registered co-operatives). It has built a support capacity in the broader social housing sector through a number of institutions, non-governmental, private and governmental. Ultimately, the government is the major funding source through a number of subsidised programmes that have been established since the end of apartheid.

In Tanzania, support to co-operatives was exclusively through government agencies between the late 1970s and the early 1990s. This capacity is now defunct. Very recently, attempts have been started to support shelter co-operatives through an NGO (WAT), using SACCOs as a point of entry.

As noted above, the Ugandan experience is very limited. The Kataayi co-operative provides the only significant example of a sustainable organisation. The Kataayi co-operative has, however, also been dependent on continuing donor support (see box 7).

In Zimbabwe, HPZ has had some success in building capacity to support co-operatives. This is based on considerable donor input and technical support by two housing co-operative movements from industrial countries. HPZ, together with primary societies, is currently attempting to stimulate the establishment of a Zimbabwean federation of housing co-operatives.⁴³ This is to ensure that co-operatives are well trained and managed. A National Task Force has also successfully lobbied government on various issues. The new federation will strengthen this capacity.

It seems clear from this study that external support is required to develop the capacity of the co-operative sector in the region. Some important issues in relation to this are:

- how this support is structured and managed;
- the nature of the partnership between the various stakeholders, including the extremely important element of mutual trust; and
- appreciation of the time required to build capacity.

IX.C. Impact on poverty

Housing co-operatives in the region have not yet made a significant contribution to housing delivery. Yet, have they made a contribution to alleviating poverty? There is a serious concern that registered housing co-

43. E-mail communication from Amin Kamete, 16 March 2001.

operatives are generally catering to middle-income groups; e.g. those who have regular employment and the capacity to repay a long-term loan.

The examples of Zimbabwe and Kenya do suggest that they have made some impact towards poverty reduction, or at least that they have developed a workable approach which could be scaled up. For example, the donor funded programmes in Kenya that are directly addressing the urban poor have been successful in providing security of tenure, improved shelter and enhanced incomes to the poor (if not the very poor). In Zimbabwe, both employment-based and community-based housing co-operatives have been able to provide housing units to many who might not otherwise have been served. The question arising from these initiatives relates to their sustainability. Without donor funding in the Kenyan case and considerable donor funded technical support in Zimbabwe, can these programmes be continued?

If co-operatives and co-operative-like organisations are to play a significant role in Eastern and Southern Africa, strategies have to be evolved that ensure that they reach the poor. One such strategy is to target interventions and resources to specific groups who are either living in poverty or are in danger of slipping into poverty because of poverty shocks.⁴⁴ Examples of such groups are —

- single-headed households (often women);
- those living in circumstances of environmental poverty;⁴⁵
- those with insecure tenure;
- those with insufficient cash income or assets to enable them to obtain sufficient food or services such as education and health; and
- particularly marginalised groups, including the disabled, and the sick.

One advantage of co-operative and community-based approaches is that they are inherently participatory. Participatory approaches enable and empower the various categories of people living in poverty to define their own priorities.

IX.D. The shelter potential of SACCOs

While experiences to date in the co-operative housing sector are somewhat limited, the contribution of SACCOs shows a great deal of promise. As noted above, SACCOs are particularly successful in Kenya. Moreover, they are growing in South Africa and are being revived in Tanzania and Uganda.

44. Such as eviction, loss of income, ill-health of a breadwinner, etc.

45. Such as poor sanitation, lack of access to potable water, etc.

The potential for SACCOs to finance shelter development needs to be further explored, based on the encouraging experiences to date. Two approaches in particular deserve attention:

- the development of more shelter-focused short-term credit to be utilised on an incremental basis; and
- the development of specialist housing funds, providing longer-term credit as, for example, is planned in Kenya:

IX.E. Construction and building materials co-operatives

The experience of co-operatives in the construction and building materials sub-sectors has been very disappointing. Except in a very few examples — such as the Kataayi co-operative (see box 7) in Uganda and some examples in Zimbabwe — building and construction appears to be more suited to private entrepreneurs. There are several reasons for this. One of these is the ‘lumpiness’ of contracts. The consequence of this is that a co-operative is unable to retain all members on regular salaries (which many expect). The cyclical nature of the construction industry in any country is another reason, which has the same result. These reasons are often compounded by management problems, as people with construction skills may not necessarily be good managers.

IX.F. Co-operative-like organisations

In chapter I, it was noted that co-operative-like organisations follow the same principles as registered co-operatives. Their structure and governance arrangements meet basic co-operative principles (see box 1). In particular, members tend to have some measure of democratic control over the organisation. Numerous organisations in the shelter sector meet this criterion. The report has given examples of some successful ones in the region, including KIJICO in Dar es Salaam (see box 10), the Seven Buildings Company (see box 9) and the Homeless Peoples Federation (see section V.C.2) in South Africa, and Ushirika wa Usafi (supported by Maji na Ufanisi) in Kenya (see box 11).

Many of these organisations have developed their approaches through trial and error when faced with real problems, such as the threat of eviction or lack of basic services. In some countries, they have a national organisation or organisations such as the Social Housing Foundation in South Africa and the Shelter Forum in Kenya. The scope of co-operative-like organisations shows a greater range than registered co-operatives. They range from community-based groups that provide housing and basic services, to organisations that represent slum dwellers and tackle general land issues, as occurs in Kenya.

Contrary to the registered co-operatives, the co-operative-like organisations are playing a significant role in terms of shelter delivery. They have even introduced innovations in shelter delivery processes that should be encompassed by the registered co-operative movement. This is particularly true regarding the provision of infrastructure, their approaches to poverty reduction and their methods of organisational development. The issue is therefore how these two categories of democratically controlled organisations with a high degree of participation can combine their efforts.

