

co-operative housing



L'habitat cooperatif

**La habitación
cooperativa**

**Genossenschaftliches
Wohnungswesen**



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CO-OPERATIVE HOUSING

2nd revised edition

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FOREWORD “CO-OPERATIVE HOUSING”, 2nd ed.

The development and strengthening of housing co-operatives in the developing countries has always been one of the main targets of the Housing Committee of the International Co-operative Alliance. This handbook is therefore mainly dedicated towards the needs of those developing countries where the housing shortage should be overcome by the development and strengthening of cooperative movements.

Housing problems and co-operative solutions are being discussed within the Housing Committee on an international level. This handbook will help to form new housing co-operatives, to improve already existing structures and organisations, to review the financial requirements, to enable self-help schemes, to manage the running of a housing co-operative, to offer housing for building workers or consumers, to encourage staff training and to make use of the advantages of a housing co-operative. The first edition of “Co-operative Housing” was issued by the Housing Committee of the International Co-operative Alliance in 1980, including examples of forty countries where housing co-operatives operate. This second revised edition concerns most of the first part of the original edition of “Co-operative Housing”, published by the Plunkett Foundation for Co-operative Studies, Oxford, U.K. in 1978 and has been updated to the housing needs of today.

The Housing Committee is expressing thanks to all organizations, which collaborated in publishing the revised edition, in particular to the German Head Federation of Non-Profit Housing Associations, Cologne for the general revision and up-dating of this book.

The second edition will also be published in German, French and Spanish.



Mr. Olle Lindström
Chairman of the ICA-Housing Committee

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CO-OPERATIVE HOUSING – AN OVERVIEW

C H A P T E R I

HOUSING PROBLEMS AND CO-OPERATIVE SOLUTIONS

1. Introduction

The purpose of this hand-book is a practical one. It is intended to be read in the first place by people in developing countries. Most of them are not able to build a house for themselves, nor can they afford a house or flat built privately or by a local or national government. Such people may have already looked for some alternative less costly accommodation, meeting their needs. In most cases a privately built house is not affordable and housing is not sufficiently provided for by public authorities. They may have heard of co-operative housing or they may already be members of co-operatives formed for other purposes, e.g. agriculture.

Unless such people have contacts with some industrialized country, which has specialised in co-operative housing for many years, they may find it difficult to get in touch with any organisation in third world countries, which would be able to answer all the questions, they would wish to ask. They would find it still more difficult to get answers from a single book. Descriptions of many successful housing co-operatives have indeed been published, but such descriptions are concerned as a rule with a single country or a group of countries in the industrialized world. They naturally ignore problems found in developing countries and as a rule do not suggest a choice of solutions even if the problems are common to many Third World countries.

This handbook is intended to answer as many questions as possible, which those, who are interested in housing co-operatives are likely to ask. The answers are based on the first edition of "CO-OPERATIVE HOUSING". Since co-operation is in any case a group activity, the book might well be used as a handbook for readers who are interested in cooperative housing, especially those who are looking for solutions in developing countries.

2. Definitions and conditions for the promotion of housing co-operatives

A co-operative has been defined as a legally incorporated group of persons, generally of limited means, pursuing the same economic purpose. Membership is voluntary and control is democratic. Members make an approximately equal contribution to the capital required in order to meet a common need of housing

or its improvement based on mutual assistance. Detailed classification of housing co-operatives is given in the Annex I, "Glossary of Terms". A housing co-operative should fulfil the following conditions:

- (a) It has to be a legally recognised body with power to do all those things which could be done by an individual carrying on his own business.
- (b) It has to be democratically controlled, each member having one vote, without considering the number of shares.
- (c) Members make an approximately equal contribution to capital, on which they should receive a fixed rate of interest.
- (d) Profits are not distributed as with most co-operatives in proportion to members' business with the co-operative, but, in some countries, as a limited return on capital and, if they occur beyond that, used for the general benefit of the membership.
- (e) Membership is voluntary and members may retire if the organisation ceases to meet their needs.
- (f) The organisation aims at social purposes – principally the provision of good housing at low costs – and is not aiming at maximum profits. It is not a governmental institution but a non-governmental organisation.

Voluntary and spontaneous formation, group responsibility, equality of rights and duties, common ownership, permanent or temporary, and common services are the marks of the housing co-operative.

The handbook is not concerned with public housing, national or municipal, nor with housing provided by large firms for their own employees, unless these are owned and managed by the employees themselves. Instead of bureaucratic public authorities, principles of self-reliance must be encouraged. In order to achieve these objectives, primary housing co-operatives do require coordination, and must have the unrestricted support of their members, if they want to establish self-help co-operative housing schemes. Technical assistance, control and guidance by local authorities must be limited to a supervising function. Otherwise the effectiveness of self-administration and self-help will be suppressed. A good knowledge of responsibilities and duties of the members as well as comprehensive training schemes in all relevant administrative, legal, financial and technical matters are essential. Self-reliance means an effective promotion of the housing co-operative and the achievement of objectives. The management must be done by a well-trained and well-motivated staff. Motivation can be stimulated by pre-member education.

The effectiveness of self-help cooperation depends, to a very high degree on the members' willingness to collaborate. The training of co-operators is essential for the success of co-operative housing schemes.

In those developing countries where either governmental or semigovernmental influence determines the daily management of a housing co-operative, private initiatives have been discouraged and bureaucratic structures have replaced voluntary promotion. Therefore the members themselves must be involved in the management as far as possible.

This does of course not mean that sponsors could not be governmental organisations. For the improvement of the financial and organizational struc-

ture a sponsoring organization is necessary and in most cases a pre-condition for the initial work.

Especially, when housing co-operatives are dedicated to low-income groups in developing countries, there must be a sponsoring agency, but it should be a non-governmental and non-profit orientated organisation. This is not only of great relevance in order to avoid risks of bureaucracy, inflexibility and go-slow management, but especially in order to reduce dependence. A team approach which relies on the competence of its members, has to overcome inadequate governmental housing models, where target groups are different and prices of the houses built can only be afforded by middle-income sections of the society. This is in many cases the problem of social housing.

Bureaucratic administration can be avoided by various factors:

- strict economic and social management;
- non-governmental sponsoring agencies;
- clear co-operative by-laws, contracts and agreements, which strengthen self-help and self-administration;
- a technical services organisation for the improvement of housing, orientated to the needs of the members;
- financial arrangements which are not overburdening low-income groups, where construction standards and cost calculations provide for, adjustments, if unexpected price increases endanger the fulfilling of the target;
- self-help organisation during the planning and construction period as far as possible;
- considerable cost reduction can be achieved and an integrated community can be established by employment programmes (e.g. construction of building materials, farming, etc.).

3. The Dimension of the Housing Problems

By the year 2010 it will be a reality that the poor sections of the third world population in the big cities will form the majority in relation to the world wide population. Each of the three continents – Africa, Asia and Latin America – will have to face tremendous housing problems in their overpopulated cities. India can be taken as an example for the explosion of the population in developing countries. In less than one generation more than one billion people will live in the subcontinent and two thirds of them will not be in a position to cover their basic needs.

In the beginning of the seventies a housing shortage of 61 million dwelling units had already been calculated. Whilst this estimation had been made, the additional need of two million dwelling units had been included in the figure of that year, but the yearly construction of housing is not more than approximately 300,000 dwelling units.

If no drastic measures against the housing shortage in India are taken, the additional lack of housing will reach another 60 million dwelling units.

Most of the housing shortage had been based on the rural areas. Regarding the

official estimation in the big cities, it is quite obvious that many more people are affected by housing problems than official calculations can ever demonstrate.

Although the 27,650 housing co-operatives which existed in 1976 in India, with an increasing membership, they constructed nearly 227,400 houses. This is a "drop in the ocean", if we consider the growing misery in the country. Housing co-operatives shall be opened for the poorer sections of Indian society, according to the new five-year-planning of 1985-1990 by the government. This would mean a more consequential financial engagement in favour of the cooperative movement in order to relieve the severe situation.

In most of the developing countries, where industrialisation was only in the beginning and large towns were still the exception, governments and other large employers often built special housing for civil servants, railwaymen, miners, or workers on tea or rubber estates. Such housing was not always adequate by the standards of its day, but it avoided the loss or sickness of the labour force.

Since the end of the last century "pull-and-push"-factors have contributed to the shortage of housing, but the most important has been the population growth.

Even if no migration had taken place, the population has increased more rapidly than had been anticipated, especially in continents such as Asia, Africa and Latin America, where the situation has become explosive. For some time in the past, nutrition and health services have reduced the children's mortality rate and extended the average span of life in all these countries, with the result that the population has increased with startling rapidity.

Most of this increased population has found its way into the big towns of developing countries, which increases the need for new homes. Slums and squatter settlements are deteriorating. They remain without public services, e.g. water, drainage, roads and lighting. At the same time new houses are becoming a great deal more expensive and not affordable to the very poor sections of society.

4. Co-operative Housing in the Third World today

In the developing countries many housing co-operatives do not reach the very poor sections of society. As financial resources cannot be raised sufficiently and the organization of self-administration needs an integrated training scheme with experienced staff, the housing needs of the lowest-income groups are often being neglected. When housing co-operatives are well organized, e.g. in national federations and having good chances for achieving financial support from non-governmental organizations and local authorities, also low-income groups can be included. Their main capital is the work they can do within the neighbourhood. They can be trained and skilled to produce bricks and other building materials, which they can also sell to the local markets. The women and children can be engaged in small handicraft projects which will enable

them to gain additional income. A concept of co-operative ownership, where the member is tenant and co-owner of the co-operative as it is realized in many industrialized countries, cannot be transferred to developing countries in most cases, where the ownership of the house is the first priority of members.

Social security means property and income. This has to be taken into consideration, as previous illegal settlements and negative experiences with land owners have led to distrust and doubtful feelings towards concepts without clear property rights.

In case of restricted individual or family ownership the member will not be in a position to gain speculative profits, because the housing co-operative has the right to preemption through the refunding of the paid-up share-capital, the members' investment and possibly – if there is such an agreement – a limited part of the increased value of the dwelling unit.

This concept shows some advantages for the housing co-operative in developing countries:

- the member is motivated to work in the community, if all houses are erected at the same time and the distribution of houses is done by lot;
- as the design of the houses is the same, throughout cost reductions can be realized;
- the infrastructure work, being done by team work, all members will be provided with basic facilities;
- job creation programmes can be initiated and continued after the settlement has been finished.
- every member has his own property and conflicts can more easily be avoided;
- the additional income can be used for the repayment of credits. A revolving fund can be created for the financing of future projects;
- the member is responsible for the maintenance and up-keep of the house and its surroundings.

The housing co-operative will continue its work through the promotion of new projects for the waiting members.

This dynamic aspect is of great importance. Waiting members will only be admitted, if there is real hope to meet their requirements. Otherwise the housing co-operative will not be attractive to new members.

This also means that training has to be a permanent task. The advanced training of promoters and trainees, who provide the know-how in a learning by doing approach has to be strengthened.

Integrated urban communities can only be achieved, if the housing co-operative understands its task as an economic and social unit.

In Asia, co-operative housing on a large scale can be found in India and Pakistan. The expansion of Karachi into a seat of government after the establishment of Pakistan as an independent state, was to a large extent made possible by the co-operative housing enterprises of its new civil service. Malaysia and Sri Lanka (formerly Ceylon) have their housing co-operatives, and co-operation is one of the means used to relieve the acute housing shortage on the over-crowded and refugee-haunted island of Hong Kong. Most of the

new housing in Israel is co-operative. Also in most African countries, co-operative housing is in a very early stage of development. Most of the pioneering has been done by the Ismaili community in Kenya; Australia has long had flourishing building societies lending for housing purposes, but has recently coupled them with housing co-operatives which actually build houses for their members.

There are a large number of variations in the way, all these housing co-operatives are carried on. But more important are the differences in the degree of support given by way of legislation, financial and other, which the co-operatives may expect from their local and national governments. The main difference however, is in their aim and relation to their members. One aspect of this is whether or not they are permanent organizations. They may decide in advance to wind up their existence as soon as their objects will be achieved. One form of co-operative housing, especially popular in Asia, aims at house ownership: as soon as members pay off their debts, their houses become their absolute property. The co-operative has no need to continue in being and can wind up its affairs. This form presents special problems in terms of continuous co-operative efforts. Elsewhere, especially in Northern Europe, the co-operative is a permanent body, houses are owned collectively by the co-operative, not individually by each of its members, and each member is both a joint owner of the housing estate and a tenant of the house or flat which he actually occupies.

There are variations of both types, and more than one kind of housing co-operative may be found in many countries, but the broad distinction should be borne in mind in reading the following chapters, each of which deals with a different aspect of the life and work of a housing co-operative: how it is co-operative, with the rights and duties of members and committees; finance, where it can be obtained and what it costs; the actual planning and building of a housing complex; the participation of building workers in co-operative housing schemes. In the last chapter, something will be said about the future of co-operative housing.

*A deficit housing situation in Pancharul, West Bengal, India
Credits are offered for the improvement of the existing houses to promote self-help*



Employment creation programmes in West Bengal, India

Fotos: DESWOS



Additional income resources enable the families to pay off their credits

CHAPTER II

TECHNICAL SERVICE ORGANIZATIONS (TSOs)

1. Need for TSOs

In developing countries, low income people often do not have access to the technical assistance needed for providing basic shelter. Developing countries are experiencing tremendous growth that is expected to continue through the year 2000. The resulting housing crisis makes the need for technical and financial assistance crucial to the development and stability of these countries. The need for TSOs can be stated as, "providing technical service to people in need of shelter".

TSOs serve as an advocate for the poor by acquiring financing, and/or by working with governments to establish a national housing policy and pass legislation to provide shelter, financing or required legal structures. The functions of TSOs can be illustrated by a group of people in need of housing. Once a group has formed a co-operative housing association, they are faced with a wide range of tasks that must be completed: Selecting land, financing, and designing as well as constructing the project. The group will often discover that its members do not have all the necessary expertise to develop the project and it is necessary to look for technical advisors to guide the co-operative association in assessing alternatives and making the best decisions for the co-operative.

TSOs provide the technical assistance needed to develop housing and prevent a fragmented approach to housing development. A TSO can help to reduce costs, avoid delays and assure a systematic approach in the development process. The TSO is primarily a coordinator of the development process. They also provide these high level skills to other components of the Co-operative Development System. TSOs can facilitate the organization and management of Neighbourhood Improvement Co-operatives and Village Improvement Co-operatives. They can serve as a negotiator with international agencies and credit mechanisms by channelling resources to Building Materials Production Centers in order to finance an expansion.

2. Conditions for Organizing a TSO

To develop an effective Technical Service Organization, a region or country in which it is located must already have the basic legal, administrative and financial structures needed for a private sector co-operative programme.

An important factor in the existence and growth of a TSO is a strong sponsorship, e.g. from consumer orientated organizations such as civic groups, labour groups, trade unions, religious organizations or co-operative federations.

Other factors that significantly affect the development of technical service organizations and its co-operative based programs are:

a) Policy

The government must understand and support co-operatives as well as define their application in housing and community development programmes. Government backing which is not necessarily financial can be found in a national housing or economic development policy.

b) Legislation

Adequate legislation should exist to enable the organization of housing co-operatives.

c) Financing

Local financial institutions should exist and be willing to work with housing co-operatives. Sources of funding must be available to finance co-operative projects. Such resources may include a mix of public and private money, co-operative members' savings, regional development banks, workers' banks, building societies, credit co-operatives and international donations.

3. Services provided by a TSO

A TSO must offer a variety of services, such as:

a) Technical Services

- Assess project sites
- Investigate available construction materials
- Establish the pre-qualifications of architects and engineers
- Review and approve all construction and inspection contracts
- Supervise the preparation of all technical plans and specifications as well as cost estimates for the project
- Let contracts for construction
- Supervise self-help construction

b) Organization and Training

- Prepare and conduct educational programmes for the members of the housing co-operative
- Develop a savings programme for co-operative members
- Prepare and present training programmes for co-operative board members and committee needs
- Encourage members to undertake tasks and projects in civic and community development groups
- Encourage co-operatives to create and apply for membership in federations and similar organizations
- Assist groups in the organization of co-operative housing associations

c) Management

- Prepare and conduct training courses for project managers
- Prepare maintenance, purchasing and collection procedures, forms and manuals
- Formulate methods for the operational procedures, forms and manuals

- Formulate methods for the operational control of co-operative projects
 - Prepare management and maintenance plans for co-operative projects
 - Manage housing co-operatives.
- d) Financial services
- Identify sources of short and long term financing
 - Determine financial mixes for co-operative project development and expansion
 - Ensure that the financial resources of the co-operative members are secure
 - Act as collection agency for co-operatives.
- e) Legal services
- Review and approve all co-operative legal documents for the organization of a co-operative housing association
 - Prepare all legal documents between the technical service organization and the co-operative
 - Review and approve all legal contracts entered into by the technical service organization.

4. Elements of a Successful TSO

Good management and strict observance of the basic co-operative principles will allow a TSO to provide its services to all components of the co-operative system. This policy will also enhance the ability of the TSO to obtain government recognition, financial support, and influence in government decision making and legislation. A slow and cautious development strategy will enable the TSO to avoid financial difficulties.

A TSO that maintains close relationships with other co-operative institutions can strengthen the Co-operative Development System and benefit from the financial and technical assistance of the other co-operative sectors.

5. National organizations and common services

National organizations set up by housing co-operatives themselves would seem to be an indispensable condition of success. The search for a solution to the problem of continuity combined with the tendency of all democratic and non-competitive organizations to seek mutual support, has led in most countries to the formation by local co-operatives of regional or national unions or federations. These bodies are in a position to accumulate, over the years, massive centralised resources of social, legal, administrative, financial and technical expertise, which are at the disposal of their member co-operatives or of new groups seeking to form a co-operative. Some are bulk purchasers of building material or control a national building plan with a view to the most economical use of labour. Many have subsidiary companies supplying or manufacturing building components, fittings and furniture. They hire out building material. They have their own financial institutions prepared to make short term building

loans or carry third mortgages. Such organizations are well placed to influence the public authorities, local and national, and so preserve and extend the working partnership between state and the co-operatives.

Once this stage has been reached, with a strong and manysided national organization and the effective backing of the public authorities, co-operative housing is likely to go forward on its own momentum. Experience will direct the national organization as to what projects should be encouraged or initiated, what contractors should be employed and what solutions should be applied to the legal, social or managerial problems which will from time to time arise.

Some help may be received from other, longer established branches of the co-operative movement. Visits to older and more experienced housing co-operatives in neighbouring countries may be well worth the time and expenditure involved. International organizations may sometimes be called in aid, and will supply written information and in some cases advisors capable of giving technical aid. The linking of existing housing co-operatives in a national organization should, however, take place as soon as possible, for a housing movement, like most other institutions, grows strong from within.

6. Some practical observations

In concluding this section it may be of interest to quote the summing up of a Chilean writer (Dr. Carlos BURR. Las Cooperativas de Vivienda. Santiago. Editorial Universitaria, S.A. 1958. pp. 219.) who has prepared a list of the principal causes of success or failure in housing co-operatives.

Failure is mainly due to the following four determining factors:

- Projects which are too ambitious or unrealistic;
- excessive cost, especially of building materials;
- bad judgement, dishonesty or lack of technical knowledge on the part of the committee of management;
- quarrels among members, lack of social homogeneity or loss of interest before the projects has been completed or perhaps even begun.

A local, regional or national sponsoring body in form of a TSO should be advocated. The absence of a well planned and organized TSO or similar entities can encourage the development of movements that are not necessarily in accordance with co-operative principles. It may even develop aberrant forms. Therefore, a housing co-operative must look after its general principles and, by doing this, focus on the improvement of its members' physical, social and economic living conditions. Self-help cannot be separated from the co-operative housing process. In general, it is to be said that co-operative housing strengthened by a TSO is an answer to the housing problem, but should be integrated with other, esp. job creation and income generating programmes. Federal organizations could play a leading part in the development of co-operative housing, and enable it to grow much more rapidly and successfully than would be possible if a number of local co-operatives acted on their own. Federations might be mainly advisory and promotional, but they could also provide their members with a number of practical services, either directly or through subsidiary undertakings.



*Self help in construction: The project of Ubon Ratchathani, Thailand
A new laminated brick is being used*

Fotos: DESWOS



Self-help within the project Bonthapadu, India. Only local techniques are used

CHAPTER III

FORMING A HOUSING CO-OPERATIVE

The formation of a housing co-operative is a serious step. It is likely to affect the whole future lives of the participants and also those of their families. It will probably decide where they are going to live for the next thirty or forty years, where they will work, what schools their children will attend and what doctors and hospitals will be at their disposal. It will also decide upon their neighbours. It will call for the investment over the years of considerable sums of money which might have been used in other ways, in starting a business, for instance. For all these reasons it is not a step to be taken without careful consideration. There must be discussion within each family and between all the families who are considering to become members of the co-operative.

1. What Kind of Housing

The first point to be considered is what kind of housing is required or desired. Do people want to build houses which in the end will become their own unrestricted property, which they can sell, mortgage, sublet, divide, rent out or even pull down and rebuild? Do they already own building sites, or does each one want to choose his own site from those available on the market? Or do they prefer to acquire a single site and plan a settlement or housing estate on which all the members will live together? The answer of course may depend not only on the wishes of the members but on their financial possibilities, the terms on which land can be acquired and the availability of services such as roads, drainage, water supplies and electricity.

To become the owner of an individual family house with all basic services and fittings calls for heavy initial outlay and for continuous payments spread over a number of years. Will the members be able to take on this responsibility and have they in fact the resources? Would they prefer responsibility for services and up-keep to be carried on by the group and not the individual? Would they in fact prefer to be joint owners of the co-operative housing project as a whole, but remain tenants of their own houses? Many people have a strong desire for home ownership. Both types have their advantages, which need to be considered carefully and if necessary weighed against the traditions of prejudices of the members.

Do members want to live in separate houses, in terrace houses or in flats? Sometimes, again, circumstances decide. In an overcrowded island like Hong Kong, housing for people of moderate income can only be offered in blocks of flats. If people want to live in the centre of a large city in order to be near their work, the price of land will be too high, so that only tall buildings divided into

numerous apartments are economically possible. In most tropical countries this is disliked, individual houses are preferred.

How far again, are members interested in communal services, and do they wish them included in the housing project? Are they interested in building a community with a social life of its own, or do they merely want a house for their family?

