Shelter Co-operatives in Eastern and Southern Africa

UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS (Habitat)
INTERNATIONAL CO-OPERATIVE ALLIANCE (ICA)
Preface

Acknowledgements

Currency exchange rates (December 2000)

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Box 1. Statement of the co-operative identity

Definition

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

Values

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

Principles

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

1st Principle: Voluntary and open membership

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

2nd Principle: Democratic member control

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

3rd Principle: Member economic participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and independence

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

5th Principle: Education, training and information

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

6th Principle: Co-operation among co-operatives

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

7th Principle: Concern for community

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

Box 2. Co-operative-like organisations

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

**Women and youth groups**: Separate categories in many countries.

**Societies**: Usually the simplest form of registration under a ‘Societies Act’ or similar.

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

**Company limited by guarantee**: Often used by charitable organisations.
Box 3. South Africa’s housing crisis

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

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

Source: Rust, 1999.
The focus of the ELHMC will be on facilitating the co-operative production of housing units by its members. This appears to be a greater priority than the longer-term option of co-operative ownership. Once these units have been built, and after the four year period of ELHMC ownership of the units (required by the institutional subsidy) has passed, it is expected that many members will opt for individual ownership of their units. Alternatively, members may opt to leave the co-operative, transferring their share to an ELHMC member that is not yet housed. In this case, the member will receive the value of their share in the housing co-operative plus the value of their personal investment in the unit. This is then calculated based on a formula that takes into account factors such as inflation. The roles of the various housing co-operatives will therefore change over time, with the changing needs of the various communities concerned.

Source: Rust, 1999.
Box 5. Cape Metal Employees (CME) SACCO Ltd. (South Africa)

Key facts **CME SACCO**:

- **Launched**: 1992 (but operated informally within factories prior to this date).
- **Membership**: 1,006 households, all linked to the metal and engineering industry in the Western Cape.
- ** Average household income**: 75 per cent earn between R2,500-3,500 per month.
- **Asset value**: R3.5 million in members’ savings.
- **Loan capacity**: R4.5 million (including R1 million for housing initiative).

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

- **Launched**: 1997, based on request from the CME SACCO members.
- **Loan capacity**: R1 million.
- **Capital base**: R1 million from the Western Cape Community Housing Trust (WCCHT), repayable by 2001 at 10 per cent per annum.
- **Interest rate on housing loans**: 20 per cent per annum, repayable over 3 years.
- **Total loans dispersed**: 116.
- **Total value of loans dispersed**: R828,737.
- **Total repayments received**: R303,449.
- **Default rate**: 2 of 116 loans or 1.7 per cent.

In addition to the WCCHT loan mentioned above, NURCHA (see section III.F.2.g) has provided a grant of approximately R160,000 to pay a percentage of the Housing Loans Officer’s salary costs, decreasing each year.

The housing initiative offers loans of up to R10,000 to CME SACCO members. Monthly repayments on a R10,000 loan are R380. Members must have saved continuously for six months preceding their application. In addition, applicants must earn less than R3,500 per month, and must qualify for the government’s housing subsidy. Applications are submitted to a Housing Loans Committee (comprising two members and a representative of the WCCHT). In order for a loan to be approved, a member’s provident fund and savings accrued should together amount to at least 50 per cent of the loan amount requested. The remaining 50 per cent of the loan is secured by a 25 per cent guarantee from NURCHA and a 25 per cent guarantee from CME SACCO.

The CME SACCO also offers other loans. A R25,000 loan, based on savings, is available for any purpose at a rate of 22 per cent, payable over three years. Emergency loans of up to R500 are available at a rate of R10 for every R100 borrowed, repayable over five months.

*Source: Rust, 1999.*
Box 6. Construction co-operatives in Bulawayo (Zimbabwe)

The Bulawayo Instant Muscle co-operative was formed in 1984. It operates in the building materials and construction business sector and manufactures bricks, window frames and trusses. The executive committee consists entirely of males in their forties, the exception being one committee member who is 62. The co-operative members earn an average monthly income of ZS2,628 each per month.

The See Light Construction Co-operative was formed in 1989 and had built 860 houses for clients in high-density areas by 1999. It is similar to a building brigade but is by no means a pseudo-co-operative, having no known patronage links with local or central government. The membership is entirely male. Members have an average monthly income of ZS1,500. The co-operative is not specifically geared towards housing, but is in the general construction business.

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

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

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

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

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

Source: Rooftops Canada.
Box 8. Katheru Rural Co-operative Housing Co-operative Society (Kenya)

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

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

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

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

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

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

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

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

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

Source: Rust, 1999.
Box 10. Kijitonyama Development Community (KIJICO) (Dar es Salaam, Tanzania)

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

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

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

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

Source: Nkya, 1999.
Box 11. Community organisation around water in Nairobi (Kibera, Kenya)

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

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

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

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

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

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

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

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

Disregarding the law: Salary

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

Disregarding the law: Investment, transparency and democracy

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

Operational inefficiency: Poor record keeping

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

Operational inefficiency: Investment, affordability and cost recovery

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

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

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

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

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

Source: Mubvami and Kamete, 1999; and Nnkya, 1999.
Box 15. Cope Housing Association (Johannesburg, South Africa)

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

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

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

Main objectives:

- "The delivery of affordable housing in the greater Johannesburg area.
- Setting up housing co-operatives, primarily for low-income earners, where residents jointly and democratically control the property.
- Provision of property management services to the co-operatives to ensure sustainability and long-term affordability.
- Participation in the development of housing policy.
- Facilitating access to finance for housing co-operatives.
- Empowerment of the housing co-operative members through various capacity building programmes.
- To become a fully member-based housing association."

Contribution to housing supply:

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

- New construction:
  - Newtown Housing Co-operative. South Africa's first housing co-operative: 351 units.
  - Bertrams One Development Company. A Section 21 company: 53 units
- Purchase and refurbishment of existing buildings:
  - Philani Ma-Afrika Housing Association. A Section 21 company: 67 units
  - Everest Court Housing Association. A Section 21 company: 35 units
  - Hadar Court Collective Housing Company. A Section 21 company: 22 units

"Developer Of The Year 2000"

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

Source: Cope Housing Association, 2001; Siri Sandbu and May Sommerfelt (e-mail communication of 15 March
Box 16. The "Low-Cost Housing Unit" (Dodoma, Tanzania)

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

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

Source: Nkya, 1999, and Graham Alder.
Box 17. The impact of training (NACHU, Kenya)

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

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

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

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

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

The arenas for achieving the objectives are:

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

Achievements to date are based on the following elements -

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

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

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

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

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

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

The implementation of the project has been a partnership of many actors who have assisted in a variety of ways. The role of NACHU has been to assist the four housing co-operatives established by the residents by providing technical support and loans for house construction and rehabilitation. From this and similar projects NACHU feels that the partnership approach to the project has increased impact in reducing poverty on a sustainable basis. During implementation there was close collaboration between the Commissioner of Lands, the Small Towns Development Project situated in the Ministry of Local Authorities (funded by GTZ, a German international development agency), the Voi Municipal Council, NACHU and a number of others. NACHU reports that the record of loan repayments is much better in these partnership projects than when NACHU acts alone. The main reason seems to be that the intensity of the effort plays a role in educating beneficiaries in their rights and responsibilities.

Box 20. The institutional subsidy mechanism (South Africa)

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

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

Source: Rust, 1999.
Box 21. The People’s Housing Process (South Africa)

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

Source: Rust, 1999.
Box 22. The Section 21 Company (South Africa)

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

Source: Rust, 1999.
Box 23. Linking for advantage, partnerships in Zimbabwe

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

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

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

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

Box 24. Minimum building standards in urban areas of Zimbabwe

Plot size

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

Infrastructure

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

The house

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

Box 25. Members savings stimulate external investment

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

Examples of this are:

- In Kenya the low-income rehabilitation (often led by women) projects supported by NACHU which have been funded by the Ford Foundation on a revolving loan basis and the women’s housing projects in Voi funded by Zero-cap of the Netherlands. Both have excellent repayment records.

- Funding of co-operatives in Zimbabwe by the traditionally conservative building societies which then gave USAID the confidence to provide credit through the same channel.

- Financing of the Kijitonyama Development Community (KIJICO) in Dar es Salaam under a World Bank financed project after the KIJICO had financed initial infrastructure investment from their own funds.
Box 26. The housing initiative of the Savings and Credit Co-operative League of South Africa (SACCOL) Ltd.

**SACCOL represents:** SACCOs and credit unions throughout South Africa.

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

**Average household income of SACCOL members:** 75 per cent earn R2,500-3,500 per month.

Through its provision of loans through the Central Finance Facility, SACCOL noticed that a large proportion of loans being accessed (42 per cent of a survey of a third of SACCO loan portfolios) was used for housing purposes. This translates into 4,246 housing loans, worth R3,420,000 — 36 per cent of SACCOL’s total assets of R9.5 million. With 36 per cent of its loans being tied up for three years, however, SACCOL faced liquidity constraints. Consequently, SACCOL has developed a special housing loan that operates from a separate fund, capitalised with member loans as well as loans from external sources. In the short term, R200,000 of SACCOL assets have been set aside for pilot loans to two member SACCOs. These two SACCOs — the Cape Metropole SACCO in Cape Town, and the Tshiya SACCO in Vereeniging — have demonstrated that they have the capacity to operate as financial intermediaries for the disbursement of SACCOL loans to their members. Both SACCOs had received the go ahead from their boards to apply for loans by mid-1999.

In the second phase of the initiative, SACCOL hopes to draw R3 million from the Rural Housing Loan Fund for primarily rural loans. In the third phase, SACCOL hopes to draw funding from the National Housing Finance Corporation for urban housing loans. SACCOL also intends to engage with NURCHA to secure guarantees for its housing loan products.

**SACCOL’s housing loans policy includes the following criteria:**

- Loans are made either to SACCOs (or in cases where a SACCO has not accessed a wholesale loan for on-lending to its members) to individual SACCO members.
- Individual member applicants must be in good standing at their SACCOs for at least six months.
- Loans are only awarded if repayments are affordable to the applicant, and if they constitute no more than 20 per cent of the applicant’s take home salary.
- Loans may be used to build an affordable house, extend or otherwise modify an existing structure, pay a deposit towards the purchase of an existing structure, or top-up the government subsidy. Borrowers are not permitted to use asbestos material on their houses.
- Loans are repayable over three years.
- Three categories of loans are available. Different loan amounts and interest rates (generally between 22-30 per cent per annum) apply to each:
  - **Fully secure,** in which members can offer their pension/provident fund as security, and in which employers are willing to institute payroll deduction procedures for repayments. For these, members may apply for six Rands for every one Rand saved, up to a total of R15,000.
  - **Semi-secure,** in which members are either able to offer their pension/provident fund as security, or in which employers are willing to institute payroll deduction procedures for repayments. For these, members may apply for five Rand for every one Rand saved, up to a total of R15,000.
  - **Unsecured,** in which the member will make repayments individually on a monthly basis without the security of a pension or provident fund. For these, members may apply for four Rand for every one Rand saved, up to a total of R10,000.

*Source: Rust, 1999.*
Box 27. Bridging loans in South Africa

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

Source: Rust, 1999.
Box 28. Donor support to shelter co-operatives in Eastern and Southern Africa

**South Africa**

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

**Zimbabwe**

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

**Tanzania**

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

**Kenya**

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

**Uganda**

To date there has not been any national organisation supporting co-operative shelter. International assistance has mainly been directed to the Kataayi co-operative (see box 7) by Rooftops Canada and the Canadian Co-operative Association.
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<th>Country</th>
<th>GDP in 1999 (US$ billions)</th>
<th>Average annual growth of GDP (percentage)</th>
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<thead>
<tr>
<th>Country</th>
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Source: Based on UNDP, 2000.
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<td>39,113</td>
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a: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Réunion, Rwanda, Seychelles, Somalia, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

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

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### Table 5. Average household size (1990-2020)

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<td>3.23</td>
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Table 6. Total number of households (1990-2020)

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<td>96</td>
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<table>
<thead>
<tr>
<th>Country</th>
<th>Urban population (percentage of total population)</th>
<th>Average annual rate of urban population growth (percentage)</th>
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<tr>
<td>Kenya</td>
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<td>35.3</td>
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Source: Based on United Nations, 1999.
<table>
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<tr>
<th>Country</th>
<th>Life expectancy at birth (years)</th>
<th>Adult literacy rate (percentage)</th>
<th>School enrolment ratio (percentage)</th>
<th>Human Development Index (HDI)</th>
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<td>83.8</td>
<td>63</td>
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a: Literacy among population aged 15 and above.
b: Combined primary, secondary and tertiary gross enrolment ratio.
c: A total of 174 countries have been ranked.

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<thead>
<tr>
<th>Country</th>
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<td>Zimbabwe</td>
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<td>Canada</td>
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<tr>
<td>Mauritius</td>
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Table 10. Human Poverty Index (1998)

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

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of income or consumption, by income category (percentage)</th>
<th>Population below poverty line (percentage)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>5.0</td>
<td>50.2</td>
<td>26.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.9</td>
<td>64.8</td>
<td>11.5</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6.8</td>
<td>45.5</td>
<td>19.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>6.6</td>
<td>46.1</td>
<td>36.7</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>4.0</td>
<td>62.3</td>
<td>36.0</td>
</tr>
</tbody>
</table>

a: At 1993 purchasing power parities.

<table>
<thead>
<tr>
<th>Type of co-operative</th>
<th>Basic function in shelter sector</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACCOs</td>
<td>Providing a pool of funds from which qualifying members can borrow based on their contributions. Lending for development (including housing), school fees, emergencies, enterprises and emergencies such as illness and death.</td>
<td>Lending on a one-time basis for house deposits (with larger long-term financing from a mortgage institution), land purchase or incremental building. SACCOs do not provide long term finance. They also tend to be work-based, comprising members of one employer. Special funds for housing are present in South Africa and are planned for Kenya.</td>
</tr>
<tr>
<td>Contracting and building materials</td>
<td>Manufacturing of building materials, including bricks and metal fabrications (window- and doorframes, burglar proofing) and concrete blocks on a co-operative basis.</td>
<td>Common in high-density areas of Zimbabwe and the ‘model’ rural example in Uganda (see box 7).</td>
</tr>
<tr>
<td>Building materials retail and wholesale outlets</td>
<td>Stock and sell building materials to individuals or contractors.</td>
<td>Numerous in Zimbabwe but are sometimes mistaken for private companies. Not specifically for housing.</td>
</tr>
<tr>
<td>Agricultural marketing</td>
<td>Provision of loans for housing.</td>
<td>Presence in shelter development noted in Kenya.</td>
</tr>
<tr>
<td>Multipurpose</td>
<td>Construction and building materials.</td>
<td>Offering a wide range of services to members, including shelter development. In Uganda, many shelter co-operatives were registered in the multipurpose co-operative category before 1992.</td>
</tr>
<tr>
<td>Country</td>
<td>Number of co-operatives</td>
<td>Number of members</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Kenya</td>
<td>418</td>
<td>30,000</td>
</tr>
<tr>
<td>South Africa</td>
<td>5</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tanzania</td>
<td>136</td>
<td>6,638</td>
</tr>
<tr>
<td>Uganda</td>
<td>13 registered (5 active)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>154</td>
<td>3,050</td>
</tr>
</tbody>
</table>

a: Built by 145 member co-operatives of NACHU, and excluding rental properties.
b: Data refer to March 2001.
c: In addition to these five primary co-operatives, one secondary co-operative is registered and has applied for registration of nine additional primary co-operatives (e-mail communication from Sipho Simelane, Cope Housing Association, 16 March 2001).
d: Data on 10 urban centres only.
<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (KSH thousands)</th>
<th>Share capital (KSH thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>29</td>
<td>97,556</td>
</tr>
<tr>
<td>1992</td>
<td>31</td>
<td>128,196</td>
</tr>
<tr>
<td>1993</td>
<td>24</td>
<td>52,212</td>
</tr>
</tbody>
</table>

Source: Alder and Munene, 1999, based on district reports to the Ministry of Co-operative Development.
<table>
<thead>
<tr>
<th>Region</th>
<th>Number of co-operatives</th>
<th>Number of members</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arusha</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dar es Salaam</td>
<td>3</td>
<td>13</td>
<td>29</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>500</td>
<td>2,400</td>
<td>843</td>
</tr>
<tr>
<td>Dodoma</td>
<td>-</td>
<td>10</td>
<td>57</td>
<td>81</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,941</td>
<td>4,713</td>
</tr>
<tr>
<td>Iringa</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>56</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Mbeya</td>
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<td>3</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Mtwara</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>3</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>85</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Mwanza</td>
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<td>2</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>Pwani - Kibaha</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>197</td>
<td>263</td>
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<td>Tabora</td>
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<td>2</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>90</td>
<td>49</td>
<td></td>
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<td>Kagera</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>25</td>
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</tr>
<tr>
<td>Morogoro</td>
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<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54</td>
<td>222</td>
<td></td>
</tr>
<tr>
<td>Ruvuma</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Singida</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>132</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Rukwa</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41</td>
<td>195</td>
<td></td>
</tr>
<tr>
<td>Tanga</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67</td>
<td>47</td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL           | 3                       | 33                | 117| 136| - | - | - | - | - | - | 500 | 6,257| 6,613 |

*Source: Nnkya, 1999.*
Table 16. Status and location of registered shelter-related co-operatives in Uganda (September 1995)

<table>
<thead>
<tr>
<th>Type of Society</th>
<th>Total</th>
<th>Active</th>
<th>Semi-active</th>
<th>Dormant</th>
<th>N.a.</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rural</td>
</tr>
<tr>
<td>Agricultural marketing</td>
<td>3,398</td>
<td>1,081</td>
<td>1,367</td>
<td>912</td>
<td>38</td>
<td>3,295</td>
</tr>
<tr>
<td>Brick making</td>
<td>18</td>
<td>2</td>
<td>6</td>
<td>10</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Carpentry</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Housing</td>
<td>13</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Multipurpose</td>
<td>349</td>
<td>93</td>
<td>80</td>
<td>165</td>
<td>11</td>
<td>261</td>
</tr>
<tr>
<td>Sacco</td>
<td>587</td>
<td>301</td>
<td>117</td>
<td>160</td>
<td>9</td>
<td>314</td>
</tr>
<tr>
<td>Transport</td>
<td>163</td>
<td>41</td>
<td>22</td>
<td>95</td>
<td>5</td>
<td>82</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,534</td>
<td>1,525</td>
<td>1,596</td>
<td>1,349</td>
<td>64</td>
<td>3,976</td>
</tr>
</tbody>
</table>

a: Total number of co-operatives registered.
b: Status not given or not available.
c: Unspecified or not available.

Source: Byaruhanga, 1999, citing co-operative movement statistics.
<table>
<thead>
<tr>
<th>Centre</th>
<th>Number of housing co-operatives</th>
<th>Number of housing units constructed by -</th>
<th>Contribution of co-operatives to total housing supply (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Co-operatives</td>
<td>Other actors</td>
<td></td>
</tr>
<tr>
<td>Harare</td>
<td>123</td>
<td>2,800</td>
<td>48,312.</td>
</tr>
<tr>
<td>Bulawayo</td>
<td>4</td>
<td>195</td>
<td>84,805</td>
</tr>
<tr>
<td>Masvingo</td>
<td>7</td>
<td>6</td>
<td>n.a</td>
</tr>
<tr>
<td>Mutare</td>
<td>4</td>
<td>23</td>
<td>12,254</td>
</tr>
<tr>
<td>Kwe Kwe - Redcliff</td>
<td>5</td>
<td>128</td>
<td>15,670</td>
</tr>
<tr>
<td>Kadoma</td>
<td>1</td>
<td>13</td>
<td>9,287</td>
</tr>
<tr>
<td>Chinhoyi</td>
<td>2</td>
<td>0</td>
<td>6,300</td>
</tr>
<tr>
<td>Bindura</td>
<td>3</td>
<td>21</td>
<td>5,238</td>
</tr>
<tr>
<td>Gweru</td>
<td>3</td>
<td>0</td>
<td>17,978</td>
</tr>
<tr>
<td>Gwanda</td>
<td>2</td>
<td>14</td>
<td>3,190</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>154</strong></td>
<td><strong>3,200</strong></td>
<td><strong>203,034</strong></td>
</tr>
</tbody>
</table>

c: Figure for 1996.

*Source: Mubvami and Kamete, 1999.*
<table>
<thead>
<tr>
<th>Year(s)</th>
<th>Donor</th>
<th>Amount (US$)</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>USAID</td>
<td>154,738</td>
<td>Bridging finance for Kariobangi project.</td>
</tr>
<tr>
<td>1993</td>
<td>Rooftops Canada</td>
<td>270</td>
<td>Training</td>
</tr>
<tr>
<td>1993</td>
<td>Ford Foundation</td>
<td>34,653</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1994</td>
<td>Ford Foundation</td>
<td>47,856</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1995</td>
<td>Ford Foundation</td>
<td>42,001</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1995</td>
<td>Rooftops Canada</td>
<td>11,257</td>
<td>Strategic planning for NACHU.</td>
</tr>
<tr>
<td>1995</td>
<td>Homeless International</td>
<td>1,540</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1996</td>
<td>Ford Foundation</td>
<td>77,097</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1996</td>
<td>Rooftops Canada</td>
<td>5,609</td>
<td>Gender workshop for housing co-operatives.</td>
</tr>
<tr>
<td>1996</td>
<td>Homeless International</td>
<td>1,580</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1997</td>
<td>Ford Foundation</td>
<td>78,752</td>
<td>Institutional support.</td>
</tr>
<tr>
<td>1997</td>
<td>Rooftops Canada</td>
<td>5,533</td>
<td>Education and training (housing co-operatives).</td>
</tr>
<tr>
<td>1997</td>
<td>Zero-Kap (the Netherlands)</td>
<td>4,138</td>
<td>Finance for a women housing co-operative project in Voi (start of a revolving fund for new housing).</td>
</tr>
<tr>
<td>1997</td>
<td>Goal International (Ireland)</td>
<td>16,191</td>
<td>Fund for resettlement project for one co-operative (start of a revolving fund for resettlement).</td>
</tr>
<tr>
<td>1998</td>
<td>Rooftops Canada</td>
<td>15,018</td>
<td>Local government officials workshop on housing co-operatives. Also a follow up of gender workshop.</td>
</tr>
<tr>
<td>1998</td>
<td>UNDP</td>
<td>2,495</td>
<td>Sanitation in one of the resettlement projects.</td>
</tr>
<tr>
<td></td>
<td><em><strong>TOTAL</strong></em></td>
<td>742,608</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Alder and Munene, 1999, citing NACHU records.*
**Table 19. Forms of support received by various co-operatives and co-operative-like initiatives in South Africa**

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Support</th>
<th>Country/Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amalinda Housing Co-operatives</td>
<td>No support other than that provided through ELHMC and EL SACCO.</td>
<td>-</td>
</tr>
<tr>
<td>CME SACCO</td>
<td>R1 million, 10 per cent interest, deferred payment loan from the WCCHT (supported by USAID).</td>
<td>USA</td>
</tr>
<tr>
<td>Communal property associations</td>
<td>Support from the department of Land Affairs in the registration process and ongoing conflict management process, as well as in funding, with a R16,000 land settlement grant per household.</td>
<td>South African Government</td>
</tr>
<tr>
<td>Co-operative Housing Foundation</td>
<td>USA-based technical service NGO operating internationally.</td>
<td>USA</td>
</tr>
<tr>
<td>Cope Housing Association</td>
<td>Heavily dependent on donors until 2001. A contract for the 1997-2001 period with NBBL and NORAD included the provision of two technical advisors from Norway, core funding for Cope's administration and a revolving fund NOK 13.5 million (US$ 1.5 million) for bridging finance. Under an extended contract (up to 2005) technical assistance will be short-term and core funding will be gradually reduced. Cope also receives core funding from the European Union and technical assistance from rooftops Canada as well as from other donors.</td>
<td>Norway, European Union, Germany</td>
</tr>
<tr>
<td>EL SACCO</td>
<td>No support yet accessed. Afesis-Corplan suggests that the SACCO will need to be capitalised with external funding.</td>
<td>-</td>
</tr>
<tr>
<td>ELHMC</td>
<td>Supported by Afesis-Corplan until 2001. Afesis-Corplan is supported by the Swedish Co-operative Centre. In addition, the project will access R16,000 x 196 units as per the institutional subsidy, 196 People's Housing Process grants, infrastructure grants from the Consolidated Municipal Infrastructure Programme, electricity grants from Eskom, loan funding from the Urban Sector Network's Opportunity Fund (funded by the Swedish International Development Agency), and bridging finance from Nurcha (funded by a range of international donors).</td>
<td>Sweden, South African Government, Eskom, International donors</td>
</tr>
<tr>
<td>Housing savings schemes (HSS)</td>
<td>No support other than that provided through the uTshani Fund, and, when approved, R16,000 per unit developed, plus People’s Housing Process grants.</td>
<td>South African Government</td>
</tr>
<tr>
<td>Inner-city tenant buy-out initiatives</td>
<td>No support aside from R16,000 subsidy x number of units (though not in all cases).</td>
<td>South African Government</td>
</tr>
<tr>
<td>Newtown Housing Co-operative</td>
<td>Support for R 16,000 x 351 units as per the institutional subsidy. Long-term loan funding from HIDF, bridging finance from ICHUT.</td>
<td>South African Government through HIDF and ICHUT</td>
</tr>
<tr>
<td>SACCOL CFF</td>
<td>Seeking loan funding from the Rural Housing Loan Fund (capitalised with a German government donation), and the National Housing Finance Corporation (capitalised with South African government funding).</td>
<td>Germany, South African Government through NHFC</td>
</tr>
<tr>
<td>Social housing initiatives</td>
<td>Generally supported by NGOs, CBOs or local or provincial authorities, with a strong international donor component.</td>
<td>South African Government, International donors</td>
</tr>
<tr>
<td>South Africa Homeless Peoples Federation</td>
<td>Supported by People’s Dialogue and international donors.</td>
<td>International donors</td>
</tr>
<tr>
<td>Ubunye Co-operative Housing</td>
<td>Support from the Methodist Church mission, based in Canada, plus R16,000 x number of units.</td>
<td>Canada</td>
</tr>
<tr>
<td>uTshani Fund</td>
<td>R10 million grant from the Department of Housing, R4 million grant from the Department of Welfare, and R10 million loan from the Land Bank. Accreditation to administer the housing subsidy scheme on behalf of government. International donor funding from Misereor, Bilance, USAID, Homeless International.</td>
<td>South African Government, Germany, USA</td>
</tr>
</tbody>
</table>

Source: Rust, 1999; and e-mail communication from May Sommerfelt, 15 March 2001.
<table>
<thead>
<tr>
<th>Nature of support</th>
<th>Notes</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative formation and development</td>
<td>Familiarisation with goals and structure of co-operative, formation and registration;</td>
<td>HPZ; MNAECC; CFH; local authorities</td>
</tr>
<tr>
<td>Financial planning and management</td>
<td>Establishment of appropriate accounting systems; investment, auditing, financial planning, monitoring and loan repayment</td>
<td>HPZ and MNAECC</td>
</tr>
<tr>
<td>Legal services</td>
<td>Preparation and negotiation of contracts, mortgages and other legal documents; development of constitution and by-laws</td>
<td>HPZ</td>
</tr>
<tr>
<td>Technical services</td>
<td>Mainly related to project development; securing of land; creation of building and development plans; management and mortgage; origination of mortgages; sourcing of materials; procurement of contractors; implementation of overall building scheme.</td>
<td>HPZ; MNAECC; local authorities</td>
</tr>
<tr>
<td>Information</td>
<td>Providing information on various housing issues and processes like land acquisition, housing construction and finance</td>
<td>CFH</td>
</tr>
<tr>
<td>Advocacy</td>
<td>National lobbying on policy, legislative and institutional changes</td>
<td>Politicians; academics; HPZ; CFH</td>
</tr>
<tr>
<td>Investment</td>
<td>Housing Co-operatives Trust Fund takes advantage of high yields in the money market</td>
<td>HPZ</td>
</tr>
<tr>
<td>Financial resources</td>
<td>Financial resources in the form of ordinary loans, concessionary loans and grants</td>
<td>Building societies; bilateral agencies (USAID; World Bank), employers</td>
</tr>
</tbody>
</table>

*Source: Mudvami and Kamete, 1999.*
List of acronyms

AIDS  Acquired Immuno-Deficiency Syndrome
CBO  Community-based organisation
CFH  Civic Forum on Housing (Zimbabwe) (also known as CHF)
CLT  Community Land Trust
CME SACCO  Cape Metal Employees Savings and Credit Co-operative Ltd.
COPAC  Committee for the Promotion and Advancement of Co-operatives
ELHMC  East London Housing Management Co-operative
GDP  Gross domestic product
HDI  Human development index
HIDF  Housing Institutions Development Fund (South Africa)
HIV  Human Immuno-deficiency Virus
HPI  Human Poverty Index
HPZ  Housing People of Zimbabwe
HSS  Housing Savings Schemes (affiliated with the South African Homeless People’s Federation)
ICA  International Co-operative Alliance
ICA Housing  International Co-operative Housing Organisation
ICA ROECOSA  ICA Regional Office for East, Central and Southern Africa
ICHUT  Inner City Housing Upgrading Trust (South Africa)
ILO  International Labour Organisation
IMF  International Monetary Fund
KIJICO  Kijitonyama Development Community (Tanzania)
KSH  Kenya Shillings
KUSCCO  Kenya Union of Savings and Credit Co-operatives
MNAECC  Ministry of National Affairs Employment Creation and Co-operatives (Zimbabwe) (later renamed to Ministry of National Affairs, Gender, Youth Development and Employment Creation)
NACHU  National Co-operative Housing Union (Kenya)
NBBL  Norwegian Federation of Housing Associations
NGO  Non-governmental organisation
NOK  Norwegian Kroner
NORAD  Norwegian Agency for International Development
NURCHA  National Urban Reconstruction and Housing Agency (South Africa)
SACCO  Savings and Credit Co-operative (used here generically, to include ‘savings and loans associations’, ‘savings and credit societies’, ‘savings and credit organisations’, etc.)
SACCOL  Savings and Credit Co-operative League (South Africa)
SAHPF  South African Homeless People’s Federation
R  South Africa Rand
TSH  Tanzania Shillings
UNCHS  United Nations Centre for Human Settlements (Habitat)
UNDP  United Nations Development Programme
USAID  United States Agency for International Development
USH  Uganda Shillings
WAT  Women Advancement Trust (Tanzania)
WCCHT  Western Cape Community Housing Trust (South Africa)
List of references


Shelter Co-operatives in Eastern and Southern Africa

Currency exchange rates (December 2000)

1 US$ = 1,790 Uganda Shillings (USH)
1 US$ = 78 Kenya Shillings (KSH)
1 US$ = 809 Tanzania Shillings (TSH)
1 US$ = 7.6 South African Rand (R)
1 US$ = 55 Zimbabwe Dollars (Z$) (at Government controlled exchange rate)
Notes

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

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

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

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

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

6. This category is found mainly in South Africa.

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

8. GDP at purchasing power parities.

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

10. ICA records.

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

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

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

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

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

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

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

18. It should be noted that interpretation of share capital and turnover for housing co-operatives is difficult, because savings are constantly used as investments for land purchase and deposits for housing.
19. According to information provided by Anna Shayo of WAT, the Dodoma co-operatives were virtually dead by early 2001.

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

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

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

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

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

25. Information provided by Rooftops Canada.

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

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

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

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

30. Data provided by KUSCCO.

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

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

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

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

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

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

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

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

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


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

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

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

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

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

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

48. The Zimbabwe African National Union - Patriotic Front.

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

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

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

Preface

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

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

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

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

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

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

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

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

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International Co-operative Alliance (ICA)
Shelter Co-operatives in Eastern and Southern Africa

Acknowledgements

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

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

Special thanks go to Barry Pinsky, Sarah Power, Sombo Saviye and Cecilie Arcand of Rooftops Canada for their generous contributions of time and experience in reviewing the national reports from Kenya, Uganda and South Africa. Barry Pinsky and Sarah Power also reviewed a draft version of the regional report. Their substantive contribution, as well as their interest in the follow-up to this research activity, is very much appreciated.

Ivar O. Hansen and May Sommerfelt (both Norwegian Federation of Housing Associations (NBBL), the former also Secretary of ICA Housing); Claus Hachmann (Vice-President ICA Housing); Bernhard Kadasia (ICA); Sipho Simelane and Siri Sandbu (both Cope Housing Association, South Africa); Anna Shayo (Women Advancement Trust, Tanzania); and Cecilia Kinuthia-Njenga, David Kithakye and Katrin Toomel (all UNCHS (Habitat)) — reviewed draft reports and/or contributed important insights. Other contributors have wished to remain anonymous.

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Executive summary

I. Introduction

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

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

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

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

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

5. Registered co-operatives have a long tradition in the region, originally in the field of agricultural marketing, but more recently, SACCOs have become the fastest growing sector. The impact of liberalisation, withdrawal of government supervision (and support) and the termination of co-operative monopolies have had a considerable impact on co-operatives in the agricultural sector in particular, and many have thus collapsed. However, the impact on the shelter sector has been relatively small.
6. Co-operatives serve three basic functions towards the general goal of adequate shelter for its members, namely —

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

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

8. There is a wide range of different types of co-operatives relevant for the shelter sector in the region. Most notably among these — apart from the housing co-operatives — are the savings and credit co-operatives (SACCOs). Other important actors working within the co-operative shelter sector are those involved in the production of building materials and those engaged in the improvement of shelter and infrastructure.
9. Registered housing co-operatives have been responsible for less than 1 per cent of the total national housing production in most of the countries studied. Their contribution may have been considerably more significant in terms of introducing innovative concepts and practices.

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

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

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

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

14. Government controls, and direct support, has since largely been withdrawn, due to economic liberalisation. Consequently, poorly managed co-operatives have collapsed. In some cases, this increased freedom has expanded the credit options of shelter and financial co-operatives, thus leading to improved performance.
15. In the countries studied, co-operatives have had difficulties in mobilising and accessing finance. Member savings are normally only a small proportion of the finance required for building a dwelling, and it is difficult to access finance from conventional finance institutions. The savings and credit movement has great potential to finance shelter, and examples from Kenya and South Africa show that this potential can be further developed. Specific examples indicate that shorter-term credit (which is already offered by many SACCOs) may suit the needs of the lower-income groups better than formal longer-term loans.
The role of donors has been (and is) important in all the five countries studied. Just about every initiative examined has in some way or other had donor involvement. The results have been mixed, but there does appear to be a trend indicating that the quality and impact of assistance has increased over time. This is presumably a result of learning from experience.
Shelter Co-operatives in Eastern and Southern Africa

Executive summary
IX. Co-operative impacts in the shelter sector

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

- a negative policy framework;
- weak management of co-operatives;
- it takes time for a culture of co-operation to be built in urban (as opposed to rural) areas;
- some donor interventions have not promoted ‘ownership’;
- poor economic conditions, leading to a financial environment making it difficult to access financial resources;
- political interference; and
- difficulties in accessing land.
X. Conclusions: Lessons learned and the future role of the co-operative sector in shelter development in Eastern and Southern Africa

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

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

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

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

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

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

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

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

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

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

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

The two final chapters contain the main findings of the study. Chapter IX contains a summary of the contributions of the co-operative sector to shelter development, and an assessment of why these impacts have been rather limited. Chapter X contains the main lessons learned from the survey and the implications for the development of future strategies to improve the contributions of the co-operative sector to shelter delivery.
Shelter Co-operatives in Eastern and Southern Africa

Chapter I. Introduction

A. Co-operatives in the international agenda

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

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

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

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

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

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

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

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

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

- **Registered co-operatives**: Organisations registered under the co-operative societies act of each country.

- **Co-operative-like**: Organisations not registered under a co-operative societies act but which in general terms adhere to the basic co-operative principles defined by ICA and the International Labour Organisation (ILO) (see section I.B.1 below).

- **Other community-based modalities**: Organisations which do not accord to the co-operative principles as defined by ICA/ILO, but which are often altruistic, seek to alleviate poverty and can have a measure of beneficiary participation.

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

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

1. Registered co-operatives

As is discussed in section II.B, most registered co-operatives in Eastern and Southern Africa have historically been operating in the agricultural sector. During the last two decades, however, the importance of SACCOs has been growing rapidly.

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

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

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

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

2. Co-operative-like organisations

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

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

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

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

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

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

It is clear that co-operative-like organisations — primarily because there are so many of them — make a much more significant contribution to shelter improvement than do registered co-operatives. However, it should be noted that even the combined contribution of the co-operative and co-operative-like sectors is very small in comparison to total supply. The bulk of housing is provided outside the formal commercial sector by households themselves. This is discussed further in chapter IV.
A further category of local level organisations are those in which the intended beneficiaries of improved shelter have a measure of participation in the development and subsequent management of the shelter project or programme but do not have a structure allowing forms of ownership by the residents. There is a range of such organisations. They include the public projects that are often donor funded and where tenure arrangements may be rental or aim at ownership by residents some time in the future. They also include projects promoted by philanthropic organisations such as housing associations in South Africa. Another model is the land trust in which trusts, registered under trustee acts, hold an asset (e.g. funds, land, and buildings) for an identified group. Examples of trusts are the Catholic Church in Mathare IV-A project in Nairobi (which has formed a land trust and rents housing units to residents who are represented on a board of trustees), and the Community Land Trust in Voi, also in Kenya (see box 19). Some examples of these approaches have been included as, given the problems in engendering and strengthening local democracy in some situations, they may provide solutions worth considering. Indeed, a combination of categories is possible such as in Voi where the land is owned by a trust but housing development is undertaken through a co-operative.
The above discussion of definitions focuses on co-operatives at the primary or local level. In all the countries studied co-operatives have been supported and promoted by a variety of agencies, usually located at the national level. Many of these organisations are or have been supported by external donor agencies. In many cases, co-operative shelter organisations from industrial countries have provided technical expertise while a national bilateral agency has provided the funding.

These support agencies can also be differentiated. They include:

- **Registered co-operative 'apex' organisations.** Shares in these organisations are owned by primary registered shelter co-operatives and they are democratically controlled by these 'primaries'. The main example in this report is NACHU in Kenya.

- **NGOs** that promote and support co-operatives but which are not owned or controlled by them. Examples include HPZ in Zimbabwe (see section V.C.4), the Women Advancement Trust (WAT) in Tanzania (section V.C.3), Afesis-Corplan in South Africa (note 22) and Maji na Ufanisi (box 11) in Kenya.

- **Governments** which actively promote co-operatives (in addition to general policy support) — such as in Tanzania and to some extent South Africa — through a variety of quasi-government agencies.
Shelter Co-operatives in Eastern and Southern Africa

Chapter I. Introduction

C. Shelter co-operatives in Eastern and Southern Africa

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

- Organisations with the primary objective of delivering new housing units to their members, often with infrastructure;
- Organisations with the objective of owning and managing existing units (individual units or, more usually, flats);
- Organisations that seek to support shelter co-operatives;
- Federations of shelter co-operatives;
- Organisations that develop land for shelter;
- Organisations that finance housing and infrastructure;
- Organisations that construct housing and infrastructure; and
- Organisations that manufacture building materials.

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

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

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

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

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

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

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

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

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

A. Social and economic conditions: Effects on shelter delivery

1. Economic context

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

Table 1 provides key economic data for the five countries since 1980. It reveals that the size of the South African economy (in terms of GDP) is more than four times as large as that of the other four countries combined. The table also shows that Tanzania and Uganda are having the strongest relative growth rates (although from low bases), while Kenya and Zimbabwe have registered weak performances. In Zimbabwe, this has been reflected in the drying up of finance for shelter and a rapid increase in construction costs.

Among the five countries covered by this report, all but Uganda have experienced a decrease in per capita GDP during the last decade (see table 2). During the same period, the GDP per capita of all developing countries has increased by nearly 30 per cent (UNDP, 2000).
South Africa has the largest population of the five countries covered by this survey (40 million), while Zimbabwe has the lowest (12 million) (see table 3). Four of the five countries (the exception being Uganda) experience falling rates of population growth. Uganda has the highest rate (3.2 per cent per year), while South Africa has the lowest (0.7 per cent per year) (United Nations, 1999). However, these figures are to some extent the result of (and disguise) different social and economic histories, including the experience of apartheid and subsequent liberation in South Africa, the HIV/AIDS epidemic in all of the countries and civil conflict in Uganda in the 1970s.

The rate of growth of the urban population in each of the five countries is considerably higher than the rate for the population in general (see table 7). The result is that urban populations as proportions of total populations are increasing rapidly. More than half of the population in South Africa is already living in urban areas. In Kenya, Tanzania and Zimbabwe the urban population is expected to increase from one third of the total population today, to about half during the next two decades. Even Uganda, which is among the ten least urbanised countries in the world, experiences urban growth rates of more than double that of rural areas. The high rate of urban growth is an important factor in the social and economic development in the region, with considerable ramifications on the demand for shelter.

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

What this means in terms of shelter is that, in addition to current housing deficits, the five countries will require the construction of some 1.3 million housing units each year during the next decade. The bulk of this additional need comes from South Africa, where some 668,000 new units are required each year. For the other countries, the additional annual need is as follows: Kenya, 306,000 units; Uganda, 127,000 units; Tanzania, 122,000 units; and Zimbabwe 82,000 units. This is a considerable challenge given the poor record to date in development of adequate shelter as evidenced by overcrowding, the presence of slums and squatter settlements and poor environmental conditions in many human settlements. Some evidence for this is shown in the subsequent section on social conditions and poverty.
UNDP has, over the past 10 years, developed the most comprehensive indices of human development and of human poverty, as economic indicators alone are insufficient to measure the full dimensions of development. The human development index (HDI) measures life expectancy, adult literacy, educational enrolment, and real GDP per capita. The various indicators are combined into the HDI, which is then used to rank countries. Table 8 presents the latest HDI data for the five countries, with the highest ranked country in the world (Canada) and the highest ranked country in the Eastern and Southern Africa (Mauritius) included for comparison. Table 8 shows that South Africa is clearly in the best situation among the countries covered in this report, although data conceals pockets of deep poverty. Table 9 provides an overview of the trends in human development for the five countries covered by this report (with Canada and Mauritius included for reference). According to the table, only Tanzania and Uganda — the two lowest ranked among the five countries — have experienced a positive human development trend during the last decade.

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

This disparity is also reflected in Table 11, which illustrates how the poorest 20 per cent of the population in South Africa has a significantly smaller share of income or consumption (2.9 per cent) than in the other four countries (between 4.4 and 6.8 per cent). The percentage of population that is living on less than one dollar a day (e.g. the World Bank benchmark for income poverty) is however, considerably smaller in South Africa than in the other four countries.

With poorly performing economies and reduced government budgets to social services (in conformity with liberalisation policies), housing, health and education needs have far outpaced existing facilities. Economic liberalisation, promoted in particular by the IMF and World Bank, has included requirements to balance budgets and to facilitate the reduction of barriers to trade, privatisation of public companies (parastatals), removal of price controls and creating market-determined interest and currency exchange rates. Attempts to reduce government expenditure have led to a change in the government role regarding service provision in the social sectors, including shelter.
The above broad economic and poverty-related data give a picture of economies that are unable to make significant investments in shelter, particularly from the public sector. It also portrays levels of poverty which imply that households are unable to afford a reasonable standard of shelter.

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

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

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

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

Zimbabwe's macroeconomic environment has made housing inaccessible and unavailable to the majority of the population. Macroeconomic factors have reduced the capacities of public institutions, companies and individuals to deliver housing. In 1999, the housing deficit had increased to over one million units. By 1996, all housing production systems could only produce 25,000 units annually (Mubvami and Kamete, 1999). This does not compare well with the need for new housing as indicated by the increase in number of households, e.g. 89,000 per year (see table 6).
The history of the co-operative movement in Africa can broadly be divided into three stages; colonial, immediate post colonial and liberalised. South Africa has followed a somewhat different path, because of its particular history.
Co-operatives have a long tradition in the region. Encouraged by colonial governments, the first agricultural co-operative organisations were established already before the First World War. Uganda's first co-operatives were formed as early as 1913. The first group of co-operatives was set up by the white farming communities. When allowed, native producers also formed agricultural co-operatives in order to purchase inputs and secure markets for their produce. By the time of independence, co-operatives were well established in all the countries in the region. Moreover, the colonial administration had set up separate departments to promote and control the co-operative sector, which primarily comprised agricultural marketing societies.

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

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

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

In order to initiate the formation of new co-operatives and support the sector it was necessary to expand the government promotional and controlling machinery. The result was rapidly expanding co-operative movements, which were established without the internal mobilisation of the membership and without due consideration to economic sustainability. In Zambia for instance, the number of co-operatives rose from 220 in 1964 to 1,120 five years later. This externally initiated and controlled development of the co-operatives had a number of consequences. First, a considerable number of newly registered co-operative organisations soon became dormant. They were simply not viable. Preparation work was hasty and in many instances, ideological zeal overrode practical economic considerations. Second, and of much greater significance, was the fact that an outside agent (e.g. the government) initiated — and then put itself in ultimate control of — the co-operative sector. The government conditioned the co-operators, and thus shaped the behaviour of the organisations for decades to come.

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

This was the general pattern of co-operative development in the region. There was, however, one extreme case when it came to subjugating co-operatives to political purposes, namely Tanzania. Through a politicising of society and centralising of the Tanzanian economy, the primary co-operatives were forced to adjust their structure to the administrative set-up. Moreover, the co-operative members were also affiliated to the political party as a mass organisation.
Agricultural marketing co-operatives dominate the co-operative scene. This is mainly due to the importance of the agricultural sector in the region. The typical co-operative member in the region is a small-scale farmer. The producers/members are organised in primary marketing societies, which can range in size from a couple of hundred members to large societies of several thousand individuals, as for instance in Kenya's coffee growing areas. Most primary societies are affiliated to a secondary co-operative body, the co-operative union, operating at district or provincial level. At primary level the produce is collected, and in some cases processed, before being forwarded to the marketing boards via the union. Agricultural inputs are also sold by the primary society, through the co-operative system.

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

The typical co-operative member (who is a small-scale male farmer) does not belong to the poorest strata of the rural population. He has a produce to market, which gives a regular income, however small. The agricultural co-operatives organise the better-off farmers as well as the smallest; from a relatively wealthy coffee producer on the slopes of Mount Kilimanjaro in Tanzania, to the impoverished peasant in a remote area of Zambia producing a few bags of surplus maize.
The co-operative model has also been used to organise people in the region for other economic purposes. Financial co-operatives (i.e. SACCOs) have been important in urban as well as rural areas. This type of co-operatives is second to agriculture in terms of number of members. Although the efforts to establish co-operative banks in the region have largely failed (the exception being Kenya), SACCOs will play an increasingly important role in providing financial services to low-income people.

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

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

The above figures should be read with caution since the number of registered societies does not tally with the number of active societies. The liberalisation of the economy in the 1990s has drastically reduced the number of active societies (see section II.B.5 below). Furthermore, the statistics contain a number of double memberships (e.g. farmers being members of agricultural as well as savings and credit societies). Finally, the distribution is skewed in favour of Kenya, where very successful urban and rural savings and credit movements account for more than 2.5 million members.
When trying to assess the performance of the co-operative movements in the region from the time of independence up to the beginning of the 1990s, it is important to recognise that they were to a large extent initiated and controlled by the governments. Much of the basic requisites for genuine co-operative development were consequently absent during those years. The co-operative identity thus became blurred, or was entirely lost, as was the case in Tanzania. Furthermore, the governments were able to control the prices on agricultural outputs and inputs, and the agricultural pricing system was tilted against the producer. Despite these limiting circumstances, most co-operatives managed to carry out their basic functions. Whether this performance can be judged satisfactory or inadequate depends on the yardstick used.