IX.G. Community-based modalities – trusts, associations and similar organisations

In addition to the registered co-operatives and the co-operative-like organisations, a third category of organisation is relevant to this report. That is organisations where ownership is not with the beneficiaries or users of the service, as in a co-operative, but is held by another group that proclaim to promote the interests of the beneficiaries. This can be a government agency, such as the 'Low-Cost Housing Unit' in Dodoma, Tanzania (see box 16) or an NGO such as the Homeless Peoples Federation in South Africa (see section V.C.2). It can also be a trust, such as the Community Land Trust in Voi, Kenya (see box 19). These are not co-operatives, even in the broader definition. Yet, it is worthwhile to assess their contribution, as they do have similar objectives (if not internal governance arrangements) as co-operatives and, even more so, because some have been relatively successful.

One reason why such modalities have been preferred by some is that co-operatives can be vulnerable to the weaknesses of grass-roots democracy and related dangers from political interference. The problems experienced by the Kugarika Kushinga Housing Co-operative in Mabvuku, Harare is a case in point (see box 13). The land trusts in Voi and in Mathare were instituted to protect the interests of the residents so that land would not be misappropriated. If not explicitly stated, it was felt that a co-operative or other member-controlled body might be more vulnerable than a Trust (as the trustees do not tend to have a direct personal interest). The incentive to sell land for quick cash, even if the consequences to the residents would ultimately be negative, might split a co-operative irretrievably.

On the other hand, some of these organisations are essentially paternalistic (or maternalistic). The various elements determining a suggested approach can only be determined on a case by case basis. Finally, the fact that an organisation is a trust or similar body does not necessarily insulate it from problems such as political interference and corruption of various kinds.

IX.H. Reasons for the limited impact of shelter co-operatives

Co-operatives in the agricultural and savings and credit sectors have generally been successful in Eastern and Southern Africa. Why then have housing co-operatives had so little impact? The following sections outline the principal reasons for the limited growth of shelter co-operatives in the region.

IX.H.1. Negative policy framework

Following independence, Governments did not provide institutional space for shelter co-operatives. Government policy was to 'provide' housing through central government institutions and/or local authorities. National housing corporations or authorities were established, but they served mainly the interests of middle-income groups. Moreover, the scale of their contribution was relatively small when compared to need. Some lower-income public housing, whether involving self-build or not, was undertaken through local authorities. These initiatives were frequently funded by donors — principally the World Bank and USAID. The majority of the government-sponsored shelter interventions that targeted lower-income groups have not used the co-operative model. Yet, many of them have had a community participation component.

In countries with a positive policy framework, co-operative shelter has made progress. Zimbabwe is the foremost example of this. In the past, Ethiopia established a successful co-operative housing system albeit with considerable state intervention.⁴⁶

As housing co-operative projects are normally in the formal sector (i.e., meeting local authority building standards) the construction costs are in many instances not affordable to many co-operatives. Those with predominantly low-income members require development of special programmes, designed to meet their specific circumstances. NACHU's rehabilitation programme is an example of this. Even in situations where attempts have been made to design more affordable standards, as in Zimbabwe, there is a need for such specific arrangements.

At the same time, the informal sector has been responsible for the bulk of housing delivery in the region. The main reason for this is that it is not constrained by building regulations. Moreover, it provides what people can afford, although this may imply that the quality of shelter is rather poor.

46. See a case study on Ethiopia in UNCHS, 1989.

IX.H.2. Management issues

The challenges faced by a housing co-operative are quite complex compared to those experienced by an agricultural marketing co-operative or a SACCO. While the internal organisation of housing co-operatives is similar to co-operatives in other sectors, the process of acquiring land and a building requires considerable experience and skills. This includes knowledge of land and planning legislation, construction, access to finance and so forth. The mechanisms and processes operating in these areas are often not transparent. Thus, co-operatives can be placed at a disadvantage compared with the private sector even where they have had a theoretical priority in land allocation and in obtaining finance (as has been the case in Tanzania).

The qualities that bring leaders to the fore in co-operative elections are often based on personality rather than management qualities. As most elected management committees also act in an executive capacity, supervising project development, this can cause many problems. Weak management has led to inefficient and improper use of funds, wrong choices of investment options, project size and design, misuse of funds and lack of reporting to members. Some co-operative management committees have embezzled funds, flouted regulations and abused their offices (see for example box 13).

IX.H.3. Culture

While co-operation is invariably argued to be prevalent in traditional rural Africa, it is almost non-existent in urban areas. Even traditional practices, such as co-operative efforts in the building of rural houses are currently diminishing. Rural to urban migration has not automatically brought with it rural practices of co-operation. The principal reason for this may be the fact that migrants are no longer in a rural economy but in a competitive labour market with a cash nexus. New practices of co-operation⁴⁷ have taken time to emerge. As urbanisation continues, and more people are born in and derive their livelihoods from urban areas, new forms of co-operation may arise based on common urban problems. KIJICO in Dar es Salaam illustrates this (see box 10).

While co-operation in various forms may now be increasing in urban areas, there is less of a desire at present for joint, as opposed to individual, tenure. The option should always be available but not perceived as the test of a 'true co-operative' (see box 1). Instead, it should be viewed as one of the options to be considered in each circumstance. A practical consideration here

47. Such as savings clubs, associations of people from a particular rural area and neighbourhood groups.

Box 28. Donor support to shelter co-operatives in Eastern and Southern Africa

South Africa

Rooftops Canada, Swedish Co-operative Centre and NBBL (Norway) have supported national and local NGOs and have been funded by their respective governmental aid agencies.

Zimbabwe

Rooftops Canada, the Canadian Co-operative Association and the Swedish Co-operative Centre have supported HPZ.

Tanzania

Deswos (Germany) and NBBL (Norway) worked through government, funded principally by the United Nations. The national promoting agency was government. Rooftops Canada and the Canadian Co-operative Association have been supporting WAT for several years.

Kenya

USAID (direct assistance), Rooftops Canada, Ford Foundation, Shelter for the Homeless (United Kingdom) and Zero-Coop have all provided support to NACHU, a housing co-operative apex body originally established with strong donor support.

Uganda

To date there has not been any national organisation supporting co-operative shelter. International assistance has mainly been directed to the Kataayi co-operative (see box 7) by Rooftops Canada and the Canadian Co-operative Association.

is that at present, the majority of finance institutions will only lend against the security of individual title.