Here some critical remarks should be made about the experience of self-help housing and low-cost projects.

If members are not motivated to work more efficiently in the group than just for themselves, progress cannot be expected after the termination of the housing project. Residential neighbourhoods need organization and physical planning, especially for low-income groups; e.g. roads, footpaths, pit latrines, water and the provision of electricity. This means that self-help groups have to continue their efforts when the initial phase of the housing construction has been completed.

Already existing experiences with low-cost housing projects show that socio-economic characteristics, and the basic cultural requirements of the communities have to be taken into consideration. Otherwise, there will be no identity with the project itself and community life will be difficult to improve. The design of the housing project itself has to include local building material and – if possible – a community centre, which can be used for continuous training, for discussion and for the general meetings of the cooperative. Housing in this concept is the first step for a more human and a more social-minded society in developing industries.

2. Availability and choice of membership

At an early stage it is necessary to find out whether enough people are likely to become members to justify a co-operative housing project. If there are too few, there will be no economies in running a joint project. The overhead charges will be too high and possible lenders will not be impressed with the security offered. Members might as well build their own houses. It may not be possible to purchase a site or to build access roads and lay on the necessary services, if they do not already exist. The local authority will not lay on these services for a few houses, since they might not be able to recover the expenditure through various means, in any reasonable time.

There will almost certainly be a minimum economic unit for a housing project, but it will not be the same in every country or for every type of housing. In countries with long experience of co-operative housing, all this will be known to a national housing co-operative organization which will give advice upon request. Where the co-operative system is still in the pioneering stage, advice may be more difficult to get, and it may be necessary to ensure that it is wholly disinterested. A local builder or architect could have the necessary technical knowledge, but he might have a personal interest in promoting or even in discouraging housing projects. An experienced accountant or surveyor among

those who hoped to become members would be useful, but even so it might be necessary to draw on the experience of housing co-operatives in neighbouring countries, either by correspondence or by visits.

It is important that members should be able to get on reasonably well together, if they are to be close neighbours and are to be jointly responsible for running the co-operative which controls such an important part of their lives as the houses in which they live. Some housing co-operatives are from the beginning made up of people who follow the same occupation – e.g. civil servants, workers of a single firm. This may be mainly by choice, or it may be because the employer is interested in making a contribution. Thus, the employer could provide the building site or a subsidy or offer loans, personal or collective, on soft terms, and enable the repayment by deducting it through instalments from the workers' salaries.

The bond of common employment may mean that the members of the co-operative, all with a common interest and all earning similar incomes, will get on well together and easily build up the necessary inter-relationships without which a new housing estate can be a depressing place to live in. Things may not work out in this way. People who have spent their day at one kind of job and among certain people may not want to meet every evening and week-end with nothing to talk about but the same narrow "shop". A mixture of personal experience, training and occupation may create a much more stimulating community.

A mixture of employment backgrounds is also to be desired. In order to improve the selection of members some concepts have already been successfully used. Low income households should be determined and a comprehensive survey with reliable socio-economic data has to highlighten the housing problems and furthermore the economic and social status of the future members. A questionnaire could be used in order to achieve reliable data and to evaluate and interpret comparable figures.

A.C. Lewin's manual "Housing Cooperatives in Developing Countries" gives an example for a questionnaire which could serve as a model.

At one time it was considered necessary to restrict the membership of a housing co-operative to the members for whom accommodation could be found in a single scheme. The reasons are obvious. Members, even if they are the last to join, who had paid their shares or other contributions, only to see a housing scheme completed and houses allocated to others, would naturally feel acute disappointment amounting to a sense of injustice, and might be unwilling or unable to wait until a further group of members would be assembled with the resources to resume building. But restriction of membership in a co-operative is sometimes regarded as a denial of one of the basic principles of co-operation. Those who are refused may lose interest in a co-operative solution. Alternatively, restriction may lead to the formation of a large number of small, financially weak co-operatives with little accumulated experience. The tendency today is not to restrict membership but to break it down into groups within a large society, each responsible for a completed housing scheme. Those who join late know that they will not be housed immediately but that a strong

organization is pressing on towards the satisfaction of their needs. The impersonal managerial approach of a large organization is restricted to general planning, procurement and construction, while the management of each housing unit remains personal and democratic. More will be said of this system in a later chapter. It is an advanced system which calls for experienced management and a large number of interested people.

The "Pre-Member-Education Course for Housing Co-operatives of the German Development Assistance Association for Social Housing", offers useful outlines for instructors. In 12 lessons, to be led by an instructor of the sponsoring agency, the main principles of a housing co-operative as well as duties and responsibilities of future members are described.

3. Access to Building Land

No housing enterprise can even reach the planning stage unless land is available. In some countries (for example in many African countries) this does not cause serious problems, for much land is unused even for agricultural or pastoral purposes. Establishing clear title to this land may not, however, turn out to be easy, unless it is recognized as state property and a state authority is willing and able to turn it over to a housing co-operative.

Low income groups generally are not in a position to purchase urban building land. Furthermore in most of the developing countries accumulation of land means local power. Prices of land are not influenced by market forces but by speculation of private developers. In addition, the legislation in those countries generally is not clear enough to prevent speculation. Compared with the possibilities of well-off private developers, housing co-operatives with their collective ownership schemes are in a more difficult position, if government-owned urban building land, as it has been recommended by the United Nations, is not directly transferred to a housing co-operative.

At least there should be financial support by the government in order to purchase building land. A.C. Lewin discusses a progressive land-rent-system, where repayments vary according to income increases received by members. This could be combined with a "funding of solidarity", when for example a family is facing unforeseen difficulties in repaying their dues.

The encouragement for housing co-operatives to start the construction work is obvious, when the location of the building land and the possibilities to prepare the necessary infrastructure facilities are favourable.

The costs of infrastructure also could be significantly reduced by self-help schemes, where the members and future house users themselves take the initiative of planning and building together.

Successful examples of self-help construction of sewage and water-pipe systems show, how co-operative organization can contribute towards effective cost-reducing construction.

Local or occasionally national government regulations often restrict the type of housing which may be built on a particular site. There may be a maximum

density of housing per acre or a minimum cost for each house or flat. There may be restrictions as to the building materials to be used. The object may be to set standards.

The local authority will also lay down strict regulations as to the type of services which must be made available. Even if the members are prepared to live a simple life, e.g. with oil lamps and wells in their gardens, the local authorities may not allow them to do so, but insist on electricity and piped water in each house. The authorities may be prepared themselves to provide these or other amenities. In other cases their provision will be a heavy charge on the co-operative, the exact cost of which will have to be ascertained before any further plans are drawn up, and certainly before any contract for the purchase of land can be negotiated.

4. Financing a Co-operative Housing Project

When all this has been decided, and the scheme is at least in draft, the assessment of what it is going to cost follows and where the money is to be found; how much are the members themselves able to contribute? Unless they can put down in cash a significant proportion of the costs of building their own house or flat, as well as of the general expenses of the scheme, there will be little chance of raising the rest of the money needed from other sources. The whole subject of co-operative housing finance will be discussed in a later chapter. Here it is only necessary to say that in many countries there are national housing banks or housing funds and that many local authorities are prepared to lend on favourable terms for co-operative housing projects. In all cases, however, the loan depends on the ability of the member to put down money of his own. Sometimes he can secure a personal loan for this purpose from a co-operative credit society, or occasionally from the firm which employs him. More often it means that he must live with a very modest income over a period of years and be prepared to save.

First of all, a detailed examination of all costs including site and services has to be made.

The unforeseen additional costs have to be calculated carefully as many projects have failed already for reasons of unforeseen cost explosions. Wherever possible, costs per unit should be reduced by using and by organizing the collective self-help of the families themselves. This should be a co-operative principle for developing countries. Apart from the financial advantage, this can help to strengthen the community and the stability of the social interrelations. The required funds and their availability should be checked very carefully. The finance required and the ability for low-income groups to find it often show a decisive gap between desires and realities. The contributions of the members in most cases are far below the prospective costs, so that loans will be required. The affordable rate of interest is a central question to be answered. The member has to repay the loan and the interest rate, which means a heavy burden over many years. As low-income groups in most cases receive an

irregular income (e.g. land workers at seasons of harvest), job creation programmes in combination with co-operative housing for low-income-groups are of such great relevance.

Additional income for the households can anticipate the difficult income situation. Remuneration for the materials produced requires a regional feasibility study in order to know the market conditions.

Thus, a quarter of the monthly income could be paid towards housing.

5. Self-Help Housing

Self-help housing schemes are essential for people with low incomes in order to keep construction costs to a minimum. Otherwise the targets will not be achieved.

The advantages of such schemes are quite obvious:

1. Financial benefits

By providing their own labour the limited financial resources of low-income groups can be concentrated on building materials, thus enabling the group to provide better living conditions.

2. Social advantages

A group formed by individuals, can create better social interrelations among the members. As they are aiming to achieve the same target, the motivation of the group can be strengthened by job sharing and division of responsibility.

3. Housing design

As the plans are discussed in advance, the members themselves can decide about the design. Collective work means a common design by agreement of the members.

4. Infrastructure facilities and community life

Infrastructure work has to be planned and, as far as possible, carried out by the self-help group. This means that all houses will be connected at the same time and costly individual solutions can be avoided. The community life will be improved by meetings held in community centres, which members have to attend in order to coordinate their work.

5. Long-term useful experience by "on the job"-training

For a time after the construction of the houses, the training work that the members receive in the process can be of high value. A co-operative building construction society enables the members to participate actively in this work. Thus he receives training on the job, which can be used perfectly well after the completion of the houses. Small production for the local market can be created in order to secure the additional income for the members (e.g. bricks, windows, etc.).

Of course, self-help would be limited where a specialized know-how is necessary, which the members cannot have. Therefore an experienced group leader must be prepared to teach and train the group so that they will be able to carry out the work by themselves as far as possible.

The programme starts . . .



Self-Help Programmes in Tegucigalpa for the improvement of existing houses



. . . and is nearly finished. Also children are helping.

Fotos: CHF

Training is a permanent task from the very beginning. That is why pre-member education courses are extremely important, esp. when there is a lack of experience. If a project has already been successfully developed by the co-operative, it would be easy to recruit a group leader. Otherwise there has to be a very careful choice, as success or failure depend to a high degree on the correct leadership of the group. Mistakes have to be discussed openly and, if conflicts occur, they have to be settled.

Only in a good and motivating atmosphere self-help can be effectively carried out. In a housing cooperative a good organization of self-help will decide about timing, costs and effectiveness.

Sometimes those who become members of housing co-operatives are ready to cut costs by doing all or part of the planning and building work themselves. In countries where co-operative housing is well established and a number of building projects are constantly in progress, it is sometimes said that mass production and skilled labour are in the end more economical than the labour of unpaid amateurs. There may, however, be conditions in which, because co-operative housing is being pioneered or for other reasons, this is not the case. Self-build schemes and the readiness and ability of members to take part in them, should then be seriously considered.

There will be figures for the minimum and maximum number of members ready to join, with some idea as to the numbers in their families and whether these are likely to increase or decrease in the future. There will be clear decisions on the questions of ownership or tenancy, flats or one-family houses. One or more sites will have been discovered which are acceptable to prospective members and available at a price which members are able to pay. It will have been found out whether these sites are already developed or whether the local authorities are prepared to give a firm undertaking to develop them in the immediate future. Provisional plans and estimates will have been made and as far as possible, steps taken to find out whether they will meet with the requirements of the public authorities. It will have been discovered what will be the approximate cost and whether there is firm ground for thinking it can be met by the members, with or without help from outside sources. At this point the housing co-operative is ready for registration as a corporate body.



Self-Help in Honduras: Made by "Zapote Norte Housing Cooperative" Foto: CHF



Housing provided for more than 200 families Foto: CHF

CHAPTER IV

CO-OPERATIVE HOUSING AND THE LAW

Readers who have been concerned with other branches of co-operation – consumers' co-operatives, credit societies, co-operatives for industrial or agricultural production – will already be familiar with much that is written in this chapter. The intervening pages are for those whose interest is in housing and who are now for the first time considering whether it may be promoted through co-operation.

1. Co-operative Laws

In nearly all countries housing co-operatives are registered, incorporated bodies, with power to buy, sell, own and mortgage property, borrow and lend money, sue and be sued, in the same way as a natural person. In most countries incorporation takes place under an Act of Ordinance, which also applies to co-operatives formed for other purposes. Housing co-operatives may or may not fall under a special section of this Act. General Co-operative Laws, which include housing co-operatives, exist in Great Britain, France, the Federal Republic of Germany, Austria, Sweden, Switzerland, Czechoslovakia, Poland, in most of the overseas countries of the British Commonwealth and the French Union and in most of the countries of Latin America. In the United States, Italy and one or two other countries, there are special co-operative housing laws. In Denmark and Norway there are no co-operative laws and in Finland the law has proved unsuitable for housing co-operatives, so, in that country, as well as in Norway, they are registered under company law, with rules designed to preserve the co-operative principles on which they act.

The co-operative laws of most countries have a similar basic character. They have two objectives:

- (a) to provide for the incorporation and smooth working of a business organization;
- (b) to ensure that this organization acts on co-operative principles and is not carried on for maximum return on capital.

Some laws lay more stress on business efficiency and convenience and some on co-operative principles. Both are important.

2. Co-operative by-laws

The law requires that a new co-operative should submit a book of rules (sometimes called "by-laws") for registration. The by-laws should regulate all the duties, responsibilities and rights of the members. Details can be taken from Annex III.

The members elect a board of directors for a period of time until a re-election takes place. The board of directors is responsible for the co-operative and its business.

The general meeting is held annually. The members decide about all important affairs of the housing co-operative including the voting right.

The purchase of a share means that the applicant becomes a member of the cooperative, whose by-laws have been approved by the registrar of Co-operative Societies.

The member's rights are in fact protected. Furthermore, the bylaws determine all important matters of the co-operative. The co-operative has to be audited once a year. An auditing report is written and sent to the appropriate authorities by an auditor who is not a member of the co-operative. Copies of suitable model rules can usually be obtained from a national co-operative organization, but if housing co-operatives are a new form of undertaking in the country concerned, these rules may have to be specially adapted, since they may have been designed for organizations with rather different objectives:

(a) **OBJECTS:** The rules begin by stating the objects for which the co-operative has been formed. These may be fairly wide, but once registered, they limit the activities in which it may be engaged. If, for example, a co-operative is formed "to build homes for its members", its right to build a community hall might be questioned by a member who is not interested in it. Therefore the objects must be drawn up with care and foresight.

(b) **REGISTERED ADDRESS:** The rules must state the address at which the offices of the co-operative will be and may restrict the area in which it can operate.

The registration of two co-operatives for the same purpose in the same area may not be permitted. This is to prevent the formation of small and weak societies with the possibility that they may compete with each other for members, financial support or building sites. "One area, one co-operative" is not an absolute rule. Two groups may have in mind quite different types of projects and there may be room for both.

(c) **MEMBERSHIP:** It is usual to state who may and who may not become members of the co-operative. Members must be over a certain age (the legal minimum is usually 15). They should include both men and women. If more than one member of the same family is not accepted, this must be stated. In some cases membership may be restricted to one group of people: for example, salaried staff of the national railways. People belonging to the same church might wish to form a housing cooperative limited to those worshipping there. But a rule to this effect would probably be turned down by the Registrar of Co-operative Societies, since in many countries it is illegal to discriminate against members on religious or political grounds.

Quite often the rules state simply that the members shall be those who take up shares or pay the entrance fee. "Open membership", as has already been noted, is a co-operative principle. In general terms, no-one should be excluded who can contribute to or benefit from the work of the co-operative. This, however, can raise a real problem when the resources or

opportunities of a housing co-operative admits members freely, on the understanding that they may have to wait a long time for their houses. Sometimes the committee in fact selects the members on geographical or occupational grounds, on their social acceptability or on their apparent ability to pay for their house. The special circumstances may be understood and no legal difficulties raised. Occasionally, as in Finland, the law is strict, and in order to keep numbers under control, the "co-operative" is in fact registered as a company.

- (d) **FINANCIAL OBLIGATIONS OF MEMBERS:** The rules lay down the financial responsibilities which members assume: entrance fees, minimum and sometimes maximum share-holding – possibly an obligation to make regular savings deposits. Shares in housing societies are usually fairly high and a member's total contribution in cash amounts to at least 5 % of the total cost of the house or flat he hopes to occupy. The "subscribed" share (the value for which the member has undertaken responsibility) may not, however, necessarily be paid up at the moment he joins. He will usually pay the rest by instalments though he may be expected to pay up the whole amount at any time when the co-operative is in need of the capital. The rules lay down the liability of the member to contribute in the event of loss or of failure of the cooperative. This liability is usually limited to the subscribed value of his shares, but may be a multiple – e.g. five times – that value. In some kinds of co-operatives it may be unlimited, but this would be very unusual in a housing co-operative.

The rules must state the maximum interest payable on shares. This must be kept low, as it is regarded as a source of profit.

It may be fixed at an actual figure – say 5 % – or related to the national bank rate. Provision must be made for the disposal of a member's share and other interest in the society on his death, whether or not he makes a formal will. It may also provide for the protection of his interests and those of his family should he become insane. As these interests will include the right to occupy his house or to transfer it, with or without the consent of the co-operative, either to some member of his family or to another member of the co-operative or to one who is not yet a member, it is obvious that this part of the rules requires very careful drafting if the interests of each individual member as well as of the membership as a whole, and their successors, are to be equally safeguarded.

- (e) **MANAGEMENT AND CONTROL:** A long section of the Rules deals with the way in which the co-operative is to be managed and controlled. The law usually lays down that there shall be an annual general meeting at which each member present shall have one vote only. The general meeting, besides receiving and adopting a report of the year's work of the co-operative, is responsible for electing the committee which manages it. In some countries (Federal Republic of Germany for instance), the general meeting elects a supervisory committee, which has a large number of members and meets from time to time. This, in turn, elects a small executive committee, which meets more frequently and may consist of

fulltime and honorary members. The number elected to sit on co-operative committees, the method of electing a chairman, secretary, treasurer and auditor, the period (one year or more) for which committeemen and chairmen are elected, whether they all retire together or one-third each year, whether they are eligible for reelection or not, must all be laid down in the rules.

Usually there are rules governing the order of business at general and committee meetings, and the notice which must be given of the business to be discussed or resolutions to be proposed. The majority required for taking certain decisions is laid down, and whether or not the chairman has a casting vote and whether any important decision must be voted on at two successive meetings. It is made clear what minutes or other records must be kept.

- (f) **MAINTENANCE AND REPAIRS:** The rules of a housing co-operative should state to what extent the individual member is responsible for the maintenance of the house or flat he occupies and to what extent the co-operative as such has that responsibility. As a rule the society should be responsible for the maintenance of common facilities.
- (g) **DISPOSAL OF SURPLUS:** In all co-operatives a provision must be made for the use of any "surplus" or profit which may remain in the hands of the co-operative at the end of each year's operations. In a trading cooperative (agricultural marketing, supply of consumer goods, etc.) this surplus may be considerable, and its proper use is important. It is generally laid down that part of it shall be placed to reserve and the remainder distributed to members in proportion to the business they have done with the co-operative in the course of the year. The position in a housing co-operative is rather different. It is in the first place unlikely to make a profit. Any surplus on the year's working is likely to be put to reserve, but it might be used to reduce the loans which the co-operative has incurred, or at a later stage in its development to create a building fund for the future extension of its activities. All this, however, will have to be written into the rules, if the general meeting is to have power to make any decision on the use of the surplus.
- (h) **AUDIT:** All co-operatives must have their accounts audited by an accountant with professional qualifications, and if they are to audit co-operatives, their status must be recognized by the government. In some countries such men work independently. The co-operative is free to select the auditor it prefers and pays a fee for his services. In other countries auditors are employed by the government department which supervises co-operatives: in others again, audit is carried out by a union of co-operatives or sometimes by a co-operative bank. In Central European countries special auditing unions have been formed by different kinds of co-operatives, including housing co-operatives, but usually separate for each type of co-operatives. They employ their own accountants. The government supervises their activity and recognizes their qualifications and audit, but does not otherwise interfere between them and the cooperatives who are their clients.

(i) **DISPUTES:** Co-operative rules must make some provision for disputes between members or between a member and the committee. Usually they lay down procedures for the appointment of an arbitrator, whose decisions will have the force of law. The object of this is to save time and prevent the resources of the co-operative and its members being wasted on court cases. The arbitrator may be a government official concerned with co-operatives or with housing or a senior officer of some other type of co-operative.

(j) **ALTERATION OF RULES – AMALGAMATION – DISSOLUTION:** Co-operatives may from time to time want to alter their rules or to amalgamate with another co-operative, to divide one co-operative into two or to dissolve it altogether, because it is losing money or its services are no longer needed. (In some types of housing co-operatives, this happens when all the members have completed the purchase of their houses.) All such decisions are serious, and should not be taken at poorly attended meetings or by members who have not received notice in advance of the matter to be discussed. The rules, therefore, lay down with especial strictness the procedure which must be followed before any change in the rules or status of the co-operative can take place.

In most countries today co-operatives have the right to form secondary organizations, federations, unions and wholesale purchasing organizations, of which the members are not individuals but primary co-operatives. These powers are not always referred to in the rules of primary co-operatives though it may be stated in their Objects that they have power to join with other co-operatives for the furtherance of these purposes. Once a federation is formed, it too will require its own rules, for which models may be available. They will not be the same as those for a primary society if only because its members will not be individuals, but primary cooperatives. Procedure on the death of members need not be considered. "One man one vote" will have to be replaced by some other system which gives fair representation to large and small primary co-operatives. Objects may well be different and more complex.

3. Legal Privilege of Co-operatives

In addition to laying down a general outline of the way in which a co-operative should carry on its affairs, the law confers on co-operatives certain benefits which vary somewhat from one country and one type of co-operative to another. Corporate status is itself a privilege which enables the co-operative, through its properly appointed officers, to take any action which could be taken by an individual. Limited liability is a privilege, since it gives security to the share-holder and minimises the risk caused by bad management.

Supervision by a government department especially responsible for co-operative development may be of great value to inexperienced co-operatives, though mature and experienced co-operatives may be well able to conduct their own affairs and may seek greater freedom or the transfer of supervisory functions to a non-official national organization set up by themselves.