Nevertheless, the fact remains; millions of farmers have since independence been able to procure inputs and sell their cash crops through their primary societies. They have thus been incorporated into the monetary economy. Furthermore, many people have been encouraged to save a small portion of their income, depositing it with a SACCO, and later obtaining a loan. Likewise, although on a smaller scale, artisans have marketed their products through a co-operative, fishermen have landed their catch at their society, and people have improved their housing through the membership of a co-operative. Moreover, often not properly acknowledged, many illiterate members have through their co-operative taken the first steps in learning how democracy works in practice. Although the co-operatives got off to a flawed start in the 1960s, and the governments took too great an interest in them during the following 30 years, they have nevertheless been of great economic importance to many million co-operative members.

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

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

5. Present situation

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

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

As part of the liberalisation process, the role of government in supervising co-operatives has been greatly reduced. In practice, the new role is more akin to that of the Registrar of Companies. This means that in most countries the ministry responsible for co-operatives no longer supervises (or interferes in) the day-to-day operations of co-operatives. Co-operative liberalisation may turn out to be positive in terms of organisational strength and benefits to members as well as to consumers.

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

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

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

Chapter III. Role of co-operatives in the shelter sector

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

- They enable households to pool resources to acquire and develop land and housing. This is particularly the case when, as in Zimbabwe, local authorities give priority to co-operatives.

- They have access to finance which, in many instances, derives from donor funding. This is the case in all the five countries studied. The volumes are, however, not substantial compared to overall formal shelter investment, except perhaps in Zimbabwe. This finance may be channelled through an intermediary institution, such as the private sector building societies in Zimbabwe, or direct through a housing co-operative apex organisation as in Kenya. Co-operative intermediary or supporting institutions have, in effect, become retailers of donor finance.

- They enable groups to join forces and reduce costs in undertaking construction.

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

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

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

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

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

A. Registered housing co-operatives

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

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

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

A. Registered housing co-operatives
   1. Joint ownership housing co-operatives

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

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

In Africa, there are very few examples of joint ownership co-operatives. The reasons for their persistence, for example in Tanzania, have possibly more to do with the requirement to pay off a joint mortgage than to retain joint ownership. The new housing co-operatives in South Africa are utilising the joint ownership model. In Kenya and in Uganda, joint ownership is only used when housing units are built for rental and the objective is income generation for the members. In Zimbabwe, most co-operatives are not joint ownership but multiple ownership.
In the multiple mortgage model the co-operative owns and maintains the common areas, e.g. roads, paths, recreation areas and other community facilities. Meanwhile, the members own their separate units and the land.

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

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

A. Registered housing co-operatives

3. Limited housing co-operatives

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

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

A number of variations on the above basic types of tenure are emerging in response to real situations on the ground. One of the most interesting is the Community Land Trust in Voi, Kenya, which resulted from an upgrading initiative (see box 19). The Trust owns the land as a collective on a permanent basis. Individuals only own the houses that have been constructed in a co-operative manner. An individual homeowner who wishes to leave, can sell only the house (the Trust even retains the first right to buy) but not the land. In some cases the co-operative acts as a developer, contracting services of builders on behalf of members.
Table 12 summarises the functions of other registered co-operatives (i.e. those not registered as housing co-operatives). Some of these are discussed in more detail in the following sections.
In three of the countries studied, the most significant co-operative players in the shelter sector are not the housing co-operatives. Instead, it is SACCOs, which are strong in Kenya, and growing in Zimbabwe and South Africa. They also have potential in Tanzania and Uganda. The latter have faced severe problems following liberalisation and the introduction of competition.

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

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

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

South Africa provides an interesting example of how a SACCO can be used as a base for housing development. The CME SACCO Ltd serves the savings and credit needs of Cape Metal employees in the Western Cape Province. Although it was registered as recently as 1997 it has already established a specialised housing loan scheme (see box 5).
The experience with co-operatives that have been formed to manufacture building materials and to undertake construction has largely been disappointing. This applies both to registered co-operatives in Zambia and to the building brigades in Zimbabwe. The latter are not strictly co-operatives or even co-operative-like. These co-operatives have generally been formed as a response to unemployment, often youth unemployment. They have often lacked the skills and management capacity to compete effectively with the private sector, both formal and informal. In Zimbabwe, the government-inspired building brigades had considerable political support. However, ultimately they failed, as the quality of their work was unsatisfactory. Yet, there is some indication that independent construction co-operatives can succeed. The Bulawayo Instant Muscle Co-operative and the See Light Construction Co-operative — both in Bulawayo, Zimbabwe — exemplify this (see box 6).

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

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

The experience of Uganda illustrates that a shelter co-operative can provide a basis for other activities that are not necessarily of an economic nature. Co-operative organisations have become a channel through which health issues such as HIV/AIDS, environmental education and gender awareness are discussed.
Kenya provides an example of innovative co-operative modalities adopted in a rural context in Meru (Eastern Province). Two co-operative housing societies were formed by members of agricultural co-operatives to help them improve their living conditions alongside improvement of their cash crops (see box 8). These two co-operatives have been able to lend to their members without borrowing from a bank. They can lend an individual member up to KSH 1 million (approximately US$ 13,000). This indicates that members are in the middle- to higher-income brackets.
Chapter III. Role of co-operatives in the shelter sector

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

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

Two examples of co-operative-like organisations are provided here. The Seven Buildings Company of Johannesburg (see box 9) is a tenant-purchase group, while the Kijitonyama Development Community (KIJICO) in Dar es Salaam (see box 10) is a residents group involved in improving infrastructure.

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

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

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

A CBO in Kenya has improved water supplies in one of Nairobi's most notorious slum areas. This experience, which is described in box 11, is not only a good example of co-operative efforts to improve shelter conditions. It is also a good example of a real process of empowerment.
Chapter IV. Co-operative contributions to shelter delivery

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

The most useful measure of performance of housing co-operatives is the number of housing units completed. The national reports do show (regardless of limitations in data) that registered housing co-operatives contribute only a small fraction of national output in housing. In most countries the contribution is less than one per cent (see table 13). South Africa, where the first housing co-operative was registered as recently as in 1999, had only six registered housing co-operatives by March 2001. Yet, the Newtown Housing Co-operative had already completed 351 units (see also box 15). Since NACHU (see section V.C.1) began operations in the mid-1980s, co-operatives in Kenya have constructed or rehabilitated 995 units. Zimbabwe has recorded the best performance with 3,200 units (see table 17 for more details). Tanzania has built 906 units, but again, most of these were built in the 1980s. The contribution in Uganda is difficult to assess, but the Kataayi co-operative has helped several thousand families build improved housing units (see box 7). Very roughly estimated, no more than 10,000 units have been built or improved through registered co-operatives in the past two decades in the five countries studied.

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

A. Kenya

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

There appears to be a decline in both share capital and turnover in Kenya's housing co-operatives in recent years (see table 14). There are two probable explanations for this. In the 1992/1993 financial year, economic liberalisation led to a substantial depreciation of the Kenya Shilling and an increase in interest rates. This led to steep rises in construction costs. The result was that the construction sector suffered the worst decline in recent Kenyan history. This had a severe impact on housing co-operatives, and it effectively froze many co-operative projects. Since 1993, only three 'formal' co-operatives have been able to move ahead with construction. As mentioned in section II.A.1, interest rates have declined since mid-1999. It will, however, take some time for the benefits to be passed on to the construction sector. Moreover, the macro-economic situation is still serious.

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

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

Housing co-operatives in Kenya are almost wholly limited to urban areas. Nairobi alone has 56 out of the 145 NACHU affiliated housing co-operatives. Only two of the NACHU affiliated housing co-operatives are involved in rural housing (see box 8). There are no current data on non-NACHU affiliated housing co-operatives, but it is widely believed that they are making very little progress.
Tanzania’s first post-independence housing co-operative initiative was donor-driven, by the international co-operative housing movement and the United Nations, in the 1970s. It had two components: improvement of the Government’s capacity to develop a co-operative housing movement, and implementation of a pilot project in Dar es Salaam. The second initiative was connected to the development of Dodoma as the nation’s capital. It included a strategy for housing co-operatives to deliver significant numbers of housing units. This initiative also had heavy government involvement and donor support, principally from UNDP.

The rapid increase in the number of housing co-operatives in the early years of independence is therefore mainly attributed to these initiatives. Moreover, it was also a result of the consequent high expectations created among the members of these first co-operatives. Dodoma recorded high co-operative registration (see table 15) because of the moving of the national administrative capital from Dar es Salaam to Dodoma. The Dodoma co-operatives have been successful in obtaining plots. Yet, financing for construction has been more difficult to come by, and most of them have not completed their project targets.

During the 1980s and 1990s, there was a waning of co-operative numbers in most parts of the country. This was partly due to the introduction of economic reforms. It was also related to the fact that the high expectations of co-operative society members in Tanzania — except for the very special case of Dodoma — were short lived. Many registered co-operatives thus became inactive. Table 15 reflects this decreasing number of active co-operative societies in many regions. In fact, if Dodoma is excluded the number of co-operatives fell from 60 to 55 between 1990 and 1998, while the number of members fell from 3,316 to 1,900.
The data on Uganda's shelter co-operatives presented in table 16 are taken from a 1995 survey. However, as many co-operatives in Uganda are registered as multipurpose it is difficult to compile accurate data on the size and impact of co-operatives in the shelter sector. Prior to 1992, shelter co-operatives were registered by government as multipurpose and many may not have changed their status to the housing co-operatives category by the time of the 1995 survey. Any deduction on the size and significance of the co-operative shelter movement would therefore be speculative.

The total membership in the 13 formally registered housing co-operatives was estimated to 429 people. Moreover, as can be seen from the table, five of these 13 co-operatives are dormant.
The Zimbabwean co-operative housing movement has been the most successful in Eastern and Southern Africa in terms of delivering units. Yet, the shelter co-operatives are concentrated in Harare (see table 17). In fact, nearly 90 per cent of the housing units constructed by co-operatives in Zimbabwe by 1999 were located in that city (2,800 out of 3,200 units). The contributions of co-operatives to total housing supply amounted to 5.8 per cent in Harare, compared to 1.6 per cent for the country as a whole.

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

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

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

However, the number of dropouts and defaults on loans in work-based co-operatives is higher than that in the community-based ones. The main reason for this is that a significant proportion of the work-based co-operatives has lost membership due to retrenchment of staff. Delays in registration, backlogs in allocations, mismanagement and embezzlement of funds are other reasons cited for membership dropout. It should also be noted that it is usually the older members who withdraw membership first after losing any hope of owning houses.

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

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

The early years of the Zimbabwean co-operative housing movement (e.g. the 1980s) saw co-operatives using what were essentially ‘pyramid’ savings schemes (see box 12). Only those who were allocated housing units first could benefit from the savings of all the members. Members at the back of the queue stood very little chance of obtaining a unit unless the co-operative could access external finance.
The use of the word 'co-operative' has been protected by law in all countries covered by this study. The formal structure and legal form of registered housing co-operatives are almost identical in all five countries studied in this report, and very similar to those of co-operatives in other sectors. Housing co-operatives must:

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

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

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

Co-operatives in most countries are required to provide annual audited accounts to the national co-operative ministry. Many co-operatives appear unable to fulfil this requirement. It also appears that few co-operatives keep proper minutes of meetings. The failure to provide accounts and keep minutes makes data at the national level difficult to obtain. In four of the countries covered by this study (i.e. all except Uganda, which undertook a co-operative survey in 1995) there has been little effort by co-operative ministries to seek information through surveys etc. This exacerbates the problems arising from the paucity of the data.

Co-operative Acts in most countries have changed in line with economic liberalisation and subsequent reduction of the role of governments in the co-operative sector. In Kenya for example, the Commissioner of Co-operatives now only serves to register new co-operatives and to ensure that they are audited annually. The Commissioner's permission is no longer required in procurement and other management matters.

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

In work-based co-operatives, the role of employers is often crucial. Some such issues are outlined in box 14.
Chapter V. Structure and organisation of housing co-operatives

B. Gender issues in housing co-operatives

The representation of both men and women in membership as well as in meetings is generally about equal in the five countries studied. This is not necessarily the case in individual co-operatives. Work-based co-operatives such as those in Zimbabwe for example, comprise largely male members. Meanwhile, the members of the ELHMC in South Africa (see box 4) are predominately women. Moreover, there is an all-women housing co-operative in Masvingo (Zimbabwe) with 10 members, which has not yet been able to initiate construction. In many circumstances, however, participation appears to be ascribed by gender. There is some indication of gender stereotypes in the election of office bearers in Zimbabwe. Here women are preferred for the post of treasurer, due to the belief they are more honest than men are. Women are also often secretaries. However, in all countries men usually occupy the position of chair of the management committees.

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

In Tanzania, WAT is particularly focussed on ensuring women's access to housing and land. Co-operative activities in Uganda are still male dominated. However, in an attempt to raise the participation of women, all co-operatives in Uganda are required by law to have at least one woman on their management committee. No particular information on gender issues in shelter co-operatives is available from Uganda.
One lesson that can be drawn from the experience of co-operative housing in the countries under study, and
indeed worldwide, is that primary co-operatives need guidance and support from an organisation(s) with capacity and
experience. Developing a housing project — whether new-build, upgrading, or tenant purchase of existing stock —
requires a considerable amount of expertise and knowledge. For most primary co-operatives, the process of land
acquisition, planning, designing and construction occurs only once. It is not a cyclical process such as marketing a
crop. Members of co-operatives, most of whom have little or no experience of shelter development, need advice.

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

- The support organisation is a co-operative. NACHU in Kenya (see section V.C.1) is a co-operative in itself.
  Its shares are owned by member primary housing co-operatives, and it has a Management Committee elected
  by the members.

- An NGO provides support. HPZ in Zimbabwe (see section V.C.4), WAT in Tanzania (see section V.C.3) and
  the Homeless Peoples Federation (see section V.C.2), Cope Housing Association (see box 15) and
  Afesis-Corplan in South Africa are examples of this. Ultimately, such NGOs are not controlled by the
  co-operatives that they support. They may, however, be accountable to them. HPZ, for example, has legal
  contracts with co-operatives specifying the services it provides and the costs it will apply. The majority of
  individuals on the HPZ Board are representatives from co-operatives. They are appointed by the Board,
  however, not elected by their own societies.

- Private firms with social objectives can also provide specialised support (apart from conventional
  consulting services such as architecture and engineering). The Seven Buildings Company in Johannesburg,
  for example (although not a registered co-operative), receives support from Uptown Projects, which is a
  private company (see box 9).

- The Government can provide technical services. The Government of Tanzania attempted this on a
  nation-wide basis and more intensively in Dodoma where a 'Low-Cost Housing Unit' was
  formed as part of the Capital Development Authority.

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

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

- whether housing finance expertise and technical co-operative housing expertise can be combined within the
  same organisation; and

- whether one organisation should combine the two functions, as this could lead to a conflict of interest,
  particularly in apex organisations where the Board represents the co-operatives applying for funding.

The following sections provide details on the main supporting organisations in four of the five countries
studied in this report.
Shelter Co-operatives in Eastern and Southern Africa

Chapter V. Structure and organisation of housing co-operatives

C. Structure and organisation of supporting institutions

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

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

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

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

NACHU affiliates do not make periodic subscriptions. Instead, they pay an entry fee and purchase nominal shares. The shares portfolio has not grown to any significant size. This is related to the fact that few housing co-operatives have been able to complete their projects (mostly due to the financial climate). Fees from these projects were supposed to be NACHU’s main source of income. As very little income from this source is forthcoming, NACHU has been unable to pay dividends to its members. In fact, if NACHU had not been supported by donors, it may not have survived.

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

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

Another problem experienced by NACHU, is that donor funds are intended for low-income beneficiaries, while some of the members have higher incomes (without being well off). This can lead to tensions as new low-income co-operatives can ‘jump the queue’ for access to resources.
The South African Homeless People's Federation is a movement of over 86,000 households involved in over 1,200 savings collectives in over 1,000 homeless communities across South Africa. As an example of a good NGO/community based partnership, the Federation's primary goal is —

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

With a membership that is 85 per cent female, most leadership positions are held by women. While not structured legally as a co-operative, 'co-operation' is at the centre of all of the Federation's activities. The seven principles for co-operatives (see box 1) are implicitly supported in everything the Federation does and stands for.

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

With a pool of savings, an HSS is able to allocate loans to its members. HSSs offer two types of loans. Crisis loans are available at an interest rate of one per cent per month, while income-generation loans are available at an interest rate of two per cent per month. Each HSS has its own specific criteria for allocation of loans. Yet, they all have a commitment to the development of the community through financial, as well as personal support for its individual members.
WAT was founded in 1989 as a non-profit NGO. Its mission is to promote the advancement of women through education and training. Among its many objectives is—

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

WAT has the following four programmes:

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

WAT is the only NGO in Tanzania that is active in promoting other NGOs involved in shelter development. During the preparation for the Habitat II conference, WAT organised a National Workshop on Co-operative Housing Exchange. With support from Rooftops Canada, WAT also organised a one-day workshop in April 1999 with the aim of promoting the establishment of housing co-operatives.

WAT has managed to assist in the formation of two women SACCOs for housing in Dar es Salaam and Mbeya and gender-mixed SACCOs in Dodoma. With funding and technical support from Rooftops Canada, WAT has offered training to SACCO members. It aims to continue to support such groups in managing their credit societies for new housing construction or improvement.
Another approach can be seen in Zimbabwe where HPZ supports the establishment of a separate co-operative apex organisation. This move is supported by many co-operatives. This will separate the advocacy and representation functions, particularly vis-à-vis government and local authorities, from the technical support functions.

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

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

The organisation is an important national advocate for co-operative housing. It carries out research in various housing-related issues like mortgage finance and interest rates. HPZ is also the secretariat of the national task force, which is elected each year at the annual HPZ seminar. The task force has the mandate to set up a national co-operative apex organisation, with HPZ assistance. HPZ has also been instrumental in establishing the Housing Co-operative Trust Fund in which each co-operative saves and uses savings as collateral for its own mortgage or mortgages for their members. The Trust Fund has not yet decided to offer loans itself. Instead, it assists co-operatives to access funds for mortgages through building societies. The funds are provided by USAID and are targeted at people within a certain income range.
For shelter co-operatives to flourish it is important that they exist within a positive and enabling environment. This environment is largely set by government (and local authority) policies pertaining both to the shelter sector and to the co-operative (and community) sector. As was outlined above, the performance of national economies is a critical factor. Poor economic performance — as has been the case in most of the countries studied — severely limits the ability of the co-operative shelter sector to deliver, especially when finance is unavailable or unaffordable.

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

As outlined above, close government supervision and control, including granting of monopoly status, undermines the principles of co-operatives as self-help, voluntary organisations (see box 1). Government controls, and direct support, has largely been withdrawn due to economic liberalisation. Consequently, poorly managed co-operatives — that were heavily dependent on the government — have collapsed. Yet, reduced government involvement has given more powers to management committees. In some instances, it has even increased the credit options for shelter and financial co-operatives, as they have become less restricted in their areas of operation. The following sections summarise the position in each of the five countries.
National shelter policies are in line with provisions of the Habitat Agenda and seek to create enabling environments for actors outside of government. Whatever their good intentions, these policies have so far had little real impact on shelter delivery. To the majority of the population, these policies are almost irrelevant, as the majority of residential housing is constructed informally with very little government or local authority participation. There are some signs of progress however.

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

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

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

B. South Africa

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

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

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

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

- a desire for individual ownership to housing units (share blocks);
- poor record among the higher income classes and therefore not encouraged among the poor (sectional title);
- and
- the weaknesses when applied to large communities (communal property).

The best-known example of funding initiatives is the government's national housing subsidy scheme (described in section V.C.2). In situations where funding over and above the subsidy is required, a series of other mechanisms have been developed by the government, NGOs and donors. These include bridging finance (see box 27), working capital loans, guarantees and grants. Traditional financial institutions are not yet involved in the co-operative shelter sector. However, some social housing institutions are beginning to engage with banks on this issue (see more on this in section section VII.C).
Tanzania, like Kenya, is on paper enlightened and progressive in many aspects of shelter policy. Tanzania initiated some of the very early upgrading sites-and-services projects, which were considered very innovative in the 1970s. However, while policy towards shelter co-operatives was also positive, in reality the approach and capacities of the government system to support co-operatives was extremely limited. In some instances, it actually presented direct obstacles. One notorious example was that the Registrar of Lands would not allocate land to a housing co-operative until it was registered as a co-operative and the Registrar of Co-operatives would not register a co-operative until it had been allocated land. All this has changed since liberalisation, and the co-operative movement has had to begin almost anew, with new institutions.

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

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

D. Uganda

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

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

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

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

Current government policy towards co-operatives is positive, in both the shelter and co-operative spheres. Yet, the very limited scope to date of the co-operative shelter movement, and other similar initiatives, makes it difficult to assess the effect of the policy framework. What can be concluded, however, is that the Government policy does not appear to obstruct the development of co-operative shelter.
Zimbabwe arguably has the most positive environment for shelter co-operatives in the region. While all shelter delivery systems suffer from poor macro-economic management, a relatively positive framework of support for shelter co-operatives has been established. This includes preferential allocation of land to co-operatives, as well as technical support. Box 23 outlines the experience with the partnership approach within the co-operative shelter sector in Zimbabwe.

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

Local authorities in Zimbabwe provide housing designs at minimal fees. Additionally, most authorities have an officer assigned to housing co-operatives to provide advice on technical matters. Co-operatives have also been provided with assistance to prepare their financial audits.

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

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

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

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

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

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

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

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

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

Against the above background, the most useful examples in the region for the purposes of this report are drawn from Kenya, South Africa and Zimbabwe. Examples from these three countries are thus used below to illustrate the discussion on co-operative shelter finance.
Individual members' savings form the basis for internal finance. They are accumulated in the form of share capital or, in the case of co-operative-like organisations, by using other mechanisms. These savings have two main purposes:

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

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

Raising finance is particularly difficult for the poor. Given the opportunity offered by owning an asset and/or improved living conditions, however, poor people are able to mobilise a surprising large level of resources. In addition to savings from income, they are able to convert other assets into cash and to use informal networks for borrowing. The poor can also contribute in the form of labour by participating in the construction process. This has to be carefully planned and managed, as using self-help labour does not necessarily reduce overall building costs.

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

The funds required for providing shelter — even to a minimum standard, and using self-help where appropriate — are considerable in comparison to the income, savings and assets of co-operative members. This is particularly the case for the poorer members. In most countries costs often also include installation of both on and off-site infrastructure. This is the case as government and local authorities frequently no longer have the resources to provide this, even if it is within their mandate. When co-operatives do try to raise funds through pyramid schemes, as in Zimbabwe, member frustration is the inevitable result (see box 12). Thus, access to external finance is critical.
This section reviews the various sources of external funding that have some connection with co-operative or co-operative-like organisations. Included are co-operative apex bodies/federations, co-operative banks, co-operative savings and credit organisations and NGOs dedicated to the co-operative social sector. As can be seen, there is a considerable variety of organisations involved with different structures of ownership and control.

In South Africa, a relatively wide range of avenues exists, besides the institutional subsidy described in box 20, for financing of co-operatives within the social housing framework.
As discussed earlier, there are strong indications that SACCOs — that in effect are community-based co-operative finance institutions — provide significant resources for shelter development. Moreover, this financial contribution is becoming increasingly important. SACCOs provide considerable funds for housing in Kenya, they are developing interesting mechanisms in South Africa and are being revived in Tanzania (where WAT is supporting SACCO savings and credit schemes with shelter objectives).

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

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

The following sections look at the examples of Kenya and South Africa, and note one new development in Zimbabwe.
Chapter VII. Finance for co-operative shelter

B. External finance from co-operative and similar organisations

1. Savings and credit co-operatives (SACCOs)

   a. Kenya

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

In their lending procedures, SACCOs are more concerned with loan eligibility than the purpose for which the loan is required. Despite this, the borrower usually has to state the purpose of the loan in his/her loan application. Statistics on loans for shelter are, however, not centralised nationally. The proportion of loans for housing purposes has thus been estimated here based on interviews with representatives of two large SACCOs. In these two SACCOs, some 80 per cent of ‘development’ loans are used for various housing purposes. The most commonly cited reasons for housing-related loans are to purchase land (urban and rural areas), to build a house (urban and rural areas) and to pay deposit for a house (urban areas).

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

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

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

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

B. External finance from co-operative and similar organisations

1. Savings and credit co-operatives (SACCOs)

b. South Africa

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

See also section III.B.1, and the example of CME SACCO (box 5), which serves the savings and credit needs of Cape Metal employees in the Western Cape in South Africa.
Chapter VII. Finance for co-operative shelter

B. External finance from co-operative and similar organisations

1. Savings and credit co-operatives (SACCOs)
   
c. Zimbabwe

One SACCO in Zimbabwe is designed to lend specifically for housing. This association, which is sponsored by Shelter Zimbabwe, brings together former squatters in a holding camp in Hatcliffe. By March 2001, this SACCO had not yet started lending. It was still in the process of mobilising savings. The most established SACCOs are not specifically focusing on housing, though they may lend to members who will use the loans for house-related purposes. Statistics do not record the amounts used for shelter investment.
HPZ is currently involved in establishing a Housing Co-operative Trust Fund in Zimbabwe, in an attempt to give shelter co-operatives in Zimbabwe access to money markets. The proposed Fund will thus make it possible for co-operatives to get considerably higher interest rates (some 40-50 percent) than on ordinary savings accounts (25 percent and below). At the same time, it makes sure that the co-operatives enjoy the advantages of a traditional savings account. With the Housing Co-operative Trust Fund, co-operatives will continue to make their regular contributions and funds from several co-operatives will be pooled. This will reduce banking costs and offer higher returns. It is envisaged that the Fund could serve as collateral for member co-operatives.
Finance from non-co-operative sources is currently important only in South Africa and Zimbabwe (the building societies). As noted above, co-operatives have not had access to long-term finance in Tanzania since the collapse of the state-owned Tanzania Housing Bank. In Kenya, while there are functioning housing finance institutions, principally in the private sector, these focus mainly on the middle and upper-income market and prefer lending to individuals, not to co-operatives.

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

C. External finance from non-co-operative sources

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

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

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

The Cope Housing Association has since received long-term finance from HIDF for 351 housing units in the Newtown Housing Co-operative, and HIDF "have developed a fair trust in the co-operative system."
Chapter VII. Finance for co-operative shelter
C. External finance from non-co-operative sources
2. uTshani Fund (South Africa)

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

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

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

In 1998, the uTshani Fund was accredited by the Department of Housing to act as their agent in the distribution of housing subsidies in five of South Africa's nine provinces. Consequently, the uTshani Fund is now able to offer its members subsidies as well as loans for housing purposes.
NURCHA is the primary guarantor in the low income housing industry in South Africa. It is a non-profit (Section 21) company that facilitates housing delivery by removing financial obstacles to the provision of subsidised housing. NURCHA provides bridging finance guarantees (see box 27) for developers and contractors, end-user finance guarantees to people earning less than R 1,500 per month, and capacity building grants to communities.

The Seven Buildings Company (see box 9) and the CME SACCO (box 5) have benefited from this facility. NURCHA provided a 50 per cent, two-year guarantee on finance that the Seven Buildings Company received from the Inner City Housing Upgrading Trust (ICHUT). In the case of CME SACCO, NURCHA provided a 25 per cent guarantee on individual loans. NURCHA is also providing bridging finance to the Cope Housing Association.
K-Rep Holdings, a prominent NGO in the field of micro-credit, has recently begun a pilot low-cost housing programme. The scheme will only fund the construction costs of a dwelling, not infrastructure or land acquisition costs. The three main aspects of the programme are —

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

The low lending rates in housing mean that private sector housing finance institutions can only manage to pay very low interest on deposits. The much higher rates offered elsewhere in the financial sector (the money markets, finance houses, discount houses, unit trusts and commercial banks) have resulted in a massive outflow of funds from building societies. Twice, in 1992, and 1998, this outflow of funds resulted in the cessation of mortgage lending, as mortgage finance became scarce. The suspension of mortgage lending in 1998 is still effectively in place as far as co-operatives are concerned. This is so despite a verbal commitment by the National Social Security Agency to provide mortgage financing through building societies.
International finance for shelter in the region has almost exclusively been provided by international donor and funding agencies. For example, the two most prominent organisations providing housing finance in Zimbabwe were the World Bank and, more recently, USAID. USAID's Housing Guaranty Program provided finance to building societies for low-cost housing. This money was on-lent to building societies until 1997. USAID funds were lent through building societies at no interest and mixed with members savings of 25 per cent and were matched by Building Society funds (see also box 25). This resulted in a reduced interest rate of about 15 per cent, instead of the market rate of 25 per cent.

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

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

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

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

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

Overall, support given by experienced housing co-operative organisations with an emphasis on capacity building has paid dividends. In the past, the majority of these organisations were based in industrial countries: for example in Canada, the United States of America, Scandinavia and Germany. In 1999, a new relationship was established between South Africa and Argentina that is diversifying the network of exchange and support.
In Kenya, NACHU has been the main promoter and supporter of housing co-operatives. It has been assisted by a range of international agencies, as is summarised in table 18. Without this continuing support, NACHU would have found it extremely difficult to continue as a viable organisation. In the face of diminishing donor funding, NACHU is currently strategizing how to continue its work.
South Africa has received significant support for shelter from both internal and external agencies (see table 19). This is perhaps because of the government’s policy priorities. Some of this support is directed through housing co-operative movements based in industrial countries. In some instances, co-operative and co-operative-like institutions have access to wider programmes intended for the social housing sector. It should be noted that the social housing sector in South Africa (the category in which co-operatives fall) has faced criticism of non-sustainability due to heavy reliance on external funds.
Chapter VIII. Donor support to shelter co-operatives

C. Tanzania

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

D. Uganda

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

E. Zimbabwe

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

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

Table 20 summarises external support to housing co-operatives in Zimbabwe.
To analyse the potential for co-operatives to become a greater player in shelter development in Eastern and Southern Africa, it is essential to examine the impact of past experiences. An assessment of positive achievements (or failures) is essential to plot a course for the future.

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

A. Shelter delivery

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

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

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

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

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

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

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

- Why has the co-operative housing sector been unable to have a larger impact? Is it due to factors intrinsic to the co-operative housing model? Alternatively, is it related to the fact that the entire formal housing sector in Eastern and Southern Africa faces similar problems?
- Why do co-operative-like organisations appear to have had a greater impact? Is this a result of them having different legal and organisational structures (which are perhaps less formal) or are there other factors?
- How can the various co-operative approaches be co-ordinated and developed to address the pressing problems of shelter development in Eastern and Southern Africa?
In Kenya, NACHU has developed capacity in terms of staff skills and in the broader sense co-operative housing is recognised as one approach to solving shelter needs. NACHU has however been almost totally reliant on external donor organisations for finance.

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

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

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

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

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

- how this support is structured and managed;
- the nature of the partnership between the various stakeholders, including the extremely important element of mutual trust; and
- appreciation of the time required to build capacity.
Chapter IX. Co-operative impact in the shelter sector

C. Impact on poverty

Housing co-operatives in the region have not yet made a significant contribution to housing delivery. Yet, have they made a contribution to alleviating poverty? There is a serious concern that registered housing co-operatives are generally catering to middle-income groups; e.g. those who have regular employment and the capacity to repay a long-term loan.

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

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

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

One advantage of co-operative and community-based approaches is that they are inherently participatory. Participatory approaches enable and empower the various categories of people living in poverty to define their own priorities.
While experiences to date in the co-operative housing sector are somewhat limited, the contribution of SACCOS shows a great deal of promise. As noted above, SACCOS are particularly successful in Kenya. Moreover, they are growing in South Africa and are being revived in Tanzania and Uganda.

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

- the development of more shelter-focused short-term credit to be utilised on an incremental basis; and
- the development of specialist housing funds, providing longer-term credit as, for example, is planned in Kenya.
The experience of co-operatives in the construction and building materials sub-sectors has been very disappointing. Except in a very few examples — such as the Kataayi co-operative (see box 7) in Uganda and some examples in Zimbabwe — building and construction appears to be more suited to private entrepreneurs. There are several reasons for this. One of these is the 'lumpiness' of contracts. The consequence of this is that a co-operative is unable to retain all members on regular salaries (which many expect). The cyclical nature of the construction industry in any country is another reason, which has the same result. These reasons are often compounded by management problems, as people with construction skills may not necessarily be good managers.
Chapter IX. Co-operative impact in the shelter sector

F. Co-operative-like organisations

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

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

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

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

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

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

On the other hand, some of these organisations are essentially paternalistic (or maternalistic). The various elements determining a suggested approach can only be determined on a case by case basis. Finally, the fact that an organisation is a trust or similar body does not necessarily insulate it from problems such as political interference and corruption of various kinds.
Co-operatives in the agricultural and savings and credit sectors have generally been successful in Eastern and Southern Africa. Why then have housing co-operatives had so little impact? The following sections outline the principal reasons for the limited growth of shelter co-operatives in the region.
Chapter IX. Co-operative impact in the shelter sector

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

1. Negative policy framework

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

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

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

At the same time, the informal sector has been responsible for the bulk of housing delivery in the region. The main reason for this is that it is not constrained by building regulations. Moreover, it provides what people can afford, although this may imply that the quality of shelter is rather poor.
Chapter IX. Co-operative impact in the shelter sector
H. Reasons for the limited impact of shelter co-operatives

2. Management issues

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

The qualities that bring leaders to the fore in co-operative elections are often based on personality rather than management qualities. As most elected management committees also act in an executive capacity, supervising project development, this can cause many problems. Weak management has led to inefficient and improper use of funds, wrong choices of investment options, project size and design, misuse of funds and lack of reporting to members. Some co-operative management committees have embezzled funds, flouted regulations and abused their offices (see for example box 13).
While co-operation is invariably argued to be prevalent in traditional rural Africa, it is almost non-existent in urban areas. Even traditional practices, such as co-operative efforts in the building of rural houses are currently diminishing. Rural to urban migration has not automatically brought with it rural practices of co-operation. The principal reason for this may be the fact that migrants are no longer in a rural economy but in a competitive labour market with a cash nexus. New practices of co-operation have taken time to emerge. As urbanisation continues, and more people are born in and derive their livelihoods from urban areas, new forms of co-operation may arise based on common urban problems. KIJICO in Dar es Salaam illustrates this (see box 10).

While co-operation in various forms may now be increasing in urban areas, there is less of a desire at present for joint, as opposed to individual, tenure. The option should always be available but not perceived as the test of a 'true co-operative' (see box 1). Instead, it should be viewed as one of the options to be considered in each circumstance. A practical consideration here is that at present, the majority of finance institutions will only lend against the security of individual title.
The experience of donor interventions has been mixed. In Tanzania they failed to create a sustainable movement and the original impetus died when donor funding was withdrawn. In Kenya, NACHU has a strong local base in organisational terms but is dependent on donors (grants or loans on favourable terms) to finance its projects for people living in poverty. At present, NACHU cannot raise affordable funds within Kenya for its 'conventional' lending. The HPZ in Zimbabwe has been successful in promoting the housing co-operative movement. Yet, again growth has been halted by the shelter sector-wide lack of finance. The situation in Zimbabwe, where the housing finance institutions have ceased to lend is an extreme example of this.

Experience from the five countries studied in this report indicate that shelter co-operatives have been successfully established only when initiated by an external agency, which in turn has been supported in varying degrees by donors. Moreover, in each of the cases studied, the donor has worked with or through one or more national shelter co-operative organisation from industrial countries (see box 28).
The lack of finance to augment the self-help efforts of co-operatives is an important constraint in all the countries studied. There are a number of dimensions to this —

- The poor macro-economic climate has led to very high interest rates. This makes borrowing too costly for the average housing co-operative, not just for the poor. Even in countries with positive policies towards co-operatives, such as Zimbabwe, the building societies have been unable to lend since 1997. Instead, they have preferred to invest in the money markets. Because of increasing inflation rates in many countries, building costs have escalated beyond the projections of many housing co-operatives (see section II.A). This has resulted in incomplete projects.

- Many financial institutions, including co-operative institutions, have lending criteria which are unfavourable to shelter co-operatives. For example, many will only lend to individuals, not to co-operatives on a joint basis. Such institutions are also unwilling to lend to those with less than a certain level of income, or to the self-employed. With the exception of specialist housing finance institutions, other institutions will only lend on a short- to medium-term basis.

- In some countries the long-term housing finance system (building societies, housing banks, etc.) is either non-existent or serves the upper end of the market only. In Tanzania, mismanagement and political interference resulted in the Tanzania Housing Bank being liquidated in the mid-1990s.

- Internal financing of co-operatives has also been affected by poorly performing economies. Increased unemployment, civil service retrenchment and high inflation (see section IX.H.2), have resulted in the reduction of savings in co-operatives.

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

6. Political context

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

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

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

7. Difficulties in accessing land

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

In Zimbabwe, until recently land could only be allocated to individuals. Following pressure from the co-operative housing movement and HPZ, however, land can now be allocated to co-operatives.
Chapter X. Conclusions: Lessons learned and the future role of the co-operative sector in shelter development in Eastern and Southern Africa

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

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

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

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

A. Policy climate

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

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

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

The adoption of an enabling approach by many governments over the past decade has not always been a strategic redefinition of the role of government vis-à-vis other actors. Instead, it has entailed a withdrawal by government from the responsibility of guiding the management and growth of human settlements. Civil society, including co-operatives, has responded by moving into the spaces left by government (central and local); providing housing, infrastructure and urban services.

The implication of this is that forms of urban governance are changing and civil society is playing a greater role. An example of this is the Nairobi Informal Settlements Co-ordination Committee (see box 18). This Committee brings together stakeholders to tackle the problems of informal settlements in Nairobi. Residents associations are springing up all over the city and are beginning to provide services that the city council has failed to deliver. Co-operatives, as democratic organisations, clearly have a role to play under such conditions. They represent a way forward, and their effect will not be restricted to enhancing shelter delivery. Together with other civil society organisations, they have the potential to contribute to better governance in African cities.
The withdrawal of government and the liberalisation of the co-operative sector have emphasised the need for effective support institutions. There is a clear distinction between providing an enabling framework, which is principally the role of governments, and the provision of direct support to shelter co-operatives. The latter includes support to —

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

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

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

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

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

The NGO alternative, including trusts and similar bodies, where democracy is not direct, is insulated from some of these pressures. The cost of this insulation, however, is ultimately that it denies the shelter co-operatives democratic representation. In Zimbabwe, HPZ is fostering the development of a separate co-operative housing apex organisation. Perhaps the most workable system is to have an apex organisation which undertakes representative functions, and in addition, to have a separate organisation that provides technical support.
It is important that co-operatives focus on mobilising their own finances. This enables them to initiate activities on their own, and perhaps even more important, it serves as a demonstration of commitment. However, housing requires a relatively large capital investment, even when strategies to reduce cost are employed (such as appropriate building standards). This capital can normally not be raised at the outset solely from the intended beneficiaries. The experience with pyramid schemes in Zimbabwe exemplifies this.

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

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

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

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

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

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

At the international level, co-operative movements outside of the Eastern and Southern Africa region — in particular in more developed countries — could examine the possibilities of establishing loan guarantee mechanisms in partnership with local finance institutions. These local institutions could be SACCOs, co-operative banks, NGOs with a finance arm or other forms of financial institution. This would assist the local institution to become involved in lending to shelter co-operatives, particularly to those whose members are living in poverty. Eventually the guarantees would not be required as co-operatives build up a record of good repayment.
The building of a co-operative shelter movement takes time — it is not something that can be bound by normal project time frames. Instead, it requires long-term commitment and probably long-term external support. This does not necessarily imply heavy support. Instead, access to expertise in building capacity can be valuable. The support given by Rooftops Canada and others over the years to all the five countries studied is a pertinent example. This support has been structured yet intermittent. Moreover, it has moved slowly and has built on its achievements. Partnerships between housing co-operatives in various countries are therefore very valuable.

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

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

As it is currently fashionable to promote partnerships (see for example box 23), it is appropriate to recognise some basic conditions. The first is that a partnership arrangement must have content. Moreover, each partner must have an incentive to participate. For example, a local authority may provide public land to a co-operative if the co-operative can demonstrate that it can deliver housing while the local authority cannot. In this relationship there may well be political considerations with elected councillors, for example, seeking to take credit and/or seeking to influence the project. The benefit for the co-operative is that it will achieve its objective of housing its members.

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

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

The comparative advantage offered by each potential partner must be established. Implementation modalities should be based on the 'best value' approach, i.e. selecting the most effective and efficient institutional combination.
Chapter X. Conclusions: Lessons learned and the future role of the co-operative sector in shelter development in Eastern and Southern Africa

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

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

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

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

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

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

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

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

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

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

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

On the basis of the process of elaborating this draft, the Committee is able to advise the Secretary-General that it considers further elaboration of guidelines to be entirely feasible. During the process of wide circulation of the drafts of the guidelines by the Committee, the views expressed by specialists within the cooperative movement as well as in governmental and intergovernmental organizations is unanimously that such guidelines are desirable.
1. Within the General Assembly and the Economic and Social Council, and at major recent international conferences, Governments have acknowledged the significance of cooperatives as associations and enterprises through which citizens effectively overcome a wide range of problems and achieve many of their goals. They have recognized the cooperative movement as a distinct and major stakeholder in both national and international affairs.

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

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

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

5. The objective of these Guidelines is to provide advice to Governments that is appropriate to contemporary and anticipated conditions. Because of the expectations shown by Governments in recent years in respect to the cooperative movement, rapidly changing global conditions and changes in the cooperative movement itself, many policies in most of the States members of the United Nations might benefit from review, and in some cases from substantial revision. Given the relevance of cooperatives to many aspects of national life, as well as the special nature of cooperative organization, policy in respect to cooperatives may be complex and sensitive. It is the purpose of these Guidelines to set out succinctly the principles on which national policy might best be based, and the scope and content likely to suffice as a framework for the necessarily more specific and detailed national policies which fall within the responsibility of each Government.
Annex 1. COPAC "Guidelines aimed at creating a supportive environment for the development of cooperatives"

Policy in Respect to Cooperatives and the Cooperative Movement

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

7. To achieve this objective, government is concerned with creating — and then with maintaining as conditions change — a supportive and enabling environment for cooperative development. As part of such an environment, it is useful if every effort is made to create and maintain an effective partnership between Government and the cooperative movement.
Annex 1. COPAC “Guidelines aimed at creating a supportive environment for the development of cooperatives”

A. Public Recognition

8. It is appropriate and useful for Government to acknowledge publicly the special contribution — in both quantitative and qualitative terms made by the cooperative movement to the national economy and society. It is also beneficial that Government acknowledge and publicise the purposes of all forms of partnership and collaboration between it and the cooperative movement. A number of specific actions may be useful of which one might be full participation in the annual joint observance of the United Nations International Day of Cooperatives and the International Cooperative Day organized by the International Co-operative Alliance, pursuant to General Assembly resolutions 47/90, 49/155 and 51/58; and appropriate participation in other celebrations of the cooperative movement.
Annex 1. COPAC "Guidelines aimed at creating a supportive environment for the development of co-operatives"

B. Legal, Judicial and Administrative Provision

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

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

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

- acknowledgement that the organization of associations and enterprises on the basis of cooperative values and principles is legitimate;
- acknowledgement of the utility of the cooperative approach to association and enterprise, its contribution to national life and the status of the cooperative movement as a significant stakeholder within society;
- definition of cooperatives, using the 'Statement on the Cooperative Identity' adopted by the International Co-operative Alliance in 1995;
- recognition of the unique nature of the values and principles of cooperation, and hence the need for their separate and different treatment in law and practice;
- commitment that neither their distinctive nature nor their separate and different treatment in law and practice should be the cause of discrimination, intended or not;
- undertaking that no law or practice should restrict the rights of citizens to full participation in the cooperative movement in any capacity consistent with its values and principles and should not restrict the operation of that movement;
- provision that a general law apply to all categories of cooperative, but that in order to respond to the situation of certain categories of cooperative special laws might be enacted, consistent with the general law;
- stipulation that all judicial and administrative regulations and practices be based only on the general or special laws on cooperatives; that all regulations clearly identify the provision of the law on which they are based and the purpose for which they are made;
- recognition of the full autonomy and capacity for self-regulation of the cooperative movement;
- acknowledgement that intervention by Government in the internal affairs of the movement should be strictly limited to measures applied generally to all associations and enterprises equally in order to ensure their conformity with the law. Adjustments may be made only to ensure real equality in treatment;
- definition of the responsibilities of the cooperative movement for self-regulation in all matters distinctive to it;
- provision that the texts of laws and regulations be made available to all cooperative members and employees;
- provision that representatives of the cooperative movement participate fully in drafting special laws or
judicial or administrative regulations and guidelines concerning practice;

- provision for the maintenance of a public register of cooperatives as a part of procedures for registration of all associations and enterprises;

- provision for procedures for continuous monitoring and regular review of law and practice which would include the full and equal participation of representatives of the cooperative movement and for encouragement of research on the effect of law and practice on the environment for cooperatives;

- establishment of the responsibility of Government to formulate and carry out a policy in respect to cooperatives that would seek to establish a supportive and enabling environment while avoiding any infringement of the autonomy of the movement and any diminution of its capacity for responsible self-regulation, and would seek also to engage in an effective and equal partnership with the movement in all matters where it is able to contribute significantly to the formulation and carrying out of public policy; recognition also of the value of governmental support for the international cooperative movement, including through intergovernmental activities;

- definition of the responsibilities of the cooperative movement as a major stakeholder in society, to the extent these may be consistent with its full autonomy. These include making available its experience in self-reliant, people-oriented and community-based organization of associations and enterprises.

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

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

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

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

16. For these purposes formal procedures for consultation and collaboration should be set up, and should include regular and full participation by the cooperative movement. Advantage may be taken also of the special programmes and guidelines offered by specialist international cooperative organizations and intergovernmental organizations.
17. **Research:** Given the significance of the cooperative movement, its own research and development programmes and the active role of Government in supporting research generally, it is appropriate to undertake the following measures:

- recognition of the contribution of the cooperative movement itself, and hence disengagement from any direct intervention other than that applied to any recipient of public funding;

- provision for equal access with other types of association, enterprise or movement in respect to public funds;

- collaboration between governmental and cooperative movement research on matters relevant to public policy; publication and wide diffusion of research results, including those produced by the international cooperative movement and intergovernmental organizations, including the United Nations.

- Emphasis should be on applied research of immediate utility in improving the efficiency of cooperatives, extending benefits to society and improving partnerships between movement and Government.

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

- extend technical support provided by the national statistical service to the cooperative movement to an extent at least equal to that provided to other major stakeholders;

- assist in preparation of the annual report of the register of cooperatives;

- undertake preliminary studies on which to base integration of statistics on cooperatives in regular programmes of the national statistical service, and participate in international efforts to improve cooperative statistics, including establishment of a uniform set of definitions for use by national statistical services.