IX.H.4. Donor interventions

The experience of donor interventions has been mixed. In Tanzania they failed to create a sustainable movement and the original impetus died when donor funding was withdrawn. In Kenya, NACHU has a strong local base in organisational terms but is dependent on donors (grants or loans on favourable terms) to finance its projects for people living in poverty. At present, NACHU cannot raise affordable funds within Kenya for its 'conventional' lending. The HPZ in Zimbabwe has been successful in promoting the housing co-operative movement. Yet, again growth has been halted by the shelter sector-wide lack of finance. The situation in Zimbabwe, where the housing finance institutions have ceased to lend is an extreme example of this.

Experience from the five countries studied in this report indicate that shelter co-operatives have been successfully established only when initiated by an external agency, which in turn has been supported in varying degrees by

donors. Moreover, in each of the cases studied, the donor has worked with or through one or more national shelter co-operative organisation from industrial countries (see box 28).

IX.H.5. External economic and financial environment

The lack of finance to augment the self-help efforts of co-operatives is an important constraint in all the countries studied. There are a number of dimensions to this —

- The poor macro-economic climate has led to very high interest rates. This makes borrowing too costly for the average housing co-operative, not just for the poor. Even in countries with positive policies towards co-operatives, such as Zimbabwe, the building societies have been unable to lend since 1997. Instead, they have preferred to invest in the money markets. Because of increasing inflation rates in many countries, building costs have escalated beyond the projections of many housing co-operatives (see section II.A). This has resulted in incomplete projects.
- Many financial institutions, including co-operative institutions, have lending criteria which are unfavourable to shelter co-operatives. For example, many will only lend to individuals, not to co-operatives on a joint basis. Such institutions are also unwilling to lend to those with less than a certain level of income, or to the self-employed. With the exception of specialist housing finance institutions, other institutions will only lend on a short- to medium-term basis.
- In some countries the long-term housing finance system (building societies, housing banks, etc.) is either non-existent or serves the upper end of the market only. In Tanzania, mismanagement and political interference resulted in the Tanzania Housing Bank being liquidated in the mid-1990s.
- Internal financing of co-operatives has also been affected by poorly performing economies. Increased unemployment, civil service retrenchment and high inflation (see section IX.H.2), have resulted in the reduction of savings in co-operatives.

Housing finance for social (including co-operative) housing is only available in South Africa. None among the four other countries studied have such institutions in place. The subsidies offered in South Africa are, however, unaffordable and indeed unimaginable in almost any other Sub-Saharan African country. Despite a relatively advantageous financial climate, the whole social housing sector in South Africa still finds it difficult to easily access shelter credit.

IX.H.6. Political context

Links by co-operative shelter organisations to the national political domain can be a two-edged sword. A positive policy framework is a considerable asset. However, if a co-operative movement has too close links to one political party this can be quite detrimental if there is a change of government (see also section II.B).

Co-operatives are also vulnerable to negative political forces. For example, for many years NACHU in Kenya, which was largely created by the trade union movement, could only support trade union sponsored housing co-operatives. However, the trade union umbrella body created housing co-operatives without adequate regard and understanding of the co-operative movement in general or of the complexities of shelter provision. Many new housing co-operatives were created with local and national leaders promising housing to all workers. This inevitably led to disillusionment and set back the development of co-operative housing (and of NACHU) by some years.

In Zimbabwe, many of the 'community' co-operatives had close links to the ruling party, ZANU-PF.⁴⁸ In some instances this has meant that local councillors, members of parliament and political party officials have interfered with the running of co-operatives. Furthermore, it has led to a situation where co-operatives not linked to ZANU-PF have been disadvantaged.

IX.H.7. Difficulties in accessing land

In many countries, allocation of land by governments or local authorities has been a long and frustrating process for co-operatives. Tanzania, for example, had for many years an official policy that gave housing co-operatives priority in land allocation. In practice, however, many individuals used personal contacts and other incentives to obtain land before co-operatives. There was also a bureaucratic problem as no land could be allocated to co-operatives before they were registered. This became a problem because the Registrar of Co-operatives refused to register co-operatives until they had been allocated land.

In Zimbabwe, until recently land could only be allocated to individuals. Following pressure from the co-operative housing movement and HPZ, however, land can now be allocated to co-operatives.

48. The Zimbabwe African National Union – Patriotic Front.

X. Conclusions: Lessons learned and the future role of the co-operative sector in shelter development in Eastern and Southern Africa

Given the many factors affecting each of the experiences reviewed in this report, the differences between countries, and the small number of cases, it is not possible to determine one 'correct' approach to developing a co-operative shelter movement in any one country. The experiences presented in this report can be summarised under four major sets of lessons learned, i.e. issues related to —

- the policy climate (see section X.A);
- the role of support institutions (see section X.B);
- finance (see section X.C); and
- partnerships (see section X.D).

The final section of this chapter (X.E) provides a tentative basis for developing future strategies to improve the contribution of the co-operative sector towards the fulfilment of the goal of shelter for all.

X.A. Policy climate

For shelter co-operatives to be successful, there must be a positive policy climate at the national level that accepts the role of shelter co-operatives in mobilising resources for housing and infrastructure delivery. This policy must be implemented through appropriate legislation or other enabling tools. This entails creating understanding of the co-operative approach among stakeholders such as politicians, civil servants, local authority officials, finance institutions, the private sector and the civil society.

The policy climate must therefore provide for institutional space for co-operatives as part of the overall shelter strategy. In South Africa, housing co-operatives are trying to create a niche for themselves within the social housing sector. In Tanzania, the changes following liberalisation entail that the co-operative shelter movement has to be reinvented so that it is not perceived as being part of the 'socialist past'.

Shelter co-operatives may have to distance themselves from those parts of the co-operative movement that have been most affected by liberalisation. In some countries, these have become discredited, mainly because of political interference.

The adoption of an enabling approach by many governments over the past decade has not always been a strategic redefinition of the role of government vis-à-vis other actors. Instead, it has entailed a withdrawal by government from

the responsibility of guiding the management and growth of human settlements. Civil society, including co-operatives, has responded by moving into the spaces left by government (central and local); providing housing, infrastructure and urban services.