Governments in many countries allow co-operatives certain taxation privileges. They may be exempted from stamp duty on documents, which might be important to a housing co-operative, and from import duties on certain articles which they are considered to be bringing in for purposes of national development. (Earth moving equipment or builders' high level cranes might perhaps come into this category.) They may be exempted from income tax or pay a lower level than a private business, or only begin paying three years after the co-operative has been set up, when it may be expected to be firmly on its feet.

4. State Financial Aid

Without co-ordination and collaboration with local authorities and the national government, which are responsible for housing and planning, the success of a housing co-operative will become very difficult. Discussions should already take place during the planning procedures and its negotiation process with different levels of governmental decision-making bodies, bearing in mind the interests of members. Otherwise expensive solutions are decided upon which are beyond the financial possibilities of the members. The financial assistance of governments depends to a high degree on the form of collaboration. Some governments are prepared to go further than this and actually make available loans or subsidies to co-operatives which they regard as carrying out a public service. This might be an improvement in the marketing of an agricultural crop or the provision of good housing at moderate cost. Housing co-operatives, indeed, are among those most likely to benefit from this sort of government aid. Another device is to encourage private borrowing, but subsidise the rate of interest paid or provide a guarantee for repayment.

5. General Housing Laws

Experience shows that housing co-operatives function more effectively, if the legal framework within they operate, is clearly defined. Therefore, special legislation which recognizes the distinctive characteristics is vital for protecting the co-operative structure and providing technical and financial support. Preferably, this is in the form of co-operative housing laws and regulations. At the very least, there can be special provisions within a general co-operative law. This is the case in most of the Latin American countries.

In order to encourage and support the development of a strong co-operative housing movement, basic legislation dealing with housing co-operatives should provide for the following:

- a) Statement of the governments objectives regarding housing in general and co-operative housing in particular;
- b) Precise classification of housing co-operatives indicating their special characteristics;
- c) Definition of the contractual relations between the members and the co-operative and indication of their mutual obligations;

- d) Indication of the extent and nature of government support to housing co-operatives;
- e) Provision of desirable incentives and concessions to housing co-operatives from the government and the local authorities, such as exemption from taxes, duties and registration fees as well as the provision of regular financial assistance;
- f) Exemptions of housing co-operatives from the application of laws, which are likely to adversely affect their normal and sound operations;
- g) Provisions to facilitate the solutions of disputes between members and the co-operative without resorting to the courts;
- h) Provision for the recovery of the co-operatives dues by summary process, as well as for the timely eviction of a defaulting member;
- i) Establishment of a co-ordinating agency to assume responsibility for encouraging the formation of housing co-operatives, and for providing them with technical and financial assistance.

The fact that housing co-operatives are usually incorporated under a general co-operative law does not mean that they are not also subject to other legislation. They are of course bound by all the general legislation in force regarding contract, the ownership of property, the employment of labour, civil and criminal injuries to others and other contingencies. They are also subject to special laws which may have been passed for the promotion of house building, especially at low cost, or for checking the building of ill-placed or substandard houses. The provision of government loans or subsidies for house building is often made under a law which does not refer exclusively to co-operative societies, but may cover other forms of low cost, non-profit housing.

(a) **STATE LOANS:** In most countries a special institution has been set up with object of providing government loans for housing purposes. It may be known as a Housing Bank, a State Building Fund, a Central Mortgage and Housing Corporation or a Cooperative Housing Finance Corporation. The fact that no special institution has been set up does not mean, however, that government housing loans are not available. They may be obtained through Co-operative Banks, from National Insurance Institutes or direct from national or local authorities. In some countries a government guarantee is given instead of government loan, and the co-operative then borrows from an ordinary bank.

In many cases it may well be possible for co-operatives to benefit from write-downs on land costs which local authorities may wish to underwrite. Interest subsidies in some developing countries can be less tolerable for the government. More information about state loans can be taken from Chapter IV.

(b) **ACQUISITION OF LAND AND MATERIALS:** In some countries national or more local authorities have power to allocate building sites to housing co-operatives. Land may be given free, sold at a reduced price or let on long lease (usually 99 years). In some countries co-operatives also depend on government for the allocation of controlled building materials and may receive some preference.

(c) **GOVERNMENT CONTROL OF HOUSING CO-OPERATIVES:** All these benefits and concessions show that governments could set a high public value on the work of housing co-operatives. It is natural that they should wish to be assured that public money is in fact being used to the best advantage and that no private interests are taking advantage of what should be a public service. Housing laws usually should provide for a strict and detailed public control of the operations and finance of borrowing co-operatives. This may well be stricter and more detailed than would readily be accepted by other types of co-operatives. It should be justified by the large sums of public money involved and the importance of housing in national policy.

One of the aims of control is to prevent subsidised houses from being sold at a profit by the members of a co-operative. To prevent this, it may be laid down that the property of a co-operative may not be distributed, and that if houses are sold, it must be at original cost price. It may also be laid down that the profits and reserves of the co-operative may in no case be distributed to members, but must be used for further house building.

In some countries builders may not be members of a housing co-operative. Elsewhere, it is merely laid down that members of a co-operative board must declare their interest, if any, in its business, and that any contract into which they enter with the co-operative must have the approval of the Minister of Housing. The Minister of Housing may also be required to approve rents. These may be related to members' income. The terms of leases, as well as changes in the rules of cooperatives, or a decision to wind them up, may also be subject to control. The Minister may appoint superintendents for housing co-operatives in some countries. A co-operative receiving loans from public funds must accept a representative from the local authority on its board of management. The local authority may, alternatively, be a shareholder in the co-operative.

6. Need for Legal Advice

All this shows the close relationship between voluntary housing co-operatives and the housing policy of the state. Any group considering the formation of a housing co-operative would do well to make a careful study of all the legislation of their country which bears either on co-operation or on housing. A lawyer in the group would be well qualified to make this study, but it may be that an existing co-operative union, not necessarily concerned with housing, already has all or most of the information available. Failing that, the housing departments of local authorities, or the Ministry of Housing might be consulted. An application for incorporation which does not fulfil legal requirements will be turned down or much delayed. Failure to explore all the sources of financial or other aid may mean that a good scheme is too costly to carry through. Faulty rules may produce endless difficulties when the co-operative is in operation.

CHAPTER V

STRUCTURE AND ORGANIZATION

1. Membership

Membership in a housing co-operative is based on a signed application and the subscription of a share or shares, the value of which may be nominal, but as already explained, is more often related to the cost of the dwelling which the member will eventually acquire. There is generally an upper as well as a lower limit of share-holding. The object of this is to prevent any one member from contributing so large a part of total capital that his withdrawal could threaten its existence. Usually the limit is 20 % of the total. In many cases members also pay an entrance fee and occasionally an annual subscription.

Reference has already been made to the important co-operative principle or "open" membership. This is usually taken to mean, first, that no one is refused admission on the grounds of race, religion, occupation or personal prejudice, and secondly, that membership is allowed to expand indefinitely. In most countries open membership includes the membership of more than one member of the same family, especially husband or wife and children, and in housing co-operatives this may be encouraged as it simplifies the problems of inheritance as well as increasing security for loans.

The degree to which a group of people entering on a co-operative housing scheme should already have something in common, and what that something ought to be, can be argued at length, and the answer may not be the same for all countries. In practice, the level of housing desired and the consequent cost tend to restrict applications for membership to people of rather the same income level.

In some countries, however, membership is in fact restricted to one group, often, as in Asia or Africa, to civil servants or even to employees of a particular branch of the civil service, to an occupational group such as fishermen, or to members of particular communities or religious bodies such as the Ismailis of East Africa or the Orthodox Jews of Israel. There are countries, however, where this would be illegal. Even in Europe, there are housing co-operatives e.g. for refugees.

Perhaps a more important problem is an indefinite expansion. A housing co-operative usually begins with a project for a limited number of dwellings which will take time to complete. A large membership of unsatisfied house-seekers will not make for harmony. Moreover, once the first project is completed, those who have received accommodation will tend to lose interest in further building.

In Sweden and Norway the problems of open membership, continuity and the balance of interest between housed and unhoused members has been ingeniously met by the formation of a "parent" co-operative with open membership, and a number of "daughter" co-operatives limited to members in actual

occupation of a particular housing unit. The members of the daughter co-operative, however, retain their membership in the parent co-operative. As a consequence, this body can maintain a balance of interest between both groups: those who have received houses and are learning co-operative house management, and those who are still pressing for houses to be built. The daughter co-operative often enters into a contract with the parent co-operative for the management of the housing unit, but this refers mainly to accountancy and the repayment of loans. The daughter committee retains full responsibility for supervising that the property is maintained, that members fulfil their obligations and that their welfare and wishes are consulted.

In Sweden the management contract provides instead little more than that the parent co-operative should undertake accountancy and appoint one member to the board of the daughter organization. The latter remains a separate legal entity which fully owns the housing unit (generally a block of flats) and is responsible for management, up-keep of common utilities, repayment of loans and any losses which may be incurred. It pays local rates and taxes, buys fuel for central heating, employs caretakers and gardeners, fixes rents and makes house rules for its members. It may even expel a member at the unanimous wish of all the other tenants.

Alongside the housing co-operatives formed by prospective occupiers, there are, in several countries, building co-operatives which are partially or wholly owned and managed by building trade unions. The original purpose may have been to provide employment for building trade workers, though an interest in the social value of low cost houses was, however, present from the beginning, and provided an additional objective. The inclusion of consumer co-operatives in the membership of housing co-operatives is found in other countries, such as Switzerland, where, however, there are also individual members.

In the case of housing co-operatives of which all or some of the members are corporate bodies, the indefinite expansion of individual membership presents no particular difficulties. The co-operative carries through a housing project for which a need exists and for which resources can be made available. It then selects the future tenants or (less frequently) owners from a waiting list. In most countries, as soon as tenants have been selected, they are formed into a tenants' association, which is thereafter responsible in varying degrees for the financial liabilities, up-keep and day-to-day management of the property. This leaves the parent body free to consider the needs of houseless people and initiate another project.

In the case of house ownership co-operatives, the structure is usually simpler. Membership is limited to those who can be accommodated in a single building project, or to those who can provide their own building sites. The co-operative remains in existence and is run by the usual democratically-elected committee until the last instalment on the last house has been repaid. It is then wound up. There are, however, some house ownership co-operatives which, having provided their own public services and amenities, continue their existence even after payment for houses has been completed. They are in effect small scale local authorities in charge of a co-operative village or suburb. Unfortunately,

they have no power to raise rates, when (as in some Pakistani examples) the occupiers decide that they had better exchange co-operative for a municipal status.

2. General Meeting and Committees

Some local housing co-operatives and their character may depend on little more than the fact that they are “not profit-orientated” and that the national organization to which they belong is itself registered as a co-operative.

Where, however, the members of a housing co-operative are individuals solely responsible for its affairs, they have a good deal of freedom to settle the method of control and administration, provided they keep within the general framework of the co-operative law.

In most cases this is simple and uniform. The highest authority is the annual general meeting, at which each member has one vote. Some large co-operatives hold area meetings, which elect delegates to represent them at the annual general meeting. This meeting receives and discusses the annual report and balance sheet of the co-operative, which it may adopt or reject. It elects a committee, sometimes called a board of management. In countries which follow the German pattern, the general meeting elects a supervisory committee which meets infrequently but has the duty of electing a small executive, which may consist of full-time and honorary members. In other countries the committee is unpaid, though the expenses of attending meetings may be met. Under this arrangement the committee appoints the paid officers of the co-operative, a secretary, in the case of a large co-operative perhaps also a business manager, an accountant, and perhaps one or more technical building experts. The appointment of lower grade staff – plumbers, electricians, boilermen, gardeners, caretakers, night watchmen – may be made by the committee or by the senior officials. Some Swedish co-operatives provide for the appointment of a board of Trustees, who are not themselves members of the co-operative, but this is not usual.

Committees are elected for periods from one to three years. It may be laid down that one-third only of the committee members retire each year. This ensures a measure of continuity while allowing for democratic choice and the introduction of new members of the committee. Retiring members are usually eligible for re-election, but sometimes only for two or three terms of office, after which they must stand down for one year. The object of this rule is to prevent membership from becoming static or out of touch with the wishes of the ordinary members, while avoiding a complete change of committee membership which would sacrifice valuable experience.

In an organization such as a housing co-operative, where technical knowledge, sometimes on a high level, is involved, the presence of qualified persons such as architects or surveyors is of great value, especially at the building stage. They should not, however, be allowed to dominate it to the exclusion of the ordinary members, and there are in some countries restrictions on the election to committees of builders or others who might be suspected of personal interests.

In some countries local authorities who lend to building co-operatives have the right to appoint a representative to sit on the committee. The representative is usually a qualified person of the housing department, and his presence is valuable.

The committee usually elects a chairman, though he may be elected by the annual general meeting, like in some countries the secretary and auditor. The chairman is responsible for the conduct of meetings, and much of the success of the co-operative will depend on his impartiality, his judgement of what is important and what is not important, and his ability to carry the committee meeting through what may often be a complicated and perhaps controversial agenda, to the point at which sensible and generally acceptable conclusions are reached.

A good chairman should be equable, tactful, but also firm. He should be able to control a meeting, keep speakers to the point and if necessary force his committee to take difficult and perhaps unpleasant decisions. He should not dictate these decisions. He should work closely with the secretary, who will need his support and should in return make a point of keeping him fully and constantly informed on the business and problems of the co-operative.

In a primary housing co-operative, the chairman and the other members of the committee are unpaid. In co-operatives with a widely scattered membership (usually of farmers) committeemen are sometimes paid an honorarium to cover the cost of their travel to a meeting and perhaps their loss of a day's work on the farms. In a housing co-operative this should be unnecessary. The initiatory period, during which committee members may live far apart, should be comparatively short. After that, they all live in the same housing scheme, meetings can be held in the evening, and no travelling or loss of work is involved.

The secretary, who will have a good deal of work, could probably be paid. His services may be fulltime or part-time, and he may have other work. As the buildings are completed and occupied and the life of the co-operative settles down to routine, his work may well become less onerous. Other staff are paid employees, though there may be volunteers supervising children's playrooms or otherwise helping with the social organization of the project.

Some countries encourage the formation of special women's committees for such purposes. Probably the presence of women members on the general committee is more effective, but in countries where husband-and-wife membership is not encouraged, a special women's committee, without legal responsibility, may become necessary.

The exact structure of a committee is not so important. What matters is that it should produce an authority which can efficiently manage the housing project and at the same time fully express the wishes and feelings of the members.

3. National Structure

Housing co-operatives in most countries do not work isolated. They are members of some federal organization, either national or regional. In some

countries there are various federations. These may represent respectively tenants' co-operatives and trade union building co-operatives; or Catholic and Protestant communities; general housing and the housing of employees of particular firms; or urban and agricultural housing.

In the developing countries co-operative housing federations often do not have enough financial means or enough political influence. Therefore in most cases a housing co-operative is affiliated to an apex organization, where manpower can be more effectively be used, programmes can receive the necessary financial and technical support and contacts with local and national politicians can be made. Thus, the promotion of housing co-operatives can be carried out more easily and several activities can be combined (e.g. workers' production or agriculture co-operatives with housing).

A single housing co-operative in general will not be in a position to afford the necessary community facilities, because costs would be too high.

In developing countries it is important to combine forces in order to reduce the costs of administration. A project of several hundred houses for low income groups with job creation programmes should be envisaged. LEWIN favours projects of 500 – 1000 units, carried out by 6 – 17 primary societies. Better neighbourhood planning, cheaper development and the benefits of bulk purchase of building materials could be advantageous for larger projects, but this depends on sound organizational and financial conditions, which are not always available.

Co-operative housing federations could establish credit or loan funds, especially for the purpose of making construction loans to cover the period before a mortgage can be secured on a completed building. These funds are usually regarded as "revolving funds", that means they can be loaned, recovered and re-loaned, and so make possible assistance to a series of new co-operative projects as they come into being.

In countries outside Europe there is less national organization, but in some cases strong regional federations have been set up. In a large country this may be the most effective first step. A determined approach to the rehousing problems of one city, whether or not it is the capital of the country, may be more easily carried through to success than a national co-operative housing campaign, and the experience gained may then be available for other cities to adopt. National federations may come as an aggregation of regional groups. Many housing co-operatives, often pioneers in the field of non-profit housing, either work on their own or look to government departments for support and advice. This position is, however, now changing, and co-operative housing federations, even if their work is only advisory, are formed. This is a necessary development if the housing co-operatives are to be strong, well-managed, well-financed and in good standing with their governments and with the public.

Fabrication of building materials and construction by self-help:



The project "San Pablo" in Cartago, Colombia

Fotos: DESWOS



All the future users are participating in the work: The project "Linda Vista", Nicaragua

CHAPTER VI

FINANCING OF CO-OPERATIVE HOUSING

Houses are costly possessions. For many people they are the principal investment of a lifetime. A co-operative which sets out to build houses must from the very beginning think in terms of quite large financial expenditure. This need not all come from the members, at least at the outset, but unless adequate funds are likely to be available from some source, and on reasonable terms, it is useless to go any further with the project. This means that careful inquiries must be made from the very beginning both as to the amount which members are able and prepared to contribute and as to other sources of funds. In the main these will be loans, long and short-term, and it is necessary to know for what period they will be granted, what interest they will carry and the kind of security for which the lender will ask.

The difference between house owning and house renting co-operatives has already been pointed out. But whether the co-operative proposes to build individual houses which will in the end become the sole property of members, or whether it is building flats or grouped houses, to be let to the members as tenants, the method of financing is in fact very much the same.

1. Members' Contributions

The foundation of co-operative housing finance is the member's contribution. This may be built up in various ways. In some countries the member begins by paying a small entrance fee. Sometimes there is an annual subscription. More often, he takes up a share which may be of a nominal value or may be fairly substantial. Where the fee or share is small, it is nearly always linked with a regular savings scheme, and the member may not be eligible to receive a house until his savings have reached an agreed figure. The schedule may be calculated to match the time which he will have to wait before a house can be built and made available to him. In most countries the liability of the member for the debts of the co-operative (as distinct from the debt he himself incurs when he takes over his house) is limited to the nominal value of his share. In a few countries, such as the Federal Republic of Germany, liability may be higher than the amount of the share, and the member's wife or some other member of his family, may also be expected to buy a share.

The members' contribution, whether in form of a fee, shares or deposits, always bears a fixed relation to the expected total cost of the house or flat which he will occupy. It may be as low as 3 % or as high as 30 %. It is nearly always lower in the case of a tenancy co-operative, usually between 5 % and 15 %, but a good deal higher, very rarely below 20 %, in those which build

houses for ownership. The proportion is also lower for small, economically built houses with a minimum of facilities, and higher for those which are larger, more elaborately equipped and presumably required by people with relatively high income.

At this point it should be made clear that most members of housing co-operatives have to take up shares or make savings deposits before they become eligible for a house and usually well before building has even begun. This applies only to co-operatives of which the members are intending house occupiers. Tenants who are allocated houses or flats built by trade unions or consumer co-operatives (as happens in Sweden, Finland and Israel), do not have to pay anything until they actually enter into possession and form their local tenants' or owners' co-operative. This may be a financial advantage to the occupier; at least he will have had to practise no preliminary thrift, but it means that he will have had no choice in the type of dwelling built, but will have to take what is offered to him. It should also be remembered that it is probably only in a few countries that trade unions or consumer co-operatives can use reserves to invest in house building. Consumer co-operatives in particular may prefer to invest their reserves in developing their own business and its auxiliary services. This form of co-operative housing is not likely to be generally available, and most people who want to be co-operatively housed will have to save the hard way.

For those who find it extremely difficult to save, it may be worth remembering that in many of the countries where high initial contributions are required from the member of a housing co-operative, he may not have to meet them all by himself. These are also the countries in which co-operative credit societies or unions flourish, and the member may be able to borrow from such an organization in order to pay all or part of his share in the housing society. Sometimes a state savings bank will lend for such a purpose, or in some cases an employing firm. The member should, however, be warned that if he makes use of these facilities, and in addition has to pay off the full debt on his house after he takes possession, he may be piling up a mountain of debt which will have to be discharged by monthly payments, and these may take a large part of his earnings over many years. There may indeed come a time of domestic crisis when he cannot meet all his debts, and may have exhausted his power to borrow more. The importance of saving and depositing in actual cash the required proportion of the cost of the house is something which cannot be overstressed or too often fully explained to the intending member.

2. Loan Capital

All housing co-operatives work to a considerable extent on borrowed capital. In a number of countries borrowing takes place in two stages: the first loan is for actual building and is usually at short term, for a year or eighteen months at most. It may be obtained from a private bank (not necessarily co-operative), a co-operative bank, an insurance company or a local authority. The interest in

most cases is likely to be fairly heavy, as the housing co-operative has nothing to offer in security except the members' subscribed share capital, in addition to the value of the site, provided it is the freehold property of the co-operative. This is not always the case, and leasehold is not such good security.

There are two answers to the problem of collateral. The government may be prepared to guarantee the loan to the lending bank or other institution. This is becoming more common, especially in countries which have suffered war damage or have been heavily burdened with refugees. Alternatively in countries with mature housing co-operatives and a fairly high general level of income, the housing co-operatives themselves have built up a national fund, known as a Credit Fund or a National Savings and Building Fund, for the express purpose of making short term loans to member co-operatives. As soon as these loans are repaid, they can be lent again to another housing co-operative or for the initiation of a new project in the same co-operative. The fund is in fact what is known as a "revolving fund".

As soon as a building is actually in existence, the second stage of financing can begin. This is the negotiation of a long term mortgage loan which is used to pay off the construction loan and is itself paid off over a long term of years by the co-operative on behalf of its members. The loan may be divided into First, Second and Third Mortgages. It may be borrowed direct from the national or local authorities, from a State Savings Bank, from private credit institutions such as social insurance funds, insurance companies, public, co-operative or private mortgage banks, savings banks or building loan societies.

Perhaps it may be as well to say a little more about the position and structure of the Co-operative Building Society and the Cooperative Mortgage Bank. Neither, as a rule, forms an integral part of the co-operative housing organization. They may collaborate with it, but on the same terms as those they would be prepared to offer to other borrowers. For credit mechanisms please refer to Annex II.

Credits might also be obtained from Co-operative Mortgage Banks which are usually founded for agricultural purposes. They lend at long term, usually for the purchase or improvement of land (drainage, irrigation, planting of tree crops) or for the construction of farm buildings, including commercial installations like broiler houses or packing stations. Their shareholders may be primary agricultural co-operatives of various types, but they may have individual members or increase their resources by selling bonds, without voting rights, to the public. Some may be prepared to lend to housing co-operatives on the security of a good mortgage.