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

- extension of technical and financial assistance to an extent equal to that made available to other stakeholders, ensuring that no discrimination exists because of the special nature of cooperatives;

- equal and non-discriminatory access by the cooperative movement to all public media commensurate with its contribution to national life;

- adoption of affirmative action to overcome prejudice and misinformation where the term cooperative is associated with a previous and inappropriate usage;

- diffusion through public media of material on intergovernmental activities undertaken in partnership with or in support of cooperatives;

- dissemination of printed and computer-based information prepared by Government of intergovernmental bodies with the same priority and resources as allocated to information on other stakeholders.
20. Given the important contributions of the cooperative movement to education, a number of supportive and enabling measures might be useful:

- acknowledgement of the contributions made;
- commitment to non-interference in the movement's own programmes other than those generally applied in order to maintain standards in all educational institutions; and avoidance of discrimination in certification and accreditation;
- support for all forms of collaboration and partnership between cooperative and public systems, and assurance of equality with other types of private education (where this exists) in respect to eligibility for public funds;
- consideration of the option constituted by cooperative organization in any programmes of privatization;
- encouragement of student self-reliance by facilitating their formation of cooperatives for the supply of goods and services, including accommodation;
- encouragement of formation by public educational institutions of purchasing, supply and common service cooperatives; and assurance of equal access by cooperatives with other suppliers.
- inclusion within the national curricula at all levels of the study of the values principles, history, current and potential contribution of the cooperative movement to national society;
- encouragement and support of specialist studies of cooperation at tertiary level.
21. Financial self-reliance, unrestricted self-responsibility and full independence are vital for effective cooperative enterprise. The best policy approach is one where cooperatives receive the same treatment as any other form of enterprise. A number of other measures are valuable:

- acknowledgement and protection of the special character of cooperatives, and avoidance in law or practice of any discrimination arising from the special financial status, organization and management of cooperatives;

- avoidance of any direct or indirect engagement in the internal financial affairs of cooperatives or of the cooperative movement and recognition of the self-responsibility of the movement for its own financial affairs;

- development of partnerships with cooperative financial institutions in such masters as community and regional development, drawing on their experience of mobilizing and managing capital in a manner and for purposes conducive to the public good.
Shelter Co-operatives in Eastern and Southern Africa

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

F. Institutional Arrangements for Collaboration and Partnership

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

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

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

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

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

26. Liaison between intergovernmental programmes and the international cooperative movement should be supported, including particularly that achieved through the Committee for the Promotion and Advancement of Cooperatives (COPAC).
Shelter Co-operatives in Kenya
Contributions of the co-operative sector to shelter development

Graham Alder
and
Paul Munene

for
UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS (Habits) and
INTERNATIONAL CO-OPERATIVE ALLIANCE
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA
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Box 1. Kathera rural co-operative housing co-operative society

The members are all farmers in Meru, dealing mainly with coffee and dairy produce. The members are predominantly male as agriculture is based on land, and most farmland in this area is in the name of the male spouse. Out of the 24 new members recruited in 1997, only 5 were women.

The co-operative gives housing loans to its members with the payment from their crop as security since it is paid through the co-operative. The co-operative also has farm inputs store from where members can buy their inputs, but it has been facing still competition from the private sector after liberalisation.

The following shows data from the annual report for 1997:

<table>
<thead>
<tr>
<th>Membership</th>
<th>No.</th>
<th>676</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>KSH</td>
<td>12,598,778</td>
</tr>
<tr>
<td>Loans for the year</td>
<td>KSH</td>
<td>3,637,000</td>
</tr>
<tr>
<td>Sales from farm store</td>
<td>KSH</td>
<td>817,121</td>
</tr>
<tr>
<td>Outstanding loans</td>
<td>KSH</td>
<td>12,257,324</td>
</tr>
<tr>
<td>Total cumulative loans since formation</td>
<td>KSH</td>
<td>35,729,500</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>KSH</td>
<td>372,880</td>
</tr>
</tbody>
</table>

At mid 1999 exchange rates, the cumulative loans equal approximately US$ 475,000.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

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Figure 1. The structure of NACHU

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<table>
<thead>
<tr>
<th>Year</th>
<th>No. of groups</th>
<th>Membership</th>
<th>Contribution (KSH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>23,000</td>
<td>895,000</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>32,737</td>
<td>1,072,149</td>
<td>295.9 million</td>
</tr>
<tr>
<td>1997</td>
<td>82,205</td>
<td>3,096,102</td>
<td>352.9 million</td>
</tr>
<tr>
<td>1998</td>
<td>97,319</td>
<td>3,900,548</td>
<td>381.8 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total no. of co-operatives</th>
<th>Affiliated to NACHU</th>
<th>Dormant estimated</th>
<th>Estimated membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>418</td>
<td>145</td>
<td>100 Total</td>
<td>30,000</td>
</tr>
</tbody>
</table>

20 of which are affiliated to NACHU

Source: Ministry of Co-operative Development as modified.
<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (KSH '000)</th>
<th>Share capital (KSH '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>29</td>
<td>97,556</td>
</tr>
<tr>
<td>1992</td>
<td>31</td>
<td>128,196</td>
</tr>
<tr>
<td>1993</td>
<td>24</td>
<td>52,212</td>
</tr>
<tr>
<td></td>
<td>No.</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>Total affiliates</td>
<td>145</td>
<td></td>
</tr>
<tr>
<td>Co-operatives with undeveloped land or rental property</td>
<td>All</td>
<td></td>
</tr>
<tr>
<td>Co-operatives that have put up or rehabilitated units</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>No. of units put up (excluding rental property)</td>
<td>395</td>
<td></td>
</tr>
</tbody>
</table>

*Source: NACHU records.*
### Table 5. Shelter Women's Housing Co-operative in Umoja (Nairobi), production capacity and average sales

<table>
<thead>
<tr>
<th>Item</th>
<th>Production capacity nos.</th>
<th>Average monthly sales</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of units</td>
<td>Selling price (KSH)</td>
<td>Total gross income (KSH)</td>
</tr>
<tr>
<td>Tiles</td>
<td>200</td>
<td>2,500</td>
<td>35.00</td>
</tr>
<tr>
<td>Slabs</td>
<td>20</td>
<td>200</td>
<td>140.00</td>
</tr>
<tr>
<td>Vents</td>
<td>50</td>
<td>1,000</td>
<td>15.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Donor</td>
<td>Amount (KSH)</td>
<td>Purpose</td>
</tr>
<tr>
<td>--------</td>
<td>------------------</td>
<td>--------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td>1990</td>
<td>USAID</td>
<td>11,450,644</td>
<td>Bridging finance for Kariobangi project</td>
</tr>
<tr>
<td>1993</td>
<td>Rooftops Canada</td>
<td>20,000</td>
<td>Training</td>
</tr>
<tr>
<td>1993</td>
<td>Ford Foundation</td>
<td>2,564,333</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1992-95</td>
<td>USAID/GoK</td>
<td>7,000,000</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1994</td>
<td>Ford Foundation</td>
<td>3,541,360</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1995</td>
<td>Ford Foundation</td>
<td>3,153,810</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1995</td>
<td>Rooftops Canada</td>
<td>833,060</td>
<td>Strategic planning for NACHU</td>
</tr>
<tr>
<td>1995</td>
<td>Homeless Int.</td>
<td>114,022</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1996</td>
<td>Ford Foundation</td>
<td>5,705,190</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1996</td>
<td>Rooftops Canada</td>
<td>415,100</td>
<td>Gender Workshop for Housing co-operatives</td>
</tr>
<tr>
<td>1996</td>
<td>Homeless Int.</td>
<td>116,949</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1997</td>
<td>Ford Foundation</td>
<td>5,827,700</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1997</td>
<td>Rooftops Canada</td>
<td>410,949</td>
<td>Education and training (housing Co-operatives)</td>
</tr>
<tr>
<td>1997</td>
<td>Zero-Kap</td>
<td>306,250</td>
<td>Finance for a women housing co-operative project in Voi (start of a revolving fund for new housing)</td>
</tr>
<tr>
<td>1997</td>
<td>Goal International</td>
<td>1,198,140</td>
<td>Fund for resettlement project for one co-operative (to begin a revolving fund for resettlement)</td>
</tr>
<tr>
<td>1998</td>
<td>Ford Foundation</td>
<td>11,000,000</td>
<td>Institutional support</td>
</tr>
<tr>
<td>1998</td>
<td>Rooftops Canada</td>
<td>1,111,373</td>
<td>Local govt. officials workshop on housing co-operatives plight. Also a follow up of gender workshop.</td>
</tr>
<tr>
<td>1998</td>
<td>UNDP</td>
<td>184,680</td>
<td>Sanitation to one of the resettlement projects</td>
</tr>
<tr>
<td>Savings per month (KSH)</td>
<td>Maximum loan amount (KSH)</td>
<td>Repayment amounts (KSH)</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------------------------</td>
<td>------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 years repayment period</td>
<td>5 years repayment period</td>
</tr>
<tr>
<td></td>
<td></td>
<td>500</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000</td>
<td>500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,500</td>
<td>800,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,500</td>
<td>1,500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,000</td>
<td>1,800,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,500</td>
<td>2,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,000</td>
<td>2,000,000</td>
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Table 8. Proposed NACHU Co-operative Savings and Loan Programme: Projected cash flow for four years

<table>
<thead>
<tr>
<th>Sources</th>
<th>Year 1 (KSH )</th>
<th>Year 2 (KSH )</th>
<th>Year 3 (KSH )</th>
<th>Year 4 (KSH )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance b/f - debtors</td>
<td>7,273,858</td>
<td>21,819,066</td>
<td>33,019,086</td>
</tr>
<tr>
<td></td>
<td>Balance b/f cash</td>
<td>719,138</td>
<td>9,774,677</td>
<td>3,333,228</td>
</tr>
<tr>
<td>NACHU contribution</td>
<td>5,600</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Affiliates savings</td>
<td>1,920,000</td>
<td>3,840,000</td>
<td>5,760,000</td>
<td>7,680,000</td>
</tr>
<tr>
<td>Donors</td>
<td>16,560,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loans collections</td>
<td>1,454,772</td>
<td>4,800,000</td>
<td>9,600,000</td>
<td>14,400,000</td>
</tr>
<tr>
<td>Interest from bank</td>
<td>1,727,935</td>
<td>1,021,101</td>
<td>681,992</td>
<td>873,407</td>
</tr>
<tr>
<td>Interest on rehab loan</td>
<td>760,000</td>
<td>912,000</td>
<td>1,824,000</td>
<td>2,736,000</td>
</tr>
<tr>
<td>TOTAL INFLOW</td>
<td>26,981,845</td>
<td>20,347,778</td>
<td>21,199,220</td>
<td>29,654,830</td>
</tr>
<tr>
<td></td>
<td>Loan disbursements</td>
<td>16,000,000</td>
<td>16,000,000</td>
<td>16,000,000</td>
</tr>
<tr>
<td></td>
<td>Interest on savings</td>
<td>115,200</td>
<td>230,400</td>
<td>345,600</td>
</tr>
<tr>
<td></td>
<td>To NACHU's operations</td>
<td>1,091,968</td>
<td>784,150</td>
<td>888,196</td>
</tr>
<tr>
<td>TOTAL OUTFLOW</td>
<td>17,207,168</td>
<td>17,014,550</td>
<td>17,233,796</td>
<td>17,718,303</td>
</tr>
<tr>
<td></td>
<td>Balance c/f - cash</td>
<td>9,774,677</td>
<td>3,333,228</td>
<td>3,965,086</td>
</tr>
<tr>
<td></td>
<td>Balance c/f - debtors</td>
<td>21,819,086</td>
<td>33,019,086</td>
<td>39,419,086</td>
</tr>
<tr>
<td>TOTAL LOAN</td>
<td>31,593,764</td>
<td>36,352,314</td>
<td>43,384,510</td>
<td>52,955,613</td>
</tr>
</tbody>
</table>
List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-based organisation</td>
</tr>
<tr>
<td>CGUP</td>
<td>Consultative Group on Urban Poverty</td>
</tr>
<tr>
<td>CLT</td>
<td>Community Land Trust</td>
</tr>
<tr>
<td>COTU</td>
<td>Central Organisation of Trade Unions</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GoK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>HFIs</td>
<td>Housing finance institutions</td>
</tr>
<tr>
<td>ICA</td>
<td>International Co-operative Alliance</td>
</tr>
<tr>
<td>ICMIF</td>
<td>International Cooperation Mutual Insurance Federation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>KCC</td>
<td>Kenya Co-operative Creameries</td>
</tr>
<tr>
<td>KFA</td>
<td>The Kenya Farmers Association</td>
</tr>
<tr>
<td>KGCCU</td>
<td>Kenya Grain Growers Co-operative Union Ltd.</td>
</tr>
<tr>
<td>KHF</td>
<td>KUSCCO Housing Fund</td>
</tr>
<tr>
<td>KNFC</td>
<td>Kenya National Federation of Co-operatives</td>
</tr>
<tr>
<td>KSH</td>
<td>Kenyan shillings</td>
</tr>
<tr>
<td>KUSCCO</td>
<td>Kenya Union of Savings and Credit Co-operatives</td>
</tr>
<tr>
<td>MoCD</td>
<td>Ministry of Co-operative Development</td>
</tr>
<tr>
<td>NACHU</td>
<td>National Co-operative Housing Union</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>NHC</td>
<td>National Housing Cooperation</td>
</tr>
<tr>
<td>NISCC</td>
<td>Nairobi Informal Settlements Coordination Committee</td>
</tr>
<tr>
<td>NPep</td>
<td>National Poverty Eradication Plan</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>OP</td>
<td>Office of the President</td>
</tr>
<tr>
<td>PAMNUP</td>
<td>Partnership Approaches to Meeting the Needs of the Urban Poor</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and credit co-operatives</td>
</tr>
<tr>
<td>SAPs</td>
<td>Structural adjustment programmes</td>
</tr>
<tr>
<td>SCC</td>
<td>Swedish Co-operative Centre</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>VMC</td>
<td>Voi Municipal Council</td>
</tr>
</tbody>
</table>
List of References


6. See Diana Lee Smith and Davinder Lamba, Urban Development and Good Governance: Nairobi Case Study. To be published.


9. It is worth noting that most housing co-operatives raise funds for a specific purpose, and hence do not have a profit or surplus that SACCOs enjoy.

10. Data provided by Kenya Union of Savings and Credit Cooperatives (KUSCCO).


14. The successful performance of NACHU’s loans to women’s co-operatives in Voi, using capital provided by Zero-Cap of the Netherlands, shows that loans can be made to low income groups.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

Foreword

This report is the result of a collaboration between the National Co-operative Housing Union (NACHU) of Kenya and Graham Alder, a consultant in urban development who is based in Kenya. While NACHU is a stakeholder in the co-operative shelter sector, and therefore has its own interests, it was felt that their access to co-operative housing data and knowledge of the social housing sector was invaluable for the report. Mr Paul Munene from NACHU prepared most of the material on co-operatives and Ms. Mary Mathenge also contributed on community development aspects. The former General Manger of NACHU, Mr Johnson Musau coordinated the NACHU input. Graham Alder contributed the sections dealing with policy and the broader shelter sector as well as editing the final draft.

A half-day workshop was held to consider the content of chapters III and IV; looking at the future. Participants represented NACHU, Shelter Forum, Intermediate Technology, KUSCCO and the Co-operative College of Kenya. This ‘think tank’ was invaluable in drafting these chapters.
Shelter Co-operatives in Kenya
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Chapter I. Introduction: The national setting
A. Economic and social trends

Kenya achieved independence from Britain in 1963 and for the first twenty years until the early 1980’s economic and social prospects looked bright. Although ruled through a one party system (first de facto then, after 1983 de jure) economic and social indicators showed an upward trend. The first jolt to political stability came in 1982 with an attempted coup, which was suppressed within hours. However, in the late 1980s and early 1990s the performance of government began to be questioned in a number of spheres such as human rights, economic performance and the prevalence of corruption.

This pressure came from both within and from outside the country. The end of the cold war meant that the West was less interested in supporting Kenya as a capitalist, pro-western entity. Moreover there was considerable pressure for political reform, and particularly for the introduction of a multi-party democracy. Donor flows dwindled significantly and dropped from US$ 921 million in 1991 to US$ 457 in 1997. Also, the IMF introduced more stringent conditions for the use of its resources. IMF support has been stop-go for some years and at the moment (June 1999) has been suspended for over two years. The conditions for resumption include more rigorous regulation of the financial sector (following banking collapses), vigorous measures to combat corruption, and acceleration of agreed structural adjustment measures with particular regard to privatisation and civil service reform. These areas for reform derive from a closely linked problem, which are based on a system of political patronage. Political interference and corruption has severely affected performance of para-statal bodies and of the private sector to the extent that declining infrastructure inhibits business growth.

Economic and social indicators reflect this decline. Although economic growth was restored in the years immediately following the 1992 elections, lapses in economic management have seen the growth rate fall sharply from 4.6 per cent in 1996 to about 2.8 per cent in 1997. GDP rose from KSH 12,640 per capita in 1994 to 1,013 in 1998. This, however, conceals considerable inflation over the period, and there has been a negative trend in the growth of GDP at constant prices declining from 4.8 per cent in 1995 (3 per cent in 1994) to 1.8 per cent in 1998.

Prospects for growth in the short-term are uncertain because of the continuing impact of several adverse factors. These include a large domestic debt burden; a dilapidated physical infrastructure, largely the result of poor maintenance and excessive rains; a tourism sector in decline, undermined by insecurity; and falling donor confidence as a result of poor progress on economic reforms and rising corruption.

It is clear that, in the short-term at least, structural adjustment and globalisation (particularly regarding trade liberalisation) have negatively affected the majority of the Kenyan population although the full impact has yet to be evaluated. However, it is difficult to disentangle these factors from the domestic problems cited above.
Chapter I. Introduction: The national setting

B. Poverty in Kenya

There is therefore an increase in the incidence of poverty and this can be shown through a number of indicators. Narrowly defined, poverty refers to the sustained lack or deficiency of the basic needs required for human survival. Conventional economic approaches often express these needs in money terms, supplemented in certain cases by a range of social indicators such as life expectancy, infant mortality, nutrition levels, and access to safe water, health and education. In recent years, this definition has been broadened to accommodate the lack of good governance. At the same time, attempts to develop a better understanding of poverty have increasingly focused on the vulnerability of the poor to economic, social and ecological shocks and on how to temper the impact of these shocks on the limited assets of the poor.

Poverty in Kenya has reached alarming proportions. Official sources show that the prevalence of poverty (head-count ratio) was 47 per cent in rural areas and nearly 30 per cent in urban areas in 1994. Since then the number of the absolute poor has increased from 11.5 to 12.6 million people in 1997. The number of the hardcore poor, defined as those not able to meet their minimum calorie requirements, grew from 6.8 to 7.5 million over the same period. Increasing poverty is further confirmed by the negative trends of a number of critical social indicators: life expectancy has declined from 59.7 years in 1990 to 53.6 in 1994; primary school enrolment ratios have fallen as dropout rates have increased; and access to basic health services has narrowed. In addition, disparities in access to income, resources and influence are more pronounced among women, giving poverty a distinct gender dimension.

The growing poverty stems from a number of factors, not least the poor performance of the macro-economy. Again, although Kenya has historically outperformed many other economies in Sub-Saharan Africa the distribution of the benefits of growth has been highly skewed, an outcome that has been reinforced by recent structural adjustment programmes (SAPs). Notably, SAPs have in certain cases raised the prices of basic services as subsidies are phased out and cost sharing introduced, measures, which have constrained the access of the poor to essential goods and services. SAPs have also been associated with declining real wages, redundancies in the formal labour market and reduced public expenditures on social services. Kenya ranks at 136 in the global Human Development Index (at 0.519), ranks at 49 in the Human Poverty Index but has one of the highest disparities between richest and poorest exceeded only by six other developing countries.

Other causes of poverty are the restricted access to productive assets; the lack of productive skills; the lack of remunerative employment opportunities; large families and rapid population growth; ill health, the high prevalence of AIDS and other disabilities; discrimination, particularly against women, in economic, social, ethnic and legal arenas; the lack of information on access to social and economic services; and natural calamities and other shocks, including drought, displacement and inflation.

Government’s policy response to poverty has traditionally been set out in the various development plans. It is presently acknowledged that whilst these plans have been well conceived, poor implementation has frustrated the achievement of poverty targets. On the whole, formal policy has failed to address the needs of the urban poor, an aspect that is highlighted in the sectoral chapters on education, health, and water and sanitation.

To give more strategic focus to its response to growing poverty Government has recently launched the National Poverty Eradication Plan (NPEP) which provides a framework for directing more resources to poverty alleviation. At the national level the principal responsibility for poverty issues falls under the Office of the President (OP) which is responsible for development of the National Poverty Eradication Plan (NPEP).

The three main components of the Plan are:

- a charter for social integration setting out the rights and responsibilities of citizens, communities, business, civil society organisations and policy makers;
- improving the access of the poor to basic services such as health, education, water; and
- broad-based economic growth, especially in rural areas where the majority of the poor live.

The Plan was launched by the President on the 11 March 1999. It identifies key ministries that have responsibility for poverty including ministries of Health, Education, Agriculture and Local Authorities. The NPEP envisages focusing on 15 Districts and although most of these are rural, Nairobi has been included.

Regarding institutional arrangements for implementation there will be a strengthened coordinating function in
The OP. In its draft form the NPEP was extremely weak on urban issues but there are now moves to create a national urban poverty coordinating body, the Consultative Group on Urban Poverty, which will come within the framework of the NPEP. The CGUP has the support and/or participation of donors including UNCHS/UNDP and DFID.

The analysis of the impact of urban poverty is based on participatory urban appraisals undertaken in preparation for the PAMNUP project in Kisumu and Mombasa describing conditions of the very poor, the poor and the not-so-poor and states that the vast majority of the urban poor live in informal settlements. It states that in urban areas government support for enhancing livelihoods will focus on improving the local government regulatory framework. However, employment generation and enterprise creation will rely on the private sector and civil society organisations.

The NPEP focuses on provision of essential social services including education, health, safe water and sanitation using a participatory approach and through ‘multi-channel delivery systems’.

Particular emphasis is placed on ‘improved productive employment opportunities for the poor’ and states that three kinds of support are necessary:

- facilitation capacities at local government levels (local services and infrastructure);
- support from national level agencies delivering key productive services and linking the rural and urban areas; and
- a balanced policy development and consistency for rural and urban areas.

The section on urban livelihoods and poverty states that marginalised groups, such as street children and disabled beggars will be addressed through social integration. It goes on to say that “Other features of urban poverty are best solved through programmes of physical improvement to shanty-towns and informal settlements” noting that benefits should be direct and not be captured in the form of higher land prices and benefits to the non-poor.

Regarding priorities paragraph 7.39 of the NPEP states that “...the main contributions to the eradication of urban poverty will come from:

- jua kali, and other informal sector activities;
- Government protection of lawful informal sector activity;
- an improvement in the quantity and quality of employment created by the corporate private sector.”

In addition to deregulation measures (such as reducing or eliminating municipal licensing requirements) the NPEP also proposes that government will help organise secure sites and premises to assist larger urban micro and small enterprises.

The brief sections on urban poverty in the NPEP do not link the proposed interventions in physical improvement with other social interventions (health, education, water and sanitation) or suggest a coordinated approach save to mention that participatory processes will be used.

The NPEP does not have a comprehensive analysis of or approach to urban poverty and no linkage is made between measures to tackle poverty on a sectoral basis (in both rural and urban areas), measures to enhance livelihoods and investments in physical facilities in informal settlements. The necessity of maintaining a rural/urban balance is mentioned but stresses that government support will be directed more to rural areas. There is little indication in detail of how the NPEP will be implemented in urban areas.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA
Chapter I. Introduction: The national setting
C. National shelter conditions

The majority of Kenyans - both in urban and rural areas - do not have access to adequate shelter, although statistics for rural areas are largely absent. In 1997 it was estimated that the total urban and housing requirement was 101,500 and 287,400 units respectively. Projections for the year 2001 estimate an annual requirement of 127,700 units in urban and 303,600 units in rural areas (GoK, 1997). However, these statistics are based on estimated provision of adequate shelter, not on economic demand.

Policy responses to shelter provision have passed through a number of phases since independence in 1963. The first response was to give the public sector responsibility for housing provision with the National Housing Corporation (NHC) as the prime implementing agency along with the larger local authorities. The output of formal housing (built to standards enshrined in bylaws) was very small with NHC constructing an average of 762 units a year. At the same time the Mathare Valley squatter settlement in Nairobi grew to house 100,000 living in the type of housing described above. The second policy response was to demolish such settlements to encourage people to return to rural areas.

Public housing provision through NHC was insufficient and unaffordable and policy switched to a sites and services approach, the majority of projects funded by the World Bank and the European Economic Community (EEC). The largest of these, Dandora in Nairobi, provided 6,000 units to house 60,000 people. This, and similar projects in other towns, had innovative community organisation components and to some extend did reach poorer people. However, the sites and services approach tailed off in the 1980s for a number of reasons. One reason was that there was considerable political interference with housing units being allocated to higher income people. In addition came a decline in the management of implementing agencies, local authorities and, to some extent, NHC. Meanwhile, the informal settlements continued to grow in many urban centres as, at bottom, they provide affordable shelter, whatever the conditions.

Policy, as evidenced by action, has swung between some measure of tolerance to informal settlements and evictions, many violent, when residents are forced from their homes, especially in Nairobi as Lee Smith and Lamba describe. While policy has often opposed informal settlements the political system also has a vested interest as city and government officials take payments (bribes) allowing people to build on public land. These settlements are highly commercialised, as those who do build normally let rooms for rent. This is highly profitable in terms of returns on the minimal capital invested.

The result is that in many towns, over 50 per cent of the population live in settlements that are overcrowded, unsanitary and present environmental hazards. These settlements have been characterised as follows:

- Most settlements, particularly those on public land, have extremely high densities, typically 250 units per hectare, (compared to 25 per hectare in middle income areas and to 15 per hectare in high income areas). Furthermore, residents are exposed to severe environmental health risks, which critically affect their ability to play a full economic role in the life of the city.

- Physical layouts are relatively haphazard making it difficult to introduce roads, pathways, drainage, water and sanitation.

- Urban services are non-existent or minimal. Water is only provided to a few standpipes if it is provided at all. Most residents do not have access to adequate sanitation. Educational and health services are also inadequate although NGOs and CBOs make a significant contribution in this area.

- The majority of house-owners have some form of quasi-legal tenure through temporary occupation licences or letters from Chiefs on public land, or agreements with land-owners on private land. There is very little true "squatting". However, in some settlements there is no form of tenure and residents have no rights.

- Structures (houses) are constructed largely of temporary materials and do not conform to existing official minimum standards.

- The majority of residents are renters and most structures are let on a room-by-room basis with most households occupying a single room or part of a room.

- The majority of households have low or very low incomes, normally less than KSH 2,000 per month.
A large proportion of households are female headed.

Morbidity and mortality rates caused by diseases stemming from environmental conditions are significantly higher than in other areas of the city, owing to poor sanitation, lack of potable water, poor drainage, uncollected refuse and overcrowding.

Although many residents of informal settlements have jobs in the formal sector the majority earn their living in the informal economic sector, in small businesses ranging from hawking to service and production enterprises. Informal settlements are an integral part of the economy yet, in terms of services, place few demands upon it.

Official shelter policy in Kenya has moved with international policies and strategies and in particular with resolutions of the Commission on Human Settlements and the Habitat Agenda agreed at the Habitat II conference held in Istanbul in 1996. Thus, Kenya officially supports an enabling approach to shelter where the role of the state (central and local government) is restricted to providing a supportive policy framework but does not engage directly in housing development. A supportive policy framework would encourage a well functioning land market, a housing finance system and provision of infrastructure, and a legal framework. Government budget allocations for housing rarely exceed one per cent of the total budget and are utilised for civil service housing and for the National Housing Corporation as well as for the operations of the Housing Department of the Ministry of Works and Housing.

In practice policy is not so much a supportive enabling framework and more a withdrawal of government participation in the sector. The land market does function to some extent but, as noted above, there is mismanagement of public land and also land grabbing by politically well connected individuals. This is particularly inimical to development of strategies to provide access to poor (and to some extent to middle income) groups.

The formal housing finance system largely caters to middle and upper income groups. Interest rates prevailing until recently made the cost of finance unaffordable but, following changes in national macro-economic policy, rates have reduced significantly. Finance derived from non-housing finance institutions is significant, particularly from savings and credit co-operatives. This is discussed in more detail below.

Neither government nor local authorities provide on-site infrastructure for housing developments (which used to be recovered from local property taxes) and even off-site infrastructure is deteriorating in most urban areas.

The shelter sector functions in the wider economic environment and trends have been negative for some time. Tourism revenue has dropped sharply after negative publicity following violence in some of the tourist destinations. All economic sectors were hit hard by the El Niño floods, which severely damaged an already fragile communications infrastructure that had been starved of investment. Business confidence is low and foreign investors are not attracted because of the infrastructure and corruption in the public sector.
This section deals both with co-operatives registered under the Co-operatives Act and bodies that have similarities to co-operatives (e.g. voluntarism, an economic purpose, equity among the members). Both are strong and extensive in Kenya. The organisations similar to co-operatives are called ‘co-operative-like’ in this report.
The origin of co-operatives in Kenya can be traced to the beginning of the 20th century, and has been associated with the agricultural sector. The first co-operatives formed in the country were started by the white settler farmers to market agricultural produce, including tea and coffee, for the export markets in Europe. The first such co-operative was Lumbwa Co-operative Society, which was formed in 1908.

The indigenous population was not allowed to grow such lucrative crops at that time, and even when they did start growing these crops, the 1931 co-operative ordinance did not allow Africans to join co-operatives. It was not until 1945 when Africans were allowed to join or form co-operatives. Since then the co-operative movement in Kenya has continued to grow and covers many other sectors other than agriculture including savings and credit, housing, banking and insurance.

According to the Kenya Government the number of registered co-operatives have increased from 996 in 1975 with a membership of 664,000 and KSH 691 million turnover to 5,129 co-operatives in 1995 with an estimated 2.7 million members and a turnover of more than KSH 10.0 billion.
In addition to registered co-operatives there are many other groups and organisations which have many similarities to primary co-operatives but which are not registered under the co-operative societies act. Some are registered as societies or as women’s groups with Ministry of Culture and Social Services or operate informally relying simply on goodwill and trust among their members.

According to the Women’s Bureau of the Ministry of Culture and Social Services there were 23,000 women groups around the country with varying activities. The main activities include rotating savings clubs, known as ‘merry-go-rounds’, farming, maize milling and other agricultural services, handicrafts, transport and housing construction.

The number of women’s groups increased steadily between 1992 and 1998 which would indicate that there are perceived benefits in joining those groups. The size of groups range between 15 to 50 members. Larger groups are discouraged because they become difficult to manage. These groups run along co-operative lines, i.e. are non-profit, they elected leaders, hold regular meetings and make regular financial contributions. See also table 1.
The co-operative movement in Kenya has a four-tier system, which is outlined in the following sections.
Primary co-operatives are the grass roots of the co-operative movement and are owned and controlled by the individual members. Primary co-operatives are run by a management committee elected by the members. Normally one quarter of the management committee retires each year on rotational basis, but are eligible for re-election. The committee normally meets once a month and reports to the Annual General Meeting (AGM) of the general members once a year.

The AGM is the supreme authority of the co-operative and gives direction to the management committee, which in turn implements those directions in the course of the year. Almost all primary co-operatives have staff ranging from a part-time (or voluntary) secretary/treasurer in small co-operatives to a large staff led by a general manager in larger enterprises such as a coffee co-operative. The staff reports to the management committee.

The rules governing all areas of operation, elections, meetings, disputes etc are to be found in the Co-operative Societies Act, the rules thereto and the co-operatives bylaws and AGM resolutions. In addition to primary co-operatives whose area of operation is restricted to particular geographical or administrative area (or was restricted before liberalisation and the introduction of a new Co-operative Act) there are primary co-operatives in the savings and credit co-operative movement that covers the whole country. These are work-based SaccoS with a membership of employees of national organisations such as government ministries or large companies. ‘National primaries’ have a central management committee at the headquarters and branches represented by branch delegates. Delegates elected at branch level AGMs attend and elect central officials at the national AGM. Examples include the civil service based SaccoS and those serving members of parastatal organisations and private companies.
The secondary level organisations are co-operatives or unions that are owned and controlled by primary co-operatives. They cover a larger geographical/administrative area (usually a district or districts) than the primary co-operatives. They are usually referred to as District Co-operative Unions. They operate on the same principles as primary co-operatives but representatives of the member primary co-operatives are delegates to the AGM of secondary co-operatives. Secondary co-operatives are usually known as District Unions and are agricultural sector where they play an important economic role in finance, marketing and processing.

The headquarters of these unions are commonly located at the administrative District headquarters but there may be more than one co-operative union in each district or group of districts depending on the number of agricultural sectors, for example coffee and dairy. Almost all of them have banking sections that provide credit.
National unions are owned by members through either the primary co-operatives or secondary/district unions and are established to serve specific sectors. They include:

- The National Co-operative Housing Union Ltd (NACHU).
- The Kenya Union of Savings & Credit Co-operatives Ltd (KUSCCO).
- The Kenya Grain Growers Co-operative Union Ltd (KGGCU).
- The Kenya Farmers Association (KFA).

The KFA and KPCU are very old, dating back to 1923. They were mainly formed to cater for the European farmers and large scale farms and were exempted from the provisions of the then Co-operative Societies Ordinance in 1945.

There are three other national organisations, which have particular characteristics:

- The Co-operative Bank.
- Kenya Co-operative Creameries (KCC).
- Co-operative Insurance Services.

The Co-operative Bank is also registered as a Bank under the Banking Act, but KCC until recently had dual registration as a company and under Co-operative Societies Act, a feature that has made it the most controversial in terms of how it is controlled. Following mismanagement by largely government appointees KCC has recently appointed a receiver. Co-operative Insurance Services is registered as a company following revitalisation (after poor performance resulting from political interference) with support from the international co-operative movement, in particular the International Co-operative Mutual Insurance Federation (ICMIF).
The only apex organisation for all co-operatives is the Kenya National Federation of Co-operatives (KNFC). It is controlled by the movement through representation from delegates of the national unions, and exists by subscriptions. Its mandate includes promotion, development, guidance and assistance to the co-operative movement. KNFC is the movement’s voice in the country and has links with regional and international co-operative bodies, principally ICA.
The functions of co-operatives, including housing, are defined by the following legislation:

- The main legislation governing co-operatives (the Co-operative Societies Act Cap. 490).
- The subsidiary legislation (the rules issued by the Ministry of Co-operative Development that are normally attached to the Co-operative Societies Act).
- The bylaws of the co-operative which includes the whole purpose of forming the co-operative and regulations for it's proper management.

The driving force behind the formation of a housing co-operative or indeed any co-operative society is usually the desire to promote and/or improve the welfare and the economic interests of its members. All co-operatives of all types covering all sectors are guided by well known seven principles of co-operation as defined by ICA. They are:

- voluntary and open membership.
- democratic member control.
- economic participation by members.
- autonomy and independent.
- education, training and information.
- co-operation among co-operatives and (more recently); and
- concern for community in general.

The Co-operative Societies Act Cap 490 of the laws of Kenya Section 4 give two requirements for the registration of a co-operative society and society:

- Promotion of the welfare and economic interests of its members.
- Has incorporated in its bylaws the seven guiding principles.

The two requirements are also followed to a large extent by almost all co-operative-like organisations, even if they are unaware of co-operative legislation and as noted elsewhere, many of these co-operative-like organisations that have housing as a purpose often become registered co-operative societies.
Overall, the co-operative movement in Kenya has played a significant role in the national economy and in the lives of the majority of Kenyans, as was outlined in section I.D.1. It is involved deeply in the crucial agricultural sector where it has been responsible for most marketing activities for many decades. In the financial sector the savings and credit co-operatives (SACCO) provide financial services to those in formal employment and there is also a growing rural SACCO movement. The Co-operative Bank and the Co-operative Insurance Society are also significant institutions.

Co-operatives have also been affected by the national social, economic and political context. Until recent liberalisation measures they were promoted by government. This has provided support but also encouraged dependence. Government involvement not only meant that co-operatives in some instances relied on open and hidden subsidies but that at the political level the government and the ruling party since independence, KANU, interfered in the democratic processes and management of co-operatives. This was both to mobilise political support and to keep control of organisations, which played a key role in the economy of the nation. This intervention included government interference in the election of members of co-operative management committees at both the local and national levels and manipulating staff appointments. At a more petty level government officials, who had considerable powers, in many instances availed themselves of the opportunity to take bribes.

Housing co-operatives have been reasonably insulated from these risks owing to the small size of the sector compared to the marketing and financial sectors and because housing co-operatives do not generate a cash flow with members mainly saving and investing in land and/or buildings.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Kenya
A. Historical background of shelter co-operatives

Apart from some co-operatives begun by Asian groups in the 1940s and 1950s housing co-operatives were introduced to Kenya in the early 1980s with the establishment of the National Co-operative Housing Union (NACHU). The initiative came from the Central Organisation of Trade Unions (COTU) which wanted to facilitate improved housing for its members. External support came from a variety of agencies including US trade unions (AFL-CIO), USAID, and housing co-operative organisations in a number of countries. Broadly speaking the growth of the co-operative housing movement is mirrored by the history of NACHU.
Chapter II. Co-operatives in shelter development in Kenya

B. Basic functions of housing co-operatives

1. Bylaws

The model bylaws made for primary housing co-operative societies give one objective:

‘To provide for its decent living accommodation within the area of its operation at a fair and reasonable price together with such ancillary services as roads, drainage, water and light and together with facilities for physical and cultural recreation and all such other matters as are usual, customary and desirable for building estates, blocks of flats or single dwellings.’

This is very close to the broad definition of adequate shelter in paragraph 60 of the Habitat Agenda. The objective mentioned above is a broad one, and needs elaboration when applied to a primary housing co-operative.
In deciding what objectives and functions a housing co-operative may perform, the co-operative must decide at its formation what type of tenure the housing co-operative will be. There are basically three types of housing co-operative.

- Limited housing co-operatives;
- Multiple mortgage housing co-operatives; and
- Continuing housing co-operatives.

**Limited housing co-operatives** are normally formed to jointly acquire land and in some cases to construct dwellings. When this objective is achieved the co-operative is dissolved and the units are transferred to individual ownership.

**In multiple mortgage co-operatives** each housing unit, and therefore member household, each has as separate mortgage with the mortgage lending institution. This is normally a loan condition as housing finance institutions (HFIs) typically do not wish to lend to a co-operative as they fear the consequence of one member defaulting yet they do not hold an individual title as security. A reason for members wishing to have individual title that they can use it as security for other borrowing purposes.

**In continuing co-operatives**, the ‘classic’ model, land and buildings are owned jointly in perpetuity.

Currently the limited objective housing co-operative is most prevalent in Kenya. There are several reasons for this:

- Many so called housing and settlement co-operatives started as land buying groups and had no other objective. Once the land was subdivided, there was no other reason for their existence. They have either wound up or are dormant in terms of housing construction. These co-operatives are mainly in rural areas.
- Housing co-operatives that did have the aim of providing houses have failed to proceed any further after acquiring land. High costs of infrastructure and high interest rates have made mortgages unaffordable. These housing co-operatives are becoming the limited objective type by force of circumstance rather than by choice.

Only five housing co-operatives have successfully implemented the multiple mortgage type, four in Nairobi and one in Kisumu. A sixth co-operative in Nairobi made serious mistakes, in both the cost control process and affordability assessments. Consequently members could not afford the houses for which they had paid deposits and borrowed heavily. The houses were eventually sold in the open market to offset the Bank loans

The classic continuing housing co-operative is not common, and those that exist are mainly in the form of buildings owned by the co-operative for income generation. They are normally either office blocks or flats for rental.

A variation on tenure options has been developed in an innovative project in Voi, in Coast Province. There are six successful housing co-operatives in the town, which are based on a community land trust. The land is owned in perpetuity by the group and individuals own only the dwelling unit, which they can improve as and when they wish. This is described in greater detail in section II.D.1.e.
The administrative functions of housing co-operatives are numerous and depend on the type of tenure and the overall objective. They include:

- Planning and developing the housing project in a proper and efficient manner to accommodate as many members as possible.
- Entering into agreements with contractors, professionals, and vendors for purchase/procurement of necessary inputs towards the realisation of the objective.
- Acquiring land and buildings as either single dwellings or flats for the benefit of their members.
- Constantly reviewing the bylaws to ensure they conform to member aspirations and other necessary trends such as the revised Co-operative Act, the impact of liberalisation and so forth.
- Undertaking continuous education of members on both the bylaws and the housing project goals.
- Holding regular meetings of both the committees and the general members to discuss the status of the co-operative.
- Constructing houses and/or purchasing materials for their construction.
The financial functions of housing co-operatives include:

- Setting and collecting entrance fees
- Setting and collecting any amounts necessary for the administration of the co-operative.
- Setting and collecting share capital (normally used for land acquisition).
- Planning for and obtaining loans to attain the timely implementation of the project. The amounts to be borrowed are usually governed by a "maximum borrowing power" amount usually set in an annual general meeting.
- Lending money to members for the specific purpose of one of the components of housing. For example, a number of housing co-operatives are running a house rehabilitation programme with loans from NACHU.
- Maintaining proper books of accounts, properly audited and presenting them to the members as required by the bylaws.

In all these functions, the housing co-operative is supposed to act in all cases as a properly run business and exercise financial prudence. However, in reality there is often a shortfall in performance of these functions owing to poor and inexperienced management. Problems that occur include bad planning, over-ambitious targets, irregular holding of meetings leading to poor communication with members and poor bookkeeping resulting in audits being delayed by years. These problems are particularly prevalent in co-operatives that are not receiving technical support from NACHU.
Chapter II. Co-operatives in shelter development in Kenya

C. Basic functions of other relevant co-operatives

1. Savings and credit co-operatives (SACCOs)

The only co-operative sector with a significant bearing on housing co-operatives is savings and credit co-operatives, known in Kenya as SACCOs (SACCOs are also discussed in section II.F.4 on finance).

They are primary co-operative societies that are formed on co-operative principles and have as their main objective "the promotion of thrift among its members by affording them an opportunity for accumulating their savings, and creation thereby of funds from which loans can be made to the members exclusively for provident and productive purposes at fair and reasonable rates of interest, thereby enabling the members to use and control their money for their mutual benefit." There are 2,500 SACCOs in Kenya with a membership of 1.5 million and a share capital of KSH 20 billion (around US$ 30m).

The SACCOs also operate under the Co-operative Societies Act and rules and are guided by their bylaws, which contain details on how to manage a SACCO. All of them are based broadly on a "common bond" and in Kenya this has been interpreted as being employees of one organisation, be it in government, the co-operative or private sectors. The reason for this was that it was felt that the employer deductions from salaries for both savings and loan repayments reduce the risk of defaults and of fraud. However, while many SACCOs operate successfully, one problem has been that employers, including government, collect savings and repayments but do not remit them to the SACCO.

All the functions of the SACCO revolve around the overall objective and include:

- Setting and collecting the entrance fees.
- Setting and collecting the periodic payments (shares).
- Setting up the policy, rules and regulations that govern the administration of savings and loan policy.
- Education and training of the membership to ensure that all are conversant with the ideals of the SACCO and any new developments, including promotion of co-operative ideals.
- Ensuring that the members’ funds are properly safeguarded and used in a manner that prudent business people would use, including insurance of the co-operative funds and assets.
- Ensuring that proper books of accounts and audit accounts are kept and presented to the Annual or Special General meetings.
- Ensuring that the SACCO bylaws and loan policies are amended to conform to any changes in any legislation or market trend that may be relevant.

The bylaws, loan policy and other policies are very detailed. Each SACCO derives its democratic control from the bylaws, and the bylaws contain such details as (but not limited to) definition of member, common bond, or who should join, joining and expulsion of members, election and removal of management etc. Annual general meeting resolutions constantly add to these details.

SACCOs have three basic types of loans:

- Development loans;
- School fees loans; and
- Emergency loans.

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

Many housing co-operatives originated from members of employment based SACCOs, but the members of the SACCO are not necessarily all members of the housing co-operative. It has been found advisable to institutionally
separate the traditional short-term lending and housing activities of SACCOs from housing activities, which require a different financial structure.
Chapter II. Co-operatives in shelter development in Kenya

C. Basic functions of other relevant co-operatives

2. Building materials co-operatives

There are three known registered co-operatives that engage in the manufacture of building materials. They are described in section II.F.
Chapter II. Co-operatives in shelter development in Kenya

D. Number and size of shelter co-operatives in Kenya

Official statistics obtained from the Ministry of Co-operative Development show 424 housing co-operatives as having been registered, 40 out of these being dormant, six having been liquidated and 329 active. An independent assessment was made for this report, using both official data and NACHU records, is shown in table 2.

Official data regarding turnover and share capital for shelter and related co-operatives is not current, with the latest available being those for 1993. Interpretation of share capital and turnover for housing co-operatives is also difficult, because savings are constantly used as investments for land purchase and deposits for housing. Table 3, based on District reports to the MoCD, gives data available until 1993.

From these two tables it can be seen that about 100 housing co-operatives in the registers are not viable. Some of those that are not affiliated to NACHU have a few activities going on, mainly managing a building they acquired earlier. Data on these is not obtainable from secondary sources. The main reasons for the lack of centrally available data is that most co-operatives (not only housing) are behind in the returns to the Commissioner of Co-operatives (now Registrar) and many are more than three years behind on their audits.

Turnover in housing co-operatives has to be viewed rather differently to turnover in other co-operative sectors because there is no surplus as all contributions or shares go into investment. Once investments are made in land and construction, the returns are difficult to measure because they go to individuals in the case where houses have been built or stay tied up in the case of undeveloped land purchase. It then takes another long period of painstaking saving to move to the next stage.

There appears to be a decline in both share capital and turnover for the period covered. There are two probable explanations. In year 1992/1993 financial liberalisation led to a substantial depreciation of the Kenya shilling and an increase in interest rates. This led to steep rises in construction costs and the construction sector suffered the worst decline in recent Kenyan history. This had a severe impact on housing co-operatives as they had to cope with rapidly rising construction costs and steep increases in interest rates. This effectively froze many co-operative projects and since 1993 only three ‘formal’ co-operatives have been able to move ahead with construction. In the past few months (mid-1999) interest rates have begun to decline but it will take some time for the benefits to be passed on to the construction sector. See also table 4.

Housing co-operatives in Kenya are almost wholly limited to urban areas, and Nairobi alone has 56 housing co-operatives out of the 145 NACHU affiliates. There are only two NACHU affiliated housing co-operatives dealing with rural housing. They are linked to, but organisationally separated from agricultural co-operatives and have been able to lend to their members funds for rural housing with payment from their coffee crops as the guarantee.
Chapter II. Co-operatives in shelter development in Kenya

D. Number and size of shelter co-operatives in Kenya

1. Examples of different types of shelter co-operatives

The following section gives examples of different types of activities undertaken by co-operatives in the shelter sector, including housing and building materials.
Chapter II. Co-operatives in shelter development in Kenya

D. Number and size of shelter co-operatives in Kenya

1. Examples of different types of shelter co-operatives

a. A building materials co-operative: The Shelter Women’s Housing Co-operative

The Shelter Women’s Housing Co-operative in Umoja (Nairobi), was founded by 21 members in 1997. The aim was to provide shelter to the members and surrounding community. The formal objectives are to:

- Provide low cost housing to its members.
- Provide low-cost, quality building materials to enhance low-cost housing.
- Identify and develop viable income generating projects to uplift the member’s standards.
- Start revolving loan funds for its members.
- Train its members and affiliated women on project management and other related skills.