The implication of this is that forms of urban governance are changing and civil society is playing a greater role. An example of this is the Nairobi Informal Settlements Co-ordination Committee (see box 18). This Committee brings together stakeholders to tackle the problems of informal settlements in Nairobi. Residents associations are springing up all over the city and are beginning to provide services that the city council has failed to deliver. Co-operatives, as democratic organisations, clearly have a role to play under such conditions. They represent a way forward, and their effect will not be restricted to enhancing shelter delivery. Together with other civil society organisations, they have the potential to contribute to better governance in African cities.

X.B. Role of support institutions in the co-operative shelter sector

The withdrawal of government and the liberalisation of the co-operative sector have emphasised the need for effective support institutions. There is a clear distinction between providing an enabling framework, which is principally the role of governments, and the provision of direct support to shelter co-operatives. The latter includes support to —

- co-operative formation, organisation and management;
- land acquisition;
- provision or sourcing finance;
- negotiation with pertinent authorities on matters such as planning permissions, building standards and infrastructure; and
- physical design and contract supervision.

In the cases assessed in this report, it is clear that approaches are more successful if Governments support co-operatives through a non-governmental institution. In terms of performance, there seems little to choose between the promoting agency being —

- a co-operative itself (an 'apex' accountable to its member co-operatives such as NACHU in Kenya); or
- an agency that has as its purpose support to co-operative shelter, but which is 'owned' through an NGO, trust or other modality such as HPZ in Zimbabwe, Afesis-Corplan in South Africa and WAT in Tanzania.

The possible drawbacks of a "donor-dependent" co-operative apex model, as experienced to some extent by NACHU, are twofold. First, NACHU can only fully serve those parts of its membership for which it has donor funding — normally those being perceived as 'the poor'. Co-operatives recently created in this 'poor' category may thus receive priority over older member organisations, which although not poor are not made up of well-off people either. This puts considerable strains on organisations and this 'donor shift' (serving the interests of donors rather than a membership) is a problem experienced by many African NGOs.

Second, a representative and democratic apex organisation, such as a co-operative, can be prey to individuals who have their own or very sectional interests at heart rather than the future of shelter co-operatives. There can be increased competition for elected positions in what are seen to be organisations with donor funding. This has the potential to damage what are still relatively fragile organisations. In Kenya for example, the relatively abrupt removal of close government supervision following liberalisation, left a vacuum in a number of co-operative organisations. It will take some time before appropriate checks and balances can be institutionalised.

The NGO alternative, including trusts and similar bodies, where democracy is not direct,⁴⁹ is insulated from some of these pressures. The cost of this insulation, however, is ultimately that it denies the shelter co-operatives democratic representation. In Zimbabwe, HPZ is fostering the development of a separate co-operative housing apex organisation. Perhaps the most workable system is to have an apex organisation which undertakes representative functions, and in addition, to have a separate organisation that provides technical support.

X.C. Finance

It is important that co-operatives focus on mobilising their own finances. This enables them to initiate activities on their own, and perhaps even more important, it serves as a demonstration of commitment. However, housing requires a relatively large capital investment, even when strategies to reduce cost are employed (such appropriate building standards). This capital can normally not be raised at the outset solely from the intended beneficiaries. The experience with pyramid schemes in Zimbabwe exemplifies this.

In ideal conventional terms, there must be a functioning finance mechanism(s) that can provide both short-term construction (bridging) finance

49. Many NGOs have non-elected Boards even if, as with HPZ in Zimbabwe, co-operatives are represented on the Board.

and long-term loans to be amortised through regular repayments. This requires financial intermediaries that can take deposits and/or attract funding from other financial institutions or markets. These can then be on-lent to co-operatives. The analysis above shows that finance is the greatest constraint faced by the co-operative shelter sector in the region. It even applies to South Africa, with its functioning lending institutions, public as well as private.

Therefore, access to financial mechanisms and institutions is essential. The existence of such institutions within the co-operative movement itself would be an added advantage. However, the Co-operative Bank in Kenya has only given marginal concessions to the housing sector and there are no equivalent organisations in any of the other countries studied.

As suggested in section IX.D, the greatest potential now for co-operative shelter financing is perhaps from the SACCOs. As has been illustrated above, SACCOs already provide considerable shelter finance, although not delivered in the most effective or efficient way.

There is some way to go before the SACCO movements can graduate into co-operative housing finance institutions. For example, policy decisions will have to be taken within the SACCO movements to offer this new product. Moreover, there has to be sufficient liquidity and surpluses in the system to ensure that demands for both short and long-term finance can be met. Mechanisms for longer-term lending will then have to be put in place. This is currently happening in Kenya (see section VII.B.1.a). The Kenyan experience, and that of CME SACCO (see box 5) and Cope Housing Association (see box 15) in South Africa may merit further study as indicative co-operative approaches.

Outside the registered co-operative movement (e.g. in the broader social housing sector), there are other modalities that can form part of broader financing strategies.⁵⁰ Some of these have been identified in section VII.B.1. above. There is also a role for informal short-term lending at the community level, as people living in poverty tend to be unable (and to some extent unwilling) to use longer-term finance.

There is a need to further develop and co-ordinate the approaches of the co-operative actors with those of actors from outside the co-operative movement. Moreover, these approaches need to be tailored to the specific needs of co-operatives and community groups.

50. It should be noted that the Habitat International Coalition has a Working Group on Housing Finance and Resource Mobilisation, which co-ordinates experiences on shelter finance, particularly for low-income groups.

At the international level, co-operative movements outside of the Eastern and Southern Africa region — in particular in more developed countries — could examine the possibilities of establishing loan guarantee mechanisms in partnership with local finance institutions. These local institutions could be SACCOs, co-operative banks, NGOs with a finance arm or other forms of financial institution. This would assist the local institution to become involved in lending to shelter co-operatives, particularly to those whose members are living in poverty. Eventually the guarantees would not be required as co-operatives build up a record of good repayment.