In some countries up to 95 % of the loans required by housing co-operatives may be obtainable from state funds; elsewhere the proportion is much lower, though still substantial. Sometimes the state will guarantee a loan from a non-governmental institution. It should be noted that in some countries, especially where state aid is important, there appears to be a merging of the first and second stage of finance.

3. Repayment of Loans

The period allowed for paying off a loan on a co-operative housing scheme varies a good deal between different countries. It may be as short as ten years in some Asian countries or as long as seventy in Austria and the Netherlands. Such loans are evidently not related to the span of human life.

Repayment is usually in equal instalments, but various forms of relief may be offered in the first few years. Only 1 % of the loan may be repayable in the first year and the rate may not rise to 3.3 % till the third year. Sometimes there is no repayment for as much as ten years, or a greatly reduced repayment. These concessions are for the co-operative and may or may not be passed on to the member.

4. Rates of Interest

The rate of interest on loans is usually low, if it is from a government source. It may be kept low by a subsidy when it is offered by another source.

In some cases which are not frequent, part of the interest might be paid by the government and not by the co-operative. In very few countries it might be as low as 1 % or 2 % a year. The most usual figure is from 3 % to 4 % a year. It might also be 5 % or 6 %, between 7 % and 9 % or higher. It should be repeated that in the joint ownership system all the loans and other forms of support described above are given to the co-operative as a corporate body, not to the individual members. It is the co-operative which is responsible for the payment of interest and amortisation, and it continues to be responsible even if members die or abscond, leaving debts unpaid. Another possibility is to build houses on behalf of individual members, where members are borrowers. The way in which payments are recovered from members will be described in Chapter IX.

Little has been said about employing firms as a source of capital because many, perhaps most housing associations which receive loans from this source, cannot be regarded as true co-operatives, unless they are owned and controlled by the occupiers. In countries with centrally planned economies, where the industrial firm is some form of state or collective enterprise, the housing of the employees is frequently organized through a co-operative, the rules of which provide that it should be owned and controlled by the tenants, while the enterprise is the only supplier of capital. Co-operatives of this type may exist in other countries, though they have not received much public notice. In other countries employers give loans to co-operatives in order to obtain housing for their employees as co-operative members.

As the foregoing will have shown, the availability of loans, the security demanded, the rates of interest and the terms of repayment are, in all countries, strongly influenced by the general housing policy of the government. They do not depend on pure economic factors. Good housing is fundamental to the health, well-being and contentment of the people as workers and as

citizens. Governments, local authorities and employers, whether public or private, are therefore prepared to invest in good housing. If they are aware that there exist well-run and progressive housing co-operatives, they are usually more than ready to use such co-operatives as one channel, perhaps the principal channel for such investment.

There is no single system of financing a co-operative housing scheme. In each country it is necessary to explore the sources of loans and the available lending institutions and discover the most advantageous way of proceeding. This may call for careful inquiry and comparison. Many governments have passed legislation in favour of housing development. This has not always been fully used, because the organization has not been there. There may well be opportunities for aid which have not been exploited because they are not well known. Non-governmental bodies like co-operative banks or building societies may also be interested, even though they have not habitually done this kind of business.

5. Other sources of Finance

It should also be mentioned that international and bilateral donors could be used as a resource of capital. For example co-operative movements in Kenya, Venezuela, Chile, Honduras and Guatemala have benefited from such a programme.

The US AID Housing Guarantee Programme is one of the important bilateral donors. The World Bank is also now funding self-help co-operative housing programmes such as those in Ethiopia.

Social security funds and credit co-operatives are other resources which could be used.



Mud houses in West Bengal, India

Monetary input per house: 250, – US-Dollar (tiles, doors, windows) Carcass of mud houses

Fotos: DESWOS



Mud houses after completion

CHAPTER VII

PLANNING AND BUILDING OF CO-OPERATIVE HOUSING

The whole planning process, the period of construction and the housing management afterwards in developing countries are not comparable with industrialized countries, where rising costs and bureaucratic procedures are less severe compared with Third World countries.

Inadequate planning or misleading feasibility studies can lead to ineffective use of resources and cause severe problems as far as financial limitations are concerned.

1. Finding and Developing a Site

As soon as a housing co-operative is formed, possibly even before it is formed, it is necessary to secure the possession or at least the assured long term use of a building site. This may well be the necessary condition of securing a loan. The older housing co-operatives went out into the property market and bought land wherever they could find it, provided it was suitable for building and the price was within the means of their members. In several countries, e.g. in India, housing co-operatives still buy land on the market, although, at least in Europe, it may be necessary to make sure that planning permission will be given for the type of housing intended. In crowded and urban countries today, choice is often restricted by town planning measures and the zoning of areas for residential, industrial and business purposes. The price of land, even when its use is not controlled, has risen steeply.

In most African countries, a housing co-operative, possibly acting through a national co-operative housing federation, must, at an early stage, enter into consultation with local or sometimes with national authorities, on the possibility of securing a site. It will have to consider the land available, and the wishes of members. Do they want to be near their work, as well as near existing schools, and hospitals? Or do they want to get away from crowds and noise and live as nearly as possible to the countryside, even if they have then a longer and more expensive journey to work? Once again, do they want houses or flats? What are they prepared to pay, and have they compared the long term cost of an expensive site near the centre of town with the cost of a cheaper site combined with a more expensive transport by train, bus or car? Have they taken into account that though repayment of the purchase price of the site will be fixed for the next thirty years, the costs of transport may well increase?

In a number of countries, an approved housing co-operative may receive land free, at a concessionary rate or on long lease from the church, or from national or local authorities. In some countries local authorities can acquire land

compulsorily and develop it for occupation. The National Housing Corporation in Great Britain and the Central Mortgage and Housing Corporation of Canada (the latter in conjunction with a Provincial government) may both acquire and develop land. Powers of this kind may be of great benefit to co-operatives, wherever speculation in land is keen and prices have risen unreasonably, or where there are many small owners with whom it is necessary to carry on lengthy negotiations before a site for any reasonably large co-operative project can be made available.

In many cases the structure of land tenure in developing countries is a severe obstacle to the sale of land, because it prevents low-income families from buying urban sites. Therefore government-owned or church-owned land should be made available for housing co-operatives. The site's location is also of particular importance to job creation programmes, as local markets have to be found. Many housing co-operatives have already failed in developing countries, because they did not take enough care to ensure that employment opportunities were available, which is an essential precondition for the financial existence of the members.

The development of public services has next to be considered. To a great extent they can add to the building costs, and if they are inadequate by modern standards of health and convenience, planning permission can be rejected. If the site is already within an urban area, water supplies, sewage disposal, access roads, street lighting, electricity and gas mains may already be there. Schools, post offices, shopping centres and other communal needs may not be too far away. If the site is only just beyond the outer suburbs, the local authority may be prepared to extend the basic services, charging normal rates. In a more remote area it may be necessary to find new sources of water supply and to establish sewage disposal units, electricity, transformers or telephone exchanges.

In a rather surprisingly large number of countries in all parts of the world, it is left to the housing co-operative itself to provide all the necessary services. This means not only a heavy outlay before the projects can even begin, and heavy capital charges, which will remain the responsibility of the members for many years to come. It also means continuing charges for up-keep, maintenance and continuous supplies, especially of water and electricity, for which a co-operative has no powers to levy a compulsory rate. This is beginning to arouse protests. In the case of Karachi (Pakistan) a group of co-operatives has not only provided roads, water, sewerage, electricity and gas, but amenities like parks and playgrounds and social institutions such as schools, colleges, mosques, maternity homes, hospitals and clubs. They were, at least until recently, trying to maintain them without financial aid or the power to raise compulsory rates. They were, not unnaturally, pressing for some of these services taken over by the municipality. In India, too, it is being urged that where building sites can only be acquired on the outskirts of cities, the local authority should plan in advance to provide public services, including postal collections and deliveries and public transport, including school buses.

The most common planning mistakes, like inadequate financial planning and

the underestimating of construction costs have to be avoided. Loans have to be made available at favourable conditions without overburdening the members' abilities to pay. The participation of the members should already be included in the planning period so that they can express their own ideas and can be made aware of the costs involved.

It cannot be stressed enough that housing co-operatives in developing countries need self-help schemes. This is of particular importance to the low-income groups.

2. Building and Contracting

There are two main systems, with some local variations. The co-operative, or more often a federation of co-operatives, may itself undertake the whole process of planning, designing and building. Alternatively it may confine itself to making a general plan, employ a private architect to make the detailed design, and finally put the actual building operation out to tender.

Before the housing co-operative or federation is prepared to enter into a contract with a building firm, it will find it prudent to ask for several tenders and compare them carefully. This sort of competition is an essential feature of the building trade. Even in countries which exclude private trade, there may be advantages in getting estimates from state and co-operative building enterprises. Elsewhere the choice is likely to be between building co-operatives and private firms. A housing co-operative may have a natural preference for giving the contract to another co-operative, but builders' co-operatives are not very well spread, not always on a large enough scale to tackle a big housing project, and sometimes have difficulty in financing their

operations. If they require larger or earlier advances than a private firm, this may put a strain on the finance of the housing co-operative. Some countries provide legal safeguards against any abuse of the contract system. Housing co-operatives may admit private builders as members because their experience is valuable and may be offered from quite disinterested motives. It is obvious, however, that motives of personal gain may also enter. There are usually regulations limiting the presence of builders on housing co-operative committees: obliging them to "declare their interest" in any contract which is put out to tender; and providing for the impartial examination, usually by a co-operative federation, of any tender they may submit.

In co-operatives aiming at individual house ownership, in some Asian and South American countries, the co-operative is only concerned to provide a site and a loan. The member may be left to make his own contract with the builder of his choice. This lessens the responsibility of the co-operative, but makes it almost impossible to achieve any kind of planned development, with its possible gain in standards of quality and appearance or the provision of social services and amenities.

In the case of low-income groups, the building process should be carried out by the members and their families as far as it is possible. Only in this way can

significant price reduction be achieved. The training on the job is of great relevance for the organization of self-help. Without adequate training no self-help co-operative can work efficiently. In most developing countries the residents want to be owners of a one family house.

3. Supply of Materials and Equipment

Several national co-operative housing federations, even if they employ contractors to undertake the actual building, may still undertake the bulk purchase or manufacture of building materials and fittings. They may even supply furniture for incoming tenants, designed to fit the size and type of accommodation to be offered.

4. Housing Design

The members' socio-economic background must be taken into consideration. The European or American urban lifestyle should not be taken as a model for rural communities of Third World countries.

Therefore several questions should be answered in a check list (taken from: Housing cooperatives in developing countries by A.C. LEWIN, p. 47):

1. What are the immediate objectives of the project?

Members' selection, foundation of a housing co-operative, organization of savings, availability of loans, pre-member education, land acquisition, construction, organization of self-help;

2. What are the medium and long-term objectives?

Forward planning including financing of new projects, housing management and administration, community development, job creation programmes, continuous education and employment promotion whenever possible.

The framework of forward planning involves the consideration of economic and social factors.

Housing design expresses more than just an architectural outlook. It will determine, whether residents can identify themselves with the projects. Organization management and education has to have an integrated approach for the participation of the members.

In Europe, the most common type of co-operative housing design a block of flats, the members are tenants.

The standard accommodation varies from country to country and within the same country. Three rooms with kitchen and bathroom is fairly representative of flats intended for family occupation.

In nearly all countries the material standard is rising steadily if slowly. In some, improvement is still held back by the rapid rise in population and the continuing shortage of labour, building materials and modern building equipment. In others, the technical standard has already reached a level too high to be economically justified in view of rising costs and the unwillingness of occupants

to bear such expense. Elsewhere, the level of accommodation is to some extent controlled by government regulations that rent may not exceed 20 % of the tenant's income. Alternatively, housing which has benefited from public subsidy may not be available to those whose income will be more than five times the level of the rent.

In the Netherlands and in Great Britain, some co-operative blocks of flats have been built. French housing co-operatives have moved in recent years from the detached houses for family ownership, to flats for tenant members. In North and South America, Australia, India and Israel, both types of houses are built, though the preference still seems to be for the family house. Wherever detached houses have been built by co-operatives in any numbers, no matter in what country, they have almost always been grouped in garden cities, "townships" or "colonies", with a carefully considered layout. This is also true for all the larger schemes of flat development where the space between blocks of apartments is carefully landscaped and planted with grass, trees and flowers. In developing countries, the external and internal appearance of co-operatively built houses naturally varies with the resources available. Many are very pleasing, and have made a striking contribution to the housing of people. Others have per force been built to minimum standards, to meet the urgent needs of homeless people. In such cases aesthetic values may have to take second place to shelter and hygiene. They should not, however, be regarded as unimportant. The residents should identify themselves with their new houses and this is only possible, if the socio-economic conditions and cultural attitudes have been very carefully taken into account during the planning period.

The transfer of housing designs from industrialized to developing countries would not be suitable for cover the needs of the local people and will in many cases not be accepted by the future residents. Furthermore, climatic conditions in the Third World require different construction materials.

Cost, however, is the most frequent limiting factor and in the last ten years there has been an interesting shift in policy on the part of international agencies and particularly American providing technical advice to developing countries. Instead of beginning with an ideal, if severely simple, pattern of house the emphasis is now on "minimum shelter" which can later be augmented by additional rooms and fittings. Some merely begin with a dry concrete platform and a plumbing unit and are transformed in stages by self-building labour to an acceptable family house.

5. Communal Services

In all co-operative housing schemes the level of communal services and amenities is high. Apart from the ordinary needs of water, sewage disposal and light, most co-operative housing schemes in Northern countries provide for central heating for each block of flats. Some schemes have changed to neighbourhood heating: the installation of a central heating unit, perhaps making use of a cheap fuel like natural gas, to heat a group of apartment blocks

New houses and infrastructure projects – all done by cooperatives



New houses for 400 members in Tegucigalpa, Honduras

Foto: CHF



New water pipelines to the houses in Egypt

Foto: CHF

or detached houses. In Sweden, housing co-operatives were the pioneers in providing, early in the present century, for central heating, lifts, baths and showers, none of which had previously been considered necessary in low-cost housing.

Schools may be built, or at least a site reserved for a building to be put up by the local authority, provided the new settlement is sufficiently large. There may be a community hall. People from neighbouring districts are usually admitted to these facilities. This helps to break down the isolation which is often a dangerous feature of life in a new housing estate.

The policy on shops varies. In Israel only co-operative shops are allowed, and consumer co-operatives are probably given preference in other countries, especially where they have made some contribution to the housing project. Elsewhere provision is also made for private shops and perhaps for the inclusion in the project of people whose services are likely to be needed by the community such as doctors, barbers, watchmakers or electricians. Where accommodation is limited, they may be allowed extra rooms, to be used as consulting rooms or workshops. In some countries, indeed, co-operative housing schemes are partly financed by leasing the ground floor to private shopkeepers or other businessmen, though there may be regulations (as in Austria) as to the proportion of space which may be used in this way.

The policy to be adopted regarding communal services is obviously one which must be considered in considerable detail before a co-operative housing scheme is launched, architects are instructed or even land purchased. Some services (e.g. neighbourhood heating) may in the end save money, but many others cost money which the members will in the end have to find. If they do not, in fact, want a club, a community hall or a library, there is no point in increasing costs by including them in the scheme. A compromise might be the reservation of space for such buildings, should the members wish for them later on.



Project in Tema, Ghana: This Cinva Ram block-making machine can easily be used in self-help schemes *Foto: CHF*



Project in Port-au-Prince, Haiti of the San Martin Housing Cooperative *Foto: CHF*

CHAPTER VIII

“SELF-BUILD” AND RURAL HOUSING

In agricultural societies it has always been the custom for neighbours to join together for the purpose of building or rebuilding houses. Even in more recent times, it is on record that the people of a village decide they would like to rebuild all their houses. The whole village combined to make bricks, fell timber, make doors and window frames, lend oxen and carts to move materials to the building site. They draw lots for the first house to be demolished and rebuilt, meanwhile finding temporary accommodation for the owners. As soon as the first house is completed, they move on to the next and so until the whole village has been rebuilt.

Housing co-operatives for low-income groups intend to replace squatter settlements. The planning of housing co-operatives for resettled squatters should be based on precise and detailed knowledge of the squatter economy and its social organization.

The specific needs, customs and expectations of prospective members must be taken into account.

Members should participate in the process of planning and discuss site and house design with the architect.

Of course there are many more advantages, which favour self-help schemes like democratic control, self-administration and orientation towards the basic needs of the members.

The countries principally interested in “self-build” co-operatives are Sweden, the United Kingdom, Czechoslovakia, the United States and Canada. It will be noticed that none of these are developing countries. They are also countries in which manual labour has never been held to be degrading. The housing co-operatives in these countries which use “self-build” methods do not work in the same way. What they have in common is that their members decide to reduce the cost of their houses by building them wholly or partly themselves.

In developing countries the conditions for the realization of organized self-help is quite different. In most cases the only possibility to build houses for the poor sections of the population is the implementation of organized self-help.

The success of any self-help scheme depends to a high degree on the organizational form, which has to be chosen and is accepted by the members. In this regard, the objectives of the members will be determined by their organizational ability and the financial possibilities. Sometimes also legal or existing sociocultural obstacles have to be overcome.

1. Organization

Training of self-help groups is a most important precondition to enable members to participate actively in self-help organizations. If an informal self-help group is possible, the organizational form does not require legal regula-

tions. The group members decide and do not depend on bureaucratic decisions. An agreement among the members is necessary, e.g. about the rights and obligations of the members and about the objective of the self-help group. A group leader should be elected for a limited period of time with the option of being reelected.

Once the group has been formed, a leader has been chosen and the objectives have been agreed upon, the most difficult tasks have to be carried out.

First of all negotiations for land titles and occupancy licences have to be completed by the housing co-operative. Financial resources have to be sought (own capital, loans, state subsidies, international co-operation, etc.).

An inaugural meeting can then be organized, for which an agenda should be presented detailing the items for the discussion. A leader has to be elected who will act as chairman of the meeting. A member should be appointed to take the minutes of the meetings which have to be accepted by the majority when opening the next meeting. Otherwise the group will not be able to work successfully.

A list of members has to be kept by the leader of the group and new members have to be accepted by the majority.

During one of the first meetings rights and obligations of members must be agreed upon.

The participation of the member in democratic decision-making is a right but also a commitment to accept the decisions taken by the majority and to cooperate actively with the other members of the group. If a member is absent from a meeting for acceptable reasons and cannot send someone to replace him, e.g. his wife or son, then he must also accept the decisions taken.

In such groups there is a close relationship between rights and obligations of members. Otherwise successful joint action will not be possible.

In large groups a committee has to be elected, although only the general meeting will be able to decide. The members of the committee have to propose and to outline the various activities to be undertaken and explain them to the general meeting. Different functions of the committee members should be formulated, e.g. secretary, treasurer, etc.

If sub-committees are appointed, their tasks should be clearly formulated, e.g. organization of infrastructure measures, production or organization of building materials, coordination of labour. The sub-committees must be represented by an elected leader, otherwise the responsibilities will not be clear and activities will be hampered by fruitless discussions.

If immediate decisions have to be taken in order to deal with severe problems, a special general meeting should be called. This is for example necessary, when, due to retirement or death, a group leader or a committee member has to be elected.

Once the organizational structures are achieved, work can be carried out successfully by the sub-committees and their coordinating executive committees. Conflicts have to be discussed and problems overcome together. The organized self-help-group should even continue after the houses have been built, because community life has to be organized, job creation programmes have to

be initiated and revolving funds for new projects have to be administered. In developing countries housing co-operatives should not be dissolved after the construction period has been completed.

New tasks have to be carried out and group action will be necessary. This might require the setting up of new committees: a training committee, an infrastructure committee, a committee for agricultural job creation programmes, a committee for handicraft projects, etc.

The ability to pay off the moneys loaned will only be achieved, if new sources of income can be found. A survey about marketing in the region might be necessary to find out, if, for example, bricks can be sold or agricultural products will meet the local needs or they can be transported to other markets. Combinations between housing co-operatives and agricultural co-operatives or co-operatives of small-scale handicraft are quite successful organizations. A housing co-operative can, for example, be founded by members of a regional agricultural co-operative. The members should know each other, have already cooperated together and have experience in democratic decision-making procedures.

Self-help schemes for housing projects are of course far easier to organize, if an already existing organization with experience of self-help groups in other fields of co-operative activity is undertaking them.

The key to success in all "self-build" co-operatives would appear to be the small coherent group, a sympathetic source of loan capital and the inclusion, either as members or advisors, of skilled men with knowledge of different aspects of the building trade. With such knowledge available, and with unskilled people willing to learn, the quality of building is usually as high as that of commercial firms.

2. Rural Housing

Most self-build housing is to some extent rural, since most of those who undertake it prefer to make their homes on the outskirts of towns rather than the centre. It does not, however, fully solve the problem of housing or rehousing peasant farmers, agricultural labourers, foresters and others who live more or less remote from their neighbours and from urban services. Some local authorities or national housing banks offer loans to individuals for this purpose, as well as for the installation of piped water, modern sanitation and electricity. This is not a co-operative development, although in some cases the lending institution may be a co-operative bank. Loans for this purpose in some countries (such as India) are sometimes difficult to get, since the traditional style of village building is too impermanent to produce a property which can be mortgaged.

The co-operative contribution to rural housing is generally made through the supply of building materials, often by farmers' supply and marketing co-operatives. The member usually does most of the building himself, assisted by local craftsmen as needed. Much the same thing is happening in parts of Africa,

where the construction of permanent buildings serving as co-operative warehouses or offices may for the first time suggest to members the possibility of new standards of housing based on new building materials such as concrete and aluminium sheeting in place of mud and thatch. But co-operative supplies of cement and corrugated metal roofing might then make it impossible for the villager to put his ideas into practice.

The whole question of how to provide simple, inexpensive rural housing of acceptable standards through co-operative action still remains to be thought out in detail. It is associated with that of socio-cultural acceptance versus technical improvement, the laying on of pure water supplies, better sanitation, the provision of electricity and telephones. All these have been effected by co-operative action. The rural electricity co-operatives, e.g. of the United States and Turkey are well-known. Water supply co-operatives of various kinds have been formed in a wide range of countries, though not in large numbers.