It has concentrated on the following:

- Production of building materials for both conventional and low cost housing as a generating project.
- Acquiring land for member’s use or resale.
- Identifying sources of technical support to enhance project viability.
- Training.

The society produces and sells roofing tiles, blocks, slabs and ventilation materials. The production capacity per day and average sales per month is outlined in table 5.

Concrete roofing tiles are in demand in this area and the society’s tile has met the specification of the Kenya Bureau of Standards and the its prices compare favourable with those of competitors. It is too early to judge whether the society will remain viable as it only been operating for two years but the prospects seem good.
Another example of a co-operative involved in building materials production is the Kariobangi Housing and Settlement Co-operative, also in Nairobi. It is based in Nairobi's Kariobangi area, a high-density part of Nairobi's poor neighbourhoods. The co-operative was established 1964 and has 523 members. It owns 12.3 acres of land.

The society has constructed 121 two roomed low cost units and 21 of these were built by the members with the majority being built by contractors.

In an effort to generate income NACHU, with donor support, assisted with establishing a materials production unit. The co-operative was equipped and members trained in making concrete blocks and sisal fibre cement tiles. Although the co-operative made and sold to the contractor roofing tiles for 100 units, it has not been able to produce further materials for sale in the open market. The reasons were bad marketing, declining economic performance and the lack of demand for sisal/fibre roofing tiles.

Another example of the difficulty of producing building materials is the Kisauni Housing Co-operative in Mombasa. This co-operative produced materials for use by its members and for sale to non-members in the high-density low-income neighbourhood where it is located. The co-operative was provided by NACHU with hollow block making and fibre/cement tiles machines and members were trained in their use. The initiative did not succeed. The reason was that, despite the wide availability of raw materials for the production of these materials, people on the coast prefer traditional materials that are arguably more suited to the climate.
Bellevue Housing Co-operative was established in 1994 among slum dwellers located near Wilson Airport in Nairobi. The objective of the members was to improve their living conditions. The co-operative was able to purchase land in the town of Mavoko, which is situated about 30kms from Nairobi. The land and construction houses were financed through the group’s own savings and by a capital grant from Goal International (an Irish NGO). Technical advice on community aspects and on construction was provided by NACHU. The Municipality of Mavoko also gave support. As of 1998 139 households had been resettled. The new settlement includes space for recreation and for social amenities such as a nursery school. A noticeable feature of the co-operative is the full involvement of women. They are fully represented on the management committee (as Treasurer and Secretary) and played a full role in the planning and implementation of their project. Through the co-operative they are also able to own land. Lessons learned included:

- The importance of the partnerships between the community, the municipality, the government, NACHU and the international NGO.

- That resettlement of the urban poor is possible and viable.
Shelter Co-operatives in Kenya

Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Kenya

D. Number and size of shelter co-operatives in Kenya

1. Examples of different types of shelter co-operatives
   c. Co-operatives as part of broader land regularisation

In terms of addressing poverty NACHU has noted that the synergies developed through partnerships has increased impact. One example is the Tanzania/Bondeni project in Voi, a town in Kenya’s Coast province. It involved the introduction of an innovative community-based land management system called the Community Land Trust (CLT) as a basis for settlement upgrading. Tanzania Bondeni is an informal settlement in Voi that has been in existence since the 1950’s. It was characterised by a host of problems typical of such settlements in Kenya: insecurity of tenure, overcrowding, inadequate municipal services, high incidences of disease, high infant mortality rates, low incomes, unemployment, etc. The land had been occupied without authority.

The principal objectives of the project as established by Voi Municipal Council (VMC) in conjunction with the community, were:

- providing security of tenure.
- improving the living conditions of the poor resident in the settlement through incremental provision of infrastructure.
- Introducing a system of community participation in the whole upgrading process.
- Introducing an innovative management structure both at the national and local levels that would provide a framework for fostering partnerships and encouraging community participation.

Since its initiation in 1990 the Tanzania/Bondeni upgrading project has realised several outputs. These cover the areas of physical planning, community organisation, land tenure and improvement of the physical environment.

A physical layout plan for the settlement that meets the approval of VMC, the Commissioner of Lands, and the community has been produced. About 300 structure owners affected by the re-planning process have already relocated to the resettlement plots provided.

The community has been organised into a structure that will provide a basis for local decision making and self-governance. This structure also empowers the community and provides a vehicle for negotiation and advocacy with other actors on community interests, e.g. putting pressure on the council for better services. The Tanzania Bondeni Community Land Trust has been registered under the Trustees Perpetual Succession Act.

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

Following the recognition and regulation of tenure some basic/minimal services were provided by the project in response to community needs and preferences. The community has undertaken some additional improvements themselves from own sources now that the fear of eviction has been removed.

Implementation of the Voi CLT Project has been a partnership of many actors who have assisted in a variety of ways. The role of NACHU has been to assist the four housing co-operatives established by the residents by providing technical support and loans for house construction and rehabilitation. From this and similar projects NACHU feels that the partnership approach to the project has increased impact in reducing poverty on a sustainable basis. During implementation there was close collaboration between the Commissioner of Lands, the Small Towns Development Project situated in the Ministry of Local Authorities (funded by GTZ – the German Government), Voi Municipal Council, NACHU and a number of others. NACHU reports that the record of loan repayments is much better in these partnership projects than when NACHU acts alone. The main reason seems to be that the intensity of the effort plays a role in educating beneficiaries in their rights and responsibilities.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Kenya
D. Number and size of shelter co-operatives in Kenya

2. Co-operative-like organisations

There has been a long history of community self-help in Kenya which became semi-formalised through Harambees (pull-together) where communities contributed funds to joint projects such as a well or an improved access road. However, Harambees tended to become politicised and coercive with contributions being used to demonstrate political commitment. Despite a common perception that, compared to rural areas, social organisation for the poor in urban areas is extremely weak, this is belied by the facts. There is a web of social organisation in many poor and middle income settlements.

Networks are based on church, workplace (for those in full-time employment) or neighbourhood. Some of these groupings are very simple – for example, rotating savings groups (known as merry-go-rounds) which have an important social as well as financial function. Many are involved in shelter in the broad sense we are using which includes urban services and provision of infrastructure.

CBOs have a membership of community residents and have sometimes been stimulated and supported by external organisations. These CBOs are usually centred on specific objectives such as improved water supply or recycling of refuse. To external agencies, CBOs are important as they are the institutional means for engaging with communities to determine their needs in a participatory approach and are also vehicles for delivery. Most CBOs are structured and managed in a ‘co-operative-like’ way.

Women’s groups in general were mentioned in section I.D.2. According to the 1992 Report of the National Census of Women Groups in Kenya, (by Women’s Bureau of The Ministry Of Culture And Social Services) approximately 1,200 of these groups were engaged in construction or housing activities in one way or another. Some groups have converted to formally registered housing co-operatives including the Voi Women Housing Co-operative (Coast Province), Kiriti Women Transport & Housing Co-operative (Central Province), and Kwa-Rhoda Neighbourhood Housing Co-operative (Rift Valley Province).

To give an indication of the prevalence of these kinds of organisation an estimate made in Kibera, the largest informal settlement in Nairobi, indicates that there are over 90 NGOs and CBOs working there. A recent study in Mathare, also in Nairobi, listed 67 active organisations and six networks.

Examples of ‘co-operative-type’ organisations in the shelter sector include:

- The Mukuru Recycling Centre is operated and managed by people living in the slums surrounding the city dump site at Dandora. Various groups are involved in recycling waste materials, composting and urban agriculture, manufacture of cooking fuel, as well as support to children.

- In Kibera, Maji na Ufanisi (an NGO formerly known as Water Aid) is supporting a CBO called Ushirika wa Usafi that has been extremely successful in providing water in Laini Saba village. It is now the body which represents the village and has eclipsed the structure established by the Chief which is still the most dominant authority (and gatekeeper) in the other villages. This is no accident, it is a result of three years of patient community mobilisation with facilitation and training provided by ANPCAN, an NGO specialising in community mobilisation and training.

- Mathare probably has the best-documented instances of community management owing to the SNV document referred to above. They are analysed according to sector with a total of 96 ‘initiatives’ noted in education; health, rehabilitation, credit, environment, housing, infrastructure and urban services, and support and capacity building. The initiatives are categorised as being promoted or implemented by NGOs such as the Undugu Society and Imani, CBOs, church-based organisations and by Government. The document notes that there is very poor coordination between organisations, particularly at the strategic level. It also gives some assessment of key NGOs and CBOs that would be useful in developing any support programme for the area.

- Outside Nairobi there are several instances of ‘co-operative-like’ organisations involved in shelter. For example, the Maasai Housing project in Kajiado helped women to develop improved housing. Maasai women from this pastoralist community constructed 30 houses and in doing so were taught construction skills. The project was supported by ITDG, a British NGO.

In general terms not enough is known about the origin of many CBOs in terms of why a group was formed and
who took the initiative and other aspects of community organisation. This is important when examining what, if any, forms of support and partnership might be developed. It seems that in some instances the initiative was taken by an NGO using participatory approaches to engage residents of poor communities. These include techniques such as social mapping, identification of community leaders, action planning and so forth. One NGO, ANPCAN, has worked with a number of NGOs and projects using these approaches and, for example, many attribute the success of Ushirika wa Usafi in water provision in Kibera to this. Less well-documented are CBOs which have not been stimulated and supported by external agencies.

There are a number of organisations supporting CBOs including:

- **Local NGOs.** Control is not normally vested in communities although many consult closely with communities. They have varying degrees of size, competence, integrity and impact.

- **National NGOs** (usually with international donor funding). These include K-Rep, Faulu (micro-credit), NACHU (shelter). The Undugu Society and NCCK have been innovators in addressing shelter within the context of urban poverty over the past 20 years. Kituo cha Sheria (legal rights), Maji na Ufanisi and KWAHO (both water and sanitation) are all active.

- **Smaller international NGOs.** These include Oxfam UK, which funds NGOs and CBOs focusing on gender and children; and the Ford Foundation, which has funded shelter programmes in Kenya, primarily to support women’s group activities in projects implemented by the National Co-operative Housing Union (NACHU).

- **International NGOs** with considerable resources. The principal one is ActionAid, which has considerable experience of implementing an urban poverty programme in Nairobi.

Another recent development has been the establishment, so far only in Nairobi, of organisations that represent CBOs in informal settlements. For example, Muungano wa Vikundi is an umbrella body for residents of informal settlements. Again Mungaaano wa Wanavijiji is a federation of slum dwellers in Nairobi focusing on issues concerning eviction and therefore with land policy and legislation.
The administration of a housing co-operative is based on the following:

- The members;
- The Management Committee;
- Subcommittees; and
- Employees (if any).

The first task when a housing co-operative is registered is to carry out elections in an AGM. Members agree among themselves the mode of voting. The elected management committee is then responsible for guiding the co-operative and carrying out the wishes of the members. AGMs are held at least once annually, but Special General Meetings can be called if there is an urgent matter that needs approval by members.

The management committee may form subcommittees within itself (there are normally between 5 to 9 members of the committee, depending on size of the co-operative) to carry out certain tasks such as finding land and locating information on procedures. The subcommittees report to the full management committee where their findings are discussed.

In the case of large co-operatives the committee employs staff, normally one or two, to carry out routine clerical work. The employees are answerable to the management, but the actions of the employees do not absolve the management from responsibility.

Management committees meet at least once a month, but more frequently if the need arises. Members in an AGM elect the members of the committee. It is, however, the committee itself that chooses the Chairman, Treasurer, Secretary, Vice Chairman and the education committee. There is a provision for a supervisory committee of three (not part of the management committee) to be elected by the AGM. Its purpose is to keep regular checks on the activities of the management committee and report to the members in an AGM any malpractices they notice. In practice, few housing co-operatives have this committee, but all SACCOs have such a committee. One problem noted in work based co-operatives, primarily SACCOs, is that committees are drawn from senior level persons while members of supervisory committees are more junior. It is therefore difficult for the supervisory committee to operate effectively – you can’t criticise the boss.

Housing co-operatives are guided in their operation by the principles of co-operation, the Co-operative Societies Act and its rules, the society bylaws (which they amend in AGM) and resolutions made at AGMs to guide activities and give direction to the co-operative.

There are no dividends paid by housing co-operatives as they are not trading organisations and money is invested towards eventual ownership of land, housing and related serves. The equivalent of dividends is the house or land the member obtains.
The establishment of NACHU and its key role in promoting housing co-operatives was introduced in section II.A. NACHU provides a range of services to members including technical construction advice and management and training support. Broadly, NACHU has two main strands of activity. It supports registered housing co-operatives to construct housing for members in a relatively conventional way. The second strand has been donor-funded programmes targeted at low-income groups. NACHU has developed considerable experience in this area with programmes to enable slum-dwellers rehabilitate houses and build additional rooms to let. In a number of instances it has organised housing co-operatives as part of a larger infrastructure and housing project, as in the innovative Community Land Trust project in Voi (described in section II.D.1.e).

The Union is registered under the Co-operative Societies Act. It is owned by 145 affiliated primary housing co-operatives although there are approximately 424 registered housing co-operatives countrywide. Unlike other co-operative unions in other sectors NACHU affiliates do not make periodic subscriptions, but pay an entry fee and purchase nominal shares. The shares portfolio has not grown to any size because NACHU has not made profits from fees charged to project development, so can not pay dividends.

Considering that few housing co-operatives have been able to complete their projects owing to the financial climate NACHU’s income, which should come from fees from these projects, has been minimal. If NACHU not been supported by donors it may not have survived. Attempts by NACHU to generate income by undertaking direct development of housing, in addition to development for member co-operatives were not possible, because the Commissioner of Co-operatives did not grant permission. This is not now an impediment since the Co-operative Societies Act was amended and the Registrar no longer has such powers.
The AGM (see figure 1), which is composed of delegates from the primary housing co-operatives affiliated to NACHU, is the supreme authority. The AGM is held once per year, on the last Saturday of June. It elects Board members who are the equivalent of management committees in the primary housing co-operatives. Housing co-operatives from each province elect one representative to the Board. There are eight provinces in Kenya (including Nairobi), but since no housing co-operatives exist in North Eastern Province, NACHU has had seven (7) elected Board members and two (2) nominated by the Commissioner of Co-operative development. The two nominees were from COTU and KNUT.

This position changed recently. From July 1999, NACHU has seven (7) elected Board members from the provinces and two (2) female members elected by the AGM from the floor. This decision was taken by the AGM on 26th June 1999 in line with the amended Co-operative Societies Act, and is intended to encourage women’s participation in the leadership of housing co-operatives. One of the women was elected in her own right and the other two by the AGM after the amendment. There are now 9 elected Board members, three of them women.

The Board meets quarterly to conduct the normal affairs of a Board, but if something urgent needs discussion, such as a revision of the bylaws to conform to the new Act, a special Board meeting is normally called. The Board of NACHU has a Chairman and Vice Chairman, both elected by the Board members. The posts of Secretary and Treasurer do not exist as the General Manager is the Secretary to the Board, and together with the Finance Manager are in charge of the Unions finances. The Board has, however, three subcommittees that also meet quarterly, and report to the full Board. They are:

- **The Projects subcommittee** reviews the status of existing ongoing and potentially viable projects and discusses what can be done to speed up the projects. It also discusses on-going and future education and training programmes for the Union directed at primary housing co-operatives.

- **The Finance subcommittee** discusses the general financial position of the Union and status of current loans to co-operatives and new applications. This subcommittee also discusses staff and administration matters. The audited reports of NACHU are current and are presented annually.

- **The Executive Committee** primarily meets to take rapid decisions when calling the entire Management Committee is not necessary.

The Secretariat is headed by the General Manager as the chief executive, and has three departments:

- Projects development;
- Education and training; and
- Finance and administration.

One observation made by NACHU is that co-operatives which have benefited from intensive education and training activities are more focused, knowledgeable and organised than those formed during the late 1980s and early 1990s which were often formed on a ‘political’ basis, particularly by trades union branches. These ‘older’ co-operatives often had unrealistic expectations and members did not control management committees.
Shelter Co-operatives in Kenya
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Chapter II. Co-operatives in shelter development in Kenya
F. Financing

1. Finance mobilisation from members

Housing co-operatives have financed their projects from local resources, except for 17 housing co-operatives in the informal settlements that NACHU has assisted in the house rehabilitation programme. These are donor funded with contributions from the co-operatives. The local sources of finance have been:

- Members savings (in the housing co-operative);
- Loans from SACCOs (again the members savings in their SACCO);
- Loans from the Co-operative Bank;
- Loans from the rural co-operative banks (one example); and
- NACHU.

Regarding member savings/shares, housing co-operatives have two types of contributions apart from the entry fees:

- Contributions for the administration costs of the co-operative; and
- Savings specifically for shares to go into the actual project.

The amount allocated for administration is discussed and set in an AGM. The reason is that housing co-operatives do not trade so they have no surplus from which to finance such costs. The saving towards shares is determined by the income profiles of the co-operative membership and the size of the proposed project. Certain characteristics have been observed in the saving habits of housing co-operatives depending on whether they are work based or composed of residents in informal settlements.

Whereas savings are supposed to be contributed regularly the workplace based housing co-operatives members seem to withhold their share contribution to the housing co-operative until there is a definite amount communicated to them related to the cost of the project. They then bring the amount in lump sum. Interviews with leaders of some of these co-operatives show that the members quite often save in a SACCO from which they can borrow up to three times their savings and then pay for shares in the housing co-operative when required to do so. Others also prefer to save in private accounts and bring the money to the co-operative when it is required. These co-operatives are the ones in a position to have their shares transferred to the housing co-operative directly from their salaries, as is the practice in SACCOs. One official suggested that members prefer to keep the money until they see evidence that a project is indeed in progress as they suspect that their money may be lost. This is not unreasonable given the low level of financial trust in Kenya has tended to delay housing projects.

Housing co-operatives with members from informal employment seem quite ready to save regularly for housing but even in this group there is still a small fraction that prefers to wait. This results from some failed ventures where dishonest officials lost their members funds through either dishonesty or ignorance. However few of these incidents may have been they have always been widely publicised.
The housing co-operatives that are work based, and who have borrowed, have obtained their loans from the Co-operative Bank. The bank lends to the co-operative using the normal criteria that other banks use, but has 2 per cent discount to favour co-operatives. Unfortunately it does not make long term loans, so loans for housing financing to co-operatives have not been forthcoming. Those that have borrowed have been short-term loans for purchasing land or bridging finance with a maximum three years repayment period. Previously, before liberalisation, all co-operatives were required to bank with Co-operative Bank, but this has now been changed. All the formal co-operative housing projects that NACHU has handled have been financed (short term) by the Co-operative Bank, except a farmers building which was financed by a rural SACCO bank.
Data on housing finance by agricultural co-operatives is not widely available, but the rural agriculture marketing co-operatives have what is known as rural SACCOs, which have substantial financial resources. NACHU has two affiliated rural housing co-operatives in Meru (Eastern Province). They were formed by members of an agriculture co-operative to help them improve their living conditions alongside improvement of their cash crops. These two co-operatives have been able to lend to their members without borrowing from a bank. The exact number of houses financed or the amounts lent is not available but they can lend an individual member up to KSH 1 million (approximately US$14,000). The security for the loan is the payment for their crop, which is deducted from payments to the borrowing farmer. There is little chance of defaulting since payments for the crop is handled through the co-operative. Loans from the bank have to be backed by what the bank refers to as the three "C"s, i.e. credibility, capability and collateral. In addition, the borrowers have to raise at least 30 per cent of the cost of the project. See also box 1.
SACCOs have made significant contributions to financing housing, albeit without a policy for lending specifically to housing. A SACCO member is required to make regular (monthly) contributions in terms of shares for a period of not less than six months before a member can borrow. A member is entitled to borrow a development loan of up to three times the value of the shares held. This has a repayment period of 36 months at an interest rate of 12 per cent per annum. The policy regarding the interest rate, the repayment period and the multiplication factor of the loan has been recently relaxed so that members can take up to four times their shares and repay within 48 months. These, however, depend on the policy and cash flow of each SACCO.

Members of a SACCO applying for a development loan are required to state the purpose for the loan on the application form and interviews with leaders of two SACCOs show that up to 80 per cent of these loans go into housing in various forms. The common reasons for the housing related loan have been:

- To purchase a plot (in urban areas);
- To purchase land (rural areas);
- To build a house (rural areas);
- To pay deposit for a house (urban areas); or
- To build a house (urban areas).

There is no other institution in Kenya from which an individual can borrow money for housing at 12 per cent except from a SACCO. Banks charge around 28 per cent for three years maximum and long term financiers are currently at 22 per cent (temporarily down from 26 per cent). This of course has a considerable impact on loan repayments and on affordability.

Many work based housing co-operatives were formed as result of groups of members in SACCOs choosing housing as a priority. A separate housing co-operative was therefore formed to cater for that specific need. All members of the housing co-operative still belong to the SACCO and have been able to borrow funds from the SACCO and use it for housing.

There have been some conflicts within some SACCOs, with the SACCO feeling that the housing co-operative is competing with the SACCO for the same funds from members. There is some justification for this view. When members start contributing towards housing, their contributions towards the SACCO diminish and thus weaken the SACCO. Once there has been clarification to effect that housing activity will be separate, then the tensions ease.

Apart from SACCOs forming the base for separate housing co-operatives for some of their members several have attempted to provide housing directly to their members, but have not gone beyond land acquisition. Only two have gone further and provides services, they are Harambee and Sauti SACCOs.

Harambee SACCO is the largest SACCO in the country with membership drawn from the Office of the President, the provincial administration and the armed forces. Harambee has bought and serviced land in Nairobi for its members. It has also been allocated land in Murang’a, Kihale and Siaya, but no housing has been developed because members can not afford the mortgages owing to the high interest rates discussed in section II.F. The plots have now been allocated to individual members. Sauti SACCO, which has members who are employees of the Ministry of Information and Broadcasting has also acquired and serviced land in Nairobi (next to the Harambee SACCO).

There are many other smaller SACCOs that have purchased land. This has, however, tended to create controversy within the SACCOs, with members claiming that their funds are tied to these investments, so that they can not borrow for their other needs. This argument also applied to the practice of many SACCOs, particularly in the 1980s, investing in large high rise buildings in Nairobi and tying up members’ funds and giving little returns. These tensions are partly responsible for the formation of housing co-operatives that are separate from SACCOs, to cater for those specifically interested in housing.

There are over 100 rural SACCOs in Kenya which have over 1 million clients. The majority began as the ‘banking sections’ of multipurpose district co-operative unions that were then converted (by government decree) into
separate organisations. A smaller number are community, rather than crop, based. The ICA study just cited found it
difficult to identify in sampled rural SACCOs how loans were utilised between the three main categories of use in
SACCO records: development, emergency and school fees. It was felt that was a trend away from borrowing for
agricultural investment. One can only speculate that some is used for shelter improvement.
Very recently there has been an innovation in co-operative housing finance. In 1998 the Kenya Union of Savings and Credit Co-operatives (KUSCCO) established a housing fund called the KUSCCO Housing Fund (KHF). It is an innovative attempt to meet the demand for long-term finance from credit union members by establishing a mortgage window. This has become possible because of the increasing liquidity in the credit union system and because liberalisation has given co-operative financial institutions much greater scope to attract deposits. This fund is centrally managed and separate from the operations of individual SACCOs and other KUSCCO operations. The provisions for operation of the fund are attached as Annex 1.

In this very new initiative it has been agreed that the organisation of housing co-operatives and supervision of construction will be undertaken by NACHU based on a recognition that collaboration between housing and the credit union sectors is important.
NACHU has been considering establishing a housing fund for some years and has drawn up a ‘prospectus’ for discussion with donors (see Annex 2). The intention is to provide loans to individual members of housing co-operatives both for rehabilitation and new build with loan periods of four and six years respectively. As NACHU is not a financial institution it is seeking initial capital from donors that can then revolve within the fund augmented by interest payments. In many ways the loan terms and conditions are similar to those applied by the Co-operative Bank and other financial institutions. Presumably the advantage to potential borrowers is that the fund will be dedicated to co-operative housing and will be administered by an organisation which represents their interests. The advantage to NACHU is that they will be able to foster housing co-operative development and to generate additional income to support NACHU activities and reduce dependence on donors. One area not touched on in the prospectus is the control and management of the fund. This needs to be carefully detailed and particular potential conflicts of interest need to be addressed between (a) NACHU as a promoter and provider of technical services and (b) the fund which will be making decisions on lending. There are also issues to be resolved on whether there is a need for both KUSCCO and NACHU need funds and, if so, how they can address their what the comparative advantage of each fund will be.
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G. An enabling environment

The environment for the successful development of co-operative housing in Kenya has a number of dimensions, which can broadly be separated into:

- policy, legislation and practice regarding the co-operative sector; and
- policy, legislation and practice in the shelter sector.

Regarding the co-operative sector, Sessional Paper No. 6 of 1997 entitled ‘Co-operatives in a Liberalised Economic Environment’ and the revised Co-operative Act of 1997, provide the policy and the legislative framework. As has been discussed elsewhere, the revision of the act has greatly reduced the role of government and increased the freedom and responsibilities of co-operatives.

Between the enactment of the co-operative societies Act in 1966, and the revised version of the Act in 1997, the Government’s policy was that of involvement, control and supervision. Government was involved in all affairs of co-operatives, including Annual General Meetings, management committee meetings and even resolution of disputes in co-operatives. Many decisions made by co-operatives were based on the guidance of government representatives and consequently the movement had come to rely heavily on Government in the day today running of the societies.

One result of the liberalisation of co-operative legislation is that co-operatives can seek credit from a wider variety of finance institutions although this does not significantly alter the terms on which money can be borrowed. The only source of credit at less than market rates is through the closed system of the SACCO movement where members agree to deposit at less than market rates.

Regarding government policy in the shelter sector this is currently under review and a sessional paper on housing has been sent to cabinet for discussion. The proposed policy supports development of an enabling framework without direct intervention, i.e. construction, by government. The paper notes that housing is in fact regulated by various acts of parliament including the Housing Act, the Local Government Act, the Public Health Act, the Building Societies Act the Physical Planning Act and housing bylaws. It proposes consolidation of these acts into an overall housing act as the present act was established solely to establish the National Housing Corporation. In the context of shelter needs and of poverty official government policy is unlikely to have any significant impact. However, government participation in some shelter initiatives will contribute to a more enabling framework including introduction of more affordable building bylaws and strategies to address the problems of informal settlements. These are discussed below.

Regarding the major constraint, finance, market conditions dictated by national and international trends largely dictate the terms and conditions for obtaining credit. The affordability of building materials and costs of construction has been enhanced somewhat by the adoption of ‘Grade 3’ bylaws by a number of local authorities. These enable housing in urban areas to be constructed using less expensive but nevertheless durable materials.

The new Physical Planning Act of 1996 which recently came into force is a step forward in that it encourages fuller citizen participation in the planning process. However, in public land allocation no particular preference is given to co-operatives or co-operative-like groups and the requirement that co-operatives use registered planners to design physical layouts (instead of the NACHU architect) has increased costs.

Perhaps the most positive change that may benefit housing co-operatives has been:

- the emergence of measures to tackle the problems of informal settlements, where the majority of the poor in urban areas reside; and
- the recognition that partnerships between the public sector (central and local government), and civil society, including co-operatives can lead to dividends.

For example, in Nairobi stakeholders (Central Government, Nairobi City Council and organisations representing civil society) have created the Nairobi Informal Settlements Coordination Committee (NISCC) which drafted the ‘Development Strategy for Informal Settlements’. It reviews the existing situation in informal settlements in terms of characteristics, land issues, poverty, governance, activities of agencies and co-ordination arrangements. In the strategy the main objectives of the NISCC are as follows:
to achieve socio-economic development which will directly benefit the poor;

to improve the access of the poorest residents to the means to achieve increased productivity;

to improve the access of residents of informal settlements (many of whom are tenants) and the poor in general, to improved infrastructural services, shelter and a healthier living environment;

to increase access of the poor to educational and training opportunities;

to ensure environmental sustainability.

The arenas for achieving the objectives are:

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

Achievements to date are based on the following elements:

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

At the operational level the success of projects in Voi, described above, show the value of partnerships and of looking at innovative approaches.

Regarding gender there is an increasing awareness of its importance in the shelter sector, particularly with regard to issues concerning land and property ownership. This is in a climate, which traditionally has discriminated against women in that they do not have equal rights. There are an increasing number of women members of housing co-operatives although fewer in leadership roles except in the ‘women only’ co-operatives which are described in section II.D. In 1998, NACHU organised a workshop On ‘Enhancing Gender Participation in Housing Projects in a Liberalised Economy Era’. The workshop made a number of recommendations including:

- NACHU should incorporate gender into its training programmes for members particularly in the areas of membership, leadership and access to resources.
- NACHU should work with other organisations to have discriminatory legislation revised including those pertaining to Housing Finance Institutions and Marriage.
- Co-operative leaders should be gender sensitive.
- The bylaws of primary co-operatives (and of NACHU) should accommodate a gender component.
- Housing co-operative members should be sensitised as to gender issues arising out of the new policy paper entitled ‘Co-operatives in a Liberalized Economic Environment’ which stresses economic empowerment, particularly for women.
- Information should be made available to women in the areas of credit, human rights and technology.

While there is some way to go in putting this into practice – for example bylaws have not been amended as yet – the climate is now more positive.
Chapter II. Co-operatives in shelter development in Kenya

H. Comparative advantages and disadvantages of housing co-operatives

The actual or potential advantages of co-operatives and ‘co-operative-like’ organisations in Kenya are clear:

- They mobilise savings of members.
- Costs can be reduced by:
  - Acquiring land on a block basis;
  - Organising community self-help construction;
  - Purchasing building materials in bulk; and
  - Negotiating loans from housing finance institutions.
- They foster community cohesion.
- They provide opportunities to organise social facilities such as nursery schools.
- They provide opportunities to organise income generation activities.
- They support empowerment of special groups such as the poor and women.
- Co-operatives have been able to directly alleviate poverty, albeit with donor support.

The disadvantages of the co-operative model as experienced in Kenya include:

- The majority of members ultimately want individual title land which limits the scope of housing co-operatives.
- Co-operatives have not demonstrated that they have better access to short and long-term finance than any other housing developer.
- It has proved to be difficult for shelter co-operatives for the poor to succeed without donor support.
The main constraints encountered by the co-operative housing movement in Kenya tend to be those experienced by NACHU in its promotional and support activities either directly or through observation of housing co-operatives.

- The dominance of the trade union movement in the 1980s prevented NACHU from providing support to all housing co-operatives, whether they were composed of trade unionists or not. Additionally, while the trades unions vigorously organised housing co-operatives they also made unrealistic promises without any real understanding of either shelter or co-operative issues. The result was the creation of many co-operatives that had no chance of obtaining housing. This led to disillusion with the co-operative concept. The situation was exacerbated by trade union politics as leaders vying in elections again made wild promises. It took many years for NACHU to restructure so that it could serve all housing co-operatives.

- The main constraint has been in obtaining finance that is affordable to the members. High interest rates made many projects unaffordable; especially those designed to meet conventional local authority bylaws. The major housing finance institutions were (and are) unwilling to provide block co-operative mortgage loans, preferring to lend to individuals and to the private sector. Even Co-operative Merchant Finance, the long-term lending arm of the Co-operative Bank, will only lend on the security of individual title, not on a joint title. Housing finance from conventional institutions is not available to co-operatives building to the new ‘Grade 3’ building bylaws, which allow the use of more affordable materials and standards.

- Paradoxically, NACHU has been able to mobilise funding for shelter for low-income groups and has built up a body of expertise in this area. However, the funds are from donors and are ultimately unsustainable. There is not as yet a mechanism for sustainable domestic funding of shelter projects for the poor, despite the willingness and ability of the poor to pay a proportion the costs.

- The two strands of NACHU’s activities, ‘conventional’ and poverty-oriented projects have led to tensions within the organisation. The conventional housing co-operatives (those seeking to build new housing whatever their level of income) are the bulk of the membership and yet NACHU is least able to serve them owing to lack of long-term finance. At the same time, NACHU is serving donor requirements through the projects for the poor.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Kenya
J. External support for housing co-operatives

Housing co-operatives have received no direct financial support from outside the country but have benefited from the support given through NACHU over the years by various partners (see table 6).

There have been exchange visits between NACHU and Rooftops Canada. Two members from two Kenyan primary housing co-operatives have visited other co-operatives in Canada and one of the co-operatives has benefited from Canada in terms of a computer and training (locally) of their office clerk. Staff and Board members have had exchange visits to Canada, Zimbabwe and South Africa, Uganda, (workshops and training) via Rooftops Canada and to the United Kingdom (Homeless International).

Prior to 1988, NACHU also received institutional support from the International Co-operative Housing Development Association (part of the ICA family) and from CHF (USA) for developing and printing of training manuals, and support from USAID/GoK for capacity building. The first NACHU computers were provided by USAID, and there were volunteers seconded to NACHU from elsewhere. NACHU offices were purchased with support from USAID.

There are 14 housing co-operatives running the house rehabilitation projects with loans from NACHU. This funding was obtained from Ford Foundation at a nil interest rate. The loan fund, which is specifically for such projects, currently stands at KSH 20 million. Loans are generally small up to a maximum of KSH 120,000 at interest rates of 19 per cent per annum for 48 months maximum. Ford also provided institutional support of various kinds to NACHU and to housing co-operatives through NACHU, including training. Housing co-operatives that are affiliated to NACHU have received education and training courtesy of a number of donors through NACHU.

While NACHU, and therefore housing co-operatives in Kenya, benefit from technical assistance funded by donors this is supplementary to capacities within NACHU and its partner organisations. However, there is dependency on donor capital owing to the reasons mentioned in section II.F, i.e. high interest rates in Kenya, affordability and policies and practices of housing finance institutions.

We have not attempted to collect information on external support to co-operative-like organisations as this would be a colossal task leaving aside problems of definition. Many agencies, directly and indirectly, have provided support.
Chapter III. The future role of co-operatives in shelter development in Kenya

A. Recent policy changes (real and proposed) which may affect the efficiency / impact of co-operatives in the shelter sector

Recent policy changes in Kenya affecting shelter co-operatives are discussed above in section II.G. They are changes in policies specifically affecting in the co-operative sector, changes affecting all co-operative organisations, and changes in policies in the shelter sector without special reference to co-operatives but which also affect co-operative and co-operative-like organisations.
Chapter III. The future role of co-operatives in shelter development in Kenya

A. Recent policy changes (real and proposed) which may affect the efficiency / impact of co-operatives in the shelter sector

1. Changes in the co-operative sector

The changes in the co-operative sector are contingent on Kenya’s move to economic liberalisation over the past decade or so. These changes have mainly affected agricultural marketing co-operatives and to some extent co-operatives in the financial sector. There has been some impact on housing co-operatives as the extent of government supervision has been reduced. Primary co-operatives are much more responsible for their own operations in terms of finance (budgeting and expenditure), management (selection of management committees, internal controls etc.) and in matters such as their area of operations.

The impact on SACCOs is greater now that government supervision has been substantially reduced. For example, it is now possible to establish SACCOs that are not employment based. The national apex organisation for SACCOs, KUSCCO has, as already mentioned, initiated a housing fund. To demonstrate the extent of the implications of liberalisation KUSCCO is part of a consortium (which includes Motorola) which bid for a licence for a second mobile telephone network in Kenya.
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Chapter III. The future role of co-operatives in shelter development in Kenya

A. Recent policy changes (real and proposed) which may affect the efficiency / impact of co-operatives in the shelter sector

2. Changes in the shelter sector

In section II.G above the proposed housing policy, the new Planning Act and the introduction of revised and more flexible building regulations were discussed.

Overall, governmental policy changes will not be the most significant element in determining the future of shelter co-operatives. It will be more as a result of changing perceptions, changes in institutional roles, the development of partnerships and the macro-economic environment.

One economic policy, which is already having an impact, is the reduction of staff in the public sector, particularly the civil service. Although salaries are relatively low job security provided the confidence to save in SACCOs and to contribute to housing co-operatives. As staff are retrenched one can anticipate a reduction in saving. A number of parastatal organisations are being privatised and this may also have an effect on levels of employment and on savings.
Chapter III. The future role of co-operatives in shelter development in Kenya

B. How can co-operatives become a greater / more efficient player in the shelter sector in Kenya

1. Local level

There appears to be a sound basis for the development of co-operative and co-operative-like shelter in Kenya, despite the individualistic nature of Kenyan society. Co-operatives are playing an important role for residents of informal settlements enabling them to obtain a measure of security, to generate income (mainly through letting) and to develop community services. The examples of Voi and Mavoko illustrate this.

Co-operative-like organisations are significant in informal settlements in, for example, improving infrastructure, generating income and, in a broader way, empowering residents. The examples of Maji na Ufanisi in Kibera, which manages a water system, and the recycling activities of Muroto in Mathare illustrate this. In every settlement there is a dense network of NGOs and CBOs including co-operatives. The role of women in these organisations is particularly important.

The scenario for ‘conventional’ shelter co-operatives is not so clear as they are constrained by a lack of finance to acquire land and to build housing, whatever their level of income and assets. It is reported that many co-operatives tend to give up if they are unable to source affordable finance.
Rural housing has received less prominence than urban housing in both national policy and practice and by co-operatives. This is because rural housing is seen as less of a problem with low densities, less ‘environmental’ problems and fewer issues of tenure. The example of the rural housing co-operatives in Meru shows how linking housing credit to crop earnings through an agricultural marketing co-operative hold promise as a model for the future. The newer rural SACCOs may also ultimately provide sources of finance for rural housing which in many cases is more amenable to incremental building and which requires less infrastructure investment.
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Chapter III. The future role of co-operatives in shelter development in Kenya

B. How can co-operatives become a greater / more efficient player in the shelter sector in Kenya

2. The national level
   a. NACHU

It is not an understatement to say that the development of housing co-operatives in Kenya has resulted from the establishment of NACHU and its role in promoting and supporting primary societies. At the national level NACHU has now established the capacity to support primary housing co-operatives with its twin track approach of supporting those in informal settlements (the poor) and the conventional co-operatives which also include poor members. Strengthening NACHU is an important element in enabling co-operatives to have greater impact. NACHU has some weaknesses, which need to be addressed.

- First and foremost NACHU has severe financial constraints. It does not receive a regular income from members in the form of subscriptions. They only contribute initial share capital. It was intended that NACHU in its role as a developer on behalf of co-operatives would earn an income by charging for its services. However, as noted more than once, the price of money and the cost of construction has stalled almost every project. NACHU is therefore reliant on donors which have in the past contributed to both capital (e.g. NACHU’s office building and some equipment) and to recurrent expenses. Donors have also funded NACHU programmes such as the rehabilitation co-operatives, and NACHU has generated most of its income from these. NACHU needs to be placed on a firm financial basis.

- Second, there are concerns that different factions among the membership, based on regional representation, will negatively affect NACHU’s even handed approach as a national organisation. This would be particularly damaging if it reduced the effectiveness of the professional staff. NACHU has usually managed to avoid political interference, both from member organisations and from government, but if it is to survive will have to be extremely circumspect. Continued international support would assist not only with building NACHU’s capacity but also in diminishing possible moves to politicise the organisation. This does raise the question as to whether it is better in the Kenyan situation for technical support (professional services) to be provided through a co-operative union or through an organisation which is not directly owned by primary co-operatives. In other countries services are provided by foundations, trusts and other forms of NGOs.
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Chapter III. The future role of co-operatives in shelter development in Kenya

B. How can co-operatives become a greater / more efficient player in the shelter sector in Kenya

2. The national level

b. Co-operative finance at the national level

The fundamental problem constraining the development of co-operative housing is the lack of finance and particularly of long-term finance. At one level the problem is national; high interest rates reduce affordability. Second, financial institutions, including the Co-operative Bank of Kenya, are unwilling to lend on a block basis to co-operatives as they feel this provided insufficient security in case of defaults. In an open market this situation will probably not improve.

The most promising initiative is the use of internal co-operative savings through the savings and credit movement. As is noted above many SACCO members use short-term loans from SACCOs to invest in shelter. Moreover, some SACCO members have created separate housing co-operatives. The KHF seeks to mobilise excess liquidity in the SACCO system to be used as housing credit. The loans to be made range from three to 10 years at an interest rate of 1.5 per cent per month.

Apparently while there has been some discussion between KUSCCO and NACHU regarding the fund, and NACHU is mentioned in the ‘prospectus’ for the fund (Annex 1) there is no operational agreement as yet as to how this partnership will work at both the national and local levels. This is something which should be addressed in the near future as there seems to be a good fit between NACHU and KUSCCO in terms of their very similar constituencies, their organisational cultures and the legal framework within which they operate. There is clearly an opportunity to develop a productive synergy.

NACHU has also designed a funding mechanism (Annex 2) which is not operational as yet. The NACHU fund is targeted at lower income groups compared to the KUSCCO fund with an anticipated loan of KSH 100,000. This allows for rehabilitation loans for low-income groups. As NACHU is not a financial institution it is looking to donors to capitalise the fund. It would seem logical for NACHU and KUSCCO to discuss how the elements of both funds could be combined. This will provide greater access to domestic savings through the co-operative movement and will fully utilise KUSCCO’s financial expertise and NACHU’s expertise, both in implementing co-operative housing projects and in operating a housing loan programme.

KUSCCO might also explore how it may use its funds to guarantee loans from other HFIs.

The success of NACHU’s rehabilitation projects for poorer groups has been based on less-than-market-rate funds made available principally by the Ford Foundation. While it is proven in Kenya that low-income groups are usually more reliable than middle-income groups in loan repayment, it is difficult for these kind of initiatives to generate sufficient margins to sustain NACHU’s work. It can be argued that in future NACHU should examine the development of redistributive systems, cross-subsidies, between higher and lower income groups in terms of charging for its services.
Another area where progress might be made is in acquiring land for housing co-operatives. At the moment each co-operative is responsible for identifying land, assisted on occasion by NACHU – particularly for the low-income co-operatives. When land is identified it is rare that it is of an optimum size, often being too small or too large for the number of members in a primary co-operative. Moreover, the number of members can change between identification of land and final layout design. One approach would be to develop regional (provincial and/or towns) housing co-operatives similar to those in Scandinavian countries. An individual or family would join the regional co-operative and then be ‘assigned’ to a primary co-operative on a project basis and depending on criteria including savings record through purchase of share capital.
B. How can co-operatives become a greater / more efficient player in the shelter sector in Kenya

2. The national level

d. Partnerships

A further area in which co-operatives can become more effective is in developing partnerships with other agencies including local authorities, NGOs, government and other organisations. At the local level the example of Voi shows that synergies created by partnerships has led to more effective projects. In Nairobi, NISCC has developed effective partnerships at the city wide level between central government, the city council and civil society. NACHU, on behalf of its members, has played a significant role in the NISCC.
Shelter Co-operatives in Kenya
Prepared by Graham Alder and Paul Munene for UNCHS (Habitat) and ICA

Chapter IV. Conclusions and proposals to improve the role and contribution of co-operatives in the shelter sector

A. Future relations between co-operatives and co-operative-like organisations

The experience of registered shelter co-operatives in Kenya is largely that of housing co-operatives although there are some activities in construction and building materials, usually linked to housing co-operatives. The experience at the primary (local) level is paralleled by the experience of NACHU. In some ways the history of NACHU is the experience of housing co-operatives in Kenya over the past 20 years. Without the initiative in establishing NACHU it is unlikely that there would be any housing co-operative movement in Kenya. The lesson is that it is extremely important to have a support organisation but, as noted above in section III.B.2.a, NACHU acting as both a membership organisation and as one providing professional services does present some problems.

Regarding ‘co-operative-like’ organisations, there is a wide diversity of organisations that are broadly similar to registered co-operatives. They include women’s groups and urban CBOs. Apart from their organisational characteristics there seems to be a difference in that they tend to be involved more in infrastructure and community services while co-operatives are more concerned with housing.

One issue raised in this paper is the future relationship of the established, registered co-operative movement to co-operative-like organisations. It is clear that co-operative-like organisations make a considerable contribution to shelter and to poverty reduction. The reason for the issue to be examined is that in many instances, not necessarily in the shelter sector, co-operative-like organisations are perceived to be ‘truer’ co-operatives than many registered co-operatives.

The experience in Kenya is that those co-operative-like organisations dealing with housing tend to convert to being housing co-operatives. It is not clear whether they do this because of innate advantages in the co-operative model or that they feel that they will have access to NACHU administered funds if they do so. Generally, they do seem to function well after they have converted and the co-operative model does provide greater protection and support compared to looser forms of association.

However, the CBOs involved in infrastructure and services (water, sanitation, solid waste, recycling etc.) do not seem to have a need to register as co-operatives. The term ‘pre-co-operative’ has been used to describe some of these organisations but this assumes that they wish to or should become registered co-operatives. This is not necessarily the case.

Perhaps in this sector the crucial difference between registered co-operatives and co-operative-like organisations is in the relationship to land. In housing co-operatives the co-operative owns the land, even if it is subsequently divided among the members. The co-operative model provides greater security as it is well established in law and (in most cases) the law will protect the right of a co-operative to a title if there is a dispute. Co-operative-like groups tend to provide services where land ownership is not a direct issue.

If the co-operative movement, presumably led by NACHU (perhaps with KUSCCO involvement), were to seek to strengthen relations with co-operative-like organisations then it will need to map out a clear strategy. Would it, for example, seek to ‘evangelise’ and bring co-operative-like organisations into the newly liberalised co-operative movement? It has to be noted that some of the CBOs in urban areas are backed by larger organisations. These include national and international NGOs. There are also representative institutions to which urban dwellers in informal settlement belong such as Mungaano wa Vikundi and Mungaano wa Wanavijiji. Therefore there are a complex of relationships to examine before embracing these organisations.