X.D. Partnerships

The building of a co-operative shelter movement takes time — it is not something that can be bound by normal project time frames. Instead, it requires long-term commitment and probably long-term external support. This does not necessarily imply heavy support. Instead, access to expertise in building capacity can be valuable. The support given by Rooftops Canada and others over the years to all the five countries studied is a pertinent example. This support has been structured yet intermittent. Moreover, it has moved slowly and has built on its achievements. Partnerships between housing co-operatives in various countries are therefore very valuable.

More important, co-operatives have to establish partnerships with other stakeholders. These partnerships need to be fostered at the local as well as the national levels. These potential partnerships can be categorised as follows:

- Between sections of the co-operative movement, and particularly between housing co-operatives and SACCOs.
- Between registered shelter co-operatives and co-operative-like organisations.
- Between co-operatives and local authorities.
- Between co-operatives and civil society organisations such as those supporting community shelter projects or those which are advocates for example for the urban poor, or those displaced from rural areas.
- Between co-operatives apex organisations and other similar bodies represented at the national level and government.
- Between co-operatives and government to ensure that there is an enabling framework.

As it is currently fashionable to promote partnerships (see for example box 23), it is appropriate to recognise some basic conditions. The first is that a partnership arrangement must have content. Moreover, each partner must have an incentive to participate. For example, a local authority may provide public

land to a co-operative if the co-operative can demonstrate that it can deliver housing while the local authority cannot. In this relationship there may well be political considerations with elected councillors, for example, seeking to take credit and/or seeking to influence the project. The benefit for the co-operative is that it will achieve its objective of housing its members.

Second, in examining a potential partnership it is essential that an analysis be made of the attitudes and vested interests of all the potential stakeholders. It will make a considerable difference to a co-operative if the land they are intending to acquire is owned by a leading politician or civil servant.

The value of partnerships is exemplified well by the Voi project in Kenya (see box 19). This project included close co-operation between NACHU, the local authority, the government Small Towns Development Programme and the residents.

The comparative advantage offered by each potential partner must be established. Implementation modalities should be based on the 'best value' approach, i.e. selecting the most effective and efficient institutional combination.

X.E. How can co-operatives become a greater player in the shelter sector?

As outlined above, the experience of co-operatives in the shelter sector is somewhat limited and patchy. However, as central governments and local authorities have withdrawn from the direct provision of housing (and increasingly of infrastructure) in most of the countries studied — co-operative approaches are increasingly becoming a more viable alternative. The vacuum left through the withdrawal of public sector actors has been filled by unregulated and unplanned informal developments in most countries. These developments, while being affordable, often pose environmental hazards. Moreover, they are inefficient, and lack basic urban services. There are thus opportunities for alternative approaches to fill this vacuum.

Experiences are emerging throughout Africa of co-operation in various forms. Examples of some of these have been related in this report. As people realise that Governments will not provide them with shelter, they have been forced to work together co-operatively to provide various elements of shelter themselves. Among the successful initiatives are those that have been built purely from the grass roots, or have been stimulated by agencies that have followed a carefully thought-out process of development — incorporating community, financial and construction aspects. Examples of this include NACHU in Kenya, Afesis-Corplan in South Africa, and HPZ in Zimbabwe.

The analysis made in this report reveals many useful experiences and promising initiatives that can provide the basis for developing the co-operative shelter sector. At the primary or local level, many of these initiatives are uncoordinated. Moreover, they do not benefit from mutual learning, and are unable to act cohesively vis-à-vis local and central government. This applies particularly to co-operative-like organisations as it is suspected that many of their experiences have not been captured in this report.

The next step is to develop joint strategies between organisations in the co-operative, co-operative-like and other community-based sectors. The main challenge is to allow all of these to learn from each other, while attempting to address the shelter needs of the 21st century in Africa. While developing such strategies there is a need to focus on the lessons of the past. That has been the purpose of this report. The strategy to be pursued in the future should thus include the following elements —

- Developing modes of co-operation between actors in the co-operative, co-operative-like and community-based shelter sectors.
- Identifying which forms of co-operative organisation are appropriate in specific situations. This will involve examining the comparative advantages of different forms of co-operative shelter in a number of aspects including:
 - ✓ Tenure options that are related to preferences of the members, to existing tenure legislation and practices and to the location and nature of proposed projects.
 - ✓ The perceptions of potential participants of the co-operative movement in the country.
 - ✓ The relationship of registered co-operatives to the government.
 - ✓ Forms of co-operatives that are acceptable to financial institutions.
- Developing links with other stakeholders, e.g., the government, local authorities, NGOs and the private sector.
- Developing links with the finance sector, co-operative and non-co-operative.
- Placing a special emphasis on tackling poverty and in particular examining approaches in the light of community organisation methodologies currently practised in the region.
- Incorporating a gender dimension in co-operative shelter, in terms of democratic participation, leadership, inheritance rights, tenure and project design (e.g. single-headed households, differential access to employment, income levels and shelter design).

Annex 1. COPAC “Guidelines aimed at creating a supportive environment for the development of cooperatives”⁵¹

Introduction

In its resolution 51/58 of 12 December 1996, the General Assembly requested the Secretary-General to ascertain, in cooperation with the Committee for the Promotion and Advancement of Cooperatives, the desirability and feasibility of elaborating United Nations guidelines aimed at creating a supportive environment for the development of cooperatives and to include his findings and recommendations in a report to be submitted to the General Assembly at its fifty-fourth session.

In response to that request, the Committee took up at its fifty-sixth session, held at Geneva in November 1996. It decided in principle that such guidelines were highly desirable: guidance was provided by Cooperatives (Developing Countries) Recommendation No. 127, adopted on 21 June 1966 by the General Conference of the International Labour Organization. A meeting of experts on cooperatives was held at Geneva from 29 March to 2 April 1993 by the International Labour Organization. It concluded that, after nearly three decades of substantial change in global economic and social conditions in the cooperative movement and in the relations between it and Governments, there was need to change the tone and emphasis of the Recommendation to reassess the underlying concepts of aid to cooperatives and to include matters not addressed by it.