Chicken are often an additional income for the families

Foto: DESWOS



Mud Construction with Self-Help: The Indian experience

Foto: DESWOS

CHAPTER IX

THE MANAGEMENT AND ADMINISTRATION OF HOUSING CO-OPERATIVES

The running of a housing co-operative is as important as the actual building. There must, in the first place, have been a good choice of members. Their economic position, their ability not only to pay their share on admission, but to go on paying over a long period of years is important. Their social acceptability to one another is important. So is the readiness of at least a considerable number to take active responsibility for managing the affairs of the co-operative.

There must be a certain measure of discipline which all can accept. The system of management must ensure that the financial obligations of the co-operative are met, that the fabric of the building is maintained, and its outward appearance remains creditable. At the same time, all the reasonable needs and wishes of the members must be fulfilled as far as is humanly possible. There must be security of tenure but also some means by which membership can be relinquished without loss to the member or the society.

1. Allocation of Dwellings

Some co-operative housing projects are exactly planned to accommodate the members, generally rather few in number, by whom it has been formed.

Housing co-operatives with "open" membership, however, usually have a waiting list of people seeking accommodation, some of whom may have been waiting for a long time. There may also be many other houseless people who would become members if they knew more about the co-operative or if there were any chance that it could house them in any reasonable period of time. In this type of co-operative, and in countries where the pressure for housing is severe, even desperate, it is necessary to devise a method of allocation which is fair to all, simple and easily understood.

The usual method is to allocate houses or flats to members in the order in which they joined the co-operative. Subsequent reletting, made necessary by death or departures, is usually controlled by the tenants' committee. In some countries a housing co-operative, which has received support from the local authority, has to consult that authority before allocating dwellings, and may be expected to make room for families in conditions of special hardship. The order or request comes from the local authority. In some countries all allocations are said to be made "on social principles". This is no doubt the ideal of all, but it would appear to involve some very difficult decisions as to the relative urgency of

different kinds of need. Should a large family be preferred to one at present living in particularly unhealthy conditions ? A poor family to one which has made continuous sacrifices in order to save up for a good house ? The sense of injustice which might be aroused by a wrong, or even by a right decision, may easily be imagined, and would not help the social climate of the co-operative, even if the aggrieved family had been excluded altogether.

In some Western countries, a government office, regulates the admission and transfer of members in all housing co-operatives receiving federal aid or the local authorities must be consulted in cases where public funds are involved in order to provide housing for certain groups of tenants or future owners. These provisions, though they may represent the natural price which the local authorities exact for what is often generous aid, do rather conflict with the idea of a co-operative as a self-help association of like-minded people who have come together to create something for their own economic and social benefit. The orientation of the co-operative towards the poorer sections of society should always be kept in mind.

The fact that admission to membership in a housing co-operative itself usually involves scrutiny and selection should mean that when a further selection is made of those who are to receive the first houses, it should do no more than establish a numerical order of allocation and not, save in very exceptional circumstances, allow disqualifications or even long deferments.

Before leaving the subject of allocation, it may be of interest to quote the case of a co-operative in Costa Rica building houses for the ultimate ownership of its members. Seven out of every ten houses built are allotted in the order in which members joined the co-operative. The remaining three are allocated by ballot, the lucky recipients being forbidden to transfer them for profit. This element of gamble might not be accepted in all countries, but at least it stimulates members' interest.

2. Tenure

In the case of houses which are in effect being bought on credit by the member from the co-operative, the member does not enter into complete ownership, either freehold or leasehold until the loan is paid off. In the meantime he is subject to certain restrictions. In Hong Kong, for example, flats cannot be mortgaged while the loan is outstanding, nor can they be assigned or sublet without permission. No lodgers, other than members of the family, may be received. In some countries, on the other hand, subletting part of a house in order to pay off the loan to the co-operative seems to be an accepted practice, to which no objection is raised.

In order to prevent speculation, it may be laid down that co-operatively built houses may not be alienated in less than six years from the date of occupation. Elsewhere, if a member wishes to sell or let his house less than ten years after he took it over, he must first offer to sell it to the co-operative, and can only sell to an outsider if the co-operative is unwilling to purchase. The co-operative,

further, takes any profit from sales to a third party or from sub-letting. In many countries houses, on which there is a mortgage may only be alienated with the permission of the co-operative and not at a profit. Even transfers to members of the owner's family should be subject to the co-operative's permission.

In Malaysia, an original check on speculation in co-operatively built housing has been devised. This takes the form of temporary tenancy. When a co-operative lends to a member in order that he may build on his own land, the site is transferred to the ownership of the co-operative and the member becomes a tenant of the co-operative till the loan is repaid. This puts the co-operative in a somewhat stronger position as creditor, than, if it only held a mortgage on the house. It also means that the tenant cannot sell, if the value of property rises or he is unable to meet his obligations, or both.

In those co-operatives in which the ownership of houses remains permanently with the co-operative as a corporate body, the member usually receives a life tenancy or permanent right of occupation. This is the system, for example, in France, Germany, Poland and the Scandinavian countries. In some countries, however, it is merely affirmed that the lease should not be arbitrarily terminated, and in the United States, with an extremely mobile population, given to frequent changes of occupation and residence, there seems to be a preference for short leases and no explicit provision for life-tenancy, though an occupation right would seem to be assumed.

3. Transfer of Dwellings

Many people otherwise attracted by the idea of co-operative housing are concerned as to rights and interests should they be compelled to move, perhaps because their work has moved, to some other part of the country. How much of the capital they have invested in their house will they be able to recover? Will they be in any better position to secure accommodation in the place to which they are going than if they had not been a member of a co-operative? Will they have any say in the choice of a tenant to succeed them? If their absence is likely to be no more than temporary, will they be able to sublet? What will happen when they die? In particular, will the surviving partner of a marriage be able to remain in his or her home?

In co-operatives, aiming at house ownership for their members, the position does not differ materially from that of any owner of a mortgaged house, though the co-operative may want to interview the new occupier to make sure that he is reliable and otherwise acceptable, and there may be restrictions on sale for profit and on subletting.

The problem only really arises in an acute form in the case of co-operatives for permanent tenancy. To take first the case in which a member dies: in most countries members are allowed to leave their right of occupation to near relatives, and in some cases the consent of the co-operative is required.

As regards transfer during a member's lifetime, members are free to leave a housing co-operative at any time, but the transfer of a dwelling from a resigning

member to a new member calls for the approval of the co-operative or, in practice, of the committee.

The object in every case is first to give the member complete security of tenure, unless he grossly abuses his position; secondly, to make it impossible for him to use membership in order to make a speculative investment in house property; thirdly, to allow him to leave his dwelling without financial loss; and fourthly, to make provision for the natural human wish to transfer what has been a family home to a surviving partner or to the children of the marriage. Finally, the object of the co-operative is to create a mutually congenial community as well as a solvent undertaking, and this means some control over the choice of members not only at formation, but throughout the life of the co-operative. The balance between these objectives is not easy to strike or to embody in rules which will work with automatic justice in every case. A good deal depends on the wisdom and commonsense of the committee by which they are interpreted. There would also seem to be scope for appeals to the arbitrators of a higher authority, say the committee of a national co-operative housing association or a special board set up by it. It is not clear, however, whether such machinery exists in many organizations nor how often it is in fact used.

In choosing members in developing countries, especially in projects for low-income groups different criteria have to be used. Emergency cases of large families living in one room in a slum area must have priority and not the financially secure middle income groups, being chosen in public housing, e.g. public administration staff.

Co-operative housing depends to a very great deal on the willingness and motivation of its members and this must be strengthened by joint action.

4. Rent and Amortisation of Loans

In most developing countries house ownership is preferred. Most of the families have been living as tenants before they became members of the housing co-operative and had to face speculation and insecurity. Now they want a house for their lifetime and leave it to their children when they die.

Actual rents expressed in terms of money mean little. They must be considered in relation to accommodation and amenities on the one hand, and to the general level of wages and cost of living on the other. However, the basis on which rents or other payments are calculated, and their relation to the incomes of members, have a much more general meaning, and can be subject to international comparisons.

Tenants' co-operatives in many countries fix their own rents. They cover the interest and amortisation of the loans which the co-operative has contracted, plus the cost of managing the property. Central heating, where it is supplied, may raise the rent considerably. As the loan is repaid, interest charges will fall. Both interest and amortisation will eventually cease when the whole loan has been repaid. In some countries the reduced interest charges are reflected in a reduction of rent. Elsewhere it is assumed that as interest charges fall, the cost

of maintaining an ageing building rises, and it is planned to leave rents unaltered. This calculation may be influenced by the belief that prices and wages will continue to rise over the years as they have done for many years past. In this event, even if the actual figure remains unchanged, rent will become a less important item in members' expenditure, while the cost to the co-operative of repairs, though not of interest, will rise. In the Indian tenancy co-partnership co-operatives, rents are paid until all the borrowed capital has been paid off. Thereafter, the buildings remain common property, and members are issued with shares corresponding to the payments made.

In many countries some form of public control is applied, either to all housing, to housing under a certain ratable value, or to all housing built with a government subsidy. This may restrict the freedom of the co-operative to fix its own rents at an economic figure, though in some countries the element of loan repayment may be treated as something outside the scope of ordinary rents and special arrangements may be allowed.

In countries where the member is hire-purchasing his house rather than renting it, the position is a little different, though most of the same costs have to be met. In Malaysia loans are repaid monthly, together with interest payments at 1 % above that which the co-operative itself has to pay. The margin provides for the overheads of the co-operative. There is also an annual charge for maintenance and a subscription for social services. In some cases a mortgage redemption insurance may be required. In the mainly middle class urban housing co-operatives of Hong Kong, the tenant has free possession of his house from the time the loan is repaid, to the termination of the 99-year lease on which it is held, when the land on which it is built will revert to the government. In Hong Kong housing co-operatives for fishermen and market gardeners, the members pay a monthly rent covering up-keep and a contribution to a revolving fund.

5. Maintenance

Once the credit is repaid, the member as owner becomes himself responsible for maintenance and up-keep.

In tropical countries, the supervision of the technical up-keep is of great importance. In many cases, the members cannot secure continual supervision of the settlement. Therefore the assistance of the housing co-operative is necessary.

The members can be trained in all technical matters and be advised, whenever it will be necessary.

Regular supervision of all infrastructure facilities has to be done by the housing co-operative, otherwise the settlement as a whole will change its appearance and the whole community is likely to change have to face severe consequences. Self-help schemes will also be useful. The committees, which were responsible for the construction of infrastructure facilities (water pipes, etc.), generally should if at all possible continue the work of supervision, as they have the necessary know-how.

6. Members' Committees and Social Solidarity

Committees elected by the members at their annual general meeting are a practically universal feature of all co-operative housing. They are indeed an essential to the co-operative form of organization and are the practical expression of the principle of democratic control. The only unexpected feature of housing co-operatives in this field is that the principle of committee management has in some cases been more variously and perhaps more loosely interpreted than in most other types of co-operative, and sometimes appears in a rather attenuated form.

The meaning of the term "committee" varies greatly, and there may be provision for more than one type within one co-operative. The range of *committee responsibility*, in fact, is from complete control of all aspects of a housing project to a limited advisory role in respect of a single block of flats. Not only the responsibility of the co-operative, but the range and intimacy of its contact with individual members may vary very greatly. A local advisory committee may know its members, and though this may be a strength, a committee of this kind may perhaps all too easily become a mouthpiece for the grievances of a few, rather than an attempt to play a more creative part. On the other hand, the committee of a large, perhaps regional organization, may be democratically elected and exercise real managerial responsibility, but may in fact cover too many projects to be in very close touch with the wishes and problems of the ordinary members of any housing unit.

Rights and duties of the committees should be written into the by-laws of the co-operative. In accordance with these by-laws, the executive committee is responsible for the whole administration of the housing co-operative. Also, the conduct of meetings of the committees and the general meeting, where the elections take place, are determined by the by-laws. The executive committee has to present a report of activities and a financial statement for the past period as well as a programme for the forthcoming period, indicating all the steps which have to be taken by the housing co-operative. The members decide during the general meeting about the proposals and approve the audit report. As members live together in neighbourhoods, the collaboration between them plays an important role for the success of the housing co-operatives.

The co-operative institution of the annual general meeting, at which the committee is elected has already been noted. Not much has been said about the attendance at annual general meetings of housing co-operatives in different countries, nor of the conduct of business nor the degree of interest shown. It is normal experience in other types of co-operatives, that interest is keen and attendance large in the early years, but that in a successful co-operative, interest gradually becomes less keen and attendance less numerous. This is to be deplored, if only because it leaves committees unchecked and often reduces elections to a formality. When this happens, inefficiencies and even abuses may creep in. The co-operative ceases to be sensitive to its members' needs, grievances begin to foster, and when a large and angry meeting at last assembles, much damage has already been done. Every effort should therefore

be devoted to preserving the annual general meeting as a living and popular institution. In large co-operatives, on the other hand, such a meeting may be unfeasible and may be replaced or, where the law or the by-laws provide so, may even have to be replaced by a meeting of elected delegates.

7. Administration of common services and management

It should not be assumed that all co-operatives which aim at house ownership are necessarily wound up on the transfer of the last house to its owner. Many of them remain in being in order to administer the common services or amenities of the settlement and to give members a chance of exchanging views on how they should be conducted. Its financial responsibilities are reduced, and its power over its members is less, but it may still have useful work to do. Some co-operatives decide to continue their activity by setting themselves the task of a new housing project in order to provide house ownership for new members or to construct housing to be rented to other members in need of housing.

The aim and purpose of a housing co-operative is to be permanent and maintain indefinitely the joint ownership and management of a housing project. It is recognised, however, in co-operative laws or rules of several countries that there are circumstances in which the members of a housing co-operative may wish or be compelled to wind up its affairs. It may be in financial difficulties through bad judgement or circumstances over which it has no control, and may be unable to meet its obligations. On the other hand, the co-operative may, through change in land values and shifts of population, find itself in possession of property valuable out of all proportion to the payments made by members. In such circumstances, the members may be tempted to realize the accrued value, through a speculative sale, decide to dissolve the co-operative and distribute its assets amongst themselves. This is not the purpose for which the co-operative was formed or for which it received aid from public funds.

In several countries these possibilities have been taken into account in the law and in the rules of co-operatives. In particular, there are provisions to prevent the speculative sale of co-operative property.

After the construction of the houses has been completed the economic and social activities of the members can include all kind of communal buildings and facilities, such as the community centre, schools, children's playgrounds. Also basic services, e.g. water supply, drainage and sewage have to be supervised and maintained. In developing countries even this is not always done by public authorities, so that basic social services have to be organized by the co-operative itself. Therefore the continuous effort of the members should be to improve the living conditions in the co-operative settlement.

8. Income generating measures

Income generating measures such as job creation programmes also need a good co-operative structure, so that the co-operative organization should continue, although the basic objectives of covering the housing needs have been met.

In developing countries many possible measures could be implemented, for instance the manufacture of building materials, small handicraft projects or agriculture programmes. On-the-job training can also be offered by the co-operative, particularly in association with consumers' or other co-operatives, including apex organisations.



The Bombero Voluntario Housing Cooperative in Quezaltenango, Guatemala

Fotos: CHF



The Magisterial Queyalteca Housing Cooperative in Quezaltenango, Guatemala

CHAPTER X

HOUSING BY CO-OPERATIVES OF BUILDING WORKERS OR CONSUMERS

A number of references have been made to co-operatives of this type, but mainly in regard to their relationship with tenants and the degree of co-operative responsibility, which the latter are able to assume. It may well be, however, that in some countries interest in co-operative housing may first be aroused among building workers rather than among prospective occupiers of houses. It would seem useful, therefore, to give a rather more consecutive account of the aims and methods of these organizations.

1. Workers' Productive Co-operatives

A workers' productive co-operative or simply a workers' co-operative is a legal body, which is owned and managed by those working in it. To qualify as a co-operative, such an organization must conform to ICA-principles.

There are numerous examples of co-operative housing projects for industrial workers in developing countries, but workers' productive co-operatives are not frequently found.

Among the original aims of the co-operative movement in Europe was the establishment of Workers' Productive Co-operatives, also called self-governing workshops or co-partnership associations.

Workers, usually in a skilled trade not requiring massive capital equipment, took up shares in a co-operative, which then acquired and equipped a workshop or small factory in which the members were employed. Management was in the hands of a committee, elected by the worker members. Regular wages at the recognised trade union rate were paid, but at the end of the year any profit or "surplus", after meeting the obligations of the co-operative and making a contribution to reserve, was divided among the workermembers, usually as a bonus on their wages in the past year.

Co-operatives of this type have had a rather limited success in Great Britain but have played a more considerable part in France and Italy, as well as in India and other Asian countries. Among the other industries in which they engage is the building trade. In the early stages, at least, this did not involve the setting up of a workshop or the purchase of much in the way of equipment. The members usually covered between them the full range of building skills, though co-operatives of masons, joiners or other specialists may be found in some European countries. The more comprehensive groups might employ their own foreman, clerk of the works and possibly architect and accountant. These

professional workers were not at first always members of the co-operative, though it is now usual to include an agreed percentage of professional men, with the same rights as other members.

A builders' co-operative enters into contracts with private persons or public authorities to build houses, schools, factories, hotels or other buildings. The initial difficulty has always been finance. Although workshops and (in earlier years at least) expensive plant were not required, the building industry, like agriculture, has a slow production cycle. Materials have to be purchased and labour paid for many weeks before the client expects to make his first payment to the builder.

In some developing, esp. Asian countries, building workers' co-operatives have played a considerable part as contractors working for housing co-operatives of prospective owners or tenants. A single co-operative may undertake the whole contract or it may be split up among a range of specialized co-operatives.

2. Housing Co-operatives for Industrial Workers

Who will house the workers ?

The planners, developers and managers of industry have faced this question since the industrial age began, for industry must have an adequate, reliable labour force to survive. The problem is serious enough in the United States but even more so in the developing countries where new housing production has never caught up with long standing housing shortages.

Some industries have been obliged to forego operating economies or competitive advantages in order to locate where there have been workers – and housing for workers. Firms engaged in extractive or agricultural production have had no choice of location. They have had to provide housing for workers near the mines, fields or forests.

Other industries may have the option of establishing their operations in a selected location and can take advantage of inexpensive land situated near highways or shipping points. However, they too have to take the availability of housing for their workers into consideration in selecting a location.

For the planners, developers and managers of industry there is a choice among three fundamental policies regarding housing for the workers.

One policy is to simply ignore the problem, saying in effect: "Let the workers find their own shelter." This is usually inadequate because industry needs a stable, organized residential community to attract and hold responsible workers. As individuals, workers lack the resources to create such communities. The most likely result of this negative policy, particularly in developing countries, is a growth of over-crowded, unsanitary slums and squatter settlements.

A second policy choice is for industry to undertake the construction and operation of housing that it would own for its labour force. This paternalistic policy has ancient roots. The feudal lord sheltered his serfs, while in industrial times, some companies built "company housing" and "company towns". Generally, these have had an unhappy history.

Today's industrialists recognize that company-owned housing diverts manage-

ment's attention and capital away from their own primary objectives. And workers, justly or not, view company housing as unwelcomed employer interference in their personal lives.

A third policy option is the one addressed in this publication: that industry lend its support and encouragement to institutions which would develop adequate, well-planned shelter for the workers through the medium of co-operative housing.

Experience in Developing Countries:

There are numerous examples of co-operative housing projects for industrial workers in developing countries. The American Cooperative Housing Foundation (CHF) has collaborated with local TSO's, and in many cases has created these entities, to develop co-operative housing, including projects for industrial workers.

In some developing countries the trade union movement is backing housing co-operatives. In Kenya it has assisted in the establishment of the National Co-operative Housing Union.

3. Consumer Co-operative Housing

A consumers' co-operative is owned and controlled by those who buy goods or services from it.

The opportunity for consumers' co-operatives to play a part of any importance in housing really depends on the strength of their own position. A consumer co-operative or union of co-operatives with ample reserves, may well invest them in housing for their members or employees, and at the same time bring new, more convenient or more agreeable ways of living within their reach. This is all the more possible if the co-operative already has its own building department with experience in putting up stores and factories and perhaps with capacity to spare for other projects.

Many consumer co-operatives today, however, are either still in the pioneer stage or are reorganizing and modernizing their shops and other permanent equipment to meet changing conditions. In neither case are they likely to have capital or labour to spare for housing projects.

The trade union basis of co-operative housing may well be of wider application, but it depends on good organization of building trade workers and again on access to ample capital resources, either from long accumulated trade union reserves or from public funds.

4. Agricultural Co-operatives

In developing countries agricultural co-operatives play an important role for the improvement of the socio-economic development of the small farmers. Agricultural co-operatives are made up of independent farmers, who join together in order to perform a particular function to their mutual benefit. They

are concerned e.g. with marketing, obtaining supplies, sharing equipment or supplying services like irrigation. More favourable prices can be obtained by joining together, and in combination with transport co-operatives marketing in different regions of the country, can be carried out and sometimes even the export of agricultural produce.

A combination with housing co-operatives therefore can be a successful operation, as rural housing and its improvements prevent rural-urban shift, which causes the most serious problems of urbanization and the growth of metropolitan slum areas.

Housing co-operatives in rural areas of developing countries face additional problems of infrastructure facilities and in general there are less income sources.



Mud houses in India: An alternative for low income groups

Foto: DESWOS



An already existing cooperative with members is a good start: the project "El Alto", Bolivia

Foto: DESWOS

CHAPTER XI

STAFF AND STAFF TRAINING

Three levels of training have to be considered: Leadership training for the TSO and sponsoring organization; member education and training for primary co-operative staff.

In developing countries the training of co-operators is more important than in industrialized countries. As funds are very limited and mismanagement could cause the failure of the housing co-operative. The training of the prospective member is of vital importance.

The German Development Assistance Association for Social Housing (DESWOS) has published a "Pre-Member Education Course for Housing Cooperatives", which can be used in developing countries. The course lessons can be obtained from DESWOS¹⁾.

The Cooperative Housing Foundation, a US-non-profit organization dedicated to better Housing and better Communities fully supports training and education as one of the most important constituents of any co-operative housing programme in developing countries. Those programmes are likely to fail if good management is not secured. Without resources devoted to training over sustained periods of time, the programs are likely to founder.

Furthermore members of the managing committee and other committees need training. The former need business knowledge and organizational skills, while the latter need complementary on-the-job-training ("learning by doing"). When the first project starts, experienced craftsmen should be integrated in the groups.