NACHU, as the representative of registered co-operatives in the housing sector, may find it more strategic to develop partnerships at both the national and local levels than to consider either offering membership directly to co-operative-like organisations. It can be conceived that NACHU could offer its professional services to suitable co-operative-like organisations, say in slum upgrading projects. These thoughts are however preliminary and repositioning NACHU would require considerable thought and planning.
Chapter IV. Conclusions and proposals to improve the role and contribution of co-operatives in the shelter sector

B. Proposals for action

The fundamental problems facing shelter co-operatives are high interest rates, low affordability and an imperfect land and housing market, which is distorted by political considerations.
Central government is reducing its role both in the shelter and co-operative sectors. The most important role government can play is to:

- Provide a macro-economic climate which has low-inflation, low interest rates and in which investment is stimulated.
- In the shelter sector put into practice existing policies which recognise the contribution of co-operatives (and which stem from Habitat resolutions).
- Allocate a proportion of government land intended for shelter to co-operatives, particularly those serving low-income groups.
Local authorities face a multitude of problems including insufficient revenue, low capacities to meet their mandates, overstaffing at the lower levels and lack of a full establishment of senior staff and political interference. It has been shown however that some local authorities with good leadership have managed to take innovative approaches to shelter, particularly by joining and sometimes stimulating partnerships. Examples are Voi (cited above), the poverty reduction initiatives in Mombasa ("Partnership Approaches to Meet the Needs of the Urban Poor"), a number of small towns involved in an environmental programme known as the Green Towns Project and the NISCC, also noted above. Intensification of this approach would be fruitful.
Donor agencies (including financial donor and lending agencies and those providing technical support such as Habitat) do already provide assistance to the co-operative (in the wide sense) shelter sector. One priority for action is, if requested, to assist in articulation of a strategy which would enable the relevant components of the co-operative movement and other stakeholders to develop new approaches (some based on initiatives described in this report). A second requirement is to assist in developing approaches that will make financial resources available and affordable.
The most important institutional actor is the co-operative movement in Kenya and particularly NACHU and KUSCCO although all co-operative sectors with members needing improved shelter should play a role. The majority of Kenyans requires improved shelter whether their relationship with the movement is through housing co-operatives, SACCOs, the agricultural marketing sector, banking, insurance or other sectors. Actions which co-operatives can take are:

- The development of a shelter strategy for the co-operative movement as a whole with particular emphasis on mobilisation of finance, land acquisition and defining institutional relationships within the movement. Possibly to be undertaken under the aegis of the KNFC.

- As part of such a strategy the definition of relations and possible joint activities with other stakeholders at national and local levels including Shelter Forum, the Nairobi Informal Settlements Coordination Committee, ActionAid Kenya, and representatives of CBOs.
Chapter IV. Conclusions and proposals to improve the role and contribution of co-operatives in the shelter sector

B. Proposals for action

5. External co-operatives working in the Kenya

The principal external co-operatives currently working in Kenya are the Swedish Co-operative Centre (SCC) and Rooftops Canada (which has been specifically providing assistance to NACHU). The SCC provides significant support to the Regional Office for East and Southern Africa of the ICA, which is located in Nairobi. However, there are considerably more resources in the global co-operative shelter sector in terms of technical capabilities in community organisation, institutional arrangements, co-operative management, legal aspects, finance and so forth. Some of the co-operative shelter organisations in the north have considerable experience in Africa and south/south collaboration is now beginning such as the recent Argentina/South Africa links. Support could be envisaged in the following areas:

- Development of shelter strategies by the Kenyan co-operative movement (see section IV.B.4).
- Development of mechanisms to finance shelter improvement both for the poor and for ‘conventional’ co-operatives.
- Part capitalisation (with Kenyan co-operatives) of a co-operative shelter fund (possibly with specialist windows for specific requirements such as new-build and rehabilitation). Liberalisation has eased the problems formerly affecting capital inflows and outflows and it would be very positive if co-operative financial institutions could invest in Kenyan shelter on a commercial or semi-commercial basis. The financial collaboration practised by the international co-operative insurance movement (through ICMIF) may provide some guidance.
- Capacity building for NACHU (although much has been achieved already).
Qualifications for membership

Membership of KUSCCO Housing Fund (KHF) is open to all willing SACCO members. A potential member must get a letter of introduction from his SACCO. It is also a requirement that all members willing to participate in the scheme should pass their funds through their SACCO. The SACCO then in turn will prepare a list of names indicating the amount each member has contributed plus a cheque and forward it to KUSCCO Housing Fund.

Membership fee

Members will be required to contribute a minimum of monthly savings of KSH 1,000 to any amount - which will qualify for a loan graduated as outlined in table 7.

The amount of loan to a member will be based on his monthly savings (as outlined in table 7). The repayment is also indicated based on the amount and the period.

Loans terms

For a member to qualify for a loan he or she must:

- be a bona fide member of a SACCO Society;
- have saved continuously for one year; and
- have raised 25 per cent of the cost of the house.

Documentary evidence pertaining to sources of income of a borrower:

- Letters from the employer confirming salary and house allowance plus salary slips for this past six months.
- Auditors report confirming income from other sources of business enterprises of a member.

Loan application procedure

1. A formal application must be filled as is provided.
2. Deposit for valuation must be paid by a member based on professional valuation fees scaled as follows:
   - for first KSH 300,000 - 1 per cent of KSH 300,000.
   - for next KSH 600,000 - 0.5 per cent of value.
   - the residue at 0.25 per cent.
3. Professional valuation reports should be submitted with the application duly compiled for mortgage purposes by a valuer approved by KUSCCO.
4. Letters from the quantity surveyor contractor, architect confirming the contract.
5. Copy of valid scale agreement signed by both parties and witnessed by KUSCCO lawyer.
6. Approved plan for all construction cases.
7. Loan amount non-refundable appraisal fees.

Security for KHF loan

The following shall form part of security for KHF loan:

- Owner occupier monthly house allowance.
The members savings with KHF.

The house itself - before the loan is fully repaid, the house will be registered in the name of KUSCCO limited.

**Period for loan**

The loan repayment period will be between three to ten years.

**Interest charged on loans**

The interest charged will be at 15 per cent per annum straight line.

**Sources of KHF project**

The sources of funds for KHF project will be:

- members savings with project;
- external borrowing, i.e. from the National Social Security Fund (NSSF); and
- foreign funds.

**Loan ceiling**

The minimum amount of loan will be KSH 300,000 and a maximum of KSH 2.5 million.
Shelter Co-operatives in Kenya
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Annex 2. Proposed NACHU Co-operative Savings and Loan Programme

Target group

1. Individual members of primary co-operative societies.
2. Members of a co-operative who want to develop their plots for income generation of their members.

Function

Direct financial and technical support.

Justification

The savings and loan program is designed to enable the marginalised and low income bracket access finances and technical assistance to facilitate acquisition and ownership of land and a decent affordable shelter. This will be done by extending loans for land acquisition and house construction to primary housing co-operatives for on-lending to individuals who want to own decent housing. The program will mobilise savings among members of co-operative society so that members are able to undertake productive investment ventures to service the housing and land acquisition loans.

The program proposes to provide KSH 22,320,000 as initial investment capital to facilitate the target group to:

1. Mobilise savings for future investments and loan repayment.
3. Access credit through alternate form of security of tenure.
4. Lend to income generating projects in additional to housing development loans.

Basic assumptions

1. Participation of donors - both local and foreign.
2. Economic climate will improve to allow people to save for housing.
3. Members will be informed through publicity.

Objectives

1. Establishment of a revolving loan fund for low income members of primary co-operative societies.
2. Increase of capacity for savings mobilisation among this group for servicing the loan and capital formation.
3. Expand of technical capacity within co-operative movement and maintenance of houses and infrastructure.
4. Encourage banks to lend wholesale to the program in the view of revised standard of low cost housing.

Outputs

1. At least 100 decent homes developed/improved each year.
2. At least 100 families enabled to own land for shelter each year.
3. A revolving fund of KSH 22,160,000 established during the first year.
4. Individual members are encouraged to save at least KSH 1,000 per month and after receiving the loan to keep on saving at least 0.5 per cent of the principal loan for rehabs and 0.25 per cent for new housing loan amount thereafter till the loan is repaid in full.

Project activities
Enter collaborating and working arrangements with:

1. Local authorities for allocation of slum areas or estates for new housing or improvement; supply of infrastructure and sanitation services.
2. KenGen for supply of electricity.
3. Financial institutions, pension and insurance funds for loan packages for housing development.

**Partners in housing development**

1. The local authority;
2. Ministry of Lands and Housing;
3. NACHU;
4. Financial institutions;
5. Donor support; and
6. Beneficiaries.

**Methodology**

*Recruitment*

1. Where there are affiliates, NACHU to continue with the initiative formed.
2. Encourage non housing affiliates to join NACHU.
3. Form housing co-operatives in the informal settlement areas and encourage them to join NACHU for those potential members wishing to benefit with the program, membership to be limited to 20-30 only per co-operative.
4. Among other conditions, a member wishing to participate in the program should be willing to save at least KSH 1,000 per month; ready to contribute to the cause of other members; ready to attend monthly meetings where savings and loans matters are being discussed.

**Loan condition**

1. There should be security in form of titles or any other acceptable security.
2. The loan will be guaranteed.
3. A non-refundable appraisal fees of a quarter per cent of the loan shall be charged.
4. The normal technical fees of two and half per cent shall be charged to be paid before the money is released.
5. The premise to be constructed or improved shall be insured.
6. The scheme shall be diverted to include non-rehabs, e.g. new housing.
7. Down payment will be 10 per cent for rehab and 20 per cent for new housing.
8. Repayment period will be for 4 years for rehabs and 6 years for new housing.
9. Maximum amount will be KSH 120,000 for rehab and KSH 300,000 for new housing.
10. Half of bank interest and 40 per cent of loan interest shall be remitted to NACHU for operations and the balance shall be ploughed back for expansion of the program.
11. NACHU shall determine the interest rate.
12. The loanee shall not dispose or sell off the house while the loan remains outstanding.
Action during default

NACHU shall upon notice to the member have the right to recall the loan in the event of any of the following occurrences, on which case the loan shall be recalled immediately:

1. Default by the member in the payment of principal and interest for 15 days.

2. Default by the member in performance of or any terms, conditions, covenants warranties governing the loan under the agreement.

3. If the member is declared bankrupt.

4. If the member ceases for whatever reason to be a member of a co-operative.

Projected cash flow for four years

See table 8.
Shelter Co-operatives in South Africa

Contributions of the co-operative sector to shelter development

Kecia Rust

for

UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS (HABITAT)

and

INTERNATIONAL CO-OPERATIVE ALLIANCE
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- B. Pursuing a housing agenda
- C. The role of co-operatives

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- B. Typology of co-operatives involved in shelter development
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    - b. Cape Metal Employees Savings and Credit Co-operative: Housing initiative
    - c. The Savings and Credit Co-operative League of South Africa (SACCOL) Ltd.
  - 2. Pre-co-operative initiatives
    - a. Cope Housing Association
  - 3. Co-operative-like initiatives
    - a. South African Homeless People's Federation
    - b. Inner city tenant buy-out initiatives
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- b. The People's Housing Process
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2. Legislation

  - i. Application in respect of shelter development
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  - iii. Pending review of the Co-operatives Act
- b. Companies Act, No. 61 of 1973
- c. Share Blocks Control Act, No. 59 of 1980
- d. Sectional Titles Act, 1986
- e. Communal Property Associations Act, No. 28 of 1996
- f. Income Tax Act
- g. Value Added Tax Act, No. 89 of 1991
- h. Housing Act, No. 107 of 1997
- i. Gauteng Housing Act, No. 6 of 1998
- j. Rental Housing Bill
- k. Gauteng Residential Landlord/Tenant Act

3. Funding

- a. Working capital from the Housing Institutions Development Fund (HIDF)
- b. Bridging finance
- c. Finance from the uTshani Fund
- d. Guarantees
- e. Grants

4. Support structures

- a. Government
- b. Quasi-government
- c. Non-governmental/private sector
  - i. National Co-operative Association of South Africa (NCASA)
  - ii. Savings and Credit Co-operative League of South Africa (SACCOL) Ltd.
  - iii. Urban Sector Network (USN)
iv. People's Dialogue on Land and Shelter

v. The Association of Social Housing Organisations (ASHO)

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I. Key issues and main problems encountered

III. The future role of co-operatives in shelter development in South Africa

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A. Legislative and policy amendments
   1. Need for clear principles
   2. Revision of the Co-operatives Act
   3. Review of recommendations for social housing
   4. Policy attention within existing facilitative bodies
   5. Strategic focus on existing housing
   6. Accommodation of the concept within government policy

B. Institutional support and development
   1. Consider alternative models
   2. Insurance for co-operatives
   3. Networking
   4. Capacity development

C. Education and information
   1. Education and popularisation of the concept
   2. Data collection

D. Conclusions

Annex 1. Previous studies relevant to the report

Research conducted by the Co-operative Housing Foundation
Research conducted by the Social Housing Foundation
Papers prepared for the International Conference on Co-operative Housing

Annex 2. South Africa's national housing policy

Annex 3. International Conference on Co-operative Housing - way forward & summary of recommendations

The creation of an enabling environment for co-operative housing
• The promotion of the co-operative concept within the low income housing sector
• The need to pursue the development of a track record
• Opportunities
• Further recommendations

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Box 11. The Housing Capital Subsidy Scheme

Box 12. The People's Housing Partnership Trust
Box 1. South Africa: Key facts

- Total population: 40.5 million people
- Total households: 9 million
- Average household size: 4.5 persons
- Urban population: 53.7 per cent or 4.83 million households
- Rural population: 46.3 per cent or 4.17 million households

Box 2. South Africa's housing crisis

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

- New household formation is between 200,000 - 250,000 per annum.
- 58 per cent of all households (4.8 million) have secure tenure.
- 9 per cent of all households (780,000) live under traditional, informal, inferior and/or officially unrecognised tenure arrangements in mostly rural areas.
- 18 per cent of all households live in squatter settlements, backyard shacks, or in over-crowded conditions, without secure tenure.
- Total formal stock is estimated to be 3.4 million units.
- Formal housing provision for low-income households (houses costing below R 45,000), was less than 20,000 units during the 1993/94 financial year.

Note: Since the publication of these figures in the Housing White Paper in 1994, government development initiatives, as well as revised census statistics, may have changed the situation somewhat.
Box 3. The seven co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community
Box 4. ELHMC - key facts

- Launched: 1998, following an invitation from Afesis-Corplan, to pursue the co-operative housing model. The Housing Savings Schemes involved in the project, however, have been saving since 1996.
- Formally registered: 30 June 1999
- Membership: 198 households, the majority of which are unemployed, or people with irregular income. Women represent 80 per cent of household members.
- Average household income: less than R 1,500 per month
- Savings categories of members:
  - > R 30 / month: 68 per cent, or 135 members
  - > R 60 / month: 30 per cent, or 59 members
  - > R 120 / month: 2 per cent, or 4 members
- First project: Amalinda Co-operative Settlement, subsidies application in May 1999.
- Number of houses in first project: 196
- Total subsidy value of first project: R 3,247,720
Box 5. CME SACCO Ltd. - key facts

- Launched: 1992 (but operated informally within factories prior to this date)
- Membership: 1006 households, all linked to the metal and engineering industry in the Western Cape.
- Average household income: 75 per cent earn between R 2,500 - R 3,500 per month
- Asset value: R 3.5 million in members' savings
- Loan capacity: R 4.5 million (including R 1 million for housing initiative)
- Housing initiative: started in 1997 in response to members
- Capital base: R 1 million from WCCHT, repayable by 2001 at 10 per cent p.a.
- Interest rate on housing loans: 20 per cent p.a. repayable over 3 years
- Total loans dispersed: 116
- Total value of loans dispersed: R 828,737
- Total repayments received: R 303,449
- Default rate: 2 of 116 loans or 1.7 per cent
Box 6. SACCOL Ltd. - key facts

- Represents SACCOs and Credit Unions throughout South Africa
- Membership: 20 SACCOs and 1 Credit Union, representing 5,800 members
- Average household income of members: 75 per cent earn between R 2,500 - R 3,500 per month
- Asset base: R 9.5 million
- Housing initiative: currently being piloted with two SACCOs and expected to commence in October 1999.
- Interest rates: 22-30 per cent per annum
Box 7. Product cost calculations

New-build projects in Johannesburg's inner city cost on average between R 60,000 - R 65,000. The institutional subsidy (R 16,000 plus a 15 per cent bonus for prime location development) covers around 30 per cent of the costs, and equities or "deposits" from future residents cover 4-5 per cent. This means that Cope is dependent on long term finance for 65-66 per cent of the costs. Interest rates play a critical role in determining monthly charges. A 2 per cent decrease in the interest rate can mean a decrease of R 60-R 80 in the monthly charges of a two-bedroomed unit.

Source: Vutula, Luthando, "Implementing the Cooperative Housing Model in Inner City Johannesburg", paper presented at the International Conference on Co-operative Housing, 7-9 July 1999, Johannesburg.
Box 8. Cope Housing Association - Key Facts

- Launched: 1989 as an NGO; re-launched in 1997 as Cope Housing Association
- Membership: 528 household residents
- Target: urban, inner city Johannesburg poor
- Average household income: R 2,000 - R 3,500
- Number of projects: 2 new-build and 3 refurbishments
- Number of existing units: 124
- Number of new units to be constructed by early 2000: 404
- Supported and/or funded by: Norwegian Federation of Co-operative Housing Associations (NBBL), Rooftops Canada, Hivos, Novib, USAID, the European Union, Misereor, the Canadian Embassy, Johannesburg Consolidated Investments (JCI), and the Comart Foundation (Canada).
Box 9. SAHPF - key facts

- Launched: 1993/94 (though savings & mobilisation activities began before the formal launching)
- Membership: over 86,000 households, the majority of which are unemployed, pensioners, and people with irregular income. Women represent 85 per cent of household members.
- Target: urban poor who represent 60-75 per cent of the landless and homeless population
- Average household income: R 700 per month
- Housing savings schemes (savings collectives): 1,295 in 9 provinces. Twenty percent of HSS are in rural areas or small towns.
- Total savings: R 4.3 million
- Loans issued for purposes of income generation and for crisis
  - uTshani Fund loans issued for housing purposes: for over 4,000 households
  - Repayment rate on uTshani Fund loans: over 90 per cent
- Number of Housing Savings Schemes currently developing houses: 179 projects
- Number of houses completed to date: 5,369
- Number of households able to access secure tenure since April 1994: > 15,000
- Number of Ufunde Zufe ("learn until you die") training centres: 8
General Manager of the Seven Buildings Company, Pressage Nyoni, argues that there are three main reasons why the Company uses a co-operative like approach: "Firstly, the origins of the Project are in the inner city struggles of the eighties. The Seven Buildings residents were part and parcel of the community that fought, and eventually one of these battles. The nature of the resistance, fight and organisation was essentially communal and co-operative. Secondly, the Seven Buildings residents had suffered the consequences of the hands-off management style of the previous owner. This had meant that none of the rents paid over to him were ever ploughed back into the buildings. The resident owners accordingly decided that group control and management were the ways of ensuring that the incomes of the properties would benefit the properties and therefore the tenant owners as a group, on an ongoing basis. Thirdly, and very importantly, is the South African context generally, in which inclusivity, transparency, and legitimacy are central values, implemented and striven for at every opportunity."

Source: Presentation to the International Conference on Co-operative Housing, 7 July 1999, Johannesburg.
Box 11. The Housing Capital Subsidy Scheme

Households with an income less than R 3,500, who have not owned property previously, and who satisfy a range of other criteria, can apply for the subsidy, and use it to get housing, either to own or to rent. There are five subsidy mechanisms: individual, project-linked, consolidation, institutional, and relocation. Individual and project linked subsidies are offered on a stepped scale, linked to household income. The consolidation subsidy provides a "top-up" amount to households who have already received a subsidy under a previous subsidy programme, so that their total benefit is equivalent to what they would be eligible for if they were applying for the subsidy under the current subsidy scheme. The institutional subsidy provides a R 16,000 subsidy to an institution for each household that resides in the institution's stock, who earns less than R 3,500. The relocation subsidy assists households who are unable to afford their current mortgage repayments relocate into affordable accommodation. A rural subsidy policy has been developed for rural households, but as of September 1999, had not yet been implemented.

Housing subsidy income categories:

<table>
<thead>
<tr>
<th>Income per month</th>
<th>Percentage of eligible population (those earning &lt; R 3,500)</th>
<th>Subsidy for immediate ownership: Project-linked, individual, rural, and relocation subsidy mechanisms</th>
<th>Top-up, consolidation subsidy (available only to those who have already benefited from a previous site and service state subsidy)</th>
<th>Subsidy for rental or instalment sale: Institutional subsidy mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>R 0-1,500</td>
<td>76.18</td>
<td>R 16,000</td>
<td>R 8,000</td>
<td>R 16,000</td>
</tr>
<tr>
<td>R 1,501-2,500</td>
<td>16.67</td>
<td>R 10,000</td>
<td>R 0</td>
<td>R 16,000</td>
</tr>
<tr>
<td>R 2,501-3,500</td>
<td>7.15</td>
<td>R 5,500</td>
<td>R 0</td>
<td>R 16,000</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Housing subsidies are paid out of the National Housing Fund, via Provincial Housing Development Boards (of which there are nine: one in each province) and other accredited institutions. The subsidy is intended to help households access housing with secure tenure, at a cost that they can afford, and of a standard that satisfies the minimum health and safety requirements. Households may only receive the subsidy once.

The institutional subsidy is targeted at institutions that provide housing stock on a rental, co-operative, or installment sale basis, on behalf of the residents who occupy that stock. For each household living in the stock provided by the institution, who earns less than R 3,500 per month and who satisfies the general eligibility criteria, the PHDB pays R 16,000. A key condition of the institutional subsidy is that a household must live in the subsidised unit for at least four years on a rental basis before their tenure may be converted to ownership.

Using the subsidy, households can either rent or buy:

- New or existing, stand-alone housing units
- Units in a new or refurbished, multiple unit complex, including flats

Alternatively, households can also use the subsidy for:

- In situ upgrading of existing unserviced, or minimally serviced settlements
- Incremental housing schemes
Box 12. The People's Housing Partnership Trust

The People's Housing Partnership Trust is the implementor of government's national capacitation programme in support of a people's housing process. While it co-ordinates the programme at a national level, its support activities are carried out at a provincial and local level. This programme consists of five components:

- Advocacy, promotion, and creation of support for a People's Housing Process.
- Promotion of streamlined operational procedures for the delivery of land, finance and infrastructural services.
- Assistance to local organisations (CBOs, NGOs, etc.) in their efforts to organise and support People's Housing Process initiatives.
- The development and promotion of the relevant skills among government officials, CBOs, NGOs, communities, and private sector bodies who intend to implement support for the People's Housing Process. This includes the training of facilitators to conduct workshops as part of the Housing Support Project preparation and implementation processes.
- Ongoing support for established "Housing Support Centres".
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Figure 5. Co-operative model used by Cope Housing Association

Figure 6. Co-operative model used by co-operative-like entities in which an NGO is involved

Figure 7. Co-operative model used by community-based co-operative-like entities

Figure 8. South Africa's housing policy
Figure 1. Provincial map of South Africa
Figure 2. Repo rate vs. prime rate (June '98 - Sept '99)

Note: These figures reflect the average mortgage bond market. Interest rates for low income housing loans - either mortgaged or not - are generally higher given the high pricing of risk.

Figure 3. Typology of co-operatives in shelter development

LEGALLY REGISTERED CO-OPERATIVES (Trading Co-ops)

Job creation: General & Building industry
Supply: General, Shop & Training
Mutual benefit: Buying association & Financial

Afesio-Corplan

East London Housing Management Co-operative
Cape Metal Employees SACCO
Savings and Credit Co-operative League of SA Ltd.

PRE-COOPERATIVE INITIATIVES

Cope Housing Association

Newtown Housing Co-operative
Bertrams One Housing Company
Inner City Tenant Buy-outs (3 initiatives)

Amalinda Housing Co-operatives (10 pre-co-ops)

ELHMC

East London SACCO

CO-OPERATIVE-LIKE INITIATIVES

People’s Dialogue

SA Homeless People’s Federation / Housing Savings Schemes

Ubuntu Methodist Church

Ubuntu Co-operative Housing

Inner City Tenant Buy-out Initiatives

Communal Property Associations

Other Social Housing Initiatives

LEGEND

Supporting NGO
NGO-driven initiatives
Community driven initiatives
Mixed initiatives
Figure 4. Co-operative model used by the East London Housing Management Co-operative

- Unhoused members depositing regular monthly savings in the EL SACCO accounts:

- Membership
- Monthly individual savings of R30, R60 or R120

- Afesis-Corplan (with funding from the Swedish Co-operative Centre)

- East London Savings and Credit Co-operative (EL SACCO)
Figure 5. Co-operative model used by Cope Housing Association.

Source: "Note For The Record", SHF / Cope Co-Op Housing Project, First Working Group Meeting, 6 October 1998
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Table 14. Forms of support received by various co-operative-like initiative
Table 1. Monthly income distribution relating to housing subsidy category

<table>
<thead>
<tr>
<th>Provinces</th>
<th>0-1,500 (%)</th>
<th>1,501-2,500 (%)</th>
<th>2,501-3,500 (%)</th>
<th>Total subsidy market (%)</th>
<th>3,501+ (%)</th>
<th>Unspecified (%)</th>
<th>Total non-subsidy market (%)</th>
<th>Total SA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E Cape</td>
<td>74.17</td>
<td>7.01</td>
<td>3.66</td>
<td>84.84</td>
<td>10.78</td>
<td>4.38</td>
<td>15.16</td>
<td>100</td>
</tr>
<tr>
<td>F State</td>
<td>68.76</td>
<td>8.80</td>
<td>4.67</td>
<td>82.23</td>
<td>14.04</td>
<td>3.73</td>
<td>17.77</td>
<td>100</td>
</tr>
<tr>
<td>Gauteng</td>
<td>43.13</td>
<td>11.99</td>
<td>7.40</td>
<td>62.52</td>
<td>27.99</td>
<td>9.49</td>
<td>37.48</td>
<td>100</td>
</tr>
<tr>
<td>KZ Natal</td>
<td>60.70</td>
<td>9.11</td>
<td>4.86</td>
<td>74.67</td>
<td>18.16</td>
<td>7.17</td>
<td>25.33</td>
<td>100</td>
</tr>
<tr>
<td>Mpum</td>
<td>67.79</td>
<td>9.08</td>
<td>4.60</td>
<td>81.47</td>
<td>14.07</td>
<td>4.46</td>
<td>18.53</td>
<td>100</td>
</tr>
<tr>
<td>N West</td>
<td>66.05</td>
<td>10.79</td>
<td>5.84</td>
<td>82.68</td>
<td>12.61</td>
<td>4.71</td>
<td>17.23</td>
<td>100</td>
</tr>
<tr>
<td>N Cape</td>
<td>62.03</td>
<td>10.99</td>
<td>5.43</td>
<td>78.45</td>
<td>18.11</td>
<td>3.44</td>
<td>21.55</td>
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<tr>
<td>N Prov</td>
<td>75.79</td>
<td>6.11</td>
<td>3.05</td>
<td>84.95</td>
<td>8.56</td>
<td>6.49</td>
<td>15.05</td>
<td>100</td>
</tr>
<tr>
<td>W Cape</td>
<td>38.00</td>
<td>12.93</td>
<td>9.53</td>
<td>60.46</td>
<td>31.34</td>
<td>8.20</td>
<td>39.54</td>
<td>100</td>
</tr>
<tr>
<td>Total SA</td>
<td>59.53</td>
<td>9.66</td>
<td>5.60</td>
<td>74.79</td>
<td>18.59</td>
<td>6.61</td>
<td>25.20</td>
<td>100</td>
</tr>
</tbody>
</table>

*: Households earning less than R 3,500 per month are eligible to apply for a housing subsidy
**: Unspecified refers to households for whom an income categorisation was not available. Generally, such households are classified as part of the subsidy eligible market, i.e. as earning between R 0 - R 3,500 per month

Table 2. Average monthly household income in various sub-groups of the population

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-group</th>
<th>Average monthly household income (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area of residence</td>
<td>Urban</td>
<td>4,583</td>
</tr>
<tr>
<td></td>
<td>Non-urban</td>
<td>1,917</td>
</tr>
<tr>
<td></td>
<td>Formal house</td>
<td>4,333</td>
</tr>
<tr>
<td>Type of dwelling</td>
<td>Informal dwelling</td>
<td>1,250</td>
</tr>
<tr>
<td></td>
<td>Traditional dwelling</td>
<td>1,167</td>
</tr>
<tr>
<td></td>
<td>One person</td>
<td>2,083</td>
</tr>
<tr>
<td></td>
<td>Two persons</td>
<td>4,083</td>
</tr>
<tr>
<td></td>
<td>Three persons</td>
<td>3,917</td>
</tr>
<tr>
<td>Household size</td>
<td>Four persons</td>
<td>4,250</td>
</tr>
<tr>
<td></td>
<td>Five persons</td>
<td>3,833</td>
</tr>
<tr>
<td></td>
<td>Six persons</td>
<td>3,083</td>
</tr>
<tr>
<td></td>
<td>Seven persons</td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td>Eight or more persons</td>
<td>2,333</td>
</tr>
<tr>
<td>Gender of household head</td>
<td>Male</td>
<td>4,000</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>2,080</td>
</tr>
</tbody>
</table>

Table 3. General statistics for co-operatives, 1992 - 1995

<table>
<thead>
<tr>
<th></th>
<th>Agricultural co-operatives</th>
<th></th>
<th>Trading co-operatives</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. co-ops</td>
<td>260</td>
<td>256</td>
<td>251</td>
<td>237</td>
</tr>
<tr>
<td>Total members</td>
<td>198,875</td>
<td>196,000</td>
<td>196,281</td>
<td>190,090</td>
</tr>
<tr>
<td>Active members</td>
<td>133,399</td>
<td>138,946</td>
<td>132,367</td>
<td>134,497</td>
</tr>
<tr>
<td>Total turnover (R billions)</td>
<td>23.9</td>
<td>22.5</td>
<td>24.5</td>
<td>28.9</td>
</tr>
</tbody>
</table>

Table 4. Co-operatives registered as of April 1999

<table>
<thead>
<tr>
<th>No. of co-ops in 1999</th>
<th>Sub-categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>TRADING CO-OPERATIVES</strong></td>
</tr>
<tr>
<td>Services</td>
<td>48 General (48)</td>
</tr>
<tr>
<td>Job creation</td>
<td>286 General (23), Farming activity (89), Fishery (32), Building Industry (9), Medical (19), Home Industry (114)</td>
</tr>
<tr>
<td>Supply</td>
<td>141 General (14), Shop (37), Service station (4), Training (29), Taxi (57)</td>
</tr>
<tr>
<td>Mutual benefit</td>
<td>19 Insurance (2), Buying association (5), Financial (12)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>494 primary, 1 central</td>
</tr>
</tbody>
</table>

|                      | **AGRICULTURAL CO-OPERATIVES** |
|                      | 200 primary, 14 central |

*: Primary co-operatives are formed of individual members; central co-operatives are formed of two or more primary co-operatives.

<table>
<thead>
<tr>
<th>Province/region</th>
<th>Number of members</th>
<th>Number HSS</th>
<th>Total savings (R)</th>
<th>Housing projects</th>
<th>Houses completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>15,000</td>
<td>150</td>
<td>1,200,000</td>
<td>13</td>
<td>526</td>
</tr>
<tr>
<td>North West</td>
<td>5,500</td>
<td>35</td>
<td>200,000</td>
<td>6</td>
<td>156</td>
</tr>
<tr>
<td>Free State</td>
<td>6,500</td>
<td>25</td>
<td>100,000</td>
<td>3</td>
<td>140</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1,500</td>
<td>20</td>
<td>80,000</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Western Cape</td>
<td>18,000</td>
<td>250</td>
<td>1,000,000</td>
<td>55</td>
<td>910</td>
</tr>
<tr>
<td>Southern Cape</td>
<td>3,500</td>
<td>40</td>
<td>90,000</td>
<td>9</td>
<td>320</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>13,000</td>
<td>100</td>
<td>200,000</td>
<td>20</td>
<td>572</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>22,000</td>
<td>600</td>
<td>1,000,000</td>
<td>18</td>
<td>894</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>100</td>
<td>2</td>
<td>1,000</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Northern Province</td>
<td>1,000</td>
<td>7</td>
<td>20,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86,100</strong></td>
<td><strong>1,295</strong></td>
<td><strong>4,301,000</strong></td>
<td><strong>179</strong></td>
<td><strong>5,369</strong></td>
</tr>
</tbody>
</table>

Source: Email correspondence from Joel Bolnick on 1 November 1999
<table>
<thead>
<tr>
<th>Project Name</th>
<th>Initiated by</th>
<th>No. units planned or delivered</th>
<th>Government investment (R committed)</th>
<th>Management agreement/developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seven Buildings</td>
<td>Residents</td>
<td>435</td>
<td>7,503,750</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Darwin Mansions</td>
<td>Residents</td>
<td>28</td>
<td>420,000</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Wolbane</td>
<td>Residents</td>
<td>25</td>
<td>460,000</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Vukuzakhe</td>
<td>Residents</td>
<td>56</td>
<td>1,030,400</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Leopold Heights</td>
<td>Residents</td>
<td>50</td>
<td>920,000</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Wellington</td>
<td>Residents</td>
<td>48</td>
<td>-</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Ansteys/Joubert Park areas</td>
<td>Developer</td>
<td>625</td>
<td>10,000,000</td>
<td>Uptown Projects</td>
</tr>
<tr>
<td>Everest Court</td>
<td>Residents</td>
<td>37</td>
<td>638,250</td>
<td>Cope Housing Association</td>
</tr>
<tr>
<td>Philani Ma-Afrika</td>
<td>Residents</td>
<td>67</td>
<td>1,155,750</td>
<td>Cope Housing Association</td>
</tr>
<tr>
<td>Hadar Court</td>
<td>Residents</td>
<td>22</td>
<td>379,500</td>
<td>Cope Housing Association</td>
</tr>
<tr>
<td>Inner City Bad Buildings</td>
<td>Provincial government</td>
<td>500</td>
<td>8,000,000</td>
<td>Department of Housing &amp; Land Affairs</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>1,893</strong></td>
<td><strong>20,173,500</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Data not available

*Source: Data supplied by the Gauteng Department of Housing*
Table 7. Origins of established social housing institutions and their provincial spread

<table>
<thead>
<tr>
<th>Social housing organisation initiated by:</th>
<th>Number</th>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial / local authorities</td>
<td>2</td>
<td>Gauteng</td>
<td>7</td>
</tr>
<tr>
<td>NGO / CBO driven</td>
<td>10</td>
<td>KwaZulu Natal</td>
<td>4</td>
</tr>
<tr>
<td>Section 21</td>
<td>2</td>
<td>Western Cape</td>
<td>4</td>
</tr>
<tr>
<td>Public company</td>
<td>1</td>
<td>Eastern Cape</td>
<td>1</td>
</tr>
<tr>
<td>Trade unions</td>
<td>1</td>
<td>North West</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mpumalanga</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Free State</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Northern Cape</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Northern Province</td>
<td>0</td>
</tr>
</tbody>
</table>

**TOTAL** 16 **TOTAL** 16

Source: The data reflected in the table is taken from the local examples provided in the first phase report of the SHF Task Team, "Current Status of Social Housing in South Africa", March 1998.
<table>
<thead>
<tr>
<th>Client type</th>
<th>Number</th>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial / local authorities</td>
<td>11</td>
<td>Gauteng</td>
<td>14</td>
</tr>
<tr>
<td>NGO / CBO driven</td>
<td>8</td>
<td>KwaZulu Natal</td>
<td>6</td>
</tr>
<tr>
<td>Employers</td>
<td>1</td>
<td>Western Cape</td>
<td>5</td>
</tr>
<tr>
<td>Companies</td>
<td>14</td>
<td>Eastern Cape</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>North West</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mpumalanga</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Free State</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Northern Cape</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Northern Province</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>34</td>
<td><strong>TOTAL</strong></td>
<td>34</td>
</tr>
</tbody>
</table>
### Table 9. Main functions of co-operatives in shelter development

<table>
<thead>
<tr>
<th>Affiliation / Support</th>
<th>Delivery</th>
<th>Management</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building Construction / Development</td>
<td>Constructing as Jobs</td>
<td>Institutional Community Management</td>
</tr>
<tr>
<td></td>
<td>Construction of own housing</td>
<td>Creation in Services</td>
<td>Management</td>
</tr>
<tr>
<td>East London Housing Management Co-operative (ELHMC)</td>
<td>NGO: Afesis-Corp</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>CME SACCO SACCOL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SACCOL</td>
<td></td>
<td>#</td>
<td></td>
</tr>
<tr>
<td>Other Trading Co-operatives</td>
<td>-</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

#### REGISTERED TRADING CO-OPERATIVES

<table>
<thead>
<tr>
<th>Pre-CO-OPERATIVE INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cope Housing Association</td>
</tr>
<tr>
<td>Newtown Housing Co-operative / Bertrams One</td>
</tr>
<tr>
<td>Hadar Court / Philani-Ma Afrika / Everest Court</td>
</tr>
<tr>
<td>EL Sacco ELHMC</td>
</tr>
<tr>
<td>Amalinda Housing Co-ops</td>
</tr>
</tbody>
</table>

#### CO-OPERATIVE-LIKE INIATIVES

<table>
<thead>
<tr>
<th>NGO: People's Dialogue</th>
<th>X</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAHPF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>uTshani Fund SAHPF</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Inner City Tenant buy-out initiatives Property Mgrs (*)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Social housing initiatives NGOs / CBOs</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Ubunye Co-operative Housing Methodist Church</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Communal Property Associations Dept of Land Affairs</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

X: yes
(*): services paid for
#: possibly in the future
C: Co-operative ownership
I: Individual ownership
R: Rental tenure
N/A: Not applicable
R-C: Rental tenure to be converted into co-operative ownership
R-I/C: Rental tenure to be converted into individual ownership or co-operative ownership
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Number of members</th>
<th>% women</th>
<th>Income levels targeted (R)</th>
<th>Number of loans</th>
<th>Default (%)</th>
<th>Repayment</th>
<th>Interest rates(%)</th>
<th>Avg. loan size (R)</th>
<th>Amount saved (R)</th>
<th>External capital?</th>
<th>Value of loans dispersed (R)</th>
<th>Target area</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>CME SACCO</td>
<td>1,006</td>
<td>10-14</td>
<td>2,500-3,500</td>
<td>116</td>
<td>2</td>
<td>3 yr.</td>
<td>20 pa</td>
<td>7,144</td>
<td>Borrower must save &gt; 50% of loan value</td>
<td>Yes</td>
<td>828,737</td>
<td>Cape Town: U</td>
<td></td>
</tr>
<tr>
<td>SACCOL Central Finance Facility</td>
<td>5,800 in 20 Saccos</td>
<td>NAV</td>
<td>2,500-3,500</td>
<td>4246</td>
<td>N/A</td>
<td>3 yr.</td>
<td>24-30 pa</td>
<td>Up to 10,000</td>
<td>9.5 million asset base</td>
<td>In the future</td>
<td>3,420,000</td>
<td>Two pilot projects: R + U</td>
<td></td>
</tr>
<tr>
<td>Cope Savings Club</td>
<td>38</td>
<td>70%</td>
<td>2,000-3,500</td>
<td>N/A</td>
<td>N/A</td>
<td>8-10%</td>
<td>N/A</td>
<td>67,390</td>
<td>No</td>
<td>N/A</td>
<td>East London: U</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EL SACCO</td>
<td>198</td>
<td>80</td>
<td>0-1,500</td>
<td>N/O</td>
<td>N/O</td>
<td>3 yr.</td>
<td>24-28 pa</td>
<td>N/O</td>
<td>78,402 in savings schemes</td>
<td>In the future</td>
<td>N/O</td>
<td>U: 80% R: 20%</td>
<td></td>
</tr>
<tr>
<td>uTshani Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>0-1,500</td>
<td>2,500</td>
<td>10</td>
<td>15 yr.</td>
<td>8,000</td>
<td>N/A</td>
<td>Yes</td>
<td>28,000,00</td>
<td>East London: U</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Savings Scheme</td>
<td>74,500 across 1,220 HSS</td>
<td>85</td>
<td>0-1,500</td>
<td>NAV</td>
<td>10</td>
<td>15 yr.</td>
<td>1-2</td>
<td>100 - 10,000</td>
<td>3,870,000</td>
<td>No</td>
<td>NAV</td>
<td>U: 80% R: 20%</td>
<td></td>
</tr>
</tbody>
</table>

NAV: Data not available
N/A: not applicable
N/O: not yet operational

a: Housing Savings Schemes offer three types of loans. Crisis loans and income generation loans are offered by HSS from their savings reserves at rates of 1% and 2% per month respectively. Housing loans are offered via the HSS by the uTshani Fund at a rate of 1% per month over 15 years, or R 120 per month on a maximum loan of R 9978.

b: The uTshani Fund provides group loans to its member Housing Savings Schemes. Actual savings happens within these savings schemes. The uTshani Fund is capitalised with a R 10 million grant from the Department of Housing, as well as with other funding.

c: The Cope Savings Club is strictly a mechanism to assist households save up for their deposit on their home. No loans are granted. The number of members reflects current savers. The amount in the Savings Club account does not reflect the total amount saved, as savers withdraw their savings once they have enough to meet the deposit, and then this becomes their equity stake in the housing provided by the co-operative. The R 67,390 indicated above, for instance, does not include R 60,000 recently withdrawn by residents moving into the Bertrams scheme.

Sources: CME SACCO - email correspondence from Debbie Higgins on 17 August 1999; SACCO Central Finance Facility - email correspondence from David de Jong, on 22 September 1999; Cope Savings Club - conversation with Margaret Fish, on 25 October 1999; EL SACCO - email correspondence from Ronald Eglin, on 3 August 1999; uTshani Fund and HSS - People's Dialogue website, on http://www.dialogue.org.za
<table>
<thead>
<tr>
<th></th>
<th>Number of members</th>
<th>Percentage women</th>
<th>Number of projects</th>
<th>Number of housing units D: delivered P: planned</th>
<th>Income levels targeted (R)</th>
<th>Target area N: national P: provincial U: urban R: rural</th>
<th>Avg. unit cost (R) N: new R: refurbished</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cope Housing Association</td>
<td>528</td>
<td>40</td>
<td>6</td>
<td>D: 124 P: 404</td>
<td>&lt; 3,500</td>
<td>Jhb inner city: U</td>
<td>N: 64,000</td>
</tr>
<tr>
<td>Newtown Housing Co-operative</td>
<td>351</td>
<td>55</td>
<td>1</td>
<td></td>
<td>1,500 - 3,500</td>
<td>N: 60,000</td>
<td></td>
</tr>
<tr>
<td>East London Housing Management Co-operative (ELHMC)</td>
<td>198</td>
<td>80</td>
<td>1</td>
<td>P: 196</td>
<td>&lt; 3,500, most earn &lt; 1,500</td>
<td>East London: U</td>
<td>N: 16,000</td>
</tr>
<tr>
<td>Amalinda Housing Co-ops</td>
<td>20 per co-op</td>
<td>-</td>
<td>1</td>
<td>Plans to manage 196, once built by ELHMC</td>
<td>&lt; 1,500</td>
<td>East London: U</td>
<td>N: 16,000</td>
</tr>
<tr>
<td>SA Homeless Peoples Federation (SAHPF) - Inner City Tenant buy-out initiatives</td>
<td>86,100</td>
<td>85</td>
<td>179</td>
<td>D: 5,369</td>
<td>&lt; 1,500</td>
<td>N: 16,000</td>
<td></td>
</tr>
<tr>
<td>Social housing initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R: +/- 16,000</td>
<td></td>
</tr>
<tr>
<td>Ubunye Co-operative Housing</td>
<td>51</td>
<td>59</td>
<td>1</td>
<td>D: 51</td>
<td>0 - 1,500 Pietermaritz-bur (80%)</td>
<td>g: U</td>
<td></td>
</tr>
<tr>
<td>Communal Property Associations</td>
<td>147</td>
<td></td>
<td></td>
<td></td>
<td>&lt; 3,500</td>
<td>N / R</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>-</td>
<td>-</td>
<td>203</td>
<td>D: 6186</td>
<td></td>
<td>P: 4943</td>
<td></td>
</tr>
</tbody>
</table>

a: The 351 unit projected delivery for the Newtown Housing Co-operative is included within the projected delivery figures for Cope Housing Association.
c: Data only available for the Johannesburg inner city.
d: Data not available
e: These figures are extremely rough, based on projections included in applications to the SHF for technical assistance.
<table>
<thead>
<tr>
<th>Province</th>
<th>Institutional subsidies reserved (applications approved)</th>
<th>Institutional subsidies paid out (units delivered)</th>
<th>Total delivery potential for institutional subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>4,880</td>
<td>4,272</td>
<td>9,152</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>7,580</td>
<td>963</td>
<td>8,543</td>
</tr>
<tr>
<td>Western Cape</td>
<td>203</td>
<td>13</td>
<td>216</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>575</td>
<td>591</td>
<td>1,166</td>
</tr>
<tr>
<td>North West</td>
<td>4,000</td>
<td>0</td>
<td>4,000</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Free State</td>
<td>7,200</td>
<td>0</td>
<td>7,200</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Northern Province</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>24,438</strong></td>
<td><strong>5,839</strong></td>
<td><strong>30,277</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsidy type</th>
<th>Total reserved (projected delivery: applications approved)</th>
<th>Total paid out (real delivery: units delivered)</th>
<th>Total delivery potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project linked</td>
<td>882,848</td>
<td>324,206</td>
<td>1,207,054</td>
</tr>
<tr>
<td>Individual</td>
<td>-</td>
<td>92,067</td>
<td>92,067</td>
</tr>
<tr>
<td>Consolidation</td>
<td>77,149</td>
<td>39,491</td>
<td>116,640</td>
</tr>
<tr>
<td>Institutional</td>
<td>24,438</td>
<td>5,839</td>
<td>30,277</td>
</tr>
<tr>
<td>TOTAL</td>
<td>101,587</td>
<td>461,603</td>
<td>1,446,038</td>
</tr>
<tr>
<td>Support</td>
<td>Country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CME SACCO: R 1 million, 10% interest, deferred payment loan from the</td>
<td>USA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Cape Community Housing Trust (supported by USAID).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SACCOL Central Finance Facility: Seeking loan funding from the Rural</td>
<td>Germany, SA Gov't through</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Loan Fund (capitalised with a German government donation), and</td>
<td>NHFC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the National Housing Finance Corporation (capitalised with South</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African government funding)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other trading co-operatives: No significant support.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cope Housing Association: Cope is heavily dependent on donors until</td>
<td>Norway, European Union,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001. A contract with NBBL and NORAD for NOK 16,506,000, and including</td>
<td>Germany</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the provision of two technical advisors from Norway, extends until</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001. Apart from the NBBL/NORAD, Cope receives support from Misiorer,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hivos, Novib and the European Union.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newtown Housing Co-operative: Indirectly supported through Cope</td>
<td>SA Gov't through HIDF and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Association, plus R 16,000 x 351 units as per the institutional</td>
<td>Icht</td>
<td></td>
<td></td>
</tr>
<tr>
<td>subsidy. Loan funding is expected from the HIDF, and bridging finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from the Inner City Housing Upgrading Fund (Ichtut).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East London Housing Management Co-operative (ELHMC): Consolidated</td>
<td>Sweden, SA Gov't, Eskom,</td>
<td></td>
<td></td>
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<tr>
<td>Municipal Infrastructure Programme, electricity grants from Eskom,</td>
<td>Int'l donors</td>
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<tr>
<td>loan funding from the USN's Opportunity Fund (funded by the Swedish</td>
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<tr>
<td>International Development Agency), and bridging finance from Nurcha</td>
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<tr>
<td>(funded by a range of international donors).</td>
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<tr>
<td>EL SACCO: No support yet accessed. Afesis-Corplan suggests however,</td>
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<tr>
<td>that the SACCO will need to be capitalised with external funding.</td>
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<tr>
<td>Amalinda Housing Co-operatives: No support other than that provided</td>
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<tr>
<td>through ELHMC and EL SACCO.</td>
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<tr>
<td>SA Homeless Peoples Federation (SAHPF): Supported by People's Dialogue</td>
<td>Int'l donors</td>
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<tr>
<td>and international donors.</td>
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<tr>
<td>Housing Savings Schemes: No support other than that provided through</td>
<td>SA Gov't</td>
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<tr>
<td>the uTshani Fund, and, when approved, R 16,000 per unit developed,</td>
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<tr>
<td>plus People's Housing Process grants.</td>
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<tr>
<td>uTshani Fund: R 10 million grant from the Department of Housing, R 4</td>
<td>SA Gov't, USAID, Homeless</td>
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<td>million grant from the Department of Welfare, and R 10 million loan</td>
<td>International.</td>
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<td>from the Land Bank. Accreditation to administer the housing subsidy</td>
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<td>scheme on behalf of government. International donor funding from</td>
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<tr>
<td>Misereor, Germany, USA Bilance, USAID, Homeless International.</td>
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<tr>
<td>Inner City Tenant buy-out initiatives: No support aside from R 16,000</td>
<td>SA Gov't</td>
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<tr>
<td>subsidy x number of units (though not in all cases).</td>
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<tr>
<td>Social housing initiatives: Generally supported by NGOs, CBOs, or</td>
<td>SA Gov't, Int'l donors</td>
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<td>local or provincial authorities, with a strong international donor</td>
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<td>component.</td>
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<tr>
<td>Ubunye Co-operative Housing: Support from the Methodist Church mission,</td>
<td>Canada</td>
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<tr>
<td>based in Canada, plus R 16,000 x number of units.</td>
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<tr>
<td>Communal Property Associations: Support from the department of Land</td>
<td>SA Gov't</td>
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<tr>
<td>Affairs in the registration process and ongoing conflict management</td>
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<td>process, as well as in funding, with a R 16,000 land settlement grant</td>
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<td>per household.</td>
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<tr>
<td>Co-operative Housing Foundation: American based technical service NGO</td>
<td>USA</td>
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<tr>
<td>operating internationally.</td>
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# List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASHO</td>
<td>Association of Social Housing Organisations</td>
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<tr>
<td>CBO</td>
<td>Community-based organisation</td>
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<tr>
<td>CHF</td>
<td>Co-operative Housing Foundation</td>
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<tr>
<td>CME</td>
<td>Cape Metal Employees</td>
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<tr>
<td>CMIP</td>
<td>Consolidated Municipal Infrastructure Programme</td>
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<tr>
<td>COPAC</td>
<td>Committee for the Promotion and Advancement of Co-operatives</td>
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<tr>
<td>CPA</td>
<td>Communal Property Association</td>
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<tr>
<td>COSATU</td>
<td>Congress of South African Trade Unions</td>
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<tr>
<td>CPTT</td>
<td>Co-operative Policy Task Team</td>
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<td>DFA</td>
<td>Development Facilitation Act</td>
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<td>DLA</td>
<td>Department of Land Affairs</td>
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<td>DoH</td>
<td>Department of Housing</td>
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<tr>
<td>ELHMC</td>
<td>East London Housing Management Co-operative</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>GEAR</td>
<td>Growth, Employment &amp; Redistribution Strategy (national macro-economic policy)</td>
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<tr>
<td>GJMC</td>
<td>Greater Johannesburg Metropolitan Council</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<td>HIDF</td>
<td>Housing Institutions Development Fund (a subsidiary of the NHFC)</td>
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<tr>
<td>HILGC</td>
<td>Home Loan Guarantee Company</td>
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<tr>
<td>HSS</td>
<td>Housing Savings Schemes (affiliated with SAHPF)</td>
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<tr>
<td>ICA</td>
<td>International Co-operative Alliance</td>
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<tr>
<td>ICHUT</td>
<td>Inner City Housing Upgrading Trust</td>
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<tr>
<td>IDT</td>
<td>Independent Development Trust (gave out R 7,500 subsidy until 1994)</td>
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<tr>
<td>JHC</td>
<td>Johannesburg Housing Company</td>
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<tr>
<td>MEC</td>
<td>Member of Executive Council (Provincial level 'minister')</td>
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<tr>
<td>NBBL</td>
<td>Norwegian Federation of Housing Associations</td>
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<tr>
<td>NCASA</td>
<td>National Co-operative Association of South Africa</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>NHBRC</td>
<td>National Home Builder's Registration Council</td>
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<td>NHF</td>
<td>National Housing Forum (disbanded)</td>
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<td>NHFC</td>
<td>National Housing Finance Corporation</td>
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<td>NORAD</td>
<td>Norwegian Agency for Development Co-operation</td>
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<td>NUM</td>
<td>National Union of Mineworkers</td>
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<td>Nurcha</td>
<td>National Urban Reconstruction and Housing Agency</td>
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<td>PHDB</td>
<td>Provincial Housing Development Board</td>
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<td>PHP</td>
<td>People's Housing Process</td>
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<td>R</td>
<td>Rand (South African currency)</td>
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<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<td>RHLF</td>
<td>Rural Housing Loan Fund</td>
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<td>SA</td>
<td>South Africa</td>
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<td>SACCO</td>
<td>Savings and Credit Co-operative</td>
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<td>SACCOL</td>
<td>Savings and Credit Co-operative League (representative of all SACCOs)</td>
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<tr>
<td>SAHPF</td>
<td>South African Homeless People's Federation</td>
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<td>SCC</td>
<td>Swedish Co-operative Centre</td>
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<td>SEF</td>
<td>Small Enterprise Foundation</td>
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<td>SHF</td>
<td>Social Housing Foundation</td>
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<tr>
<td>UNCHS</td>
<td>United Nations Centre for Human Settlements (Habitat)</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>USN</td>
<td>Urban Sector Network</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WCCHT</td>
<td>Western Cape Community Housing Trust</td>
</tr>
</tbody>
</table>
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Co-operatives Act, No 91 of 1981

Co-operatives Amendment Act, No 37 of 1993

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Housing Act, No. 107 of 1997

Income Tax Act

Rental Housing Bill

Share Blocks Control Act, No. 59 of 1980

Value Added Tax Act, No. 107 of 1997

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Reconstruction and Development Programme (RDP)


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Ensor, Linda, "Western Cape scheme to provide soft loans to metal workers", Business Day, 28 November 1997.