Moreover, in the view of the Committee, there was an urgent need for guidance to many Governments on policy regarding cooperatives and the cooperative movement in view of the importance of the movement, as agreed

51. These Guidelines were published as an annex to the Report of the Secretary-General to the fifty-fourth session of the General Assembly, entitled “Status and role of cooperatives in the light of new economic and social trends” (A/54/57). Based on this report, the United Nations General Assembly adopted a resolution entitled “Cooperatives and Social Development” (A/RES/54/123) on 17 December 1999. This resolution falls just short of adopting the Guidelines. Instead it welcomes the draft and requests United Nations member states to provide their views on the draft and provide, if necessary, a revised version of the Guidelines for adoption at the 56th General Assembly in 2001. The draft guidelines were submitted to the Secretary-General of the United Nations by COPAC the Committee for the Promotion and Advancement of Cooperatives in December 1998. The text reproduced here was down-loaded from the following URLs on 2 May 2001: <http://www.copacgva.org/a-54-57.htm> (Introduction only) and <http://www.copacgva.org/98guidelines.htm> (the rest of the text).

upon by them at the series of recent global conferences for new forms of collaboration and partnership with major stakeholders within society. New forms of relationships between Governments and the cooperative movement had been called for at a series of ministerial level meetings organized by the International Cooperative Alliance. The role and status of both Governments and the cooperative movement had changed drastically in formerly socialist countries and in many other developing countries. The international cooperative movement itself had comprehensively reviewed its values and principles and the nature of its proper relationship with other sections of society, including Governments, and had adopted a new "Statement on the Cooperative Identity" at the centennial congress of the International Cooperative Alliance in 1995.

In order to explore the feasibility of elaborating such guidelines, the Committee appointed a consultant to prepare a draft. A first version was reviewed and a second version examined at a consultative meeting attended by specialists from around the world, as well as by representatives of members of the Committee, at Geneva in May 1997. On the basis of extensive examination at that meeting, a third version of the draft guidelines was prepared.

The draft guidelines were circulated widely in print and electronic version. The electronic version of the guidelines was posted on the Committee for the Promotion and Advancement of Cooperatives Web site in January 1998. A printed version was also included in the International Day of Cooperatives press pack, which was mailed in July 1998 to over 2,000 organizations. The Committee also requested input from a number of cooperative organizations on an individual basis and briefed and provided copies of the guidelines at the International Cooperative Alliance meeting of chairperson of the specialized bodies in March of 1998. No major comments to the guidelines were received by the Secretariat with the exception of a critical review by the Industrial Common Ownership Movement, which was circulated to members upon receipt. Other than this comment, there have been no negative reactions to the guidelines or any suggestions for improvements. Specific comments of approval were received from the International Cooperative Alliance Board, which reviewed and adopted the guidelines at their meeting in Tokyo in April 1998, and from the Federation of Danish Cooperatives. The representative of the International Labour Organization also reported that, despite the fact that the proposal for the revision of ILO Recommendation 127 was not accepted, the discussion of the item indicated that Governments in developing countries supported having a new standard on cooperatives, thus showing that there was a need for some sort of guidelines.

On the basis of the process of elaborating this draft, the Committee is able to advise the Secretary-General that it considers further elaboration of guide-

lines to be entirely feasible. During the process of wide circulation of the drafts of the guidelines by the Committee, the views expressed by specialists within the cooperative movement as well as in governmental and intergovernmental organizations is unanimously that such guidelines are desirable.

Objectives

1. Within the General Assembly and the Economic and Social Council, and at major recent international conferences, Governments have acknowledged the significance of cooperatives as associations and enterprises through which citizens effectively overcome a wide range of problems and achieve many of their goals. They have recognized the cooperative movement as a distinct and major stakeholder in both national and international affairs.

2. Governments recognize that the cooperative movement is highly democratic, locally autonomous but internationally integrated, and a form of organization of associations and enterprises whereby citizens themselves use self-help and self-responsibility to meet goals that include not only economic but social and environmental objectives, such as overcoming poverty, securing productive employment, and encouraging social integration.

3. Consequently, Governments seek to support the cooperative movement and to work closely with it to develop an effective partnership to achieve their respective goals. Policies setting out the objectives and means of support and collaboration are valuable instruments for ensuring that the potential of cooperatives for meeting the individual goals of citizens who are members, and through this the aspirations of the wider societies of which they are a part, is realized.

4. However, such policies can be effective only if they take into account the special character of cooperatives and the cooperative movement. This differs significantly from that of associations and enterprises not organized according to cooperative values and principles.

5. The objective of these Guidelines is to provide advice to Governments that is appropriate to contemporary and anticipated conditions. Because of the expectations shown by Governments in recent years in respect to the cooperative movement, rapidly changing global conditions and changes in the cooperative movement itself, many policies in most of the States members of the United Nations might benefit from review, and in some cases from substantial revision. Given the relevance of cooperatives to many aspects of national life, as well as the special nature of cooperative organization, policy in respect to cooperatives may be complex and sensitive. It is the purpose of these Guidelines to set out succinctly the principles on which national policy might

best be based, and the scope and content likely to suffice as a framework for the necessarily more specific and detailed national policies which fall within the responsibility of each Government.

Policy in Respect to Cooperatives and the Cooperative Movement

6. The objective of policy is to ensure that cooperatives, recognized as legal entities, are assured real equality with other types of association and enterprise, and this equality is extended to all organizations and institutions set up by the cooperative movement. Enjoyment of such equality requires that the special values and principles of cooperative organization, expressed in the particular forms taken by cooperative organization, receive full recognition as desirable and beneficial to society, and that appropriate measures are taken to ensure that their special qualities and practices are not the cause of discrimination and disadvantage of whatever type.

7. To achieve this objective, government is concerned with creating - and then with maintaining as conditions change - a supportive and enabling environment for cooperative development. As part of such an environment, it is useful if every effort is made to create and maintain an effective partnership between Government and the cooperative movement.