Not only instruction for building is essential, but also how to carry out the organization and coordination of the work in the most efficient manner.

Lewin describes the educational concept at various levels of operation (see LEWIN, A.C.: Housing Cooperatives in developing countries. John Wiley & Sons. Chichester, New York, Brisbane, Toronto, 1981):

1. Educational concept

1.1. Pre-Member education.

This could be structured as DESWOS proposes.

1.2. Training of the formation committee

Introduction to analysing the provisions and requirements of laws, by-laws, the planning-concept including design, financing and construction

1.3. Member education course

By-laws, rights and obligations of members, etc. – more detailed discussion among the members than in the pre-member education.

¹⁾ The address of DESWOS is: Bismarckstr. 7, D-5000 Cologne 1, West-Germany, Tlx: Germany 888 1842 ggw d, phone: 221-525001

- 1.4. Training of the co-operative committee
Instruction of committee members on their statutory duties, including administration, bookkeeping, etc.
- 1.5. Construction and complementary training
Theoretical and practical training in small groups in methods, techniques, group works, etc.
- 1.6. Committee and board's training
Management courses dealing with various aspects of co-operative management and administration.
- 1.7. Member complementary training
Periodical training in various aspects of co-operation through members' meetings and other educational activities.

The organization of training courses in developing countries is quite different from those in industrialized countries, where formal qualifications sometimes are more important than practical experience. In the Third World the instructor must have a solid practical and informed background. In cases of low-cost housing projects he must know that organized self-help needs training of the trainers. A model house can be constructed and all group leaders must participate in the realization of the project. Then mistakes, delays and all kinds of problems have to be discussed, before the construction period takes place. It is far easier to organize training in a follow-up project.

Co-operation is not a magic formula, nor can it be relied on to succeed merely because it is based on social principles which are right in themselves. A co-operative is a business, and like every other business it depends for its success on good management. Every co-operative needs a well-qualified, competent and energetic manager or managing secretary, with supporting staff from whom he can evoke efficient and willing service.

This state of affairs is not always as easy to bring about in a co-operative as it is in a private business. In the first place, appointments and general policy are in the hands of a committee run the members who often have no experience in the affairs of business.

2. Staff Recruitment

The formal qualifications of the manager of a housing co-operative should cover a fairly wide range of experience, and it may be necessary to appoint a person with one type of experience and hope he will acquire the others. He must be familiar with accounts and costings, the way in which they are determined and how conclusions are drawn from them. He must be able to find his way about co-operative and housing laws and local government regulations. It is essential that he should have some previous experience of building, surveying or architecture, though he need not hold professional qualifications. Without necessarily being a co-operative evangelist, he should at least have some understanding of co-operative methods and some sympathy with co-operative objectives.

It should be said here that co-operatives, especially co-operatives working in isolation from one another, may have special difficulties in getting the right staff. In the first place, they often cannot pay high salaries. In the second, they often cannot offer a career structure.

Sometimes it is difficult to persuade the committee of the need to pay a reasonable salary to its chief officer. The secretary or manager must have special skills. He is obviously doing something few of his members could do themselves.

The Chief Officer of a co-operative is chosen by the management committee or supervisory committee, except in those cases where the committee has entered into a management contract with a federal organization. In this case the federation may make the appointment, usually after consultation with the local committee. In a large co-operative, one or two senior appointments are usually made by the committee, but an attempt by a committee to settle all appointments down to those of junior clerks and boiler-men is usually a time-wasting mistake which does not lead to efficient working. It can also open the way to personal influence and favouritism. It may perhaps be urged, however, that members, acting through their committees, should have some say in the appointment of subordinate staff, such as caretakers and gardeners, with whom they will have frequent personal contacts. Selfhelp of the co-operative should be strengthened, wherever it is possible.

3. Decisions of the committee

It is usually said that the committee of a co-operative should lay down general lines of policy. This is undoubtedly true of a co-operative carrying on business such as marketing distribution, where large staffs have to be controlled and decisions, often involving considerable sums of money, have to be taken at short notice. This is not true to the same extent in a housing co-operative, where decisions of this kind are infrequent, and the working of the co-operative intimately affects the lives of all its members. This may well call for more effective committee decisions and more frequent consultation with the ordinary members, through general meetings and perhaps in other ways. This in turn requires special aptitudes on the part of the chief officer, who must be able to work with his committee, neither imposing his will nor too unquestionably submitting to theirs.

It should be borne in mind that men handling tenders for valuable building contracts, recommending on the purchase of the building sites and perhaps making large wholesale purchases of building materials, may well be exposed to greater temptations than those in other lines of business, and that a fall from complete honesty may be particularly difficult to detect. This is an argument for more control as well as for vigilance on the part of committees and of those representatives of local government authorities or national federations who may be appointed to take part in the work. The custom of "bonding" staff members handling or deciding on the use of money is only a partial solution.

In general staff training should tend to rouse interest as well as stimulate efficiency and should provide a housing co-operative with a staff of loyal and enthusiastic employees who take an active interest in the work of their own organization and feel themselves part of a larger body of men and women serving the wider interests of housing and co-operation.



This community centre started operating in 1987. It houses activities such as literacy education, vocational training, childcare and education, handicraft and health service



Teaching health for the children

Fotos: CHF

CHAPTER XII

FINAL OBSERVATIONS

1. Basic conditions of success

In developing countries housing co-operatives are a good and efficient instrument for the improvement of the housing situation of low-income sections of the society. Non-governmental organizations with self-help schemes to build low-cost houses are not easy to run. Therefore, the coordination within local federations and the collaboration with local as well as regional agencies is of vital importance for the success of the co-operative.

Furthermore, financing problems cannot be solved by the members, if loans on favourable terms cannot be made available and sites as well as basic infrastructure services are not offered at lowcost.

In the planning period, the participation of members should already be included in order to avoid the most common mistakes, e.g. that the construction of the houses does not correspond with the socio-cultural background of the future users.

Other planning errors should be avoided, such as , land not suitable for construction, underestimation of costs because of inadequate financial planning or because loans have not been committed in advance. Such mistakes can only be avoided, if a competent, well-trained management is capable to deal with such matters competently.

Assisted by a TSO, the planning of a housing co-operative has to be determined by the members themselves. Therefore forward planning has to be realistic in terms of the co-operative components (by-laws, training, organization of self-help, democratic elections of the committees, etc.). The members' selection and premember-education-courses should take place, before the planning period has to be organized.

Then long-term objectives should be formulated and the steps to reach them should be discussed in detail at the first general meeting. After agreement about the legal framework (by-laws) and the long-term objectives has been reached, the election of the committee should take place. The organization of savings, the commitment of loans, the discussions with local authorities about land acquisition and infrastructure facilities take some time and have to be planned and carried out carefully. Otherwise external conditions or internal conflicts can lead to inadaptability or can restrict the necessary preparations for the construction period.

Urban building sites in developing countries are sometimes extremely expensive and out of reach of low-income groups or the market is dominated by speculators who inflate prices.

The land tenure problem is an essential obstacle to land reforms and causes the immense social disasters of migration from rural to urban zones (push-factors). Therefore rural housing should be strengthened and – to improve the housing

situation in the cities – all possibilities for the acquisition of government owned urban land as well as the financial support of the government should be investigated carefully. Particular attention should be paid to land owned by non-profit-organizations, e.g. the church.

Housing projects need the availability of basic infrastructure services. The costs could be too high, if self-help schemes are not realized. All the necessary work relating to water pipes, electricity, etc. cannot always be carried out by self-help groups, but a great deal of it usually can.

The acquisition of the site and the infrastructure work must not take up all the funds, so that no financial resources are left for building materials.

Housing management has to start with a feasibility study including all costs of land, acquisition, infrastructure, building material, etc. If no realistic studies are made before the general meeting has to decide about the project, costs are likely to explode and the low-income groups cannot be reached.

Self-help housing can be realized with the same standards as any other housing project, but it must be organized very carefully.

Self-help organization can be taught. The members have to know their rights and obligations as members of the group, which has to be formed by the decision of a general meeting. This should be done by the inaugural meeting, when all prospective members participate.

The minutes of the meetings must be taken and recorded for future reference. In case of future conflicts, this will be of some relevance. The aims of the group have to be formulated clearly, the activities for immediate, medium- and long-term actions have to be discussed carefully. Rights and obligations of the members have to be explained. If most of the construction work has to be carried out by self-help groups, an intensive technical training programme must be launched in advance.

The joint purchasing of building materials or, to a certain extent, the production of the bricks, pipes, roofing tiles, windows, etc. has to be organized and coordinated. The members need a good and efficient managing committee authorized by a clear decision-making process.

Official recognition of a co-operative society is in most countries granted by the official registration. The co-operative society rules may vary from country to country, but have certain structures in common.

As an example the by-laws for the housing co-operatives in Zambia can be found in Annexe III.

In most of the developing countries there are co-operative laws for other sectors, e.g. agricultural, producer, consumer co-operatives, but no co-operative law for housing.

But the legal framework is the essential condition for the functioning of housing co-operatives, for its recognition as a corporate body, and after all for its by-laws.

The by-laws, supplementing the national rules for co-operative legislation, should mention the legal framework of the country. The objectives must be realistic, the steps to achieve, the aims must be clear and the members' rights and obligations have to be well formulated. The funds of the co-operative

society and the accounting regulations should also be written into the by-laws. Sponsoring agencies and the national institution of the housing co-operatives should be named.

The encouragement of self-help construction must be included and details should be written down as to what degree the members themselves are expected to carry out their work by organized self-help.

The availability of loans and the technical assistance provided is even more important, because this is the financial precondition for self-help schemes.

The training of member is an essential part of the by-laws, and it should be clear that it is an integrated part of the co-operative.

2. Advantages of Co-operative Housing

The principal value of co-operative housing seems to be that there are, in all advanced societies, a large number of people who may not be able to provide their housing completely unassisted, but are still in a position to make a substantial contribution to that end. The state and its local authorities may be prepared to accept the slight risk involved in guaranteeing a loan from a financial institution run on normal banking principles or for the small charge incurred in reducing the rate of interest on the loan, or in raising the permitted rent payable to the co-operative. Such limited contributions can be used in a co-operative housing project to produce a quite disproportionate volume of new housing, built to a standard which should be acceptable to the users.

From the occupier's point of view the system is attractive, because he gains a measure of choice in the siting and design of his future home as well as in the character of his neighbourhood, which he would not get in a public housing scheme. He has, it is true, to make some initial sacrifices while he is building up his deposit and repaying his long term loan, but in the end he has in most co-operative schemes a solid asset in the shape either of a freehold house or of a permanent tenancy or occupation right.

It is widely testified that the co-operative system of democratic control has contributed substantially to the discipline of users in housing projects. The prompt collection of rents or loan repayments, the care and maintenance of buildings and the absence of conflicts, minor abuses and juvenile delinquency are all fields in which the co-operative projects seem to show better results than do those of public authorities. Selection, which is to a large extent self-selection of the members, is also an important factor, which the co-operative is usually free to introduce. There are a number of conditions and pressures which would make such selection more difficult, if not impossible, in a public housing scheme. The result is first of all a social gain, but it also means that the property can be more economically run with a minimum of paid supervision, bad debts, physical damage or legal action. This in turn can lower the rents or other contributions which members have to make.

On the constructional side, co-operative housing has often shown more awareness of self-administration and self-help while this is neglected in public

housing. It has been often the first to adopt new methods and to adapt devices which first appeared in the homes of the wealthy, for the use of people with only very moderate means.

Most co-operative housing schemes, on any scale, have gone beyond the simple provision of dwellings. Either alone or in collaboration with the local authorities, they have provided amenities and services which make an aesthetic and social contribution to life in the neighbourhood, the effects of which may extend beyond the boundaries of the project itself. Their promoters also give at least as much thought as do local authorities to the provision for special groups such as large families, the aged and single people, as well as to the transference of the individual membership of a family to one or the other groups – or indeed vice versa.

The benefits of self-help housing are quite obvious:

Most developing countries are not able to provide the poorer section of the society with housing. The need for better shelter and communities continues to outstrip local authorities' abilities to solve the problems of housing.

Public housing cannot tackle the problems alone. Therefore co-operative action is being recognized as a way to assume private sector involvement and to utilize participants self-help resources. The increasing emphasis of shelter programmes to assist lowincome families has led local institutions and international donors to involve prospective beneficiaries in different phases of development. This involvement has been found to be essential in eliminating problems in project development, particularly in programmes such as site and service, squatter or slum area upgrading. Thus, self-help housing co-operatives can provide not only shelter and housing, but also a mechanism to bring additional needed services to the community such as health care, transportation, education.

These co-operatives can also provide employment opportunities which enable the members to pay off their financial commitments.

Most important is the fact that poor families get a chance to participate in a democratic decision-making process and to improve their social and economic conditions, which affect their lives.

An important aspect in the provision of shelter for low income households is the role that self-help can play. The self-help housing co-operative can be a mechanism for the development of community facilities such as green areas, the maintenance of the project and the promotion of social and economic activities. Since the co-operative approach has proved to have less delinquency than other typical repayment systems, where each individual pays a housing bank or agency directly, this self-help organization can be responsible for the collection of the monthly payment made by individual members.

The most significant advantage is that self-help empowers the families to mobilize human resources. It helps the members to obtain finance and credit, land and collective representation.

Furthermore, self-help enables the members to identify themselves with the project, which provides a personal involvement that leads to a commitment for a successful solution of problems.

Programmes in Egypt



House improvement by cooperatives . . .

Fotos: CHF



. . . and training for the members to have additional income

3. Urban and rural problems

The housing problem in developing countries is both urban and rural. Traditional rural standards are often, though by no means always, very much below those which most housing authorities would now recommend. The deficiency is often a matter of services, especially water supplies and drainage, rather than of accommodation, which may be more ample than in many carefully designed modern flats. Land is cheap, local materials and labour are available, but in many African villages large, if not very well built, houses are often put up by the more prosperous farmers on their own initiative and at their own expense. The poor have only a chance, if they envisage organising themselves in a co-operative.

The same thing occurs in and near towns, though there the motive is usually investment of a more speculative nature. Neither of these quite spontaneous developments does much to solve the problems of two important classes. The salaried workers in the middle grades of their profession who are not eligible for a government or company house, and the shanty town population who have drifted in from the countryside in the hope of easier and more profitable employment than in the villages. Often they fail to find it, but nonetheless remain, unemployed, living under intolerable, overcrowded conditions in flimsy huts built of petrol tins, packing cases and sacks, without water supplies, sanitation or lighting, constituting at worst a criminal, at best a violently unstable political ring round otherwise advancing communities.

4. Poor sections must be reached

Not only the problem of the middle-class salaried man can be met by co-operative housing schemes of the kind already tested in many other countries, but that also the poor sections. The points to which special consideration may have to be given are (1) the general, though perhaps not universal dislike of flats; (2) the strong preference for house ownership; (3) the tendency of governments to transfer only civil servants (an increasingly numerous class, especially where industries and services have been brought under public control) at regular intervals; (4) the tendency of families to amalgamate, making control of subletting difficult or impossible. Several of these problems require solutions of different kinds.

Many ideas and forms now accepted unquestionably in the developed countries may have to be re-examined before a successful formula is found. We have to expect, that the conditions in each country and also cultural factors will lead to a very great variety in demand in developing countries. The orientation of the poor sections is essential.

The problem of the shanty towns is beyond a co-operative solution alone. An extension of industry to provide employment might create resources which could enable government, or the industry concerned, to rehouse the workers. The chances are, however, that they would immediately be replaced by other

migrants who would quickly reproduce the same conditions, even if the original shanties had been destroyed. The only long-term solution seems to lie in the dispersal of industry, the creation of new forms of employment in villages and country towns, based upon local products and in the raising of agricultural standards. This would not only increase the output of raw materials but would raise the income and status of the farmer and so make the mirage of an office job in the city less alluring to the farmers' sons. In all this there is an important place for co-operatives of various kinds but not, in the early stages, for co-operatives especially concerned with housing.

The gravity and complexity of shelter, social and economic problems of the urban masses could be solved by co-operative housing under certain conditions. Innovative sponsored programmes such as the successful examples described in chapter XIII show what could be achieved – even under very difficult conditions.

5. Member's Identification within self-help housing co-operatives

The member's personal identification with the project is of important benefit which helps to promote his participation in the housing society.

Especially the self-help housing co-operative can provide certain economic advantages which include the ability to mobilize personal savings, to negotiate lower costs for housing (e.g. savings through economy of scale, bulk purchases, lower interest rates, etc.) and lower maintenance costs. The members are sure that security and stability will prevail.

Self-help housing co-operatives are legally established, formal associations of members with common bonds, working to improve their physical, social and economic living conditions by using self-help principles.

This concept means not only equitable labour contributions to self-construction, but also all aspects of member participation in the co-operative venture. Regardless of the country, this type of housing co-operative can be recognized by certain characteristics. Each member family has one vote, no matter the number of shares they acquired. There is no discrimination whatsoever. Open and voluntary membership is guaranteed. The membership investment can only be returned on a non-profit basis. An education programme ensures that the members understand their rights, responsibilities and obligations within the co-operative.

The willingness of the members to contribute individually or – the more usual case – collectively to the development and administration of the endeavour and to continue and extend its activities.

This is especially important in self-help, low-income shelter projects, where the major responsibility for construction and community improvements may be on the members themselves.

The co-operative activity should not cease when the construction is completed. On the contrary, the co-operative and its members can extend their efforts into

areas such as job creation programmes, social and community projects and the promotion and expansion of all infrastructure facilities.

During the past two decades the growth of self-help housing co-operatives has been significant. Strong movements e.g. are found in India, Argentina, Honduras, Chile and Panama as well as in Malaysia, Egypt and Turkey. Also a number of African countries have begun or are initiating co-operative housing programmes. The precise classification of the self-help housing co-operatives can be seen in Annex I.

6. Conditions for success

A study of reports of co-operative housing in some countries suggests that there are certain factors, some or all of which have led to success on a large scale. A summary of the basic conditions of success is given as follows:

- 1.) **CO-OPERATIVE EXPERIENCE:** In many countries there has been a basic familiarity with the co-operative method of running organizations for economic purposes. It can be found e.g. in India and Pakistan, where the co-operative method has long been applied and is officially recognized, in India even by inclusion in the national constitution. In all these countries the co-operative method is not only familiar, it is natural and almost inevitable. Trained men, already experienced in its techniques, are available as leaders. The rank and file member is perfectly accustomed to government by committee and is ready to play his own part in a manner which is neither too passive nor too assertive. A legal framework exists with officials accustomed to its administration and generally sympathetic to co-operative development.
- 2.) **GOVERNMENT ASSISTANCE:** It is only fair to say that, however ready co-operative organizations have been to take the initiative and assume responsibility, it is unlikely that the co-operative housing movement would have grown to its present importance, if it had not had the strongest support from national governments and local authorities. In some countries, indeed, local authorities have been glad to lay aside difficult and costly housing projects of their own, leaving the mass of new low-cost housing to be built by co-operatives while they concerned themselves only with the more limited objectives of slum clearance and the rehousing of groups with special problems.

Government assistance to housing co-operatives means, in the first place, an appropriate cooperative law, and, in the second, finance. A general law facilitating the formation of co-operatives usually existed before co-operation was extended to housing. Sometimes it has been necessary to supplement this with special laws, or to pass general housing laws which include co-operative housing within their scope. Often such laws are concerned with loans or subsidies available for approved projects, or with government powers to approve and make over land for this purpose.

The actual cost incurred by public authorities in support of co-operative

housing is hard to assess. Much of it is in the form of guarantees rather than actual loans. These guarantees have never, so far as is known, had to be implemented or have involved the public authorities in loss. It may therefore be assumed that the cost has been relatively slight. When the loan has come from a fund constituted from public money, these resources, though they have finally been returned to the Treasury, have been temporarily frozen and have been unavailable for other public purposes. To this extent real cost has only been incurred, where the rate of interest has been kept below the economic level.

Another field in which government, and especially local government, can aid co-operatives, is in the acquisition of land, sometimes through the use of compulsory purchasing powers. Local authorities can also do much to help co-operatives on the edge of towns by their readiness to develop land and lay on essential services.

In some countries government, either local or national, provides general technical aid and advice.

- 3.) **SAFEGUARDS AGAINST ABUSE OF THE CO-OPERATIVE FORM:** With the provision on a generous scale of public support for cooperative housing has gone a strict control aimed at excluding abuse and incompetence. This has taken the form of measures to prevent private interests from infiltrating housing co-operatives through the checking of tenders and contracts and the limitations imposed on the membership of professional architects and builders in housing co-operatives. The same considerations underlie the provisions for local authority representation on co-operative boards.

Co-operatives in most fields are very jealous of their independence, and feel it to be an essential part of their character as democratic and self-governing entities. They do not lightly admit any official membership of their governing bodies.

Where they do so, a good deal of explanation is devoted to the special circumstances involved. If the co-operative concerned wish to become members of the International Co-operative Alliance, the whole position is subject to careful inquiry. It is a measure of the special position in which housing co-operatives are placed that many from countries with the most independent co-operative movement are prepared to accept a measure of local authority representation.

Co-operative housing projects are further subject to the control of town planning, to limitation on rents, where these are enforced by statute, and to minimum standards of accommodation. In nearly all countries there is statutory insistence on impeccable auditing, whether carried out by a government department or (more frequently) by auditors chosen by the cooperative but approved, in one form or another, by government.

- 4.) **OPEN MEMBERSHIP AND CONTINUITY:** Another important factor for success is the finding of a solution to the problem of reconciling open membership with selection. This turns out to be closely linked with the problem of continuity.

The early housing co-operatives usually contrived to ignore the principle of open membership. They enrolled a group of mutually acceptable members for whom a self-contained housing project could be planned and financed. When it was completed and the loans repaid, the co-operative was dissolved. All the social experience and technical knowledge gained in the undertaking was immediately dissipated, and the next project had to start again from the beginning. Old mistakes were repeated and old solutions painfully rediscovered. No national organisations, financial, commercial or advisory, were set up which could promote and supervise future development.

The system of "parent and daughter" co-operation can solve the problem of combining open membership and continuous building with permanent local responsibility for each housing project on completion and occupation. It also provides for continuity of housing activity in the country as a whole. Such co-operatives on this plan are usually controlled at a high level by householders and prospective householders acting together. Where the "parent" society is owned and controlled, though the problems of continuity and a measure of local responsibility are solved, the question of open membership is ignored or treated as of minor importance, and the organization actually engaged in building does not necessarily contain any representatives of present or future occupiers.