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- Carl Evers, Rooftops Canada technical advisor to the National Union of Mineworkers, Housing Unit (telephonic)
- Ceba Mtoba, Operations Manager, NCASA
- Dan Sheffield, Ubunye Housing Co-operative (telephonic)
- David de Jong, General Manager, SACCOL (telephonic)
- Dillo Mashale, National Union of Mineworkers Housing Unit (telephonic)
- ELHMC Board members: Ms Victoria Ramncwane, Chairperson, Mr Richard Apleni, Vice Chairperson, and Ms Maud Mvelo, Treasurer
- Georgina Jaffee, Board Member, Cope Housing Association
- Hilary Stewardson, Co-operative Housing Foundation (telephonic)
- Jim Hokans, Rural Housing Loan Fund
- Joel Bolnick and Helena Hendricks, of People's Dialogue
- Lalith Lankatilleke, Housing Programme Advisor, People's Housing Partnership Trust, Department of Housing
- Lawrence Ramashamole, General Manager, HIDF
- Luthando Vutula, General Manager, Cope Housing Association
- Mr H J L du Toit, Registrar of Co-operatives
- Natasha Oosterwyk, Housing Loans Officer, CME SACCO Ltd.
- Pressage Nyoni, General Manager, Seven Buildings Company Ltd.
- Ronald Eglin and Vuyo Fani, Afesis-Corplan
- Rory Gallocher, Director: Policy and Strategic Planning, and Vusi Duma, Deputy Director: Strategic Planning, Gauteng Department of Housing
- Shiraaz Fakir, Financial Consultant: End User Finance, Nurcha
- Thinus Pretorius, Deputy Director: Tenure Reform, Department of Land Affairs
- Tim Haynes and Clive Cope, Uptown Projects
1. RSA Statistics in Brief, 1995


3. The subsidy policy is discussed in greater detail in section II.G.1.a of this report.

4. Rural Housing Loan Fund, "National Directory of Available Subsidies", September 1998. The Minimum Living Level is the minimum financial requirement of a family to supply its basic dietary needs, have acceptable standards of hygiene, and enough clothing to live healthily.

5. RSA Statistics in Brief, 1995


8. This generalisation does not take into account political considerations that also influence how a specific province pursues its developmental programme, nor the specific geographic characteristics (urban vs. rural) of the various provinces.


10. The subsidy policy is discussed in greater detail in section II.G.1.a of this report.


14. Paragraph 10 of COPAC's "Guidelines Aimed at Creating a Supportive Environment for the Development of Cooperatives", recommends that a country's national constitution could acknowledge, if appropriate, the legitimacy of cooperatives and the cooperative movement and the utility of their contribution to national life.

15. Interview with Rory Gallocher, Director: Policy and Strategic Planning, and Vusi Duma, Deputy Director: Strategic Planning, Gauteng Department of Housing, 18 May 1999.


17. Interview with the Registrar of Co-operatives, Mr H J L du Toit, 19 May 1999.


20. These categories refer to the bacon and ham; canned fruit; citrus fruit; cold storage; co-operative farms; cotton; dairy; deciduous fruit; farming requisites; feeding stuffs; fresh produce; general dairy products; general products; grain and oilseeds; hides and skins; insurance; meat; ostrich products; potatoes; shipping services; sub-tropical fruit; sugar cane; summer grain; timber; tobacco; transport; veterinary and insemination; wine; winter grain; and wool, karakul pelts and mohair industries.

21. The Registrar has suggested that the introduction of the taxi industry in the co-operatives sector has been largely due to government support for taxi co-operatives. (Interview with the Registrar on 19 May 1999)
22. Interview with Ceba Mtoba, Operations Manager, NCASA, on 24 May 1999.

23. Email from Paul Malcolm, Technical Advisor to NCASA, on 20 August 1999.

24. The subsidy policy is discussed in greater detail in section II.G.1.a of this report.


27. The East London Housing Management Co-operative Limited is currently the only formally registered housing co-operative. Cope Housing Association in Johannesburg, is a pre-co-operative initiative. Both initiatives are reviewed later in this report.


32. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.

33. Interview with Ceba Mtoba, Operations Manager for NCASA, 24 May 1999.


39. Most, however, remained non-registered entities.


43. Interview with Pressage Nyoni, General Manager, Seven Buildings Company Ltd. on 13 April 1999. In 1997, the Seven Buildings Company resolved to covert from a Pty (Ltd) Company to a Section 21 Company, because of the limitations that the former model placed on a group approach.

44. The South African Homeless People's Federation is described in detail, later in this report.


48. The NHFC and the SHF are described in greater detail later in this report.


53. This form of legal entity is defined in "section 21" of the Companies Act, 1973, and is explained in greater detail later in this report.

54. As a result of South Africa's apartheid history, no "pseudo co-operatives" (registered co-operatives that do not operate like co-operatives) operate in the housing sector. While some of the former homeland pseudo-co-operatives may have contributed to shelter development through the production of building materials, the 1994 transition and withdrawal of state support has meant that most of these have folded.

55. The Co-operatives Act provides for three different types of co-operatives: agricultural, special farmers, and trading. While agricultural and special farmers co-operatives are quite rigorously defined in the Act, trading co-operatives appear to be defined in the negative, as any other co-operative that is neither an agricultural or special farmers' co-operative. There are also three different levels of co-operatives that apply to the various types in terms of the Act. At the lowest level, a primary co-operative comprises two or more members. A central co-operative comprises two or more primary co-operatives. Finally, a federal co-operative comprises two or more central co-operatives.

56. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.


58. The "List of Co-operatives" by product group provides limited contact details for the various co-operatives listed. In many cases, a postal address is all that is included. Where telephone numbers are included, these were found to be, in many cases, incorrect.

59. Given the extensive government support for low income housing delivery (as evidenced in the housing subsidy scheme and other mechanisms articulated in the housing white paper), national profile of co-operative initiatives is important if the model is to receive any policy recognition, and thereby be included in government's national housing programme.

60. Interview with Lalith Lankatilleke, Housing Programme Advisor, People's Housing Partnership Trust, Department of Housing, 26 May 1999.

61. Since then, an eighth savings collective has been established as part of the ELHMC.

62. The total subsidy of R 3,247,720 comprises 196 institutional subsidies worth R 16,000 each (R 3,136,000), and 196 establishment grants worth R 570 each (R 111,720). Email correspondence from Ronald Eglin, 3 August 1999.

63. East London Savings and Credit Co-operative, "Loan Policy". This policy still has to be formally approved by the Board of the EL SACCO. The final, agreed interest rate is expected to be between 24-28 per cent, and will depend on how the balance between savings and loans works out.

64. Interview with Ronald Eglin, Afesis-Corplan, 31 May 1999.
65. Interview with ELHC Board members: Ms Victoria Ramncwane, Chairperson, Mr Richard Apleni, Vice Chairperson, and Ms Maud Mvelo, Treasurer, and Mr Ronald Eglin and Mr, Vuyo Fani, Social Housing Trainer, Afesis-Corplan, 31 May 1999.

66. Interview with ELHC Board members: Ms Victoria Ramncwane, Chairperson, Mr Richard Apleni, Vice Chairperson, and Ms Maud Mvelo, Treasurer, and Mr Ronald Eglin and Mr, Vuyo Fani, Social Housing Trainer, Afesis-Corplan, 31 May 1999.


68. Eglin, Ronald "Co-operative Housing: An Approach that can Deliver", Presentation to the International Conference on Co-operative Housing, 7-9 July 1999, Johannesburg, South Africa.

69. CME SACCO Ltd, "Vision".

70. Although legally registered in 1997, CME SACCO has been in operation since 1992.

71. Interview with Natasha Oosterwyk, Housing Loans Officer, CME SACCO Ltd., 1 June 1999.

72. Interview with Natasha Oosterwyk, Housing Loans Officer, CME SACCO Ltd., 1 June 1999.

73. Nurcha is a non-profit (Section 21) company that aims to facilitate low cost housing development, through the provision of bridging finance guarantees for developers and contractors, end user finance guarantees to people earning up to R 1,500 per month, and capacity building grants to communities. A grant of approximately R 160,000 was granted by Nurcha to CME SACCO over three years, to pay a percentage towards the Housing Loans Officer's salary costs, decreasing each year.

74. Monthly repayments on a R 10,000 loan are R 380. The CME SACCO also offers other loans. A R 25,000 loan, based on savings, is available for any purpose at a rate of 22 per cent, payable over three years. Emergency loans of up to R 500 are available at a rate of R 10 for every R 100 borrowed, repayable over five months.

75. Email from Debbie Higgins, CME SACCO, on 17 August 1999.


77. In both cases, the borrower was retrenched, and absconded from his repayment responsibilities.

78. Interview with Natasha Oosterwyk, Housing Loans Officer, CME SACCO Ltd., 1 June 1999.

79. Based on telephonic interview with David de Jong, General Manager, SACCOL, on 19 May 1999, and on subsequent email correspondence.


81. Central Finance Facility SACCO Loan Policy

82. Other categories include loans for vehicle purchase (15-20 per cent), education, and enterprise development (1 per cent).

83. Email correspondence from David de Jong, SACCOL, on 22 September 1999.

84. This distinction between urban and rural housing loans is, from SACCOL's perspective, artificial. It relates to the funding requirements of the two wholesale lenders, rather than to the needs of SACCOL's members.


86. Cope will consider a proposal to become a membership-based organisation at its next Annual General Meeting. If approved, the move will have considerable implications for Cope's organisational structure as well as its projects. (E-mail correspondence with General Manager Luthando Vutula, 17 September 1999)

87. Cope's structure is addressed in detail, later in this report.
88. Cope and the SHF convened a working group to carry out this task. Afesis-Corplan, the NGO supporting the East London Housing Management Co-operative, participated in this working group, as did a number of other bodies.

89. Cope held a first formation meeting with prospective Newtown residents on 15 September 1999. (Email correspondence from General Manager Luthando Vutula, 17 September 1999)


91. Draft Cope Mid-Term Review and Co-operative Fund Pre-Appraisal, 23 April 1999.


93. Email correspondence from Barry Pinsky, Rooftops Canada, on 29 June 1999.


97. Interview with Joel Bolnick and Helena Hendricks, of People's Dialogue, on 1 June 1999.

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

99. Interview with Joel Bolnick and Helena Hendricks, of People's Dialogue, on 1 June 1999. Note: while government's People's Housing Process policy has gone some way in alleviating this problem, this too is not without its problems.


101. Interview with Joel Bolnick and Helena Hendricks, of People's Dialogue, on 1 June 1999.


103. Most inner city residents earn less than R 1,500 per month. If affordability for housing purposes equals 25 per cent of income, this would mean that such residents could afford a monthly rental of R 375. Inner city rentals, however, average at about R 800 per month.


105. Interview with Pressage Nyoni, General Manager, Seven Buildings Company, 13 April 1999.

106. Interview with Lawrence Ramashamole, General Manager, HIDF, 14 April 1999.


108. Meeting with Jeff Schoon, Cape Town City Council and Lawrence Ramashamole, General Manager of the HIDF, on 4 August 1999.


110. Conversation with Arvinda Gohil, former Managing Director of the SHF, July 1999.
111. The subsidy policy is described in greater detail later in this report (section II.G).

112. Habitat for Humanity, an American NGO, is another organisation that utilises co-operative approaches in South Africa, though at a very limited scale. Since 1991, a total of 55 houses have been built in three Habitat for Humanity projects. The emphasis on community participation and empowerment is significant. Community members engage in house design, building material construction, house construction, and the range of other tasks that together comprise the house building process. Eligibility for a house is based on the extent to which the household has participated in various tasks involved in its construction. Households earning between R 450-1,200 per month are targeted, and are offered interest free loans repayable over ten years, with an annual adjustment for inflation.

113. Email message from Dan Sheffield, Ubunye Co-operative Housing, 13 May 1999.

114. For more information, see Sheffield, Dan, "What does it mean to co-operate??", paper presented at the International Conference on Co-operative Housing, 7-9 July 1999, Johannesburg.

115. Interview with Thinus Pretorius, Registrar of Communal Property Associations, 4 June 1999.

116. The Communal Property Association Act, No. 28 of 1996, is reviewed in detail, later in this report.

117. Interview with Thinus Pretorius, Deputy Director: Tenure Reform, Department of Land Affairs, on 4 June 1999.

118. Interview with Thinus Pretorius, Deputy Director: Tenure Reform, Department of Land Affairs, on 4 June 1999.

119. Interview with Thinus Pretorius, Deputy Director: Tenure Reform, Department of Land Affairs, on 4 June 1999.


121. Email correspondence from Paul Malcolm, NCASA, on 10 August 1999.

122. CME SACCO received a R 1 million, 10 per cent interest, deferred payment loan from the Western Cape Community Housing Trust, while the uTshani Fund received a R 10 million donation from the Department of Housing, and a R 10 million loan from the Land Bank.

123. The uTshani Fund's repayment period is 15 years.

124. Interview with Joel Bolnick, South African Homeless People's Federation, 1 June 1999.

125. In May 1999, the Department of Housing said it would soon release a policy providing for a rural subsidy mechanism, that would accommodate traditional forms of tenure and polygamous marriages (author's conversation with Department official).


127. The SHF estimates that it takes approximately 18 months for a social housing institution to become established, from initial idea through to formal registration and the first meeting of an adequately trained Board of Directors. In initiatives with a strong community participation element, this is known to take longer.


129. The author is grateful to Mr Ivar O. Hansen, of the Norwegian Federation of Housing Associations, for his detailed comments in this regard.


131. Ironically, however, as separate legal entities, this taking on of risk is more symbolic than real.

Network, April 1998.


134. Presentation by national Department of Housing Director General Mpumi Nxumalo at the International Conference on Co-operative Housing, 7 July 1999.

135. None of the NGOs with which Rooftops has placed technical advisors are specifically reviewed in this report. They have been rather grouped together as "social housing initiatives". It should be noted, however, that Cope Housing Association benefited from Rooftops technical advisors in its early, formative years.

136. Interview with Luthando Vutula, General Manager, Cope Housing Association, 15 April 1999.

137. Draft Cope Mid-Term Review and Co-operative Fund Pre-Appraisal, 23 April 1999.

138. Conversation with Carl Evers, Rooftops Canada technical advisor to the National Union of Mineworkers, Housing Unit, 25 May 1999.

139. Interview with Pressage Nyoni, General Manager, Seven Buildings Company, 13 April 1999.


141. The basic points of departure that influence all policy within the new constitutional dispensation of South Africa (following the general elections in 1994) emerge from a range of documents, including the Constitution, the Reconstruction and Development Programme (RDP), and the Growth, Employment and Redistribution (GEAR) strategy. Significant with each of these documents is a clear focus on and priority for co-operative governance in which civil society plays a real part, a people-driven delivery process involving active involvement and growing empowerment, and the gearing of non-state resources (including the efforts of the people in addressing their own development needs).


143. The material in these sections draw heavily on two reports prepared by the Social Housing Task Team of the SHF, dated March 1998 and April 1999 respectively. These reports contributed substantially to the social housing policy development process that was being undertaken by the national Department of Housing in the second half of 1999.

144. In other sectors, such as Trade and Industry, which promotes the role of SMMEs in the economy, or Public Works, which promotes various job creation initiatives, the co-operative model is afforded little, if any, attention.


146. It should be noted that the only reference to co-operatives in shelter development is found in housing sector policies. The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa, published in March 1995, makes no mention of the co-operative model as an option in small business enterprises. Even policy from the Agriculture Department makes little reference to co-operatives, except where it classifies the various legal options available, and then only in reference to agriculture.

147. The ELHMC applied for subsidies before becoming registered as a co-operative.


149. SHF, "Current Status of Social Housing in South Africa: Report to the Minister of Housing by the SHF", March 1998.

151. "Local Government Housing Assistance Programmes for Metropolitan Durban", Draft 2 for Discussion, formulated by the Durban Metro Housing Service Unit in response to the Metro Housing Conference held on 20th - 21st August 1998; January 1999.

152. The author is grateful to Rudolph Willemse, of EFK Tucker, for many conversations held over the course of the study, which helped clarify the issues in this section.


154. Co-operative legislation was first introduced in South Africa in 1922, with the Co-operatives Societies Act, No. 28 of 1922. Since then, new legislation for co-operatives has been introduced on three occasions. The current Act, No. 91 of 1981, was amended by the Co-operatives Amendment Acts, No. 42 of 1985, No. 80 of 1987, No. 38 of 1988, and No. 37 of 1993, with the latter making the most significant changes. The Abolition of Racially Based Land Measures Act, No. 108 of 1991, the Financial Institutions Amendment Act, No. 83 of 1992, the General Law Fourth Amendment Act, No. 132 of 1993, and the Abolition of Restrictions on the Jurisdiction of Courts Act, No. 88 of 1996, also caused amendments to the current Co-operatives Act, No. 91 of 1981, generally bringing it in line with the demands of South Africa's new constitutional dispensation, as enshrined in the Constitution of the Republic of South Africa, Act No. 108 of 1996.


156. COPAC, "Guidelines Aimed at Creating a Supportive Environment for the Development of Cooperatives", Final Draft.

157. This is the East London Housing Management Co-operative. The Newtown Housing Co-operative (a project being pursued by Cope Housing Association) expects to be registered within November 1999.

158. This segment of the co-operative sector is quantified later in the report.

159. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.

160. SHF, "Current Status of Social Housing in South Africa: Report to the Minister of Housing by the SHF", Section 3.3.1.5, March 1998.

161. This form of legal entity is defined in "section 21" of the Companies Act, 1973, and is explained in greater detail later in this section.

162. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.


165. The VAT Act is dealt with later in this section.


167. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.

168. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.

169. This form of tenure provides individual tenure rights over the private space included within an individual dwelling, and communal tenure rights over public space within a housing development. It is targeted primarily at middle class households, and is addressed later in this section.

170. SHF, "Current Status of Social Housing in South Africa: Report to the Minister of Housing by the SHF", Section 3.3.1.3, March 1998.
171. SHF, "Current Status of Social Housing in South Africa: Report to the Minister of Housing by the SHF”, March 1998.


177. Section 9(1), Communal Property Associations Act, No. 28 of 1996.

178. SHF, "Current Status of Social Housing in South Africa: Report to the Minister of Housing by the SHF”, March 1998.


182. This body is described in greater detail, later in this section.

183. Aside from Gauteng, only the provinces of Mpumalanga and KwaZulu Natal have Provincial Housing Acts. Similar Acts are pending promulgation in the Eastern Cape and the Free State. The Gauteng Housing Act is the only Provincial Housing Act, however, that makes reference to co-operative housing. (Conversation with Hendrik van Rensburg, Department of Housing, August 1999)


185. The institutional subsidy mechanism is one of six mechanisms available as part of the National Housing Subsidy Scheme. This is discussed in more detail elsewhere in this report.


187. Conversation with Samantha Fynn, SHF/HIDF, on 12 October 1999.

188. Draft Cope Mid-Term Review and Co-operative Fund Pre-Appraisal, 23 April 1999.

189. For the Bertrams project, Cope Housing Association was able to provide a guarantee for the outstanding 5-6 per cent "deposit", on condition that it be paid by residents within the first eighteen months of the project. While this was accepted by the HIDF, it is clearly not a long term solution to a problem which will confront other institutions seeking to operate in a co-operative - like way.

190. In October 1999, the Inner City Housing Upgrading Trust commissioned research to be done on the feasibility of tenant management structures in the inner city of Johannesburg. The SHF and HIDF agreed to be part of the working group evaluating the research process which would result in the development of concrete proposals for improving the viability of tenant management organisations.

191. Nurcha is a donor funded and government-supported organisation that facilitates low cost housing development by guaranteeing loans made by commercial banks. It focuses on the housing needs of families earning less than R 1,500 per month, and promotes small and medium enterprises in housing and urban development. In
addition, it seeks to strengthen the capacity of institutions involved in low cost housing delivery so that its overall goal to assist in the development of a housing market that meets the needs of all South Africans is achieved. Ichut is the Inner City Housing Upgrading Trust - a Johannesburg based organisation formed in 1993 that provides bridging finance loans to inner city housing upgrading initiatives. Ichut is capitalised with R 8 million in funding from the former Transvaal Provincial Administration before it dissolved with the onset of the new constitutional dispensation in South Africa.

192. ICHUT 1997 Annual Report, p.3., and email correspondence from Nano Makwela, General Manager, Ichut, on 4 August 1999.

193. Email correspondence from Nano Makwela, General Manager, Ichut, on 4 August 1999.

194. Interview with Joel Bolnick and Helena Hendricks, People’s Dialogue, 1 June 1999.

195. Nurcha’s primary sponsors are the South African Government and the Open Society Institute of New York. Guarantee capacity has also been raised from the Swedish International Development Organisation, the Norwegian Agency for Development Co-operation, the Thembani International Guarantee Fund, the United States Agency for International Development (USAID), and the Futuregrowth Fund.

196. The Seven Buildings Company is described elsewhere in this report.


198. Interview with Mr HJL du Toit, Registrar of Co-operatives, 19 May 1999.

199. Interview with Rory Gallocher, Director: Policy and Strategic Planning, and Vusi Duma, Deputy Director: Strategic Planning, Gauteng Department of Housing, 18 May 1999.


201. There is currently a provincial co-operative co-ordinating structure in every province excepting the Free State and the Northern Cape. It is expected that the Free State structure will soon be rebuilt, given the emergence of taxi co-operatives in the province.


204. SACCOL’s housing loan programme is discussed in greater detail earlier in this report.


206. These structures are discussed in detail elsewhere in this report. A diagram outlining the relationship of People’s Dialogue to the SAHPF and other affiliated structures is set out in Annexure 2 to this report.

207. Draft Cope Mid-Term Review and Co-operative Fund Pre-Appraisal, 23 April 1999.

208. Interview with ELHC Board members: Ms Victoria Ramncwane, Chairperson, Mr Richard Apleni, Vice Chairperson, and Ms Maud Mvelo, Treasurer, and Mr Ronald Eglin and Mr, Vuyo Fani, Social Housing Trainer, Afesis-Corplan, 31 May 1999.


212. Interview with Pressage Nyoni, Seven Buildings Company Ltd., on 13 April 1999.

214. Interview with Dillo Mashale, National Union of Mineworkers Housing Unit, 27 May 1999.


217. While the Co-operative Housing Working Group, convened by the SHF and Cope may be considered to be an undertaking to network within the sector, attendance at meetings seemed to be motivated more about individual success in realising the co-operative approach in specific initiatives, than about building a sector (personal observation).

218. Interview with Lawrence Ramashamole, General Manager, HIDF, 14 April 1999.


220. Interview with Rory Gallocher, Director: Policy and Strategic Planning, and Vusi Duma, Deputy Director: Strategic Planning, Gauteng Department of Housing, 18 May 1999.

221. Interview with Lawrence Ramashamole, General Manager, HIDF, 14 April 1999.

222. The meeting was held on 16 April 1999. This is notwithstanding a monthly meeting attended by all these bodies in which they are intended to find common purpose in their lending and guarantee objectives and products.


224. The efforts to draft a Rental Housing Bill are part of this trend towards an environment that accommodates rental housing as one of a range of available tenure choices.

225. Speech by Housing Director General Ms Mpumi NxaMalo, as reported by Sapa on 19 October 1999, "SA's Inner City Decay can be Reversed: Housing DG".


227. Interview with Lawrence Ramashamole, General Manager, HIDF, 14 April 1999; and interview with Tim Haynes and Clive Cope, Uptown Projects, 20 May 1999.

228. Interview with Lawrence Ramashamole, General Manager, HIDF, 14 April 1999. Also, see the SHF's "Toolkit for Social Housing Organisations".


235. These are set out in Annexure 2 to this report.


238. COPAC's "Guidelines Aimed at Creating a Supportive Environment for the Development of Cooperatives" set out the principles on which national policy as it relates to co-operatives might best be based.

239. This recommendation was made at the International Conference on Housing Co-operatives, in July 1999. To date, however, it has not been implemented.

240. Eglin, Ronald "Co-operative Housing: An Approach that can Deliver", Presentation to the International Conference on Co-operative Housing, 7-9 July 1999, Johannesburg, South Africa.

241. Speech by Housing Director General Ms Mpumi Nkumalo, as reported by Sapa on 19 October 1999, "SA's Inner City Decay can be Reversed: Housing DG".


244. In its second report to the Minister, the Social Housing Policy Task Team recommended the establishment of a city improvement fund to assist local authorities carry out their roles in respect of pubic space.

245. This was suggested by the Director General for Housing, Ms Mpumi Nkumalo, in Parliament on 19 October 1999. Reported in Sapa, 19 October 1999.

246. In its second report to the Minister, the Social Housing Policy Task Team made this recommendation for all social housing institutions.

247. In its second report to the Minister, the Social Housing Policy Task Team recommended the establishment of a second tier of registration, at provincial level, that would classify companies, communal property associations or co-operatives as "social housing institutions". This would give provincial government, as the awardee of institutional subsidy funding, the authority to oversee the use of its investment, thereby ameliorating some of its perceived risk.

248. Quotation from the Minister of Housing, Ms Sankie Mthembu-Mahanyele, in "South Africa Has Backlog of Three Million Houses", Sapa, October 19, 1999, Nelspruit.

249. Speech by Housing Director General Ms Mpumi Nkumalo, as reported by Sapa on 19 October 1999, "SA's Inner City Decay can be Reversed: Housing DG".


254. Interview with Pressage Nyoni, General Manager, Seven Buildings Company Ltd. on 13 April 1999.


256. Rodgers, David, Presentation to the International Conference on Co-operative Housing, held in Johannesburg,
Currently, a technical advisor from Rooftops Canada is placed with the National Union of Mineworkers' Housing Unit for this express purpose. In conversation, however, he noted that adoption of the co-operative model was unlikely in the context of severe capacity constraints, both financial and managerial. In the short term, therefore, his focus is on promoting the co-operative approach, irrespective of the delivery and management model used. Conversation with Carl Evers, Rooftops Canada technical advisor to the National Union of Mineworkers, Housing Unit, 25 May 1999.

258. COPAC "Guidelines Aimed at Creating a Supportive Environment for the Development of Cooperatives", Final Draft.


261. Taken from SHF / Cope Housing Association, "Report of Proceedings: Report on the International Conference on Co-operative Housing, held in Johannesburg, 7-9 July 1999" with the permission of both Cope and the SHF.
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA

Chapter I. Introduction

Following the adoption of the Istanbul Declaration and the Habitat Agenda in 1996, the United Nations Centre for Human Settlements (Habitat), and the International Co-operative Alliance (ICA) signed a partnership agreement for the pursuit of co-operative options in shelter development. As part of this partnership, the parties wish to establish a support programme for co-operatives involved in shelter development in East and Southern Africa. To lay a foundation for the programme, ICA and Habitat have commissioned country studies in Kenya, South Africa, Tanzania, Zambia, Zimbabwe and Uganda to gain the necessary base data.

This report forms the country study of co-operatives in shelter development in South Africa. Set out in four main sections, the report provides:

- An overview of the South African context, with particular reference to the housing sector and the role of co-operatives in the national socio-economic framework.

- An analysis of the co-operative sector as it relates to shelter development. This section provides a brief typology of co-operatives operating in shelter development, and considers their role, structure, and financing in this regard. A brief overview is also provided of some of the key co-operatives.

- A consideration of the future for co-operatives in South Africa's housing sector.

- Conclusions and recommendations relating to the findings of the report.

This report is intended to constitute an input to a regional report, which will consider the status of co-operatives in shelter development in East and Southern Africa, and which will propose interventions to support the ongoing development of a co-operative sector within the broader sector relating to shelter development.
Since before South Africa's first democratic elections in April 1994, South African society has been undergoing an enormous and complex process of transformation. At the broadest level, and most significantly, the promulgation of a new Constitution in 1996 has enshrined new principles of social justice and the democratic rights and freedoms of all people. With this document, all forms of apartheid order discrimination were constitutionally overturned. This fundamental shift has paved the way for further shifts in policy, legislation, and administration within government and civil society, and a broad social transformation of society.

It is important, however, to remember the historical legacy from which South Africa is currently extracting itself. Apartheid policies, which critically shaped all activities pursued both by the state and society in general, created profound distortions in both the economy and society, evident in widespread racial and gender inequities, often also spatially defined. In 1991, South Africa was ranked 86th out of a listing of 174 countries in terms of the Human Development Index (HDI), with a national average HDI of 0.677. This average was unequally distributed across the various race groups in the country, however, with an HDI of 0.897 for whites and an HDI of 0.5 for blacks. South Africa has some of the highest income disparities in the world, with a Gini coefficient of approximately 0.59 in 1995, reflected in a monthly average income for blacks 18 times less than that for whites. The economy is typified by high levels of unemployment, estimated at between 35-40 per cent of the economically active population. While unemployment among whites relatively low, at 6.4 per cent of the economically active population in that race category, among blacks it is set at 41.1 per cent. See also box 1.

A useful indicator of poverty and need in South Africa has emerged since 1994 with the adoption of a housing subsidy policy. As a result of the policy, which determines that households earning less than R 3,500 per month are eligible for subsidies, such households have come to be defined as South Africa's "poor" and marginalised. More than half of all South African households earn less than R 1,500 per month (see table 1). In 1996, "Minimum Living Level" for an urban black family, was about R 1250 per month. The significance in classifying income distribution in relation to subsidy eligibility is evident when one notes that almost 75 per cent of South Africa's population is eligible for subsidies. Ultimately this means that the economic activity of 25 per cent of the population must support the reconstruction and development needs of 75 per cent of the population - no small challenge.

Table 2 demonstrates income disparity as it relates to other factors. As suggested above, urban households have significantly higher incomes than non-urban households. Larger households are generally poorer than smaller households, with proportionally less disposable income for use for housing purposes.

African-headed households have the lowest average annual incomes, followed by Coloured-headed households. White-headed households have the highest average annual incomes. Twenty-three percent of African households earn less than R 500 per month, compared to 11 per cent of Coloured and 1 per cent of both Indian and White households. By contrast, 65 per cent of White households earn more than R 4,000 per month, compared to 45 per cent Indian, 17 per cent Coloured and 10 per cent of African households. Irrespective of race, 26 per cent of female headed households earn less than R 500 per month, compared to 13 per cent of male-headed households. By contrast, 27 per cent of male headed households earn over R 4,000 per month, while only 11 per cent of female-headed households earn this much.

South Africa has nine provinces (see figure 1). Gauteng, the geographically smallest of South Africa's nine provinces, produces 38 per cent of the country's GDP with socio-economic indicators that rate among the highest in the country. In 1991, Gauteng had the second highest HDI rank in the country, at 0,818, following the Western Cape at 0,826. The split between these two provinces and the rest of the country is striking. Following Gauteng, the next highest HDI was found the Northern Cape, with 0,698. The Northern Province, on the other hand, had an HDI of 0,47, making it the most disadvantaged province in the country, followed by the Eastern Cape, at 0,507 and the North West, at 0,543. Table 1 further illustrates this point. While only 62.52 per cent of the population in Gauteng, and only 60.46 per cent of the population in Western Cape is eligible for subsidies, 84.84 per cent of the Eastern Cape and 84.95 per cent of the Northern Province population is eligible. Proportionally more households earn less than R 500 per month in the Eastern Cape (32 per cent) and the Free State (31 per cent), followed by the Northern Province (26 per cent), North West (24 per cent) and the Northern Cape (23 per cent). The smallest proportion of households earning between R 0 - R 500 is found in Gauteng (5 per cent) and the Western Cape (6 per cent). This disparity translates into a capacity problem on the part of provincial governments to meet the needs of their respective populations.

The capacity of government to pursue a nationally equitable development programme and address the inequalities and distortions set out above is further compounded by a constitution which affords provincial government with "concurrent competence" to govern in a range of development areas including housing, health,
urban and rural development, and welfare. Practically, housing delivery is a provincial responsibility. This means that notwithstanding nationally defined goals and objectives, Gauteng has generally the most capacity to address the needs of its population, while Northern Province and Eastern Cape generally have the least.

The result is that notwithstanding the 1994 transition to democracy, levels of inequality increased between 1993 and 1995. In 1993, the richest 20 per cent of the population had 63.3 per cent of the income at their disposal, while the poorest 20 per cent of the population only had 3.3 per cent. In 1995, the share of income available to the richest 20 per cent had risen to 65 per cent, while the poorest 20 per cent of the population only had 3 per cent.

Aside from these broader demographic characteristics, a critical problem facing the housing sector particularly, though the whole of the South African economy generally, is that of interest rates. Real interest rates have been high in South Africa as part of an anti-inflationary monetary policy. Recent years have been characterised by volatile, high interest rates. In March 1998, the "Repo Rate" (or repurchase rate) was adopted by the Reserve Bank as the leading interest rate in the economy. Since its initial setting at 15 per cent, however, as a result of a range of factors impacting on South Africa's economy generally, the Repo Rate rose rapidly to a peak of 21.37 per cent in August 1998. As demonstrated in figure 2, mortgage lenders, imposing a margin on the Repo Rate for the extension of mortgages to housing consumers, saw the prime lending rate rise from about 18 per cent in March 1998 to about 26 per cent in September 1998. While interest rates were falling back to their March 1998 levels by the second quarter of 1999, the impact on the low income housing economy has been significant - especially given the already high pricing of risk in this market.

The principles adopted by Government in 1994 in its "Reconstruction and Development Programme" (RDP), and furthered in 1996 in the "Growth, Employment and Redistribution" (GEAR) strategy, constitute a determined effort to address the challenges arising from the need for sustainable human development within the context of broader economic growth. In this regard, South Africa relies on its well developed mining, manufacturing, commercial agriculture, financial and commercial services industries. These and the network of modern infrastructure that link them together provide a solid basis on which South Africa's economy is now expected to grow. The GEAR and RDP effort is in keeping with the agendas adopted at the recent series of United Nations-sponsored international conferences. The overarching goals are to reduce poverty, create employment and reduce inequalities within the context of a growth-oriented macroeconomic policy. Emphasis is placed on meeting fundamental human needs; developing the human resource base; building the economy; democratising the State and society; designing and implementing integrated, sustainable, people driven programmes; and guaranteeing the peace and stability needed for these programmes to be effective.
Within the context of the Constitution, the RDP, the GEAR strategy, and the broad demographic factors set out above, South Africa's housing programme has been defined. Housing is one of the cornerstones of the South African government's efforts at building a new country. Its impact on the health and welfare of South Africans, on the economy, and on the general sense of citizenship in a new constitutional dispensation, is well known and understood. At the same time, the enormous housing backlog suffered by a significant minority of South African households is evidence of the need to address the problem directly, and from all fronts. See box 2 for details.

The approach taken by government in its housing policy therefore comes from two angles. On the one hand, government seeks to address the housing crisis directly through the scale delivery of subsidised housing for low income households. On the other hand, government seeks to create an environment in which the subsidised housing market can operate normally as part of the broader, non-subsidised housing market, in the interests of a growing and prosperous economy. These two key principles, "scale", and "normalisation", impact on all that government directs in the housing sector.

The national housing policy, defined in the 1994 Housing White Paper in seven key strategies, is based on these two principles. A brief summary is attached to this report as Annex 2. The most well-known of these is government's housing subsidy scheme, which offers subsidies of up to R16,000 to households earning less than R3,500 per month. Another of the strategies focuses on improving access to credit. This is achieved in a number of ways, including the establishment of a wholesale lender, known as the National Housing Finance Corporation (NHFC). This body provides wholesale loans to financial intermediaries at preferential rates so that they are able to on-lend such money on an affordable basis to low income earners. In the long run, it is hoped that the NHFC's experience will encourage the traditional lending sector to also branch into the low income market.

Yet another strategy seeks to support the efforts of what is called "the people's housing process". This strategy acknowledges that the majority of homes within South Africa, as well as in other developing countries, are built by the people themselves. Practically "outside" of the market, this population is generally unable to afford finance, living both in urban, rural, and peri-urban areas. With government support in terms of access to subsidies and technical support, government argues that the access of communities to adequate housing is considerably increased.

Together, the seven strategies provide the framework in which housing is pursued in the country. Since the policy was released in 1994, however, various emphases have shifted, improving the potential for the introduction of co-operative approaches to low income housing in the national effort. In 1994, the overwhelming focus of government's policy was on the promotion of individual ownership, and the establishment of systems to mobilise the financial sector for households earning in the upper sectors of those eligible for subsidies (R2,500 - R3,500). With government's promise of one million houses by 1999, a focus on increased scale delivery predominated. In 1999, however, government's focus has shifted to alternative tenure arrangements, the needs of the poorest of the poor, and quality construction. This is confirmed by the Director General of Housing, Ms Mpumi Nxumalo, who writes in her review of 1998, that "1999 will be a year for innovation in delivery approaches, maximising choice of housing options to suit the various needs, bold interventions to mobilise resources, integrated and co-ordinated development, improved quality and size... and support for consolidation of existing houses". A specific focus on the co-operative model in this regard is further confirmed by the Minister of Housing, who, in a speech delivered on her behalf at the International Conference on Co-operative Housing in July 1999, acknowledged that "to date we have lacked a social housing vehicle that allows for beneficiary membership and shareholding in South Africa. For this reason I cannot help but recognise that the Co-operative Housing Model critically requires our attention."

In all its efforts, government maintains that its national housing vision is for:

"... the establishment and maintenance of habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities, and to health, educational and social amenities in which all citizens and permanent residents of the Republic will, on a progressive basis, have access to:

- permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements; and

- potable water, adequate sanitary facilities and domestic energy supply."

Ultimately, this vision accommodates the pursuit of co-operative approaches in shelter development, as one of many ways that the housing crisis may be overcome.
Chapter I. Introduction

C. The role of co-operatives

Originally quite common in the agricultural sector, co-operatives overall have played a relatively marginal role in South African society. While the balance of agricultural to non-agricultural co-operatives has shifted significantly since about 1993, the prominence given at a national and provincial policy level to this institutional form has been minimal. A simple review of key policy documents reveals little reference to co-operatives. Contrary to recommendations in the COPAC Guidelines, the Constitution makes no reference to co-operatives. While the RDP base document, and the ANC’s 1999 election manifesto both refer briefly to the potential of the co-operative model for small business development, mainstream government documents rarely mention co-operatives. Co-operatives are not mentioned in the “White Paper on National Strategy for the Development and Promotion of Small Business in South Africa”. In national government housing documents, the only reference made to co-operatives is in terms of what types of legal entity may apply for the institutional subsidy. Gauteng is the only province that mentions co-operatives in its provincial housing legislation. By its own admission, however, this has less to do with wanting to promote the co-operative approach, than to accommodate it when it arises. In all cases, where a reference to co-operatives is found, it is neither supported nor promoted by any government policies.

Unfortunately, data concerning the spread and impact of co-operatives in South Africa is extremely limited. Collected by the Registrar of Co-operatives, the most recent figures relating to the economic potential of the sector are for 1995. While the listing of co-operatives was last updated in April 1999, a spot check on the details for each co-operative included in the listing revealed that many are out of date. The Registrar himself indicated that it was not always clear in terms of the small co-operatives which were still operating, and which existed only in name.

Co-operatives are split into two main categories: agricultural co-operatives, and trading co-operatives. Between 1992 and 1995, turnover in both sectors increased (see table 3), notwithstanding a general decrease in the number of co-operatives in each category. The decrease may be attributed to a legislative amendment in 1993, which allowed for the conversion of co-operatives to companies. As a result of this amendment, a significant number of large agricultural co-operatives have converted to companies. For instance, within the agriculture sector, over 50 per cent of the total turnover for 1995 was in the grain and oilseeds industry (R 16.4 billion). Since the 1993 amendment the majority of grain and oilseeds co-operatives have converted to companies. The total annual turnover statistics for 1999, therefore, are expected to be much lower in the agricultural sector, than reflected in table 4.

Within the agricultural sector, 30 sub-categories have been defined, while within the trading sector, 4 sub-categories are defined. In 1999, the number of agricultural co-operatives decreased by 37, while the number of trading co-operatives increased substantially, by 320. A comparison of 1995 and 1999 trading co-operatives shows that this increase is due largely to the introduction of the taxi, medical, and building industry sectors, and a significant growth in the fisheries and home industries sector.

Aside from the Registrar of Co-operatives, no other body in South Africa compiles statistics on co-operatives. The NCASA is currently in the process of developing a database system for the compilation of base data. The system is expected to become operational within 2,000. A technical advisor to NCASA has, however, observed that the provincial co-operative bodies are reluctant to report on their membership base. He suggested that this was either because this could increase the dues they would be liable for paying to NCASA, or because they are unclear as to whether they should include "not fully functioning" primary co-operatives in their calculations. These are symptoms, he further argued, of a movement that is still in its infancy.
South Africa does not have what could be defined as a co-operative housing "sector". While a number of housing initiatives operate in a co-operative-like way, only one of these is legally registered as a co-operative, and this has been only since 30 June 1999. This is notwithstanding a well developed co-operative sector (comprising mainly agriculture-related co-operatives), and a highly developed housing sector.

Generally, South African housing policy has not formally acknowledged the collective forms of housing that have been happening in some form or another across the country for decades. The policy focus on ownership as the favoured tenure option has meant that other forms of tenure such as co-operative ownership and rental have received less policy support. Indeed, "co-operative ownership" is not an acknowledged type of tenure in South African law. In addition, the enormity of the housing crisis, with a backlog of some 2-3 million homes, has meant that government has focused its efforts on facilitating the delivery of housing at "scale", preferring developer-driven mass housing over community-based approaches.