A. Public Recognition

8. It is appropriate and useful for Government to acknowledge publicly the special contribution - in both quantitative and qualitative terms made by the cooperative movement to the national economy and society. It is also beneficial that Government acknowledge and publicise the purposes of all forms of partnership and collaboration between it and the cooperative movement. A number of specific actions may be useful of which one might be full participation in the annual joint observance of the United Nations International Day of Cooperatives and the International Cooperative Day organized by the International Co-operative Alliance, pursuant to General Assembly resolutions 47/90, 49/155 and 51/58; and appropriate participation in other celebrations of the cooperative movement.

B. Legal, Judicial and Administrative Provision

9. Appropriate provision is necessary within law and both judicial and administrative practice if these most important areas of the environment in which cooperatives exist are to contribute positively to the supportive and enabling nature of that environment. Legal provision may take various forms appropriate to the national legal system, it should address the status, rights and responsibilities of cooperatives and the cooperative movement in general, as

well as, if appropriate, those of special categories of cooperatives or of distinct aspects of cooperation.

10: National Constitution. This could acknowledge, if appropriate, the legitimacy of cooperatives and the cooperative movement and the utility of their contribution to national life.

11. General Law on Cooperatives or the general section of a single Law on Cooperatives. This should form the basic element in legal provision and the fundamental point of guidance for all judicial and administrative practice. Participation by representatives of the cooperative movement in its formulation would be a valuable means to ensure its relevance and utility. It should acknowledge the nature of cooperation and its utility, set out criteria for treatment of cooperatives in law and define the nature of governmental responsibilities as well as the rights and responsibilities of the cooperative movement. It should include the following basic set of acknowledgements, definitions and provisions, certain of which might be set out in a preambular section:

- acknowledgement that the organization of associations and enterprises on the basis of cooperative values and principles is legitimate;
- acknowledgement of the utility of the cooperative approach to association and enterprise, its contribution to national life and the status of the cooperative movement as a significant stakeholder within society;
- definition of cooperatives, using the 'Statement on the Cooperative Identity' adopted by the International Co-operative Alliance in 1995;
- recognition of the unique nature of the values and principles of cooperation, and hence the need for their separate and different treatment in law and practice;
- commitment that neither their distinctive nature nor their separate and different treatment in law and practice should be the cause of discrimination, intended or not;
- undertaking that no law or practice should restrict the rights of citizens to full participation in the cooperative movement in any capacity consistent with its values and principles and should not restrict the operation of that movement;
- provision that a general law apply to all categories of cooperative, but that in order to respond to the situation of certain categories of cooperative special laws might be enacted, consistent with the general law;

- stipulation that all judicial and administrative regulations and practices be based only on the general or special laws on cooperatives; that all regulations clearly identify the provision of the law on which they are based and the purpose for which they are made;
- recognition of the full autonomy and capacity for self-regulation of the cooperative movement;
- acknowledgement that intervention by Government in the internal affairs of the movement should be strictly limited to measures applied generally to all associations and enterprises equally in order to ensure their conformity with the law. Adjustments may be made only to ensure real equality in treatment;
- definition of the responsibilities of the cooperative movement for self-regulation in all matters distinctive to it;
- provision that the texts of laws and regulations be made available to all cooperative members and employees;
- provision that representatives of the cooperative movement participate fully in drafting special laws or judicial or administrative regulations and guidelines concerning practice;
- provision for the maintenance of a public register of cooperatives as a part of procedures for registration of all associations and enterprises;
- provision for procedures for continuous monitoring and regular review of law and practice which would include the full and equal participation of representatives of the cooperative movement and for encouragement of research on the effect of law and practice on the environment for cooperatives;
- establishment of the responsibility of Government to formulate and carry out a policy in respect to cooperatives that would seek to establish a supportive and enabling environment while avoiding any infringement of the autonomy of the movement and any diminution of its capacity for responsible self-regulation, and would seek also to engage in an effective and equal partnership with the movement in all matters where it is able to contribute significantly to the formulation and carrying out of public policy; recognition also of the value of governmental support for the international cooperative movement, including through intergovernmental activities;
- definition of the responsibilities of the cooperative movement as a major stakeholder in society, to the extent these may be consistent with its full autonomy. These include making available its experience in self-reliant.

people-oriented and community-based organization of associations and enterprises.

12. Special Laws on Certain Categories of Cooperatives: These must be consistent with the basic provisions set out in either a general law or in the preambular and initial sections of a single law where neither exist. Each special law should provide the same set of such basic provisions. They may be necessary when the distinctive nature of cooperatives require special provision in law to safeguard their autonomy while achieving their equal although different inclusion in generally applicable regulations. This is often the case in respect to financial cooperatives.

13. Judicial and Administrative Practice concerned Explicitly with Cooperatives: These must be consistent with the general law on cooperatives, and specifically with its provisions concerning such practice.

14. All Other Laws and Practices insofar as they may have an effect on Cooperatives: Many laws and judicial and administrative practices may affect the environment in which cooperatives operate, whether intentionally or not. Relevant governmental bodies should make every effort to exclude any discriminatory or prejudicial impact. Responsibility for identifying cases needing revision lies also with the cooperative movement. Government bodies should assist by making available the full text of drafts of proposed laws or regulations as well as any evaluation of their impact.

15. Monitoring, Review and Revision of Laws and Judicial and Administrative Practices: This is necessary to ensure that their impact on the cooperative movement is entirely positive. If identified, discriminatory provisions should be rendered inoperative as quickly as possible pending enactment of revised laws or issuance of revised regulations and guidelines concerning practice. This process should have as its purpose the early and complete disengagement by governments from the internal affairs of cooperatives and the cooperative movement, where this still exists, and full operational realisation of the principles that cooperatives, although different, are equal to other business enterprises and civil associations.

16. For these purposes formal procedures for consultation and collaboration should be set up, and should include regular and full participation by the cooperative movement. Advantage may be taken also of the special programmes and guidelines offered by specialist international cooperative organizations and intergovernmental organizations.