For success has to be stressed the need for an organizing nucleus of dedicated and instructed members. The rest of the members should be socially compatible and bound together by common interests. They should understand the co-operative method or be prepared to learn, through a study circle or in other ways. They should agree before operations begin as to what they want – houses or flats, urban or rural, mortgage on individual houses or permanent tenancy of co-operative property.

There should be a careful preliminary examination of the scheme and the group must have access to technical knowledge. There should be a good choice of site, preferably where urban services of roads, water, light and sewage are already available. A good choice of architects and builders is important, but as far as possible self-help schemes should be carried out. An adequate source of finance at reasonable cost is essential. Once the decision has been taken there should be as little delay as possible in getting the project moving. Once it is complete, there should be a method of allocating dwellings which all members recognize as fair.



Project "El Alto" in Bolivia after finishing the first houses

Foto: DESWOS



Vocational training programme in Egypt

Foto: CHF

CHAPTER XIII

EXAMPLES OF SUCCESSFUL PROJECTS

Progress in co-operative housing has been achieved in some Latin American countries. The following case studies are to be understood only as examples which can successfully be implemented in other developing countries.

1. Self-Help-Housing-Project "EL ALTO" in La Paz/Bolivia

Decent housing can be afforded only by very few people in Bolivia. According to official statistics, 84 % of all dwelling units are in such bad condition that one can hardly call them human habitation. The high birthrate causes a steady and steep increase in the shortage of homes.

The catastrophic economic situation of the country with its astronomical inflation rates has caused the collapse and has created a permanent crisis in the private and public housing sector. Therefore the German Development Assistance Association for Social Housing (DESWOS), a non-profit organization of the non-profit housing sector in Germany, decided to promote local housing co-operative EL ALTO in La Paz. Founded in 1966 as a savings and credit co-operative, it selected 500 out of its poorest members for a co-operative housing programme to be realized in several consecutive periods. The criterion for the admission of the selected families was the limitation of their monthly income to a maximum of US-\$ 50, which was at the time below the official minimum wage of US-\$ 60. As the houses were to be constructed by self-help, the major problem was the financing of the construction materials. As the local banks refused their support, the co-operatives contacted DESWOS in order to obtain the necessary assistance.

With the financial and organizational help of DESWOS, the cooperative erected their houses by using bricks which the members and their families manufactured themselves. Thus, new employment and additional income resources were created.

This form of self-help guided by technical expertise, led to an enormous cost reduction and, besides that, secured a very positive training effect providing a future income generating programme for the member-families.

Thus, the repayment of the credits granted was made much easier.

The reimbursed sums were put into a revolving fund to be used for future credits to other low-income families, who will benefit from this "chain of solidarity".

Besides the above mentioned income generating effects, the members of the co-operative continue to earn their living by means of agricultural activities.

2. Low-cost-Housing Co-operatives in Tegucigalpa/Honduras

A group of low-income families and individuals in Tegucigalpa living under poor conditions in rented housing, decided to take action in order to resolve their housing problems and took possession of a piece of privately owned land. At the same time, through the PATRONATO, an association, that they had organized, they appealed to the municipal government of the Hondurian capital to intervene on their behalf with the owners of the land to facilitate their purchase of it.

The municipal government decided to help under the condition that the PATRONATO develop the land in a rational planned way. This condition was accepted by the PATRONATO, and the municipal government acquired the land. They then approached the Hondurian federation of housing co-operatives (FEHCOVIL) by asking them to undertake the planning, the implementation and administration of the housing project. The PATRONATO agreed to be converted into a legally organized and registered cooperative housing association.

The Cooperative Housing Foundation, a US-non-profit corporation, which sponsors co-operative and self-help housing assisted FEHCOVIL and the municipality by providing a grant from the US-Agency for International Development. The Co-operative Housing Foundation helped in the planning and designing of the project, established the cooperative organization and investigated the employment generating activities. Furthermore, they undertook a socio-economic survey for one project and provided site and services training programmes for the staff members of FEHCOVIL and the municipality.

Thus FEHCOVIL was enabled to assist in co-operative education. Another PATRONATO followed, and both housing co-operatives built a total of 610 housing units. The land for the two projects was sold to the co-operatives by the municipality. The construction and the long-term mortgage money for the project was provided by the Central American Bank for Economic Integration to FEHCOVIL. The municipality provided a guarantee of other parcels of land. The two co-operative housing projects used the site and service approach in order to reach low-income families.

The possibility of developing various employment generation activities for the co-operative members was created through a feasibility study for a construction materials production centre and a programme to train unskilled workers in the construction trades.

Co-operative housing principles, which should also be a basis for the organization in other developing countries can be taken from ANNEX II.



*Project "El Alto", Bolivia
Self-Help as a central issue*

Foto: DESWOS



Assembly and ceremony after the construction work has been done

Foto: DESWOS



*Members carry out the final work of the project "El Alto" in Bolivia
Their families will have a better home . . .*

Foto: DESWOS



... and thanks to the co-operative, their children will have a better future

Foto: DESWOS

CHAPTER XIV

INTERNATIONAL CO-OPERATION

1. Co-operative Housing in the International Field

For many years countries with advanced co-operative housing programmes have acted as hosts to inquirers from other countries, and have been generous in providing information of all kinds likely to help with new developments.

The International Co-operative Alliance (ICA), a voluntary organization representing co-operatives of all types in almost every country of the world, has set up a specialized Committee on Housing, with its own secretary, which meets at regular intervals and comprises senior officers from most of the important co-operative housing movements. Its object is to provide for the collection of information and the exchange of experience. It publishes a co-operative housing bulletin and organizes seminars about housing management and housing problems. It seeks to influence intergovernmental agencies in matters related to housing, and in particular to aid the growth of housing co-operatives in developing countries. Members of the ICA-Housing Committee carry out housing projects for low-income families in developing countries. The ICA with Headquarters in Geneva organises co-operative training and educating activities in collaboration with their regional offices.

The focus of ICA's development activities has been through its three regional offices that were established for South-East-Asia in New Delhi in 1960, for East, Central and Southern Africa in Moshi, Tanzania in 1968 and for West-Africa in Abidjan, Ivory Coast in 1981.

The majority of funding for the first two offices has been provided since the outset by the Swedish Cooperative Centre and the Swedish International Development Authority. In an attempt to diversify its funding base, the ICA obtained support from co-operative movements in Norway, Canada, and France for the office in Abidjan.

During 1985, the ICA made significant progress in restructuring its offices in Moshi and New Delhi.

In 1986, it has been decided to establish more regional offices operating within smaller regions.

The ICA staff have devoted considerable attention to the development of a new strategy that would meet the needs of its members in developing countries. The Co-operative Division of the International Labour Organization has for many years included housing among its interests. It held various seminars on this topic, published a survey of existing housing co-operation (Ruiz Lujan, Samuel. *Housing Co-operatives*, Geneva, I.L.O. 1964). (Studies and Reports, new series, No. 66).

Co-operative housing has engaged the attention of the Economic and Social Council of the United Nations. The subject has also been discussed in the Economic Commission for Europe whose committee on housing, building and

planning organized a seminar on housing problems in developing countries in June 1987.

2. Expert advice and technical assistance

Co-operative housing is one of the fields of activity in which developing countries are asking for expert advice and for advisors with long experience. Such advisors may not be easy to find, as co-operative housing, even in developed countries, is still in a phase of fairly rapid growth and needs its own trained staff. The release of men for overseas appointments lasting any length of time may be difficult, but can be arranged with international agencies. Brief visits from men experience may also be of some value in spite of the complexity of the housing problems in many developing countries and the social as well as the economic and technical factors involved. An adequate study, preferably by a team, of all these factors, in certain developing countries might be of considerable value if made in the light of knowledge already gained elsewhere. This would provide housing and co-operative authorities in the developing countries chosen, as well as in similar neighbouring countries with a firm starting point, from which their own solutions could be evolved.

Another method of technical assistance is to bring those concerned with co-operative housing in developing countries to take up assignments in countries where the system is already well advanced. In some countries some formal training institutions for co-operative housing already exist, some of them receive overseas students or even have courses specially suited to their needs. An alternative to formal courses is the trainee attachment, often equally, perhaps more valuable, but involving the host organization in the sacrifice of valuable time by senior members of its staff, who have not been appointed to undertake teaching duties and may not wish to assume them. An obstacle found at all levels is, that models from developed countries cannot be transferred to developing countries. In view of the highly technical subject it requires special efforts to overcome this problem by organizing regional seminars in the developing countries, where the conditions are similar.

In the last ten years contacts between housing co-operatives in different countries and different stages of development have become more important. A number of organizations have been set up designed to popularize the movement, widen knowledge and provide guidance in practical matters. Some of these have been initiated in the international field by one country with experience to offer and perhaps with a chosen field in which to operate. Others are fully international, seeking to collect, winnow and disseminate information as well as to initiate and guide new projects. Much of this international activity has had its origin in the USA among those who established co-operative housing in that country, and through the experts of CHF (Co-operative Housing Foundation). Non-Governmental organizations in Germany, Finland, France and Sweden have also been active. As already mentioned in the Federal Republic of Germany non-profit housing enterprises and their federa-

tions have set up a special organization called DESWOS (German Development Assistance for Social Housing) to assist co-operative housing and self-help projects in developing countries. As shown by examples successful projects have been carried out by DESWOS and CHF in different developing countries. The United Nations has played its part through the Environment Programme, through the UN Centre for Human Settlements (HABITAT), through agencies such as the ILO, UNIDO, as well as through the use of UNDP funds to finance housing projects.

Another new approach has been made through the "Minimum Shelter" technique, used especially in Latin America where recent earthquakes (as in Mexico) have made the need especially urgent, in Bangladesh and in some parts of India and Africa. The emphasis is away from immediate adoption of fully accepted standards and towards starting with bare essentials and progressing by stages and by self-build methods to acceptable family housing. This has been extended into a search for sources of credit and tends to emphasize the use of local skills and local building materials.

Recently, the subject of housing for the lowest paid has been taken up by the International Confederation of Free Trade Unions though not with any special emphasis on co-operative associations.

Whatever the method of planning and communication chosen, there is no doubt that the co-operative housing movement is capable of extension to more countries, and that it may have as positive a future there as it has already had in countries with longer experience in co-operative methods. Even in these countries there is still scope for its extension, for the fruitful exchange of ideas and for the introduction of co-operative housing into new areas like social caretaking of members and for the benefit of the poorer sections of the society. In developing countries housing may be regarded as one of the most promising growing sections of the co-operative movement, a section in which new and tested co-operative techniques of self-help can be applied to meet one of the fundamental human needs.

3. The International Year of Shelter for the Homeless

The International Year of Shelter for the Homeless 1987 is a further step of drawing more attention towards the needs of the developing countries, where all with housing related social problems will cause tremendous human tragedies, if no decisions are taken. Co-operative solutions can make a significant contribution in solving these problems.

At its sessions 1986 in Basle and 1987 in Budapest, the ICA-Housing Committee appealed for co-operative solidarity with the homeless in developing countries by launching an international campaign of information, donations and co-operation.

These appeals, published in ICA and members' magazines and newspapers, will draw public attention to the urgent need of housing the homeless in the developing countries.

ANNEX I: GLOSSARY OF TERMS

CLASSIFICATION OF HOUSING CO-OPERATIVES

Some legal aspects of cooperative housing should be memorized. Housing co-operatives can be grouped under the following classification:

1. Limited objective co-operatives

The housing co-operative can be organized to offer or perform certain specific services to the members, e.g. acquiring land and subdividing it for the members.

Building co-operatives can also be responsible for the construction itself and have only a temporary nature. When the goals are achieved, the individual members take ownership.

Limited Objective Co-operatives are organized to perform specific services on behalf of the members. In some cases, such co-operatives may also contract for the necessary infrastructure and even assist in the construction of housing. When the objectives have been accomplished, this type of co-operative will usually be dissolved.

2. Multiple-mortgage co-operatives

This form of co-operative which can mainly be found in African Latin American countries provides members with legal titles to their units.

Common property and common facilities are usually owned by the co-operative. In some instances, the lending institution or the national legislation requires this legal form. The basic co-operative principles including democratic control, nonprofit operation should be respected. This form could be limited to a predetermined number of members, where they hold legal titles to their individual dwelling units. Only the common facilities and areas are owned co-operatively by the owners. These so-called Housing Services Co-operatives include open membership, non-profit operation, safeguards against speculation, ownership limited to one dwelling per member and democratic control of the project (principle: one member – one vote).

3. Tenant or limited-equity co-operatives

These co-operatives are well-known in some European countries, but are not very popular in the most developing countries, where the property of the dwelling unit is the aim of most of the members. But e.g. in India, this form is also known. The members do not receive capital gains on their investment, but any increase in value accrues to the co-operative. A member receives a specified and limited rate of return on the original down payment or equity. Accordingly, when a unit is sold, members receive only

the original amount of equity plus the accumulated interest. The major advantage found in this form is that once built the co-operative appreciates slowly in price and remains therefore affordable for lower-income households. It is important that, except for the restrictions on equity accumulation, these co-operatives are democratically owned and operated by the membership just as in many other cooperatives.

Generally, the dwelling units are let to the members, but remain property of the co-operative. This is a more typical form in developed countries, whereas the members in developing countries long for their own property.

4. Mutual Ownership Co-operatives

The co-operative retains title to the land, dwelling and facilities in addition to providing the services of a limited objective co-operative.

In this case, the co-operative which is owned by the members manages and maintains the property on their behalf after the project has been completed. This co-operative can also be formed to acquire a public or private housing project in order to convert it into a co-operatively owned and managed community.

In contrast with the limited objective type, the mutual ownership co-operative provides one of the most accessible ways of solving shelter related problems for the rural and the urban poor. The mutual-ownership co-operative could be characterized by the form of a limited or open membership. It holds the legal title to the entire property including dwelling, land and facilities.

Each member's shares are equal to the value of their dwelling unit and share of the commonly held property. The "occupancy agreement" gives the member the transferable right to occupy the unit indefinitely. If the dwelling unit is being sold, the co-operative is normally given the first option to repurchase it. In case of death, the dwelling unit will pass to the member's legal heirs. In some mutual ownership co-operatives, the members may be entitled to benefit from the increased value, or equity of their shares upon resale.

This kind of co-operatives meet their obligations by collecting monthly "carrying charges" from the members, which represent mortgage debt service, taxes, etc.

Self-help methods of construction are in most cases an integrated part of these co-operatives' activities.

ANNEX II:

PRINCIPLES OF CO-OPERATIVE HOUSING

Co-operative Housing Documents

The following paragraphs describe a number of basic legal documents that are generally found in co-operative housing programmes.

Articles of Incorporation

The “Articles of Incorporation” constitute the legal document that establishes the co-operative as a corporation subject to the legislation of the country or jurisdiction in which it is chartered. In most countries of Latin America, this document is called the “Charter of Constitution”. The “Articles” contain a series of items including: the name and purpose of the co-operative (to provide housing to its members on a co-operative, nonprofit basis); how many members will there be on the co-operative’s board; and the names and addresses of the organizers and members of the first board. Some jurisdictions require more information in the “Articles”.

By-laws

Most jurisdictions require that a new co-operative register a body of rules. These are the “by-laws” or written rules governing the co-operative’s operation. They should be comprehensive to ensure sound and efficient operation of the organisation and be kept clear and simple so that they are readily understandable by all.

The most basic subjects the “by-laws” contain are the following:

- * Name, location and purpose of the co-operative;
- * Provisions relating to membership, members’ rights and obligations:
 1. Applications and eligibility for membership, content of the membership certificate and replacement of lost certificates;
 2. Financial responsibilities of members, such as entrance fees, limitation on share ownership, obligations to make regular savings deposits, and the limits of members’ liability in the event of loss or failure of the co-operative;
 3. Statement of the maximum interest payable on shares;
 4. Procedures for transfer of membership upon death or resignation of a member; protection of the members’ and members’ family interest should they become incapacitated; the cooperative’s option to acquire a

- retiring member's share; the procedure to be followed when the co-operative decides not to purchase the share; the method to be used for determining "transfer value" of retiring members' shares in the event the co-operative exercises its option to purchase them and procedures for terminating membership and for limiting the sales price of membership or shares in the co-operative;
- * Rules regarding the date and place of the co-operative's annual meeting and indication of when and how special meetings are to be called; procedure for notification of members; determining quorums and adjournment of meeting when there is not a quorum; description of voting rights and details description of voting procedures, including methods of appointing proxies;
 - * Provisions dealing with the number of directors to serve on the board; their qualifications, powers and duties; their election at an annual meeting, term of office, how vacancies may be filled and directors removed; and methods for avoiding conflicts of interest when directors or their relatives or business partners or employees want to get involved in business with the co-operative;
 - * Provisions requiring audits of the co-operative's accounts by an accountant with professional qualifications. (In some countries such professionals work independently and the co-operative is free to select the auditor it prefers and pays a fee for his services; in other countries, auditors are employed by the government department which supervises co-operatives; in others, audits are carried out by a union of co-operatives or sometimes by a co-operative bank);
 - * Provisions for settling disputes between members or between a member and the board (In order to save time and prevent both the co-operative's and members' resources from being wasted in court cases, a procedure should be established to appoint an arbitrator whose decision will have the force of law; the arbitrator may be a government official concerned with cooperatives or a senior officer of a co-operative housing federation or TSO);
 - * Procedures to be followed by deciding on changes in the by-laws themselves or in the status of the co-operative, such as the merging of the co-operative with another housing co-operative, or division of the co-operative into two organisations, or its dissolution. Since these are serious changes, decisions regarding them should be made with full knowledge and participation of membership.

Subscription Agreement

Housing co-operatives in some countries utilize a "subscription agreement" wherein applicants for membership demonstrate their willingness to join the co-operative and accept its by-laws and regulations. This document states that the subscriber, if approved, and upon meeting conditions of the "subscription

agreement”, is entitled to occupy a unit under terms of the occupancy agreement and will make the required down payment and assume the monthly carrying charges for that unit. The subscriber may withdraw from prospective membership within a certain period after having signed the agreement, and the fee must be returned to the subscriber. In some countries, the “subscription agreement” is replaced by the application for membership which sets the conditions that an applicant must meet to qualify as a member.

Occupancy Agreement

The major contract between the co-operative and its members is usually called the “occupancy agreement”. It is also known as “mutual ownership agreement” or “right of occupancy agreement”. Here the term “right of occupancy agreement” will be used, as this is close to the terminology used in many countries, especially in Latin America. This document spells out the rights and obligations of the member and the co-operative. It certifies the member’s right to occupy a particular dwelling and to use the co-operative’s community property as long as the member abides by the terms of the agreement.

The principal obligations towards the co-operative that a member assumes under the “right of occupancy” are as follows:

- * To pay the monthly carrying charges on time on or before the dates stipulated, and to pay late charges as determined by the board for delinquent payments;
- * To abide by the rules and policies of the co-operative and preserve and promote the principles of co-operative ownership;
- * To use the premises for residential purposes only, not engaging in any activity that would interfere with the rights of other members or increase the project’s insurance premiums, including any immoral or illegal activities of the premises;
- * To make repairs to the dwelling when damages are caused by the member’s own negligence or misuse or if the member fails to do so, the agreement authorizes the co-operative to make such repairs, and to bill the member for the costs of such repairs.);
- * To provide and maintain the interior decoration;
- * To not sublet the units, make any structural alterations; or install heavy appliances without written permission of the board.

The “right of occupancy agreement” also established certain powers and duties for the boards:

- * To prepare an annual budget and determine the monthly carrying charges of the membership;
- * To refund to the members their share of any amounts collected in excess of the needs of the co-operative;

- * To procure all necessary insurance for the project;
- * To pay all taxes and assessments levied against the cooperative;
- * To provide utility services;
- * To provide and pay all maintenance required except that due to members' negligence or misuse;
- * To determine if compensation is to be paid to members in case of loss or damage of a dwelling, due to fire or other reasons; and
- * To provide the necessary management for the co-operative.

In most of the Latin American countries, the "right of occupancy agreement" is normally for the life of the co-operative and/or the member, but it is subject to termination by either party for any of a number of reasons set forth in the by-laws or in the agreement itself.

In the United States the "right of occupancy agreement" is usually for a term of three years, with automatic renewals every three years. The agreement gives the member the option to renew and the co-operative the right to terminate a membership. It sets forth procedures for notifying an intended termination or transfer, and describes the circumstances under which a member will be considered in default, as well as what remedies the co-operative may seek in the event default occurs.

Construction Contracts

Handling of construction is a vitally important part of the legal framework in co-operative housing. Procedures should be established for adequate disbursement of funds to assure their use for the purposes contemplated, and to avoid diversion and waste. These problems may occur in two ways:

- a) if the contract does not produce the lowest possible price for the work to be constructed;
and
- b) if the work done does not conform to the contract obligations.

Construction funds should be disbursed at the correct time, to the proper party and only as construction progresses. This is the only way to assure that all of the funds will be correctly spent and that the project construction will be satisfactorily completed.

It will be necessary to schedule disbursements of the construction funds as the work progresses. Each time funds are disbursed, there should be a certificate from the architect stating that the work performed up to that point was satisfactory, and indicating the percentage of completion. In addition, there should be a certification from a separate inspector who is responsible to the lending institution. Furthermore, in all disbursements there should be two hold-backs: one of them to assure completion of the entire project, and another to protect the co-operative against defects in construction. These hold-backs should be large enough to encourage the contractor to finish the work satisfac-

torily, and are paid to the contractor after the co-operative has taken delivery of the project.

Mortgage Loan Agreement

Long-term financing at reasonable interest rates for the target groups is critical for the success of a co-operative housing programme, especially for low-income groups. Long-term or permanent financing, as opposed to construction financing, is provided through a loan agreement secured by a mortgage on the property, including the land and houses. As explained earlier, when the borrower is a “mutual ownership co-operative”, there is a single mortgage on all the houses and premises of the co-operative.

In most Latin American countries only two documents are used to secure a loan transaction:

- * The “Loan Agreement” contains all the provisions related to the amount borrowed, the interest rate and the term of the loan, the borrower’s obligations to repay the loan installments in due time, the penalty charges in case of borrower’s default, and the right of the lender to foreclose on the loan when the borrower fails to pay a specified number of payments.
- * The “Mortgage Agreement” contains the legal description of the property, and stipulates the co-operative’s intent to mortgage the property and improvements to secure repayment of the loan. The mortgage document is accepted by the lender and must be registered in the pertinent land registrar’s office. In some countries, the “mortgage agreement” and the “loan agreement” are combined into one document, making it simpler to relate them to the same transaction. This alternative, however, does not provide any savings of notary or registration fees, since it is considered that each document confirms a different legal transaction.