The introduction of the institutional subsidy mechanism, as part of Government's housing capital subsidy scheme (see box 11), was the first policy recognition by government of group-based approaches to housing provision. Notwithstanding the new subsidy product, however, "co-operative" approaches to housing remain de-emphasised. When compared with government investment into institutions to support its growth (i.e. the Housing Institutions Development Fund (HIDF) and the Social Housing Foundation (SHF) social housing, as the broad category into which co-operative housing fits, has not taken off as expected.

To date, of the approximately 50 social housing sector initiatives that are underway across South Africa, no more than about 20 might be classified as serious, or close to being established as formal initiatives, ready to develop housing for low income beneficiaries. Of these twenty, most are in their early developmental stages, including the one registered housing co-operative, and one other pre-co-operative initiative. Altogether, aside from these two, 8-10 initiatives may be considered co-operative-like initiatives, though it is not clear whether the initiatives would classify themselves in this way. Certainly, the distinction of an initiative as "co-operative-like" is not something that is frequently used in South Africa's social housing sector. Nor is it a particularly useful distinction, given the inherent caution in South Africa's housing sector broadly with what are seen as being "participative" initiatives. A typology of co-operative initiatives is discussed later in the report.

This section sets out a historical background for the co-operative sector in general, with a specific focus on collective approaches to housing. Thereafter, the section provides a typology of co-operatives involved in shelter development, and provides examples of the various models. On the basis of these examples, the basic functions, structures, and approaches taken by co-operatives in shelter development are considered. Finally, the section concludes with a consideration of the broad environment in which co-operatives work, and the opportunities and constraints facing them as they seek to play a role in the provision of low income housing in South Africa.
Co-operatives in South Africa have a varied history, influenced significantly by the apartheid and post-apartheid context in which they emerged. Until the early 1990s, the formal co-operative movement in South Africa was predominantly organised along the lines of registered commercial agricultural co-operatives affiliated with the Agricultural Business Chamber of the South African Agricultural Union. These co-operatives were the product of an explicit attempt by Afrikaner nationalists between 1930 and 1965 to empower Afrikaners socially and economically in the face of rising British economic prosperity. Afrikaner capital was organised to support Afrikaner enterprise, both by investment in Afrikaner business and by the purchase of Afrikaner goods, and policy and government subsidies explicitly favoured the role of co-operatives in this process. The emphasis on co-operatives was clearly successful. In 1948/49, for instance, while co-operatives comprised less than 1.5 per cent of all Afrikaner-controlled manufacturing establishments, they employed 15 per cent of the labour force and accounted for nearly twenty eight per cent of the total of Afrikaner manufacturing concerns. Substantial government support had paved the way for many co-operatives to grow into highly profitable enterprises, for the benefit of their (Afrikaner) members, and the political support enjoyed by the Nationalist Party.

By the early 1990s, most agricultural co-operatives were extremely well established enterprises, operating less and less in a "co-operative-like" way, and more like private companies. Consequently, when a 1993 amendment to the Co-operatives Act allowed for the conversion of co-operatives to companies, a significant number of large agricultural co-operatives took up the opportunity and became registered as companies. While some attribute the high number of conversions to a (just) fear that the new political administration would not afford them the same degree of privilege, there was also a sense that as companies the various establishments would have more freedom. One of the consequences of the privilege afforded to agricultural co-operatives by apartheid government policy was a high level of regulation in the Co-operatives Act, as a measure to ensure that government's investment was 'well-spent'. Trading co-operatives (the other model allowed for in the Act), on the other hand, face very few regulations and considerable flexibility. Since the 1993 amendment, the trading co-operative model (into which all other industries may fit) has been the most popular, even among new agriculturally based co-operatives seeking registration. In late June 1999, the first housing co-operative was registered as a trading co-operative by the Registrar. This is the East London Housing Management Co-operative, and is discussed later in this report.

Co-operatives were also promoted during the apartheid era in the former 'homelands'. Government's policy intention with respect to these bodies was to promote economic development in what were classified as "black" areas, to prevent blacks from moving to the "white" urban centres. These pseudo-co-operatives, however, were government controlled and funded. Government even went so far as to appoint its own officials to run these enterprises. With the end of the homelands, most of these 'co-operatives' folded, unable to withstand the pressures of the market without the support they had received, and lacking the common bond required to make their initiative work.

In the late 1980s a new sort of co-operative 'movement' emerged. Ironically, while this movement's intentions for economic independence were strikingly similar to those of the agricultural co-operative movement, agricultural co-operatives emerged as a result of apartheid preference, while the this second 'movement' emerged as a result of the apartheid discrimination. As a response to growing unemployment and increasing urbanisation caused by repression within the black community, co-operative projects involving in crafts, brickmaking, fencing, furniture production, auto mechanics, repair work, and so on, emerged within the middle 1980s. The communal aspect of co-operatives appealed to a range of organisations struggling for political and economic democracy, and especially to black businesses facing legal restrictions on their development within the formal market economy. Organisations campaigning against such restrictions and the lack of access to funding, formed co-operatives as entities external to the market, and through these, used the strength of their membership as a form of protection against discriminatory apartheid policies.

In 1985, following the dismissal of 960 workers from the BTR Sarmcol plant in Pietermaritzburg, the Metal and Allied Workers Union (Mawu) formed the Sarmcol Workers Co-operative (Sawco). This worker co-operative, the first of its kind, provided employment for 70 of the dismissed workers. Thereafter, the establishment of worker co-operatives to support dismissed and retrenched workers became a popular solution to the problem, if more in theory than in practice. The most significant initiative emerged from the 1987 miners strike, when 50,000 workers were dismissed and a further 20,000 were retrenched. Some of the retrenched workers sought to form co-operatives within their home communities, as an alternative to migration. The National Union of Mineworkers (NUM) supported this practice, when in 1989, a policy on the relationship between union and co-operative membership was agreed. NUM saw co-operatives as contributing to the struggle to end the system of migrant labour by developing local industry. By 1992, NUM had twenty co-operatives in four regions, carrying out activities such as brick making, vegetable gardening, market gardening, and so on. In this and other examples, the broad interest of the unions was to provide
a way to sustain links with unemployed workers, involving them in new activities, in order to "maintain their support for progressive forces and extend the culture of resistance".  

While the range of co-operatives that were formed during this period received no government support, they received significant support from external donors, and in many cases, were donation-dependent enterprises. International donors often sent their support in monetary terms, while a number of service groups, self-help associations, church and research organisations were formed to assist in the establishment of co-operatives. Donor dependence undermined co-operatives in a number of ways. Most significant, perhaps, was that the emphasis of the donation was often less about the operations of the co-operative, and more about support for its anti-apartheid nature. Lack of concern for the 'business' of co-operatives also supported the (often justified) secrecy that pervaded most anti-apartheid operations, where transparency could lead to a risk of exposure to the apartheid authorities, and ultimate prosecution. As donations were paid through the back door, proper books of account were neither required nor expected. Notwithstanding the relative freedom with which co-operatives were able to manage their funding, however, most employees barely received subsistence wages. As late as 1991, monthly incomes ranged from R 15 in rural areas to R 300 in urban areas. 

And yet, possibly for lack of any other means to earn income, small producer co-operatives were remarkably popular. By 1991, it was estimated that approximately 100 producer co-operatives were in operation. Of these, 64 serviced the handicraft sector, followed by 19 that serviced the shelter sector (building, brick making, fencing and housing). These faced a troubled existence. In addition to low wages, most lacked the necessary skills and were highly dependent on external resources. Many of these co-operatives consequently folded after only a few years of operation. 

In the early 1990s, primarily in response to crises being faced by tenants in inner city buildings in Johannesburg, the co-operative model was articulated for the first time as an option for the low income housing sector. Popular history pinpoints the origin of the idea in this context with the efforts of the Seven Buildings Project, though the efforts of other initiatives, notably of Cope Affordable Housing (as it was then called) and Planact, with its Wattville project, also contributed to the articulation of the idea. The Seven Buildings Project was an initiative by the tenants of 435 units in seven buildings within inner city Johannesburg to purchase their homes from a common landlord. Their intention to do this started with a struggle against eviction, during which time their common bond, and consequent resolve for victory, grew. In their effort to access state subsidies for the initiative, the project intervened in the policy process for a housing subsidy scheme, and ultimately influenced the development of the institutional subsidy policy that was launched in 1995. In their submission to the National Housing Forum, proposing for the establishment of a social housing policy, the Seven Buildings working group argued that "not only will co-operative housing in inner city areas provide a real home for people and create sustainability within the urban environment, but these projects may rekindle a bustle and vibrancy that befits living cities". 

Part of the Seven Buildings Project's deliberations focused on the type of legal entity most appropriate to their structure. A range of options, including the Section 21 Company, Pty (Ltd) Company, and Co-operative were considered in detail. The work regarding the suitability of co-operatives was the first of its kind in the housing sector, and forms the basis on which subsequent work relating to co-operatives in the low income housing sector was developed. As a result of its work, however, the Seven Buildings Project resolved not to become registered as a co-operative, but rather chose the Pty (Ltd) Company model. Its reasons for this related largely to the lack of familiarity on the part of the Registrar with the housing co-operative model, and the reticence of the Seven Buildings Project to take on the risks associated with being a pilot. In 1996, the Seven Buildings Company was the first project to receive an institutional subsidy as part of government's national housing subsidy scheme. 

The efforts of the Seven Buildings Project and other initiatives were supported by a range of professionals interested in the victory of tenants seeking to purchase their residences collectively. Perhaps the first international agency involved in this regard, was Rooftops Canada, which, through an association with Cope Affordable Housing and the Urban Sector Network, placed technical advisors in local NGOs to support the development of the co-operative idea. The Legal Resources Centre, a South African based agency, also supported these initiatives as part of its broader goals to set legal precedent in cases involving the rights of the poor, and to broaden the options available to such groups.

At about the same time as inner city residents were seeking to resolve their respective housing crises collectively, a movement of homeless people was growing on the peripheries of the cities across South Africa. This movement, later organised as the South African Homeless People's Federation, was a response on the part of the homeless and landless poor to their own housing crises, as well as to a policy process that had neither consulted their positions nor accommodated their needs. Based on a system of daily savings in local "Housing Savings Schemes", the Federation model seeks to increase the power of the poor through collective action. The first and most profiled initiative that emerged from this movement was the Victoria Mxenge project in the Western Cape. Formed in 1992, this Housing Savings Scheme became the second project funded in part with institutional subsidies.
The focus of government's housing policy, implemented from its publication in December 1994, however, was on goals other than facilitating collective participation and co-operative approaches. While such was certainly possible within the scope of the policy, co-operative approaches towards housing delivery and management were neither explicitly acknowledged nor facilitated. Consequently, some observers suggest that the implementation of government's housing subsidy scheme, following its election in 1994, seems to have slowed the pursuit of a co-operative housing model to some degree. At a community level, the demand for a co-operative approach seemed to subside as attention focused rather on government's promises to deliver. With a subsidy policy offering each household earning less than R 3,500 per month a subsidy of up to R 16,000, and with a concomitant promise from government to delivery one million houses by 1999, the incentive for community-based initiatives decreased.

Another reason for the apparent decrease or lull in interest, certainly on the part of policy makers and developers, might be attributable to the design of the subsidy policy itself, which initially required the incorporation of communities in "social compacts" to drive the development process. This requirement, often poorly implemented and usually developer-driven, often led to significant tensions within communities and long delays in the development process. As a result, the social compact, and the "participatory approach" to development came under considerable criticism by a diverse range of housing practitioners, and was ultimately labeled as contrary to the achievement of a sustainable housing process. Indeed, in 1996, on recommendation from her "Special Ministerial Task Team on Short Term Delivery", the Housing Minister revoked the "social compacts" policy, making its implementation a provincial prerogative. The association of the co-operative model with a "participative approach" might therefore have undermined its acceptance as an independent mechanism to that of the social compact.

A final reason suggested for the relatively slow rate of growth in the use of co-operative approaches in housing, notwithstanding movements in local contexts that seemed to support the model, involves the slow implementation of the institutional subsidy mechanism. While deliberations regarding the institutional subsidy began as early as 1993, and while the National Housing Subsidy Scheme was introduced in March 1994, the institutional subsidy policy was only approved in November 1995. Once it became an option, its use was further hampered by Provincial Housing Boards, the provincial statutory bodies responsible for allocating state subsidies for housing development, as they were unfamiliar with the institutional subsidy mechanism and consequently did little to promote it.

In the latter half of the 1990s, as the housing delivery process proved slower than expected, and as communities began to see the type of product that was emerging, a number of communities began to refer back to the rationale of the late 1980s for communal approaches to resolving their problems. Seeing the relative success of the Seven Buildings Company, as well as that of other inner city initiatives such as Angus Mansions and Navarone Court (two Cope Affordable Housing projects), a number of tenant groups living in buildings in inner city Johannesburg have resolved to purchase their buildings and manage these independently either on a co-operative or collective basis. The number of Housing Savings Schemes of the South African Homeless People's Federation that are undertaking housing projects has increased to 126 in 1999, from a first project begun only three years earlier.

The one registered housing co-operative and other pre-co-operative initiative that currently constitute the extent of what is sometimes liberally defined as a "sector", began around this same time. In 1996, Cope Affordable Housing (since renamed Cope Housing Association and commonly referred to as "Cope"), a Johannesburg-based NGO, focusing on a range of co-operative-like initiatives, resolved to refocus its efforts exclusively on housing, and to begin the process of transforming itself into a legally registered housing co-operative. Its first projects focused on refurbishment and upgrading with three separate inner city tenant buy-out initiatives. In 1998, Cope embarked on its first new-build project, and is currently pursuing a second. In 1997, after discussions around pursuing the co-operative model had been put on hold for two years given the declining interest, the Swedish Co-operative Centre agreed with Afesis-Corplan (an East London NGO) to fund a social housing programme. This programme has led to the registration of the East London Housing Management Co-operative (ELHMC), and the subsidy approval and imminent commencement of the Amalinda Co-operative Settlements project to be undertaken by the ELHMC in East London. The interesting thing about these two initiatives is that they target very different markets: Cope Housing Association's projects target households in greater Johannesburg, with an emphasis on inner city households earning generally between R 1200 - R 3,500 per month. The East London Housing Management Co-operative involves 198 families, the majority of whom are unemployed, earning less than R 800 per month.

Policy attention to the co-operative model began in earnest (albeit slowly) in 1997, when government acknowledged that forms of tenure alternative to individual ownership were required. In August of that year, the Minister of Housing requested the National Housing Finance Corporation (NHFC) to consider the development of social housing in South Africa, and to propose a framework to facilitate its development. The NHFC delegated this task to the SHF, a body formed in April 1997 to facilitate the establishment of a growing social housing sector in the country. In March 1998, the SHF's task team submitted its first report to the Minister, setting out the status of social housing in the country. This was followed by a report comprising 50 recommendations for a revised policy framework, submitted to the Minister in April 1999. While both reports give reference to the co-operative approach within a social
housing framework, however, this is scant, and limited to a focus on the suitability of the Co-operatives Act.

The current status of co-operatives in shelter development is unclear. While a few initiatives are pursuing co-operative like approaches, only one is formally registered and only two have been explicit in their intention to legally register as housing co-operatives. Initiatives pursuing a co-operative approach are often faced with difficulties in the broader housing sector as the environment seems unready to accept their model. Ultimately, a vague focus on co-operative housing methodologies, beginning in the early 1990s, seems to have been articulated in policy circles in the context of social housing, as a broader, and possibly more palatable option within South Africa's current socio-economic context. And yet, at the recent International Conference on Co-operative Housing, held in Johannesburg in July 1999, the Minister of Housing publicly acknowledged that the co-operative housing model needed serious consideration. Her words can be understood to have all the more significance given those of South Africa's President, Thabo Mbeki, in his inaugural speech to the National Assembly on 25 June 1999. In that address, President Mbeki promised that "Government will also place more emphasis on the development of a co-operative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity."

With the advent of South Africa's second democratic government, an incongruity appears to be emerging between systems and mechanisms established as part of the original housing policy that supported individual housing approaches, and rhetoric from various political leaders that seem to call for another approach. How this incongruity will be managed in practical terms, for the benefit of the low income housing sector as a whole, will be a key issue for observation. These thoughts will be considered further in the conclusion of this report.
In 1995, the International co-operative Alliance (ICA) adopted the following definition of a co-operative:

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

The International Labour Organization uses a wider definition, suggesting that co-operatives are:

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

These two definitions form the basis of the understanding of what constitutes a "co-operative" in the context of this report. The latter definition, in particular, provides scope for including a broad range of organisations that operate in the South African低 income housing sector, but which are not formally registered as co-operatives. Ultimately, the distinction drawn between initiatives that are "co-operative" and those that are not, rests with the extent to which they appear to satisfy the seven internationally accepted principles of co-operatives, adopted by the ICA in September 1995 (see box 3).

The relative youth of the co-operative sector as it relates to shelter development means that a typology must address co-operatives from the most broad of perspectives. Essentially, there are three categories of initiatives:

- **Legally registered co-operatives** involved in various shelter-related activities are classified in terms of the Co-operatives Act as "trading co-operatives". These include the one "housing co-operative" that exists in South Africa, as well as more generalised co-operatives involved in job creation, supply, and mutual benefit activities. Within these classifications, specific co-operatives might be involved in building industry activities, such as contracting, or brick making; training activities; or financial activities, such as the provision of loans for housing purposes.

- **Pre-co-operative initiatives** are those not yet registered with the Registrar of Co-operatives, but which have been explicit in their intention to register at some point in the near future. These include initiatives that begin with an intention to develop housing, as well as initiatives that begin with a broader, community development intention that ultimately leads to some form of attention to the development of shelter. The few pre-co-operative initiatives currently operating in South Africa maintain strong links with NGOs that support their efforts towards registration. Pre-co-operative entities have been elsewhere defined as "enterprises operating on co-operative principles but not meeting requirements for formal registration". This definition, however, does not adequately accommodate the South African situation where registration is not a priority and where other models (such as the Section 21 Company) are easier to use, even when co-operation is a central component of the initiative. Pre-co-operative initiatives are rather defined in the context of this paper, therefore, as pioneers, seeking to promote a new model within the context of an old framework.

- **Co-operative-like initiatives** are not intent on legally registering as co-operatives, but nonetheless operate generally in a co-operative-like way. These are primarily registered as Section 21 companies, although some are not registered at all. As with pre-co-operative initiatives, these include initiatives that begin with an intention to develop housing, as well as initiatives that begin with a broader, community development intention that ultimately leads to some form of attention to the development of shelter. Co-operative-like initiatives may be supported by NGOs or may operate independently. Because of the perceived legal inaccessibility of the co-operative model, most initiatives involving co-operation are rather "co-operative-like" - not intent on formalising their approach through registration. Ultimately, for such bodies, registration is understood as a means to an end (that end being subsidies or other funding), and consequently results in the choice of other legal models that are easier to apply.

Within this typology, it is also worth making a distinction between NGO and community based initiatives. Generally, all low income housing initiatives in South Africa are beneficiaries of some kind of support, be it from an NGO, a developer, or some other body. The distinction in respect of the typology, however, lies in the point at which the community that is to participate in the co-operative housing project is identified, and the impact this has on the co-operative focus of the initiative, and the capacity of the initiative to achieve its goals.

- **NGO-supported initiatives** In NGO-supported projects, the initiative usually begins with the NGO identifying the approach and seeking out a community that would be appropriate. In South Africa, this approach to co-operative housing is common because the concept is generally unknown and needs to be...
adverted by an advocate. Consequently, the one registered housing co-operative, and the other pre-co-operative initiative are both heavily reliant on NGOs. Both initiatives acknowledge that their choice of the co-operative model was as a result of the role of the NGO in their efforts. The NGO involvement in the initiatives also seems to determine that they are new-build developments: largely experimental projects developed as demonstration initiatives on new land. Another characteristic common to the NGO approach and to the two pre-co-operative examples in particular, is foreign donor and technical assistance. The East London Housing Management Co-operative (ELHMC), supported by an NGO known as Åfésis-Corplan, is further supported by the Swedish Co-operative Centre both in concept as well as in funding. Cope Housing Association, operating as an NGO in support of the emergence of member co-operatives, receives funding from NORAD, a Norwegian government development agency, which, is channeled through NNBB, a Norwegian NGO representing Norwegian housing co-operatives. NBBL also provides Cope Housing Association with technical support. Previously, Cope received technical support from Roofops Canada, another international technical service NGO. Generally, co-operative initiatives with strong NGO support seem to be part of a broader national effort at addressing the housing crisis and the huge housing backlog that this involves. In addressing the need for housing delivery, they have chosen to pursue a particular model based on a particular ideological idea. The goal is to develop housing using the co-operative model.

Community driven initiatives Community driven initiatives, on the other hand, are likely to operate in a co-operative-like way by nature of their process. These initiatives emerge from within the community in response to a need that is collectively identified. Usually, the community is defined by the existence of a common enemy, be it personal, in the form of an unscrupulous landlord, or inanimate, in the form of an inaccessible housing delivery system. While the delivery process is defined in response to the resources that are immediately available, it is in most cases, an incremental process, based on the availability of funding and whatever other resources the community concerned can amass. Therefore, residents of inner city buildings seeking to escape the pressures of unfair or absent landlords undertake a process of buying the buildings they already occupy, and upgrading or converting these for residential use on an incremental basis. Homeless people wishing to speed up the housing delivery process seek available land and embark on incremental homebuilding initiatives. Common to all community based initiatives is a critical lack of funding (both credit and grants), and a consequent informality with which the development process is approached. In this regard, community based initiatives are about addressing the crisis in existing housing - the various inefficient and discriminatory systems that confront poor people as they try to access the opportunities available to them and ensure themselves a place to call home. The co-operative model is in this context a by-product of a greater goal, the goal to resolve the housing problem at hand. It becomes a methodology rather than an end in itself, or an ideological goal.

Mixed initiatives In some cases, a community will approach an NGO for assistance in meeting a need that has been collectively identified, or an NGO will approach a community with a proposed solution to a problem they may or may not yet have identified. These initiatives have been classified as "mixed initiatives" - a combined approach between the NGO and the community concerned. In these cases, while the community exists by the nature of the problem it confronts, it realises its constraints in resolving that problem and engages with an NGO. Alternatively, NGOs may advertise their services among communities where problems may be evident, and invite a partnership arrangement. As with the purely community-driven initiatives, the development process is determined partly by the existing living arrangements of the community. However, it is also influenced by the capacity of the NGO involved. So, for instance, the East London Housing Management Co-operative chose the co-operative model on the basis of Afesis-Corplan's influence. As Cope Housing Association assists more tenant buy-out initiatives, these are likely to convert to pre-co-operative entities through their association with Cope. The benefit to communities that link with NGOs in the development process lies in their access to financial and technical capacity. The limits that their co-operative-like approach to the housing process puts on their access to funding is ameliorated by the financial capacity of the NGO concerned. In addition, the NGO provides valuable technical capacity, generally at a highly subsidised rate. The South African context does not accommodate a "top-down" / "bottom-up" distinction with regard to the development of co-operative approaches to shelter. In no instance has government pushed or motivated the co-operative model in the shelter sector. While NGO driven initiatives may begin with a "top-down" motivation of the co-operative concept, their methodology quickly sees them incorporate the community in this approach, bringing them on board the concept so to speak, from the "bottom-up". In this way, co-operative models proposed by the NGOs are often amended or refined to meet the needs and demands of the particular community concerned. And yet, in the South African context, community based initiatives seem not to be afforded the same level of priority by the various facilitative and funding bodies, as are NGO driven initiatives. This issue will be considered in greater detail in the conclusion of this report. It will be suggested that this relates to the level of formality expected of the development process by the various facilitative structures that have been established. Perhaps the "top-down" nature of the process in facilitating co-operative housing in the South African context is not about the actor involved (i.e. the government) and the particular style of co-operative model defined, but
rather about the development approach that is embodied in the initiative. This will be explored further in the conclusion.

Figure 3 provides an interpretation of how the various initiatives comprising the 'sector' are structured in respect of this typology. The sections that follow will then set out the various initiatives in respect of each category.
Legally registered co-operatives involved in shelter provision are generally classified as "trading co-operatives" in terms of the Co-operatives Act, No. 91 of 1981. While some agricultural and special farmers' co-operatives may provide shelter-related services, this is not their primary business focus and is therefore difficult to determine.

Generally, the few trading co-operatives that are involved in shelter development pursue this as a localised effort, primarily as local builders or contractors. Their choice of the co-operative model is likely to have more to do with the looseness with which trading co-operatives are regulated by the Act, than a conscious choice to adopt co-operative principles in their efforts. Currently, nine contractors are registered as trading co-operatives, and a few others may deal in the sale building materials, or the production of blocks, bricks, or fencing. The scope of their activity is difficult to determine, however, as they are highly localised, and generally small in membership. In addition, their contribution to shelter development generally comprises a single link in a long chain of delivery, and has little or no impact on the co-operative nature of the housing development as a whole. Overall, the national profile of these bodies in respect of the housing sector and their contribution towards resolution of the housing crisis is quite limited.

Savings and credit co-operatives, on the other hand, are having a somewhat greater impact on the promotion of shelter development. A handful of these bodies are beginning to explore the potential of offering housing loans to their members. This could have an important impact on the accessibility of finance to low income earners with the capacity to save, and who are members of such co-operatives. Their current scope, however, is generally limited to the employees of offices and factories. Generally, such loans are available to individuals accessing housing on an individual, rather than on a co-operative or collective basis.

There is only one co-operative in South Africa that has as its primary function the provision of housing for its members. This is the East London Housing Management Co-operative (ELHMC), a co-operative of over 200 members within the East London area in the Eastern Cape. As the first housing association to be formally registered as a co-operative, its activities will provide a basis on which other associations will learn about the co-operative model and consider pursuing it themselves.

Two financial co-operatives are also involved in initiatives that bear further investigation. These are:

- The Cape Metal Employees Savings and Credit Co-operative (CME SACCO), which implemented a housing initiative in 1997
- The Central Finance Facility of the Savings and Credit Co-operative League of South Africa, which is in the process of developing a housing loans policy
The East London Housing Management Co-operative (ELHMC) was incorporated as a primary trading co-operative on 30 June 1999 - the first housing association to be registered as a co-operative in the history of South Africa. It comprises 198 founding members involved in 8 savings schemes in the East London area. The ELHMC's primary goal is to resolve the housing crisis facing its members, through a people driven process of savings and building. With a membership that is 80 per cent female, a majority of leadership positions are held by women. Both the chairperson and treasurer of the 14 member ELHMC Board of Directors are women, and only two members are men. See also box 4.

The ELHMC was formally established in 1998, originally as a voluntary association, from seven Housing Savings Schemes originally linked with the South African Homeless People's Federation. While savings had begun within the savings schemes as early as 1996, the savings process became focussed in 1998 with the unification of these seven bodies under the banner of the ELHMC. As part of the initiative, the ELHMC is planning to establish a savings and credit co-operative (EL SACCO) for both ELHMC members and non-members.

Until 2001, the ELHMC is supported in its activities by Afesis-Corplan, an NGO that supports communities in housing and local government in the Border Kei area of the Eastern Cape. Afesis-Corplan has received a three-year grant from the Swedish Co-operative Centre to undertake a "social housing project". This funding pays for the support that Afesis-Corplan gives to the ELHMC. The ELHMC is a member of the Eastern Cape Co-operative Association, and of the NCASA.

The ELHMC is run by the following rules:

- Membership is open and voluntary.
- Members pay a once-off membership fee of R 130 to join the ELHMC - this will also cover membership to the EL SACCO.
- Members are required to save R 30, R 60 or R 120 monthly.
- Members get one point for every month in which they save. If they miss a month, they forfeit their point. Points are later used as a system for prioritising access to housing built through the co-operative. Members must have a minimum of six points in order to be eligible for a house.

In the short term, the ELHMC is focused on providing housing for its current members. In the longer term, however, as the ELHMC membership grows, it will embark on further housing development projects. In addition, the ELHMC plans to provide ongoing support (initially with the support of Afesis-Corplan, though after 2001, on its own) for the savings, planning, construction, and long term management processes embarked on by its members in the various projects. It will do this through the development of training programmes and the establishment of standard "house rules" for application by members in their neighbourhoods. To support members' in their loan repayments, ELHMC may also investigate how it might promote small business development.

In May 1999, the Eastern Cape Provincial Housing Development Board awarded the ELHMC 196 institutional subsidies and 196 establishment grants (as per the People's Housing Process) for the Amalinda Co-operative Settlement Project, the co-operative's first housing development. This amounts to a total subsidy of R 3,246,620 for the 196 unit housing development. The expected per unit cost of the project will be limited to R 16,000 (the value of the institutional subsidy), to accommodate the affordability constraints of the member beneficiaries by keeping the member investment limited to upgrades and renovation, once the core units have been built and allocated. Land has already been secured at a discounted rate from the East London municipality, on condition that the housing units to be built exceed 45 m².

The project will build 196 shell housing units (units without internal divisions, excepting for the toilet) across 10 "co-operative blocks" defined by the ELHMC. The 198 founding members of the ELHMC will split into ten groups of approximately 20 members, which will be constituted and formally registered as individual housing co-operatives. Each Housing Co-operative will be responsible for the layout, planning, design, construction and in the long term, maintenance, of the units within their blocks. This will be done using the "People's Housing Process" approach in which households build or organise the building of their homes themselves. It is envisioned that mutual help will be
the dominant approach chosen. The **ELHMC** will provide ongoing management services for the Housing Co-operatives once the stock is developed. This will involve the appointment of a caretaker to service the ten Housing Co-operatives. For this, as well as for the payment of local authority rates and service charges, each member of each Housing Co-operative will pay a monthly fee. Electricity will be purchased individually by households up-front, using pre-paid meters.

Once construction of the 196 shell houses is complete (this is expected to be in mid-2000), and once these are allocated to individual members, it will be the individual's responsibility to upgrade their own housing unit as they see fit. Members will access funding for this process by applying for a loan from the **EL SACCO**, on the basis of the following criteria:

- Members may borrow three times what they have saved.
- Members must have saved this amount for at least half the time they have been members.
- Members must be able to afford the repayments, which are likely to be calculated at 24 per cent interest per annum over four years. [6]

In the long term, it is intended that the **EL SACCO** will award loans valued only on the basis of savings that have been accrued through the efforts of the savings schemes. In the short term however, it may be necessary to further capitalise the fund with an external loan.

The focus of the **ELHMC** will be on facilitating the co-operative production of housing units by its members. This appears to be a greater priority than the longer term option of co-operative ownership. Once these units have been built, and after the four year period of **ELHMC** ownership of the units (required by the institutional subsidy) has passed, it is expected that many members will opt for individual ownership of their units. Alternatively, members may opt to leave the co-operative, transferring their share to an **ELHMC** member that is not yet housed. In this case, the member will receive the value of their share in the Housing Co-operative (currently priced at R 30, and separate from the R 130 paid to the **ELHMC** / **EL SACCO**), plus the value of their personal investment in the unit, calculated on the basis of a formula that takes into account factors such as inflation. [6] The roles of the various Housing Co-operatives will therefore change over time, with the changing needs of the various communities concerned. [6]

The primary attraction of the co-operative model to the members of the **ELHMC** is the co-operative planning process that involves members in their housing development from initial conceptualisation through to construction, and the contribution of this towards a broader sense of community. [6] Afesis-Corplan's contribution to the **ELHMC** was to give the co-operative approach a technical and legal focus. Afesis-Corplan cites the benefits of the co-operative model as lying primarily with increased access by the marginalised poor to cheaper land and other resources, a consequent focus on mutual help options in the housing development process, and an increased attention to the value of public space for the overall development of the community in the long term. [6] Affording historically marginalised households a stake in an initiative on a co-operative basis, also helps them feel secure about their future in the area, thereby contributing to a broader community development potential. The **ELHMC**'s vision in this regard, is to see its co-operative housing efforts lead to the further development of co-operative approaches in other sectors linked to housing, such as in savings, consumer purchase (of, for instance, building materials), and employment (such as in brick making, furniture manufacture, etc.). [6]

The **ELHMC** also benefits in its choice of delivery approach. By following the People's Housing Process route in accessing subsidies (and thereby not relying on a developer to build the housing), the **ELHMC** plans to be able to deliver new, shell housing without a need for additional loan finance. This means that the **ELHMC** is able to escape the scrutiny of financial institutions that are unfamiliar with the co-operative approach. It also means that the defined "target market" of co-operative housing in the South African context is expanded to indeed include the "poorest of the poor" (a segment that policy makers generally exclude from such housing approaches).
The CME SACCO Ltd. is a member driven organisation serving the savings and credit needs of Cape Metal employees. The organisation "strives to empower all the metal and engineering employees in the Western Cape by encouraging regular savings through competitive interest on deposits, fair rates on loans, and excellent products and services from a self-sufficient, non-profitable organisation that promotes the SACCO movement both nationally and internationally". See also box 5.

CME SACCO was legally registered as a trading co-operative in 1997. It has 1600 members, of whom 75 per cent earn less than R 3,500. Members are employees of the metal and engineering industry in the Western Cape, and their extended families. Given the predominance of men in the metal and engineering industry, only between 100-150 members are women. Through regular savings (members save anywhere from R 10 per month and more) the CME SACCO has about R 3.5 million in assets (including members' savings and interest on investments), of which R 3 million is currently circulating among members in the form of loans. The CME SACCO is a membership driven body with members represented on the Board of Directors. As a co-operative, CME SACCO explicitly supports the seven international principles for co-operatives.

CME SACCO's housing initiative arose in response to its members' request at a 1997 Annual General Meeting for a financial mechanism that would help them address their housing needs. It was agreed that CME SACCO would develop a specialised housing loan product for this purpose. A separate housing loan fund account was established, and capitalised this with a R 1 million, deferred interest and repayment loan from the Western Cape Community Housing Trust (WCCHT), repayable after three years at an interest rate of 10 per cent. CME SACCO charges a 10 per cent margin on these funds to cover administrative expenses and to grow the fund so that following the repayment of the R 1 million loan, the housing initiative fund is self-sustaining. In addition, the WCCHT has permitted CME SACCO to retain the interest earned on investing the R 1 million allocation. While CME SACCO contends that they do not interpret this as an incentive to refrain from allocating loans, it has proved valuable in the short term as the loan product was being marketed among CME members. For the pilot period of the housing initiative, during which CME SACCO benefits from the WCCHT loan, Nurcha, a non-profit company seeking to facilitate the delivery of low income housing through a range of mechanisms, has committed to paying the salary of the Housing Loans Officer. Also during this time, the administration costs related to offering housing loans are subsidised by the CME SACCO office.

The housing initiative offers loans of up to R 10,000, at an interest rate of 20 per cent per annum, repayable over 3 years, to CME SACCO members who are known to be responsible characters, and who are able to afford the monthly payments. They must have saved continuously for six months preceding their application. In addition, applicants must earn less than R 3,500, and must qualify for the government's housing subsidy. Applications are submitted to a Housing Loans Committee (comprising two members and a representative of the WCCHT), which meets fortnightly and which operates on the basis of consensus. In order for a loan to be approved, a member's provident fund and savings accrued should together not be less than 50 per cent of the loan amount requested. The remaining 50 per cent of the loan is then covered by a 25 per cent guarantee from Nurcha, and a 25 per cent guarantee from CME SACCO. While loans were previously insured in case of death by the Credit Union National Association (an American insurer for co-operatives), this facility was withdrawn for all co-operatives in Africa, as of January 1999. CME SACCO is currently investigating alternative insurance mechanisms to cover members in case of death, as well as in case of disaster or theft.

With the first loan approved in late 1997, the housing initiative has been relatively successful. In the twenty months or so that the initiative has been operating, a total of 116 loans, to a value of R 828,737.10 have been paid out. Nurcha, however, feels that the rate of loan approvals could be improved. With an average loan size of R 7,144.28, a total of R 303,449.31 has been repaid, of which R 188,338.88 represents the capital portion and R 115,110.43 represents the interest portion. To date, only two members have defaulted on their loans. Of the 116 loans paid out —

- 31.03 per cent have been used for renovations (36 loans);
- 25 per cent have been coupled with the housing subsidy and used to purchase a house (29 loans);
- 27.59 per cent have been used for extensions (32 loans);
- 8.62 per cent have been used to build a house (10 loans);
- 4.31 per cent have been used for a deposit on a house (5 loans);
- 2.59 per cent have been used to purchase a plot of land (3 loans); and
- 0.86 per cent have been used to contribute towards transfer costs (1 loan).

Loans are administered using the relationship-based lending methodology. In each factory, a plant agent represents the interests of CME SACCO and publicises its products. In addition, they assist members with their financial planning. Because plant agents engage so closely with SACCO members, and on such a regular basis, they are able to advise the Housing Loans Committee on the character of the applicant. When a member defaults on their loan, this is communicated to the plant agent who then engages with the borrower and assists them in resolving their repayment problem. In a few cases, loans have been rescheduled to accommodate members’ financial constraints.

In late 1998, CME SACCO organised a place for 23 of its members in a housing development in Delft, Western Cape, and provided loans through the housing initiative. Through this experience, CME SACCO learned the value of finding housing solutions for members on a collective basis. Employed at different plants throughout the region, the 23 members’ common bond as metal and engineering employees was strengthened by their common living arrangements. This has led to the development of a CME SACCO “image” among the 23 members which CME SACCO hopes it can foster through other similar initiatives. In this regard, CME SACCO is currently undertaking a needs assessment of its members to determine the location and nature of two proposed projects, to be funded through the housing initiative and developed by independent developers within the next year. In the future, CME SACCO might also consider establishing a CME “Housing Co-operative” through which such developments would be pursued in partnership with CME SACCO.
Chapter II. Co-operatives in shelter development in South Africa

B. Typology of co-operatives involved in shelter development

1. Registered co-operatives
   c. The Savings and Credit Co-operative League of South Africa (SACCOL) Ltd.

The Savings and Credit Co-operative League of South Africa (SACCOL) Ltd. was established by Savings and Credit Co-operatives (SACCOs) and Credit Unions around South Africa, as their national association. Registered as a co-operative on 5 February 1998, SACCOL has been recognised by the South African Reserve Bank as the representative of SACCOs and Credit Unions in South Africa. Members (SACCOs and Credit Unions) exercise proportional voting rights according to the size of their individual membership, elect the SACCOL Board and various committees, and determine the fees and dues structure to cover SACCOL’s operating costs.

SACCOL’s main objective is to assist with the development of the SACCO movement at the employee and community level. In this regard, SACCOL explicitly supports the seven international principles for co-operatives. SACCOL’s support services include training, advice and other technical services for members. It also offers its members financial services, accepting deposits, and making loans. In this regard, SACCOL established a Central Finance Facility SACCO in July 1998, in which members are required to invest 10 per cent of their total asset base. Every SACCO or members of SACCOs are eligible to apply for a loan that will be granted subject to the fulfilment of criteria set out in the Central Finance Facility’s loan policy. The guiding principle behind the policy is the "careful use of savings for investment in the economic and social well being members of SACCOs affiliated to the Central Finance Facility SACCO.”

Over the course of providing loans through its Central Finance Facility, SACCOL noticed that the majority of loans being accessed (42 per cent of a survey of 33 per cent of SACCO loan portfolios) were being used for housing purposes. This translates to a total of 4,246 housing loans worth R 3,420,000 - 36 per cent of SACCOL’s total assets of R 9.5 million. With 36 per cent of its loan book being tied up for three years, however, SACCOL faced liquidity constraints. As a result, SACCOL has developed a special housing loans product that operates from a separate fund, capitalised with member loans as well as loans from external sources. In the short term, R 200,000 of SACCOL assets have been set aside for two pilot loans to two member SACCOs who have demonstrated that they have the capacity to operate as financial intermediaries for the disbursement of SACCO loans to their members. These are the Cape Metropole SACCO in Cape Town, and the Tshiya SACCO in Vereeniging. Both SACCOs have got the go ahead from their boards to apply for loans. It is expected that both loans will be released within October 1999.

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

SACCOL’s housing loans policy includes the following criteria:

- Loans are made either to SACCOs, or in cases where a SACCO has not accessed a wholesale loan for on-lending to its members, to individual SACCO members.

- Individual member applicants must be in good standing at their SACCOs for at least six months.

- Loans are only awarded if repayments are affordable to the applicant, and if they constitute no more than 20 per cent of the applicant’s take home salary.

- Loans may be used to build an affordable house, extend or otherwise modify an existing structure, pay a deposit towards the purchase of an existing structure, or top-up the government subsidy. Borrowers are not permitted to use asbestos material on their houses.

- Three categories of loans are available. Different loan amounts and interest rates (generally between 22-30 per cent per annum) apply to each:
  - Fully secure, in which members can offer their pension / provident fund as security, and in which employers are willing to institute payroll deduction procedures for repayments. For these, members may apply for six Rands for every one Rand saved, up to a total of R 15,000.
  - Semi secure, in which members are either able to offer their pension / provident fund as security, or in which employers are willing to institute payroll deduction procedures for repayments. For these,
members may apply for five Rands for every one Rand saved, up to a total of R 15,000.

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

- Loans are repayable over three years.

One of the benefits of the savings and credit co-operative approach is that the housing loan is not tied to the asset value of the housing unit that is developed, but rather to the savings accrued by the SACCO member. Especially with low income housing, the housing unit developed is often considered by lenders to be of insufficient quality to constitute sufficient collateral for the loan.
As defined earlier, in the introduction to section II.B, pre-co-operative initiatives are those that intend registering legally as trading co-operatives within the context of the current legislation. In addition to the Amalinda Housing Co-operatives to be established by the East London Housing Management Co-operative (as considered in section II.B.1.a above), there is one other cluster of pre-co-operative initiatives. Cope Housing Association is an NGO in Johannesburg that promotes a co-operative approach among its inner city housing projects. Currently, Cope is involved in 5 pre-co-operative initiatives: two new-build projects, and three inner city tenant upgrading projects. In addition, Cope Housing Association is itself a pre-co-operative initiative in the process of transforming itself into a membership based trading co-operative.
Cope Housing Association is an NGO, currently incorporated as a Section 21 Company. It was established in 1989, following requests from a range of community-based organisations for assistance in setting up co-operatives and small enterprises. Cope's mission is "to work with poor communities to promote the development of social and affordable housing, participation in and ownership of the process by the beneficiaries and communities involved, and the support of related income generating and job-creation opportunities". See also box 7.

In 1996, Cope refocused its efforts on the exclusive pursuit of co-operative housing for low income households in inner city Johannesburg. Its role since then, has been to deliver and manage housing projects that are owned collectively by the residents. Its long term focus is to become a legally registered housing management co-operative, driven by its members. As a housing management co-operative, Cope will assist other groupings and communities establish their own, independent housing co-operatives, which will then also be Cope's members.

To achieve this goal, Cope entered into a partnership with the SHF in late 1998, to develop model statutes for housing co-operatives and housing management co-operatives within the framework of the Co-operatives Act. The Registrar of Co-operatives accepted these as model documents, which incorporate the internationally recognised co-operative principles, in June 1999. Cope is now using the statutes as a basis on which to pursue new projects, and expects its first legally registered co-operative project, the Newtown Housing Co-operative, to be formally registered by the Registrar in late 1999.

As of April 1999, Cope had five projects underway. Two of these are new-build developments: the Newtown project of 351 units and the Bertrams project of 53 units. The first 24 residents of Bertrams moved in on 31 July 1999. Construction in the Newtown project began in July 1999, and the first residents are expected to move in, in early 2000. The remaining three are refurbishment projects in existing buildings: Philani Ma-Afrika, Everest Court, and Hadar Court. These three projects together comprise a total of 124 units. Within the next year, Cope plans to embark on a further three new-build projects which will comprise a total of approximately 600 units in addition to the 528 existing units. All five of Cope's existing projects, as well as Cope itself, and its four planned projects, are pre-co-operative initiatives.

Cope targets households in inner city Johannesburg, who earn less than R 3,500 per month. Among Cope's members,

- 52 per cent earn less than R 2,000 per month. The majority of the members living in Cope's existing refurbishment projects earn less than R 1,500 per month. Of the 12 per cent who earn between R 2,500 and R 3,500, only 3 per cent earn more than R 3,000. Of the applications received by Cope for its new-build projects, however, affordability is evenly split with 50 per cent of applicants earning between R 1,500 - R 2,500, while the remaining 50 per cent earn between R 2,500 - R 3,500.

- 40 per cent are women, with the majority of these women being single. In Cope's existing projects, 36 per cent of its members are women, and 91 per cent of these are single parents. Of the applications received by Cope for its new-build projects, 55 per cent are from households headed by women. Almost 93 per cent of these are single parents, and 82 per cent earn between R 1,500 and R 3,000. A total of 75 per cent of the units in the Bertrams One new-build project have been allocated to women-headed households.

Since 1997, Cope has received technical and financial support for its co-operative housing programme from the Norwegian Agency for Development Co-operation (NORAD) and the Norwegian Federation of Co-operative Housing and Building Association (NBBL). The contract between Cope and NORAD/NBBL involves a four-year pilot programme for the promotion of co-operative housing in South Africa, and the development of 1,000 co-operative housing units within Johannesburg's inner city. Between 1992 and 1997, Cope enjoyed four years of technical support from Rooftops Canada, during which time Cope welcomed its first social housing projects which led to the refurbishment of approximately 100 units. In the final year of the Rooftops support, the Rooftops technical advisor played acting General Manager of Cope.

A critical component of Cope's work is the development and promotion of the co-operative concept at its broadest level. Cope seeks to provide community-based self-reliance through capacity building and has developed training programmes for its projects in this regard. With its new-build projects, Cope provides training and support regarding the co-operative concept and how this works in practice. With its three refurbishment projects, Cope
provides ongoing property management services and extensive training programmes, working alongside the member-elected Board. In its efforts, Cope seeks to promote resident participation in the day-to-day management of their housing. In the long term, this should enable residents to take responsibility for the maintenance and upgrading of their own units. Any decisions pertaining to issues such as the upgrading of their building or common areas will be administered by the elected Board.

Cope's greatest challenge in its operations arises from the consequences of being the only co-operative housing organisation operating in Gauteng province, and one of two operating in the entire country. In not only promoting, but also practicing the co-operative model, Cope is breaking ground daily, setting new standards and creating new precedents for how low income housing is delivered in South Africa. This enormous challenge cannot be underestimated. With every step in the project delivery process, Cope must take existing procedures and approaches, widely accepted by all stakeholders in the low income housing sector, and adapt them (sometimes significantly) to suit the needs of the co-operative model. Cope's difficulties with accessing long term loan finance can be largely attributed to this factor. Indeed, to a significant extent it is because of this factor that the East London Housing Management Co-operative opted to follow the People's Housing Process route in the development of its housing and to not seek loan finance. This means that Cope's delivery efforts are split between efforts to deliver housing as would any other developer or social housing organisation, and efforts to change the environment in which that delivery takes place. Consequently the pace at which Cope is able to achieve its delivery goals is much slower than an organisation following a more traditional delivery path. See also box 8.