C. Research, Statistics and Information

17. Research: Given the significance of the cooperative movement, its own research and development programmes and the active role of Government in supporting research generally, it is appropriate to undertake the following measures:

- recognition of the contribution of the cooperative movement itself, and hence disengagement from any direct intervention other than that applied to any recipient of public funding;
- provision for equal access with other types of association, enterprise or movement in respect to public funds;
- collaboration between governmental and cooperative movement research on matters relevant to public policy; publication and wide diffusion of research results, including those produced by the international cooperative movement and intergovernmental organizations, including the United Nations.
- Emphasis should be on applied research of immediate utility in improving the efficiency of cooperatives, extending benefits to society and improving partnerships between movement and Government.

18. Statistics: Several measures may be undertaken to improve statistics for and about cooperatives:

- extend technical support provided by the national statistical service to the cooperative movement to an extent at least equal to that provided to other major stakeholders;
- assist in preparation of the annual report of the register of cooperatives;
- undertake preliminary studies on which to base integration of statistics on cooperatives in regular programmes of the national statistical service, and participate in international efforts to improve cooperative statistics, including establishment of a uniform set of definitions for use by national statistical services.

19. Information: Given that Government regulates and broadly influences information diffusion, a number of measures may be useful in expanding knowledge of the cooperative movement and of overcoming prejudices and misconceptions:

- extension of technical and financial assistance to an extent equal to that made available to other stakeholders, ensuring that no discrimination exists because of the special nature of cooperatives;
- equal and non-discriminatory access by the cooperative movement to all public media commensurate with its contribution to national life;

- adoption of affirmative action to overcome prejudice and misinformation where the term cooperative is associated with a previous and inappropriate usage;
- diffusion through public media of material on inter governmental activities undertaken in partnership with or in support of cooperatives;
- dissemination of printed and computer-based information prepared by Government of intergovernmental bodies with the same priority and resources as allocated to information on other stakeholders.

D. Education

20. Given the important contributions of the cooperative movement to education, a number of supportive and enabling measures might be useful:

- acknowledgement of the contributions made;
- commitment to non-interference in the movement's own programmes other than those generally applied in order to maintain standards in all educational institutions; and avoidance of discrimination in certification and accreditation;
- support for all forms of collaboration and partnership between cooperative and public systems, and assurance of equality with other types of private education (where this exists) in respect to eligibility for public funds;
- consideration of the option constituted by cooperative organization in any programmes of privatization;
- encouragement of student self-reliance by facilitating their formation of cooperatives for the supply of goods and services, including accommodation;
- encouragement of formation by public educational institutions of purchasing, supply and common service cooperatives; and assurance of equal access by cooperatives with other suppliers.
- inclusion within the national curricula at all levels of the study of the values principles, history, current and potential contribution of the cooperative movement to national society;
- encouragement and support of specialist studies of cooperation at tertiary level.

E. Provision of Public Funds

21. Financial self-reliance, unrestricted self-responsibility and full independence are vital for effective cooperative enterprise. The best policy

approach is one where cooperatives receive the same treatment as any other form of enterprise. A number of other measures are valuable:

- acknowledgement and protection of the special character of cooperatives, and avoidance in law or practice of any discrimination arising from the special financial status, organization and management of cooperatives;
- avoidance of any direct or indirect engagement in the internal financial affairs of cooperatives or of the cooperative movement and recognition of the self-responsibility of the movement for its own financial affairs;
- development of partnerships with cooperative financial institutions in such matters as community and regional development, drawing on their experience of mobilizing and managing capital in a manner and for purposes conducive to the public good.

F. Institutional Arrangements for Collaboration and Partnership

22. Many departments and bodies in Government will have contact with the cooperative movement, while a policy of enabling and supporting cooperatives and operating an effective partnership with the movement will involve actions by a wide range of governmental institutions. In order to ensure consistency with broad general policy certain coordinating functions within Government, as well as liaison with the cooperative movement, will be useful.

23. It is advisable that a single department or office assume central coordinating, focal and liaison functions, of which the following might be most important:

- elaboration of a single national comprehensive policy in respect of cooperatives, formulation of guidelines for consistent execution throughout Government, and monitoring and review of that execution;
- collaboration with legal departments in drafting the general and any special laws;
- liaison, consultation and collaboration with the cooperative movement.

24. The most effective organizational location for the responsible entity would be within a department already charged with broad strategic and coordinating functions, such as the office of a prime minister or president, or that responsible for economic management of development planning.

25. An institutional arrangement appropriate to national conditions which would permit effective collaboration between Government and the cooperative movement would be valuable.

26. Liaison between intergovernmental programmes and the international cooperative movement should be supported, including particularly that achieved through the Committee for the Promotion and Advancement of Cooperatives (COPAC).

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**The United Nations Centre for Human Settlements (Habitat)
Has launched a Global Campaign for Secure Tenure.
The Overall aim of the campaign is to reduce
urban poverty through policies which emphasize equity,
sustainability and social justice.**

Currently an estimated one billion people around the world are inadequately housed: of these, more than 100 million are homeless. In most cities of the developing world, up to one half of the urban population lives in informal slum or squatter settlements that are neither legally recognized or serviced by city authorities. The informal parts of the city do not enjoy many of the benefits of urban life, including access to basic services and secure tenure. Residents live in constant fear of forced evictions; most do not have access to formal finance and loan schemes that could enable them to improve their living and working conditions.

Security of Tenure is a fundamental requirement for the progressive integration of the urban poor in the city. And it is an essential step for the realization of housing rights. Tenure can take a variety of forms, including rental (public and private) accommodation, freehold, cooperative housing and customary tenure. Security of tenure guarantees legal protection against forced eviction, harassment and other threats. It also leads to improved living standards: countless examples reveal that when people have residential security, they will invest in the improvement of their homes and neighborhoods. The granting of secure tenure is, therefore, one of the most important catalysts in stabilizing communities, improving shelter conditions, reducing social exclusion, improving access to urban services, leveraging corporate and individual investment, and improving the urban environment.

Within the framework of this campaign, emphasis will be placed on the building of strategic and operational partnerships between different levels of government, other United Nations organizations, the private sector, non-governmental and community-based organisations.

**For further information, please visit our web site at:
<http://www.unchs.org/Tenure>
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