Management Services Contract

Management is basically the responsibility of the board. However, since management comprises such a wide range of activities, most of which demand full time dedication and specialized skills, co-operatives usually hire qualified staff to carry out the managerial functions. In many developing countries, housing co-operatives can contract for these services with the local co-operative housing federation or TSO at a moderate cost.

Administrative and management functions are well-differentiated and defined in the “by-laws” of Latin American co-operatives. Administration is carried out by the board under delegation from the membership. Management responsibility falls on the manager and other staff.

Finally, it is advisable for housing co-operatives to secure legal advice and assistance throughout the life of the co-operative beginning with the initial organizing efforts. The varied operations in which the co-operative is involved touch many areas of law, including commercial, contract, and tax law. To have

fewer legal problems, it is preferable that housing co-operatives, until they have some years of experience, request legal assistance from the local TSO, rather than retaining the services of a local attorney or legal firm.

SPECIAL ISSUES

Occasionally, questions arise when the so-called traditional co-operative principles are applied and/or interpreted in accordance with existing co-operative legislation. Here are some examples:

Share Transfer Value

The issue of members' equity in a housing co-operative upon departure, death or retirement has produced widely differing opinions among co-operators in different countries. A housing co-operative is a non-profit organization and, therefore, questions arise whether it should be a source of profit to its members. Basically, there are three main alternatives for dealing with this subject:

- * "Par value": This provides that members who retire from the cooperative and resell their shares back to the co-operative shall withdraw no more than their original capital contribution.
- * "Mortgage repayment": This method prescribes that the member's share shall be resold to the co-operative for a price equal to the amount of downpayment paid in cash by the member, plus the payments made by the member which were credited to the mortgage.
- * "Market value" or "open policy for resale": This plan allows members withdrawing from the co-operative to make a capital gain on their equity, this gain being a function of the increase in market value of the land and buildings, caused by inflation, speculation and appreciation.

One Member, One Vote

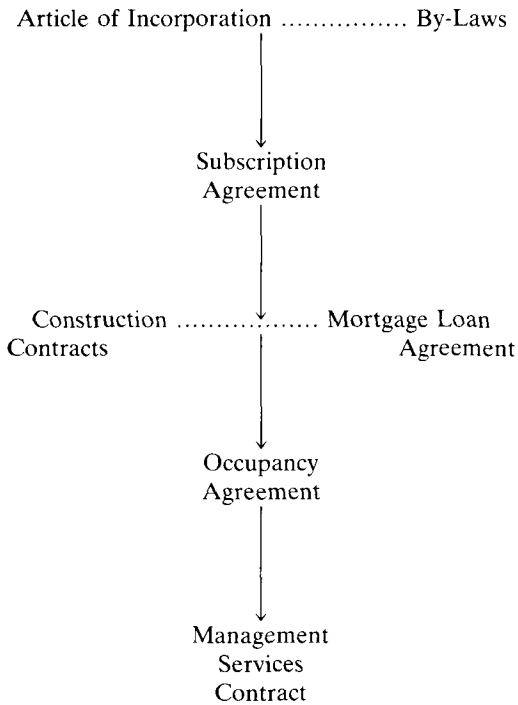
In some countries, law prohibits representation by proxy in membership meetings, curtailing the voting rights of a whole family when the family member who is the registered co-operative member is unable to attend the meeting. A possible solution to this problem could be for the "by-laws" to prescribe that the voting power be used interchangeably by any qualified and authorized person in a member family. A second alternative could be that the "by-laws" authorize a split of the vote between the registered member and the member's spouse.

CONCLUSION

Correct legal documentation and procedures are important in that they provide the essential framework for the development of housing co-operative. This establishes the relationship among the various participants, including the members, the co-operative itself, government authorities, financial institutions and contractors. Correct legal documentation also sets forth the rules and regulations for the co-operative association that enable it, via members, to assume responsibilities for the development and management of the housing co-operative.

The legal documents for housing co-operatives are prepared in accordance with the co-operative legislation of the country, state or jurisdiction where one is working. Although the legislation does vary, it usually allows for the development of housing co-operatives with the basic documents mentioned in this paper.

TYPICAL LEGAL DOCUMENTS USED IN CO-OPERATIVE HOUSING PROJECTS IN THE ORDER IN WHICH THEY ARE USUALLY NEEDED



ANNEX III:

CO-OPERATIVE SOCIETIES THE ZAMBIAN EXAMPLE

REPUBLIC OF ZAMBIA CO-OPERATIVE SOCIETIES CHAPTER 689 OF THE LAWS OF ZAMBIA (only some paragraphs are mentioned)

An Act to provide for the registration, inspection, examination and supervision of co-operative societies which belong to the people who use their services, the control of which rests equally with all their members, and the gains from which are distributed among the members in proportion to the use they make of these services or their interest in their society; to provide that co-operative societies registered under the Act repealed by this Act shall continue in existence and in operation as if registered under this Act; to encourage co-operative development by the provision of services to assist the organisation and operation of various kinds of co-operative societies to meet the economic and social needs of their members on a self-help basis; and to provide for all matters incidental to the foregoing.

CO-OPERATIVE SOCIETIES

The Co-operative Societies Rules

48. Housing Society

A housing society may be registered for the following principal objects and purposes:

- a) building or otherwise acquiring houses or flats for sale to its members for their individual ownership and use;
- b) building or otherwise acquiring, maintaining and managing houses or flats for lease to its members;
- c) purchasing and site planning land for sale or lease to its members for houses or blocks of flats.

49. Special powers

1. A building construction society may, if so provided in its bylaws, make loans or advances to its members for the purchase of tools, materials and

equipment for their individual use in connection with building projects undertaken in accordance with section forty-seven and sell to its members consumer goods and household necessities.

2. A housing society may, if so provided in its by-laws, accumulate the savings of its members for the building and management of houses and flats, the ownership of which is vested in the society, or for the making of loans to its members for the building, purchasing or maintenance of houses or flats, or for other purposes mentioned in section forty-eight.
3. A housing society may, if so provided in its by-laws, raise additional funds by borrowing for a period not exceeding thirty years for the building of houses and flats, the ownership of which is vested in the society, or for making loans to its members for the building of houses or flats, or for the purchasing and maintenance of houses or flats acquired by them from the society, or for other objects mentioned in section forty-eight.

50. Commencement of operations

No building construction, or housing, society shall commence operations until it has furnished satisfactory evidence to the Registrar that the members have received the training required for the satisfactory completion of the building projects which the society expects to undertake, and that the capital furnished by its members is equal to such amount as may initially be prescribed by the by-laws.

51. Special features

The by-laws of a building construction, or housing society shall, where applicable, provide:

- a) the manner in which each member is to furnish capital for the purposes of the society, and the amounts thereof;
- b) the manner in which a member may be required to pay for services furnished by the society, whether in the form of rent, purchase price of housing, or payment for other services;
- c) the manner in which the furnishing of labour services or materials by a member may be valued in payment for any services received by him through the society.

52. Sinking fund

Every housing society shall, before the distribution of any net surplus, set aside an amount annually in the form of a sinking fund for the repayment of any bonds, debentures or other funds borrowed in accordance with subsection (3) of section forty-nine, both as to principal and interest.

SECOND SCHEDULE

(Section 20)

MATTERS REQUIRED TO BE IN THE BY-LAWS OF A SOCIETY

Every society shall have by-laws in respect of the following matters:

1. The name of the society.
2. The place and postal address of its registered office.
3. The objects for which the society is established.
4. The value of each share if the society is formed with capital divided into shares, and whether the capital is limited or unlimited in amount.
5. The qualifications for membership.
6. The minimum number of shares to be subscribed for by each member as a condition of being admitted to membership, the minimum amount payable on application on each share so subscribed which shall not be less than ten per centum of its value, the method of payment of the amount, if any, remaining unpaid on the minimum subscription for shares, and the method of allotment of and payment for any additional shares.
7. If there is no share capital, the terms of membership and the basis on which the interest of the member in the society will be determined.
8. The entrance fee, if any.
9. The annual membership fee, if any.
10. The purposes to which funds may be applied.
11. The composition of the board of directors.
12. The manner of distributing the net surplus.
13. The conditions on which a member may withdraw from membership.
14. The geographical area of operation of the society.
15. The term of office of the directors.
16. The holding of annual general meetings.
17. The honorarium (if any) to be paid to the officers of the society.
18. The dates of the society's financial year.
19. Subject to the provisions of section seventy-nine in the case of a credit union, the method of constituting, operating and allocating the reserve fund and the amount or method of fixing the amount to be contributed thereto.
20. Such other matters concerning the administration and operation of the society as may be required by the rules or by the Registrar.

The Co-operative Societies Act

**APPLICATION FOR REGISTRATION
OF A CO-OPERATIVE SOCIETY**

1. We, the undersigned,
.....
(insert name, address and occupation of at least ten persons, or of at least two officers of each society if application is made by registered co-operative societies) desire to form a co-operative society under the Co-operative Societies Act, and hereby apply for registration.
2. The name of the proposed society is (insert name proposed)
.....
3. The registered office of the society is to be at (insert proposed address)
.....
4. Enclosed are three copies of the proposed by-laws which specify the objects of the society.
5. These proposed by-laws were approved by persons willing to become members, at a general meeting held at
on 19....
6. persons, including the undersigned, are now willing to become members and have made the payment necessary for admission to membership as prescribed in the enclosed by-laws.
7. The registration fee is enclosed.
8. We, the undersigned, have consented to direct the affairs of the proposed society as required by section 111(3) of the Cooperative Societies Act, until our successors are elected at the first annual general meeting held after registration of the society.

Dated at the day of 19....

Witness

Certified correct

.....
Acting Chairman

.....
Acting Secretary

FOR USE OF REGISTRAR ONLY

1. Application for registration approved
2. Approval deferred pending receipt of further information (rule 4)
3. Application refused with reasons therefor given to the Minister and to the applicants, and registration fee refunded (rules 7 and 8)

P A R T XIII MEMBERSHIP

93. Membership governed by by-laws

Subject to the provisions of this Act, membership of a society shall be governed by its by-laws, but in no case shall a society fix any limit to the number of its members.

94. Who may be members

1. Each applicant for the registration of a new society who has subscribed for one share in the society or who has paid the membership fee, if any, shall be deemed to have agreed to become a member of the society, and his name shall, upon its registration, be entered in the register of members.
2. No person, other than those mentioned in subsection (1), shall become a member of a society until his written application for membership has been approved by resolution of the board of directors and recorded in the minutes.
3. Each applicant for membership shall be notified in writing that his application has been approved or has not been approved.
4. Unless the by-laws provide to the contrary, a person of the age of sixteen years may become a member of a society, but such person shall not be eligible to act as a member of the board of directors or of any committee of the society until he has reached the age of twenty-one years.
5. An applicant, other than another society or other organisation, shall not be admitted to membership unless he is resident within or occupies land within the society's area of operation as described in its by-laws.

96. Member not to exercise rights until due payment made

No member of a society shall exercise the rights of a member until he has made such payment to the society in respect of membership, or has acquired such interest in the society, as may be prescribed in this Act, the rules or the by-laws.

N O M I N A T I O N

106. Transfer of interest on death of member

1. On the death of a member, a society may transfer the shares or other interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, to the legal personal representative of the deceased member, or may pay to such nominee or legal personal representative, as the case may be, a sum representing the value of such member's share or other interest, as ascertained in accordance with the by-laws or the rules.
2. A society shall pay all other moneys due to the deceased member from the society to his legal personal representative.
3. All transfers and payments made by a society in accordance with this section shall be valid and effectual against any demand made upon the society by any other person.

15. Limited liability

Every member shall be individually liable to the creditors of a society for the debts and liabilities of the society in a sum not exceeding the amount, if any, unpaid on the shares allotted to him, if any, or on his membership fee, as the case may be, until the whole amount of his shares or membership fee has been paid up.

M E E T I N G S

15. First general meeting

1. Unless otherwise provided in the by-laws, every society shall, within two months from the receipt of the certificate of registration, unless the time is extended by the Registrar, hold a general meeting at which all members shall be entitled to be present and to vote.
2. The business of the first general meeting shall include the election of directors and committees, if any, who shall serve until re-elected or their successors are elected at the first annual general meeting.

16. Annual general meeting

Every society shall hold an annual general meeting of its members or delegates in every calendar year as prescribed in the by-laws.

Provided that such meeting shall, unless otherwise approved by the Registrar, be held within six months of the close of the previous financial year of the society.

17. Semi-annual meeting

A semi-annual business meeting of a society may be held in any year for the purpose of reviewing the operations of the society.

18. Other general meetings

Other general meetings of a society may be held quarterly or at such other times as may be determined by the directors.

19. Notice of meetings

1. Unless the by-laws provide that the notice giving the date, time and place of the annual, semi-annual, special or other members' or delegates' meeting of a society shall be advertised in one issue of a newspaper circulating in the city, town or other locality in which the registered office of the society is located, notice of all meetings shall be mailed or otherwise sent, or made available to each member or delegate of the society at his last known address.
2. At least twenty-one days' notice shall be given of every meeting whether by advertisement, mail or otherwise.
3. The notice shall contain a statement of the purpose of the meeting, and, wherever practicable, the agenda for the meeting shall be made available to each member or delegate before the meeting is held.
4. The non-receipt by a member of a notice or information respecting the date, hour and place of a meeting shall not invalidate the proceedings or the business transacted at the meeting.

20. Quorum

1. The by-laws may prescribe the quorum at a general meeting of a society: Provided that in no instance where the society is comprised of individual persons shall the number to constitute a quorum be less than the number of directors plus one, except where the Registrar calls a meeting of a society in accordance with section one hundred and twenty-seven of the Act when the quorum shall be the number of members or delegates in attendance at such meeting.

DIRECTORS

111. Board of directors (or committee)

1. Every society shall have a board of directors consisting of such number of persons as shall be prescribed by its by-laws.
2. Every reference in the by-laws of a society to a “committee” elected by the members to supervise the business and property of such society shall be deemed to have the same meaning as the words “board of directors” in subsection (1), and any reference in this Act to the powers and duties of directors shall apply to the powers and duties of such committee duly elected by the members of a society in accordance with its bylaws.

113. Duties and powers of directors

1. Subject to the provisions of sections sixty-three and seventyfour (which relate to the duties of credit committees and supervisory committees in credit unions) the board of directors shall direct and supervise the business and property of a society and may exercise all such powers of the society as are not required by this Act, the rules or the by-laws to be exercised by resolution of the society in a general or special meeting.
2. Without limiting the generality of the provisions of subsection (1), the directors shall:
 - a) consider, and approve or reject, applications for membership of the society;
 - b) call for and examine regularly reports from officers of the society which will disclose the true position of the society, its operations and financial condition;
 - c) keep the members informed of the progress of the society, encourage interest and a sense of ownership on their part in the society, and have charge of any educational or advisory work amongst the members respecting co-operative principles and the objects of the society;
 - d) except in the case of a credit union, to which the provisions of Part VIII apply, prepare and present to the annual general meeting of the society a resolution determining the distribution of the net surplus for the previous financial year in accordance with the other provisions of this Act, the rules and the by-laws of the society;
 - e) make a report to the annual general meeting of the work of the directors during the preceding financial year, and the progress made by the society during that year, with such recommendations as they deem necessary to maintain or improve the services provided by the society to its members.

109. Withdrawal by members

1. Subject to the other provisions of this Act and the rules, a member may withdraw from a registered society under such conditions, and on giving such notice of withdrawal, as may be required by the by-laws.
2. Payment of the shares or other interest of the member withdrawing under special circumstances, including illness, disability, permanent removal from the area or district served by the society, or death, shall be made in such order of priority as the by-laws may prescribe or, where not so prescribed, in such order of priority as the directors may approve.
3. Where, upon the withdrawal of a member, to make payment for the shares held by the member at their par or paid-up value, or to make payment of any other interest of the member at the value shown on the books of the society, would, in the opinion of the directors, impair, or further impair, the financial stability of the society, the directors may suspend payment for such period as may be approved by the Registrar, or may offer in final settlement such lesser amount as they deem just.
4. The directors shall deal promptly with all applications for withdrawal from membership.

110. Expulsion of a member

1. a) Upon complaint arising against any member of a society, it shall be the duty of the secretary, upon the instructions of the board of directors, to provide the member with written notice of the particulars of the complaint and of the date, time and place of the meeting of the board of directors at which the complaint and the question of the expulsion of the member will be considered.
- b) The directors may, at such meeting duly called and at which a majority of the directors are present, having given the member against whom the complaint has been raised the opportunity to make representations or submissions orally or in writing or both, in rebuttal or in mitigation, resolve, by at least a two-thirds majority vote, that the member be expelled.
- c) The secretary of the society shall, within two weeks from the date on which the member is expelled, notify him in writing of the action of the directors.
- d) An appeal from the action of the directors may be taken by the member to the next general meeting of the society if written notice of intention to appeal is given by him to the secretary of the society within thirty days from the date of receipt of the notice mentioned in paragraph (c).
- e) At such a meeting a majority of the members present may, after considering any written or oral representations by the member, confirm or rescind the action of the directors.
- f) If the meeting does not confirm the action of the directors in expelling

the member, such expulsion shall be held to be null and void, and the member treated as if no such expulsion had occurred.

DISSOLUTION AND WINDING - UP

146. Dissolution of societies

1. The Registrar may make an order in writing for the cancellation of the registration of a society if satisfied that:
 - a) the registration was obtained by fraud or mistake; or
 - b) the society exists for an illegal purpose; or
 - c) the society has wilfully, after notice by the Registrar, contravened any of the provisions of this Act, the rules or the by-laws; or
 - d) the society is no longer operating in accordance with cooperative principles; or
 - e) the number of members of the society has fallen below the minimum required by this Act; or
 - f) the society is no longer in business or operation; or
 - g) the results of an investigation made under section one hundred and forty show that the society is unable to continue in business.
2. Upon receipt by the Registrar of an application from a society made in pursuance of a special resolution and requesting the cancellation of the registration of that society, he may, subject to the immediately following subsections, make an order for the cancellation of the registration of such society.

ORGANISATIONS AND SUPERVISIONS

157. Assistance with co-operative organisation and education

1. The Registrar or any person authorised to act for him shall, at the request of any person or groups of persons interested in the organisation of a society under this Act, furnish such information regarding co-operative principles, practices and organisation as will assist them in determining the feasibility of such organisation and facilitate registration.
2. Where the Registrar is of the opinion that a group or groups of persons can improve the conditions under which they live, or can provide themselves with new services which they need, by the organisation, registration and operation by them of a society under this Act, the Registrar, or any person authorised to act for him, may offer to assist such group or groups of persons with such information respecting co-operative principles, practices and organisation as will enable them to determine the feasibility of such organisation and registration.

158. Inspection and advisory services by Registrar, etc.

1. The Registrar, or any person authorised to act for him, shall provide, or cause to be provided, such inspection, examination, and technical or other information and advice regarding the affairs of a society as may be necessary to assist its officers and members in the due observance of and compliance with this Act, and in the achievement of the objects and the purposes of the society on a co-operative basis.
 - a) Informal groups
 - The initiative is from the group;
 - The group operates within the existing structures (the Party, Church, City Council, etc.); in pursuit of a common objective of the members of the group;
 - if so, they do not need to be registered under any law and hence lack legal personality;
 - they do not depend on rules and regulations from outside but are free to determine their rules of operations themselves;
 - if an informal group works on its own, i.e. outside existing structures and has more than ten members there is danger to become an unlawful association.
 - b) Societies
 - The initiative is from the group;
 - the minimum number of persons who can form a society is ten;
 - the objectives of the society have to be clearly stated in the constitution and rules of the society;
 - a society must elect office-bearers from among its members;
 - an application for registration has to be made on a prescribed form, duly signed by the office-bearers, and accompanied by necessary documents;
 - payment of prescribed fee;
 - application through official channels (local Registrar, i.e. district executive secretaries);
 - determination by the Registrar of Societies on the basis of legality;
 - Three options for the Registrar:
 - registration
 - exemption from registration
 - refusal of registration;
 - in case of refusal: appeal to the Minister of Home Affairs.
 - c) Co-operative Societies
 - The initiative is either from the group (ten or more persons) or the Department of Marketing and Co-operative;
 - social-economic survey;
 - member education;
 - discussion of the by-laws (following the model by-laws);
 - leadership training;
 - formation meeting (approval of by-laws and election of first office-bearers);

- application for registration (using prescribed forms A,A-13 copies of the by-laws, and full report from the promoting officers);
- Registrar of Co-operative Societies determines on the basis of legality, economic viability, necessity and conformity with co-operative principles;
- three options for the Registrar of Co-operative Societies:
 - registration
 - deferment of registration until conditions and requirement for registration have been met
 - refusal of register
- in case of refusal to register, an appeal can be made to the Minister of Agriculture and Water Development.

ANNEX IV:

APPEAL OF THE ICA-HOUSING COMMITTEE FOR THE INTERNATIONAL YEAR OF SHELTER FOR THE HOMELESS

CO-OPERATIVE SOLIDARITY WITH THE HOMELESS

“ HOUSING IS A HUMAN RIGHT ”

Co-operative housing in many developed countries contributed to the easing or overcoming of emergency housing misery and thus made a substantial contribution to social development.

The co-operative contribution to these achievements as well as the traditions of co-operative housing obliges us to support those people in the world, who still live in housing misery. We should strengthen our co-operation and assistance without respect to country borders.

We appeal to all housing organizations, their members and to all, who are concerned with the emergency housing need to **assist all people, who are suffering this catastrophic housing misery!**

Adequate shelter is a basic need for everyone. To satisfy this need is essential for social peace. Basic human needs must be satisfied and one of these is shelter! This is especially important for the people of the developing countries. We must confront ourselves with these assignments and provide dwellings, settlements and basic conditions for human housing.

Co-operative and other self-help organizations have already proved successful in developed and certain developing countries. We encourage and support the extension to all countries of the world.

The International Year of Shelter for the Homeless, proclaimed by the United Nations, presents a particular challenge to housing co-operators all over the world. Therefore, let us launch an international campaign of information, contribution and co-operation to meet this basic human need!

” HOUSING IS A HUMAN RIGHT “

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