Other problems faced by Cope include high interest rates, a lack of familiarity with the co-op model among prospective residents, and access to suitable land. In addition, given Cope's inner city Johannesburg target, the low levels of affordability among prospective residents (and consequently a narrow target niche, given high costs of construction and finance), is yet another constraint to its success.
Shelter Co-operatives in South Africa
Prepared by Kezia Rust for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in South Africa

B. Typology of co-operatives involved in shelter development

3. Co-operative-like initiatives

As defined in the introduction to section II.B above, co-operative-like initiatives are those that operate in a co-operative-like way, but that have no intention of registering themselves legally as co-operatives. These bodies are generally registered as Section 21 companies, although some are not registered at all. The benefit of including these examples in this study lies in the lessons that might be learned from them in their pursuit of co-operative approaches irrespective of the institutional form such approaches take. While they may never form "co-operatives" as envisioned by South African law, they certainly contribute to the broad conceptual understanding of how "co-operation" as an ideal, or as a methodology, is encapsulated in various shelter strategies.

There are four clusters of co-operative-like initiatives currently operating in South Africa which relate to the definition adopted by this study:

- The South African Homeless People's Federation and its member Housing Savings Schemes operate in a co-operative-like way. A total of 1220 Housing Savings Schemes across South Africa comprise the Federation, and are currently involved in 126 housing projects.

- Inner city tenant buy-out initiatives, primarily in the inner city of Johannesburg, collectively involve residents in the process of becoming co-owners of their housing. These are generally co-operative-like initiatives, as they rarely consider the co-operative model in making their institutional choice. The most prominent of these is the Seven Buildings Company, the first initiative to be awarded the government's institutional subsidy, which supports collective housing approaches.

- A number of other social housing initiatives, currently in their pre-establishment and development phases, incorporate a co-operative-like approach to varying degrees in their operations. Most of these are current clients of the SHF.

- Communal Property Associations, operating in communities that have benefited from land restitution and redistribution processes, are the closest form of institutional structure to the co-operative model. Aside from the legislation requiring a high level of participation, many initiatives arise from an existing community seeking to resolve their landlessness collectively.

These initiatives are reviewed below.
The South African Homeless People's Federation (Federation) is a movement of over 86,000 households involved in over 1200 savings collectives in over 1,000 homeless communities across South Africa. An example of a good NGO/community based partnership, the Federation's primary goal is "to develop its members' capacity to conceive, control and implement their own poverty alleviation strategies through the development of their own communities." With a membership that is 85 per cent female, leadership positions are held by a majority of women. While not structured legally as a co-operative, "co-operation" is at the centre of all of the Federation's activities. In everything the Federation does and stands for, the seven international principles for co-operatives are implicitly supported. See also box9.

The Federation was established in 1993/94, following an intensive networking process among homeless communities across South Africa that began in 1991 with the establishment of Housing Savings Schemes (HSS) in local areas. The Federation is the national network for these informal structures, which provide a focal point for the social and economic mobilisation of the homeless. Each day, a collector visits the household to collect their savings and to discuss the affairs of the HSS and the general community. There is no maximum or minimum amount which members must save; the only criterion is that they must save every day. With a pool of savings, the HSS is then able to allocate loans as required by HSS members. HSSs offer two types of loans. Crisis loans are available at an interest rate of 1 per cent per month, while income generation loans are available at an interest rate of 2 per cent per month. While each HSS has its own specific criteria for the allocation of loans, common to all is a commitment to the development of the community through financial, as well as personal support for its individual members. Table 5 demonstrates the membership, savings, and housing delivery statistics of the Federation.

In 1995, the Federation established the uTshani Fund to increase the lending capacity of the HSS. Capitalised to the tune of R 50 million, with donor and loan funding including a R 9 million grant from a German donor, MISEREOR, and a R 10 million grant from the Department of Housing, the uTshani Fund operates on a revolving basis. It provides 'wholesale' loans to Housing Savings Schemes, who on-lend this money to groups of members (usually between 10-20) and a R 10 million grant from the Department of Housing, the uTshani Fund operates on a revolving basis. It provides 'wholesale' loans to Housing Savings Schemes, who on-lend this money to groups of members (usually between 10-20) in need of finance for housing purposes. The Housing Savings Schemes then collect repayments from the group, and repay the loan on a monthly basis to the uTshani Fund. Repayments are calculated over fifteen years, at an interest rate of 1 per cent per month. For a maximum loan of R 9,978, this amounts to a monthly repayment requirement of R 120. In applying for a loan on behalf of its members, the HSS must demonstrate affordability, and must provide rough building plans. In addition, the HSS is required to deposit 5 per cent of the loan amount requested in the uTshani Fund as a deposit over the life of the loan. Loans are 'paid out' to members by the HSS in the form of building materials rather than cash. In 1998, the uTshani Fund was accredited by the Departments of Housing in five of the nine provinces to act as their agent in the distribution of housing subsidies. Consequently, the uTshani Fund is now able to offer its members subsidies as well as loans for housing purposes.

In carrying out their fund management, home building and other roles, HSS are technically supported by eight regional learning institutions, known as "Ufundu Zufes" ("learn until you die"). These centres are 'staffed' by volunteer HSS members who, over the course of their involvement in Federation activities have developed their capacity in a range of areas, and are able to use these to assist others. The Ufundu Zufes collect and manage regional savings information relating to relevant poverty alleviation strategies and development struggles in the region. This information is then shared among regions to ensure cross-regional learning and used to assist HSS in their negotiations with local and provincial authorities for land and subsidies. In addition, HSSs participate in regular exchanges with one another at the local, regional and national level. Through the Federation, some HSS members also participate in international exchanges with similar organisations in other countries that together form a network of homeless organisations known as "Shack/Slum Dwellers' International".

Within their HSS, members develop their homes in four basic steps. Training, provided by the Ufundu Zufes and by community members, is a critical component of each step:

- **Planning**: Through the Housing Savings Schemes, members learn in practice how to map and profile settlements, and gather basic socio-economic data about one another. This information contributes to the development of an overall plan for the development.

- **Financing**: Members teach one another basic financial management skills, including bookkeeping, banking and savings, so that they are prepared to manage the loan they will receive from the uTshani Fund.
• **Design**: Members collectively design and model the homes they wish to build, balancing their dreams with affordability constraints. The information gathered in this and the previous two steps is compiled in a business plan and subsidy / uTshani Fund loan application and submitted to the uTshani Fund and, in provinces where the uTshani Fund is not accredited to administer subsidies, also to the Provincial Housing Development Board.

• **Building**: Once the house design is accepted and housing loans and/or subsidies have been received from the uTshani Fund, building and construction begins.

In supporting this process, the basic premise of the Federation is that homeless people have the energy, initiative, skill and experience to meet their needs. The Federation therefore focuses its efforts on promoting the use of local and indigenous skills, capacity and technologies to achieve community-defined goals. The role of external actors such as professionals, developers, and even the state, is specifically de-emphasised.

Perhaps the most critical problem faced by the Federation and its members relates to the conceptual limitations of the formal network of development institutions in relating to the needs of the poor and how they actually operate. One consequence of this relates to a reticence among some Provincial Governments to support Federation-linked housing subsidy applications. The Federation notes that "there is a desperate attempt in South Africa to try to legitimise development in formal terms... The net result is that development is structured by formal institutions, including Government Departments, as being something very complex, rule bound, and driven by hard-nose financial indicators." Aside from alienating the poor, this system also takes the ownership of the development process away from the poor, placing it in the hands of already empowered developers, financiers, and professionals. Ultimately, the Federation argues, this leads to the perpetual social exclusion of the poor, thereby undermining the ultimate goals of the development process.

To address this problem the Federation is pursuing a short-term and long-term strategy simultaneously, with the support of an NGO of professionals, known as "People's Dialogue for Land and Shelter". The short term strategy is to support the internal development of capacity among its members in the interests of developing a critical mass of success stories. This is done through its HSS and home building processes, and has led to over 74,000 families across South Africa saving over R 4.3 million, and building over 5,300 homes.

On the basis of this emerging critical mass, the long term strategy is to challenge the traditional centres of development, be they in government or the private or NGO sectors, to hear and learn from the Federation's unique approach to community development and poverty alleviation. This is pursued in two ways:

- lobbying and advocacy among South Africa's formal institutions (including government) for institutional shifts in support of the Federation's process and its demonstrated success
- forging alliances with formal institutions to support the incorporation of the Federation's processes in more formalised approaches

In both of these areas, the Federation and People's Dialogue have had a number of critical successes, including the following:

- The Department of Land Affairs meets quarterly with a steering committee from the Federation, to discuss ways in which the land reform programme might better conform to the needs of the landless. This process has led to over 15,000 families receiving access to land with secure tenure.
- The Department of Housing implemented the "People's Housing Process" as one of its seven key strategies in resolving the housing crisis. This strategy is significantly influenced by the Federation's experience.
- The Federation is involved in discussions with the Department of Welfare regarding its MicroSave programme. The Department of Welfare has contributed R 4 million towards the uTshani Fund.
- An exchange programme has been developed with the Small Enterprise Foundation, in which SEF members and HSS members exchange experiences.
- An agreement in which the Federation will be charged with managing the Social Development Programme of the Department of Water Affairs' "Working for Water Programme" is imminent.
- The Catholic Church is engaging with the uTshani Fund with the intention of setting up a similar fund for its members.
Notwithstanding its clear commitment to "co-operation", the Federation insists that neither it nor its member HSSs are "co-operatives". The most significant reason in this regard relates to the legal focus of the classification. When Housing Savings Schemes seek legal registration, it is only in order to gain access to subsidies, and not, as would be traditionally expected, to protect the interests of members. The mechanisms by which the various HSSs and the Federation operate are agreed by all as sufficient in protecting members’ interests. Based on trust and mutual responsibility, within a framework of participatory democracy that implicitly supports the seven international principles of co-operatives, the legal sanction provided by registration, be it as a "Co-operative", "Company", or "Communal Property Association", is considered irrelevant. This said, when HSSs are forced to register, they do so generally either as Communal Property Associations or as Companies. The co-operative model is rarely used. The reason for this is two-fold. First, there prevails an assumption that the co-operative model is not conducive to low income housing approaches, and that to make it work would require significant (and costly) legal intervention. Second, to register legally as a Company or a Communal Property Association is relatively easy, and therefore, inexpensive. HSSs requiring legal registration prioritise the cost and facility of the registration process above the actual impact that such registration would have on their activities once achieved. Once registered, they continue their co-operative-like approaches under the guise of some other institutional form, using their legal status only when required to prove it in subsidy and other financial application forms. Their approach to the matter begs the question of whether a "co-operative" is defined by its institutional status, or by its practice and activities - a question which will be considered further in the conclusion.
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in South Africa

B. Typology of co-operatives involved in shelter development

3. Co-operative-like initiatives

b. Inner city tenant buy-out initiatives

From the early 1990s, the crisis facing tenants in existing inner city buildings has been highlighted. As part of a broader realisation of the decline of the inner city and the capital flight to suburban office parks, the terrible living conditions of inner city residents has also received attention. Overcrowding in many rental units, escalating building arrears, unresolved maintenance problems, warlordism in many buildings, absentee landlords, and so on, all contribute to a cycle of degradation that remains unresolved in many areas. The non-payment of rents and services has led, in Johannesburg, to arrears in some cases being as high as R 4 million. Where arrears are substantial there is little chance that residents, tenants or owners will be able to pay the arrears in full and still pay monthly consumption charges, rents or bond repayments let alone invest in the maintenance or upgrading of the properties.

Given the very low level of affordability among residents, and an unwillingness among households with higher levels of affordability to live in the inner city, the situation appears desperate. This “crisis in housing” is different from the “housing crisis” at which government’s housing policy is targeted. Government’s housing policy is focused on the development of new housing and the establishment of new communities, so that the national housing backlog of between 2-3 million households is addressed. The crisis faced in the inner city is different. There, housing exists. Instead of housing construction, the problem relates to housing management, and specifically to building refurbishment and maintenance, access to services, and community security. Government’s housing policy is not designed to address such issues, and consequently the necessary support mechanisms (including finance) are not in place as they are for the construction of new low-income housing.

While many inner city building communities continue to endure the situation, a number have resolved to address it directly. Drawing on their own collective strength, these residents have formed committees and, against remarkable odds, have purchased or are in the process of purchasing their buildings from their landlords.

The most well known of these initiatives is the Seven Buildings Company. The initiative began in 1991, when a group of tenants in seven buildings in Johannesburg’s inner city made an offer to purchase their buildings from their common landlord. Throughout the entire negotiations process with the landlord, the 435 resident households were represented by a committee of residents, supported by a legal advisor from the Legal Resources Centre, and other professionals from NGOs including Cope, Actstop and Planact, on a voluntary, unpaid basis. In 1996, the group was the first to receive institutional subsidies to assist them with the purchase of their building. Other than this, however, the Seven Buildings Company has received no additional grant funding. Currently, the Seven Buildings Company has contracted the property management services of Uptown Projects, an inner city property management company that has experience with inner city tenant buy-out initiatives. Uptown Projects’ fees are covered by the rentals collected from residents.

An important feature of the Seven Buildings Company has been its capacity to overcome adverse situations, and consequently its resistance to insolvency. Notwithstanding the collective purchase of the building, rental collections among residents remained problematic, with rentals being R 1 million in arrears by March 1997. Following the implementation of a strict arrears policy, however, this was reduced to R 130,000 just seventeen months later, in August 1998. While resident participation in the governance and management is cited as critical to this success, however, this very characteristic seems to be a stumbling block in the Seven Buildings Company’s quest to access loan finance. Resident representation on the Board of Directors has been cited by the HIDF as a conflict of interests, which believes that resident Board members would be disinclined to vote for a rental increase, even if this were in the interests of the company as a whole. See also box 10.

Other inner city tenant buy-out initiatives are generally not as large as Seven Buildings, having on average less than 50 members and being each based in single buildings. While most are registered as Section 21 companies, they operate in a co-operative-like way, each with a strong residents’ committee, and with residents represented on the Board of Directors. Formed by tenants as a mechanism through which to access control over their residential situations, and often in the context of unscrupulous landlords and deteriorating accommodation, these initiatives begin in extremely constrained circumstances. Aside from limited financial capacity (the institutional subsidy is generally all they are able to afford, and savings among the low income residents are generally non-existent), they are also limited in their administrative and managerial capacity (which, of course, they are also unable to ‘buy-in’). In the context of derelict buildings requiring considerable (and often costly) maintenance just to become habitable, the demands placed on the residents pursuing such initiatives are considerable. In addition, many operate as independent initiatives. This not only means that the various tasks involved in property management are duplicated by as many times as there are initiatives, but also that should a particular initiative run into management problems, there is no
support body to assist them, and they are more likely to fail.

One of the greatest risks facing these bodies is access to funding. Even the provincial government is reticent about the awarding of institutional subsidies to such initiatives. At issue is the management capacity required of such small bodies and the fact that if they should fail, the risk is not contained by some larger, "umbrella" body. To address this issue, the Inner City Housing Upgrading Trust (ICHUT) which operates in Johannesburg, issued a tender for an investigation into the long term feasibility of utilising tenant-based management structures for the purchase, upgrading and management of buildings in the inner city of Johannesburg. The research is expected to be completed in early 2000.

The majority of inner city tenant buy-out initiatives are in Johannesburg. In May 1999, they comprised approximately 1200 units. The potential for an expansion of this sector is, however, significant, especially if some of the financing and management problems are overcome. Most have entered into service agreements with Uptown Projects, and three initiatives are affiliated with Cope Housing Association. One other initiative is being spearheaded by the Provincial Department of Housing and Land Affairs, together with the Johannesburg Municipality. This involves resolving the crisis in what have been classified as "bad buildings" in Johannesburg's inner city, using the co-operative approach as a methodology to achieve this end. In Cape Town, the city council is considering social housing options including co-operative housing for the long term management of 35,000 units of council-owned stock. They note, however, that they are concerned with the capacity of the community to self manage, and their willingness to keep the stock affordable for low income earners. The scope of the inner city tenant buy-out initiatives in Johannesburg is set out in table 6.
The SHF defines social housing as "good quality, subsidised housing which should contribute to the regeneration of the area in which the housing stock is located. It is managed by independent institutions through participatory management approaches involving residents. Social housing can operate in a range of tenure forms, with the exception of immediate, individual ownership." While this definition does not define an income-based target market, the requirements imposed on such "independent institutions" by organisations such as the SHF and the HIDF imply that social housing generally targets households earning more than R 1,500 per month. As such, social housing is defined by the SHF as separate but overlapping with co-operative housing: co-operative housing may target income earners from anywhere between R 0 - R 3,500 (the entire subsidy-eligible range) and beyond, while social housing targets income earners from generally R 1,500 - R 3,500 and beyond.

South Africa's social housing sector has been growing steadily since the early 1990s, and includes a wide diversity of organisations spread over four of the country's provinces. Among the more established initiatives, most have been initiated by NGOs and CBOs, and most are in Gauteng (see table 7). As NGO / CBO initiatives, many of these operate in a co-operative-like way, though they are structured as other legal entities, such as the Section 21 model.

It is interesting to note, however, that of the SHF's 34 new clients, most are driven by private companies, developing new-build projects, with only limited involvement on the part of residents. This is a result of the design of the institutional subsidy policy which allocates the institutional subsidy on the basis of a flat rate of R 16,000 applied to all eligible households earning less than R 3,500. Of the nineteen NGO/CBO/government initiatives shown in table 8, six appear to operate in a co-operative-like way, involving strong community participation. In one instance, the SHF's intervention contributed to the resident's community resolve to form a social housing institution and pursue the social housing model.

In addition to the social housing initiatives linked with the SHF, one other initiative bears noting. Ubunye Co-operative Housing started with the support of a Canadian Methodist Church mission in the inner city of Pietermaritzburg. For Ubunye, the word "co-operative" is used as an indication of its social focus rather than as a legal prescription. "Co-operative" refers to a commitment to creating a social environment in which members can find a way to work together for a mutual purpose. This is expressed through collective management of common and private facilities, and the promotion of respect for cultural and political differences. Ultimately, Ubunye seeks to build a social harmony among its membership that will contribute towards a sense of security and safety. While using the term "co-operative" to describe its efforts, however, Ubunye is structured more along the lines of a "friendly landlord", in which residents are broadly consulted on, though ultimately not responsible for, the management of the housing.

With funding and technical support from the Methodist Church, the initiative first purchased a house, which was then occupied communally by Ubunye's first residents. Since then, Ubunye has grown to over 200 people. Residents' rights are protected with a formal lease agreement that is carefully negotiated between residents and management. Ongoing, flexible consultation is promoted to ensure real resident participation in the institution's management.

In the majority of the above examples, while co-operative approaches are used, these relate to the desire to incorporate the community in the housing process, almost as a methodological approach to achieving social harmony and sustainable community development. The extent to which the initiatives are "community driven", is arguably less than the tenant buy-out initiatives considered earlier. One must be careful not to attribute a value to this observation however. Those communities and households involved in social housing initiatives are fortunate to have the support of NGOs and other such organisations as they seek to access housing. In many cases, their success in accessing decent housing will be greater than that of their inner city building counterparts because of this support. The distinction then, lies in their lifestyles after the housing has been secured, and the empowerment and impact on the community.

Another observation worth making relates to scale. Both the social housing initiatives profiled above, and the tenant buy-out initiatives profiled earlier, involve very small initiatives of between 20 - 200 (at most) households. In the context of an enormous housing backlog and a government intent on claiming success in its resolution, emphasis placed on these initiatives is likely to be less than on initiatives that can deliver more housing in a shorter time period. The (often justified) perception that participation and co-operative action requires time is one of the most significant limitations on this model being accepted in the current context. At the International Conference on Co-operative
Housing, held in Johannesburg in July 1999, it was resolved that the issue of scale needed to be addressed by the various stakeholders in the 'sector'. How this will be addressed still remains to be seen however. This issue will be considered further in the conclusion to the paper.

Finally, it is worth noting that while co-operation appears to be a popular approach in low income housing initiatives, co-operatives as legal entities are not. This may signify that the South African low income housing sector is ripe for the development of a co-operative movement. Alternatively, it may indicate that among co-operators, legal structure is less important than the activity of "co-operation". This thought will be addressed in greater detail in the conclusion.
CPAs are eligible for a wide range of possible tenure forms within the framework of a communal tenure dispensation. Tenure could range from nearly complete landholder autonomy, with the option of selling and presumably mortgaging land to outsiders, to relatively restricted tenure systems where land transfers are limited to community members. The importance of this is that communal tenure can allow for almost all the benefits that private tenure allows. While the CPA will own the land, individual members of the CPA will have individual rights to use the land. CPAs are the only co-operative-like initiatives currently operating in rural areas - the majority of all other co-operative-like initiatives are found in rural and peri-urban areas. This notwithstanding, CPAs are also applicable in the urban context. For instance, when tenants wish to own a block of flats in which they reside, this can be acquired in the name of the CPA.

Once a CPA is formed and land is transferred to it, the members of the CPA are free to decide how to make use of the land. Land uses range from housing and subsistence agriculture, through to formal agricultural enterprises (often in a joint venture with a larger body), and eco-tourism initiatives, depending on the specific needs and ambitions of the community and the environmental conditions of the land. In some cases, the Department of Land Affairs official assists with the initial negotiations processes of the community concerned to help the CPA gear up to being a sustainable enterprise. If the land restitution grant of R16,000 per household is not used up in the land acquisition and servicing process, the residual amount is transferred by DLA to the CPA, for its own use.

Decisions within the CPA are made at general meetings of all members, in which each household is afforded two votes, to be made by separate household members. This provision seeks to protect the rights of women in each household, so that female household members may also vote, even in situations where decision-making is normally the preserve of male household members.

Government has noted that it is in its interest for communities to be well established, and for the CPA constitution to follow rather than lead the community in its process. In this regard, the 147 registered Communal Property Associations are perhaps the most co-operative-like initiatives involved in shelter development, currently operating in South Africa. Consequently, the Act which guides the formation of CPAs acknowledges the capacity constraints of the disadvantaged communities at which it is targeted, and empowers the Registrar to act developmentally in assisting in the registration process. When a community is in the position to benefit from land restitution or land redistribution, an official from the Department of Land Affairs' provincial office meets with them to discuss their needs in respect of accessing that land. If a legal entity must be formed, the provincial officer then meets again to discuss the various legal options available to the community, and to advise them on which option best suits their needs. This is followed by another 2-3 meetings during which time the provincial officer assists the community in articulating their needs within the framework of a constitution, elect a governing body, and resolving to become formally registered as a CPA. Furthermore, the Registrar is entitled to assist in the conciliation and resolution of disputes, not only in the constitution drafting process, but also after land is transferred and the CPA is functioning. Government’s involvement in the formation of CPAs is specifically related to the capacity constraints normally facing communities that would be eligible for land restitution or redistribution. In its efforts, therefore, significant capacity demands are placed on government officials, especially at provincial level. Once the CPA is formally registered, the role of the government official subsides.

A critical problem with the CPA process to date relates to servicing. In many cases, the local authority has had insufficient capacity to service the land, leaving the CPA without access to basic services. As a result, the process has been required to provide servicing arrangements to be made prior to the registration of the CPA. Financing is less of a problem for CPAs. To date, a number of CPAs have accessed finance from the Land Bank in order to undertake agriculturally-related facilities. In these cases, security for the loan is generally tied to the production, rather than to the land itself. Financing has been a problem at an individual level, however. While individuals are entitled to offer their exclusive rights to the land as security for the loan, this provision is generally insufficient from the lenders' perspective. Consequently, the model does not resolve the problem of individual access to finance in situations of...
communal tenure. A further problem relating to CPAs has to do with size. Given the intense participative nature of the CPA, larger memberships are difficult to manage. This problem has been overcome in some cases by constructing a hierarchy of CPAs with "mother bodies" acting as umbrellas for local bodies, in much the same way as Cope Housing Association relates to its member co-operatives, or as the East London Housing Management Co-operative relates to the Amalinda Housing Co-operatives.
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C. Basic functions of co-operatives involved in shelter development

It is clear from the initiatives studied that "co-operatives" (be they registered, or only pre-co-operative or co-operative-like initiatives) do not necessarily involve co-operative approaches in all that they do. Depending on their specific context, some may use the co-operative approach in housing delivery, others may use it in housing management, others still may use it for savings and housing finance. It is not necessary for each co-operative initiative to address the entire housing delivery and long term management process co-operatively.

There are many entry and exit points within the housing process for a co-operative approach, and activities not done co-operatively may be outsourced. For instance, Cope Housing Association promotes the establishment of local housing co-operatives that take on co-operative ownership of housing stock and co-operative decision-making in its management. These members of Cope don't physically do all the activities involved with property management themselves, but rather contract Cope to do the work on their instruction. In Cope's new build projects a contractor is hired to do the construction. The East London Housing Management Co-operative, on the other hand, will use the co-operative approach in the process of planning the various co-operative blocks, as well as in the delivery process. Their approach to co-operation includes the housing delivery process.

Within the broad "co-operative housing" sector, as it is defined in this report and in the typology set out in II.B above, three main functions can be discerned:

- housing delivery;
- housing management; and
- housing finance, including savings and credit.

Within these three main categories, sub-categories relating to block or brick making, fencing, construction (either for personal use or as a job creation exercise), savings, credit, community development, etc. also operate. In some cases, the co-operative pursues the delivery of housing not as a co-operative exercise, but rather as a developer, contracting the services of both formal and informal builders to build the housing on behalf of the members. These co-operatives generally target higher income earners within the subsidy category of households earning less than R 3,500. Co-operatives that pursue self-help or mutual-help housing delivery generally target lower income earners and the unemployed, such as those earning less than R 1,500.

It is interesting to note the extent to which initiatives seek co-operative ownership (defined in table 9 in the "tenure" column, under "management") as opposed to other forms of tenure, such as individual ownership and rental. Generally, individual ownership and rental tenure are more popular than co-operative ownership tenure. Even in the Amalinda Housing Co-operatives, it is expected that most members will convert their tenure status to individual ownership once the four year period during which time the institutional subsidy policy requires that tenure be something other than individual ownership expires. In this case, however, it is expected that the Amalinda Housing Co-operatives will continue to operate, providing community development services on a co-operative basis. This further emphasizes the point that there are multiple entry and exit points for using the co-operative approach in shelter development, and raises again the question as to the definition of "co-operative" in the context of shelter development. If the definition of co-operatives, pre-co-operative initiatives and co-operative-like initiatives require co-operative tenure, the 'sector' as it has been identified in South Africa is considerably smaller. This issue, and the strategic worth of the definition, will be considered further in the conclusion to this report.
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D. Overview of key data

The following tables summarise the various types of co-operative profiled. Table 10 considers key data on co-operatives contributing towards housing finance through savings and loan schemes. Table 11 considers key data on co-operatives contributing towards housing delivery through a range of interventions.

Because of the relative youth of the various co-operative initiatives, data has been extremely difficult to access. Data for registered co-operatives, accessed from the Registrar of Co-operatives, is only available up until 1995, and this relates only to financial indicators. The Registrar does not keep data relating to the operations, structure, gender composition, area of intervention, and so on. While the NCASA has indicated that it will compile such data, it is currently only in the research phase for the design of the database. Consequently, it was impossible to get an up-to-date overview of the sector as a whole.

A further problem relates to the fact that neither the Registrar, nor NCASA concern themselves with the affairs of non-registered co-operatives. As this study notes, it is within this 'sector' that the majority of housing-related co-operatives are found. Defining the non-registered co-operative sector involved in shelter provision for the purposes of quantifying its impact, therefore, has been impossible. Problems in this regard relate to the subjective definition of a "pre-co-operative" and "co-operative-like" entity, and the fact that the various initiatives are at different stages of implementation, with many only beginning to plan their operations. In addition, among the data that is collected by each individual organisation, there is very little consistency both in terms of categories of information, as well as how those categories are defined.

In an attempt to round out the data beyond the specific initiatives profiled, tables 12 and 13 seek to quantify the delivery of the institutional subsidy as an indicator of "co-operative potential" within the low income housing sector. While the validity of such an association is perhaps suspect, the tables do help to define the broader social housing sector, in which co-operative housing is included.

Table 10 demonstrates the relative immaturity of the co-operative sector with regard to housing finance. Of the six initiatives set out above, five have begun operations, and of these, only four have lent out loans. While the SACCOL Central Finance Facility's housing loan product promises to be an important intervention (given the a membership of 5800 among the various SACCOs that are SACCOL members) it has yet to be tested in two pilot initiatives. The 4,296 housing loans extended by the Central Finance Facility to date are the precursors to the actual housing loan product. While eight savings schemes within the East London Housing Management Co-operative (ELHMC) have saved almost R 80,000, the EL SACCO currently exists only in policy. It is likely that its operations will only begin once the ELHMC has completed the Amalinda Co-operative settlements project of 196 units.

All of the initiatives, with the exception of the uTshani Fund are relatively small and with a limited impact to date. That said, the combined membership of the HSSs, at almost 75,000, accounts for the total value of savings equaling almost R 4 million. While this only represents an average saving of only R 52 per person, the combined value of the savings has given the revolving loan mechanism considerable capacity, and together with donations of over R 14 million, generated a revolving loan account of R 28 million. Some might argue that at R 52 per person, the savings component is only symbolic. This overlooks, however, the broader impact that the savings process has had in mobilising communities around their housing goal and empowering historically marginalised households and individuals to actively participate in the resolution of their own housing crises. In addition, the uTshani Fund loans are used by borrowers as bridging finance for government subsidies, thereby assisting government in its cashflow and increasing the pace of housing delivery among the poorest of the poor.

Another interesting feature is the impact of external support. While the co-operative principle seeks to utilise existing savings on a revolving basis to support the loan book, two initiatives (CME SACCO and the uTshani Fund) have accessed external funding, while a further two (SACCOL Central Finance Facility and EL SACCO) are planning to do the same. The reasons given by both initiatives have to do with the additional liquidity demands placed on a fund as a result of offering housing loans. Housing loans are generally larger loans, repayable over a longer period. Even though all of the above schemes, with the exception of the uTshani Fund, have three-year repayment periods, for CME SACCO and for the SACCOL Central Finance Facility, this is longer than for the other loan products they offer.

Most of the housing finance arrangements (with the exception of CME SACCO and the SACCOL Central Finance Facility) listed above are linked to initiatives pursuing the delivery and management of housing for their members. Key data on these initiatives is set out in table 11.
Table 11 shows the spread of initiatives that might be loosely classified as comprising a "co-operative housing sector". The initiatives range from those involving self-help and mutual-help housing delivery methodologies targeted at the unemployed and lowest income earners (those earning less than R 1,500 per month), through to initiatives in which the co-operative plays the role of developer, delivering housing for higher income earners (those earning between R 1,500 and R 3,500). Interestingly, the initiatives with the highest percentage of women among their membership (SAHPF and ELHMC) are also those that target the lowest income earners. Cope Housing Association, operating in Johannesburg's inner city, is the only initiative delivering new-build units of up to R 64,000. The majority of initiatives seek to develop their housing within the confines of the institutional subsidy. This is likely to be due to the low levels of affordability among members, as well as the relative non-availability of finance to initiatives seeking to incorporate a co-operative approach.

Table 11 shows that only 5,839 institutional subsidies have been paid out since the introduction of the institutional subsidy in November 1995, a further 24,438 subsidies are in the pipeline for payout in the near future. This possibly relates to the long lead-in time required to facilitate the establishment of a social housing institution. It is not possible to determine the percentage of co-operative-like initiatives among those projects subsidised with the institutional subsidy. If the suggestion in Table 11 that 9,336 units (projected and delivered) involve co-operative approaches, is accurate, this could further suggest on the basis of Table 12 that of the 30,277 unit delivery potential, approximately 30 per cent has been or will be undertaken in a co-operative-like way. This said, it should also be noted that a large proportion of institutional subsidy projects are likely to be developer driven, where such developers hold the stock for four years on a rental basis only to sell in terms of individual ownership thereafter so that they may benefit from the full amount of the subsidy (for a discussion on the policy, see chapter II.G.1.a).

Table 13 compares total projected and real delivery by subsidy types. Projected delivery for institutional subsidies, at 2 per cent of the total delivery potential, remains far less than that projected for the other subsidy types. This may have something to do with its later implementation date (the project-linked and individual subsidy mechanisms were implemented in 1994 and 1995 respectively) and the lack of familiarity associated with this approach. Certainly, between 1994 when the subsidy policy was implemented, and possibly 1997, government's primary focus was on promoting private ownership through the individual and project-linked subsidy mechanisms. It appears, however that a shift in focus, in favour of the institutional subsidy, is now beginning. At the International Conference on Co-operative Housing in July 1999, the national Director General of Housing, Ms Mpuma Nqumalo, as well as the provincial MEC for Housing in Gauteng, Mr Paul Mashatile, were both heard to argue that after five years of scale delivery, integrated delivery would become government's priority, and that this would now be pursued through a variety of tenure forms. Coupled with the President's statement in support of the development of co-operatives during his opening of parliament speech, this shift in focus (especially if accompanied by new facilitative mechanisms) could encourage greater delivery of housing by co-operatives and the emergence of more housing co-operatives in the low income housing sector. Certainly, the potential for co-operative approaches to shelter development, especially in the inner city in terms of tenant buy-out initiatives, but also among Housing Savings Schemes, and in rural areas through the Communal Property Association vehicle, is significant.
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E. Structure of co-operation

The "co-operative" approach is variously pursued by the different initiatives. While at the centre of the operations of some initiatives, co-operation is often but a component of how others work. This section considers the structure of registered, pre-co-operative, and co-operative-like initiatives, and concludes with a comment on the attention given to gender in these initiatives.
E. Structure of co-operation

1. Registered co-operatives

The East London Housing Management Co-operative is the only legally registered housing co-operative in South Africa to date. While structured along the lines of the Swedish co-operative model (given the support of the Swedish Co-operative Centre), it also seeks to maximise the benefits available from existing government policy programmes. These are the institutional subsidy programme and the People's Housing Process (both these policy programmes are reviewed in section II.G.1 of this report). In terms of the People's Housing Process policy, the ELHMC has developed itself as a support organisation, which provides groups of households (individual housing co-operatives) with "support" in the building of their own houses.

The model (see figure 4 ) involves four roleplayers:

- **Individual members** voluntarily join the ELHMC with a R 70 membership fee, and the EL SACCO with a R 60 membership fee. Once they are allocated housing, they also become a member of a Housing Co-operative.

- **ELHMC** is the 'umbrella-like' structure which facilitates the development of new housing projects for unhoused members and which provides on-going management support to member Housing Co-operatives.

- **EL SACCO** provides a number of savings and loan products, as well as a home improvement savings and loan product to HMC members. Individuals may be members of the EL SACCO without being members of the ELHMC. All members of the ELHMC, however, must be members of the EL SACCO.

- **Housing Co-operatives** own the land and houses within a co-operative block. A co-operative block is a portion of land that can accommodate 15-30 housing units. Each member of the Housing Co-operative has the right to occupy a particular unit with in the co-operative block and enjoys exclusive access to designated "personal space".

Access to housing stock is based on the members' commitment to save, given their ability to do so (the "savings" principle). For every month that a person saves the amount to which they have committed themselves (either R 30, R 60 or R 120), they get one point. After a person has earned six points, they are eligible for being allocated to housing units as they are developed by the ELHMC. Those with the most points are given first preference. Once allocated housing within the Housing Co-operative, members enjoy co-operative ownership of their units. Each member is referred to as a 'tenant owner' in that they 'rent' from the Housing Co-operative in which they own a share. When they leave the Housing Co-operative, they transfer their share to the next person on the savings waiting list of the ELHMC. After four years (as stipulated by the institutional subsidy policy), the member may choose to continue co-operatively own the unit, or to transfer the unit to individual ownership. Shares are transferred on the basis of a "limited equity" principle. The amount of money that a member receives for their share when they transfer it, is based on a calculation that involves the value of approved additions or personal investments made to the unit, inflation, depreciation, and other factors. [128]

The other two registered co-operatives identified as particularly relevant to the study are both savings and credit co-operatives. As such, they operate as revolving loan funds. They receive savings from their members, amass these in a central account, and then lend them out on certain terms to successful applicant members. Members are represented on the Board of Directors, giving them a say in the loans policy that is ultimately maintained and the rate at which interest is set. In their loan approach, they rely on a system of relationship-based lending in which borrowers in arrears are given the opportunity to raise their financial concerns with a representative of the SACCO and address these in a mutually beneficial way.
Aside from the Amalinda Housing Co-operatives which are part of the East London Housing Management Co-operative (ELHMC) model, the only other pre-co-operative initiative is that being pursued by Cope Housing Association. Cope's co-operative model is similar to that used by the ELHMC with the exception of one factor. In the Cope model, access to housing is based on a "seniority principle" (the length of time a member has been on the housing waiting list), rather than on a "savings principle" as with the ELHMC. While structured along the lines of the Norwegian co-operative model (given the support of NBBL), it also seeks to maximise the benefits available from the institutional subsidy policy in its urban target market area. Like the ELHMC, the Cope model (see figure 5) involves two levels of co-operatives:

- the "housing management co-operative" (Cope Housing Association), establishes the various housing co-operatives and provides them with ongoing property management services
- the various "housing co-operatives" (such as the Newtown Housing Co-operative, or Hadar Court) hold the housing stock on behalf of member residents

The system works on the basis of two steps:

- Members of the public, waiting for co-operative housing units, voluntarily become members of Cope (the Housing Management Co-operative) in order to secure a place for themselves in the queue.
- Once housed in units owned and/or provided by a Housing Co-operative, they would become members of that co-operative. This would secure them exclusive use of a particular unit owned by the co-operative, which they would occupy on the basis of a Use Agreement. Through their membership in the Housing Co-operative, residents would also be members of the Housing Management Co-operative, and would thereby be responsible for pursuing an ongoing housing development programme for the benefit of the unhoused members.

In this way, the Housing Management Co-operative is accountable both to the housed and the homeless, ensuring the necessary tension between housing improvement and service delivery (for the housed) and housing development (for the homeless). The principle behind this arrangement is that members that have benefited in improved housing circumstances due to their membership in Cope have an obligation towards those who still have not benefited and who remain unhoused. Consequently, once members are housed, they are still required to maintain their membership in Cope so that they may serve the interests of those not yet housed. In this way, Cope is promoting a sense of community and common bond between individuals in need of housing and those housed. In addition, this model protects the long term sustainability of Cope's operations by ensuring that even those who have been "satisfied" with housing remain part of the ongoing process of developing new housing.

The relationship between Cope, as the Housing Management Co-operative, and the Housing Co-operative it establishes is confirmed within a series of agreements that relate to the development and property management of the housing stock. Revenue from the property management services provided by Cope to its housed members, assists it in carrying out its housing development objectives in favour of its unhoused members.

The relationship between the Housing Co-operative and the resident (a member of the co-op) is confirmed within two agreements. First, the shareholding agreement acknowledges that the resident is a member of the co-operative and that he or she owns a share. Second, the "Use Agreement" defines the conditions and rights of the resident in respect of the physical space they are entitled to "use" (i.e. their residence and any common space). Two critical issues are set out in the Use Agreement:

- **Equity**: the resident is required to pay a set amount to the co-operative, which will be an interest free loan to the co-operative and payable upon termination of the Use Agreement (when the resident terminates his or her membership in the co-operative). The equity serves as security for any amount that may be owing by the resident to the co-operative, or for the cost of any repairs that may be necessary, subject to certain conditions.
- **Exit repayment**: this is a set percentage of the monthly charge contribution starting from the month following the date when the Use Agreement is signed. It is repayable to the resident upon terminating his or her membership in the co-operative. This is subject to the following conditions:
The resident must have been a member of the Company for at least four years (in terms of the institutional subsidy policy).

The resident must have complied with all the rules and regulations set out in the Use Agreement.

The successor of the resident pays the amount of the exit payment in order to become a member and enter into the Use Agreement.

Each housing co-operative is run by a Board of Directors (with the assistance of Cope) that is elected by all member residents of that co-operative. All the decisions pertaining to issues such as the upgrading of the building or common areas are addressed at general assemblies of all resident members, and then implemented by the Board. Both Cope and its member co-operatives operate on the basis of one share / one vote. In this way, the members of the individual co-operatives, as well as the unhoused, control Cope through the annual general meeting.
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E. Structure of co-operation

3. Co-operative like initiatives

Among co-operative-like initiatives, there is much more variety in structure. Generally, however, two models can be defined: the NGO model, and the community-based model. Contrary to the ELHMC and Cope models which operate on the basis of a two tier structure, these are generally one tier structures, with the initiatives operating on the basis of their members immediate and limited housing needs, and no relationship between the housed and the unhoused.

The NGO model (see figure 6) generally involves three players: the NGO, the co-operative-like initiative (usually registered as a Section 21 or other Company), and the donor/technical advisor/financier. Donor/financier involvement is channeled through the NGO who is responsible for establishing and maintaining the relationship. The NGO is also responsible for marketing the concept and educating the residents/members on how the model works. Once they have accepted the co-operative-like approach, the NGO provides technical support to the institution that is established, so that the agreed ideals are achieved. In some cases, often depending on the requirements of the donor or some other financier, the NGO also provides an individual to act as a representative/technical support person on the Board of Directors.

The critical aspect of this model is the role of the NGO in driving the process. Irrespective of who initiates the project, the technical capacity provided by the NGO ultimately makes it the driver. In cases where the initiative is driven jointly by the NGO and the Section 21 or other company, this generally has more to do with the sensitivity of the NGO to the need for community participation than the strength of the community to carry out the initiative independently.

With the community driven model (see figure 7), on the other hand, the relationship with the NGO or property manager is based on a strict contract and defined as "technical services" rather than "technical support". In this regard, the voluntary association or other structure is the client of the NGO, which provides services for which it is remunerated. The Voluntary Association is generally an empowered organisation, able to market the concept and provide the necessary education to its residents itself. Indeed, in many cases, because it is the members who have formed the Voluntary Association, their need for marketing and education is far less than those involved in the NGO approach, at least in the initial stages. As the initiative develops however, and as information needs change, the Voluntary Association may consider undertaking such activities itself.

The main distinction between the community-driven model and the NGO model is the relative power of the Voluntary Association (and therefore the resident members) in relation to other stakeholders in the process. Even when this structure lacks capacity in critical areas and is therefore dependent on the role of the contracted NGO or property manager, it retains a degree of control in how the service provider operates in the provision of services. Resident representation on the board enhances this aspect of community ownership.

At the recent International Conference on Co-operative Housing, it emerged quite clearly that donors and financiers prefer the "NGO" model to the "community" model. In the former, the NGO takes the lead. Donors and financiers feel they can rely on it to take on the risk of the initiative - and ultimately to take on their risk in investing in the initiative. This is similar to the two-tier model used by both Cope and the ELHMC in which both organisations appear to take on the risk associated with investment in their member bodies. In the NGO model, the NGO plays the role of the Housing Management Co-operative. With the community model, on the other hand, there is no 'umbrella body' as such, and the voluntary association generally lacks the capacity to take on the donors' and financiers' risks alone. The NGO or property manager whose services are contracted in by the voluntary association is also not contracted to take on these risks, and so the financier becomes reticent in investing.
While gender is not specifically emphasised in the pre-co-operative model, the role of women in the housing process seems to be generally enhanced through the co-operative approach. This approach, especially when undertaken by the community itself, seems to attract those that are often disadvantaged by other forms of housing delivery. It becomes the mechanism by which people seek to help themselves in the face of discrimination against their situations from other approaches. Women headed households generally have lower or irregular incomes and are not effectively represented by the male dominated civic associations that are the focus of "consultation" processes implemented by developers. The co-operative model affords them the opportunity to drive the consultation process themselves. This theory is supported by the fact that there is a greater percentage of women involved in the ELHMC which targets lower income earners, than in Cope Housing Association, which targets higher income earners.

Gender is given specific attention by the Communal Property Association model. In terms of the Communal Property Association Act, each member household is afforded two votes. Neither party may give their vote to the other member of the household, forcing a situation where both the man and the woman are both given the opportunity to vote independently. Co-operative legislation, on the other hand, gives little attention to the role of women in co-operatives, and how this might be supported.

Within the Housing Savings Schemes of the SAHPF, the role of women is specifically emphasised. Women make up 85 per cent of the membership of the various HSS, and dominate the various support structures comprising the SAHPF. The reason given for the predominance of women in the SAHPF arrangement is that women are more likely to save than men, and that the practice of daily savings supports their existing networks and daily practices.

Politically, it is important for government to acknowledge a focus on gender. As such, linking gender issues to a rationale for supporting the development of co-operatives may be a strategic way to get co-operatives included within the national housing policy, and specifically the pending second White Paper on Housing. The model being pursued by the ELHMC may be especially attractive in this regard, as the national Department of Housing has also recently confirmed a new focus on promoting savings in the housing process. To date, the national housing department's rhetoric on gender, however, has not been met with any specific policy initiative.
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Prepared by Kecia Rust for UNCHS (Habitat) and ICA

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F. Financing, external resources

Financing remains a critical problem for all social housing initiatives in South Africa, co-operative initiatives included. Despite the establishment of the HIDF whose mandate it is to provide loan finance to housing institutions serving the subsidised housing market, credit remains largely inaccessible to initiatives which seek to involve co-operative approaches in their affairs. This is primarily a policy issue, relating to the familiarity of the facilitative institutions such as the HIDF with the operations of a co-operative-like initiative, and is discussed in greater detail in section II.G.3, below.

On the other hand, external, donor support for co-operative approaches to shelter development is prominent in South Africa. Primarily four foreign donors are currently involved in various ways of promoting co-operatives in shelter development (see also table 14):

- The Norwegian Agency for Development Co-operation (NORAD) and the Norwegian Federation of Co-operative Housing and Building Association (NBBL) are currently in the second year of a four year contract to provide support to Cope Housing Association for the promotion of co-operative housing through the "Co-operative Housing Programme". The programme involves the provision of financial and technical support and focuses explicitly on pursuing the implementation of a co-operative housing model in South Africa.

- The Swedish Co-operative Centre (SCC) is currently in the second year of a three year contract to provide support to Afesis-Corplan for the promotion of co-operative housing through the "Social Housing Programme". While this programme is pursuing a co-operative model, its initial intentions did not require that the "co-operative" entity be legally adopted.

- The Co-operative Housing Foundation (CHF), a US-based NGO, is currently involved in a project in Port Elisabeth involving mutual help. While the programme's origins are in the co-operative model, they do not rely strictly on its characteristics but rather seek to find an approach that responds appropriately to the particular environment in which the programme operates. In this regard, the co-operative model as a "model" is in many ways de-emphasised.

- Rooftops Canada has placed technical advisors in a number of NGOs in South Africa to support the development of social housing, and specifically, a co-operative housing approach in that process. As with the CHF programme, the co-operative model is de-emphasised in favour of an approach which responds to the particular local context, its needs, and its capacities.

Notwithstanding heavy donor support, almost all initiatives are structured in ways intent on avoiding donor dependence. Cope Housing Association has until 2001 to accommodate its budget internally. In this regard, it has transformed its financial and administrative systems to accommodate the principle of cost-recovery. This has been no small feat, as previously it was offering services to member co-operatives free of charge. More serious, however, is a dependence on technical advisors. Cope Housing Association has two Norwegian technical advisors who play a significant role in all of Cope's activities. While their brief is specifically designed to ensure skills transfer, their role to date has stretched beyond an advisory function as they've sought to support Cope resolve its immediate capacity constraints in a range of areas. Ubunye Co-operative Housing might be in a similar situation, with a full time technical advisor who seems to represent the organisation's public face. Certainly in these early establishment stages, the ELHMC is highly dependent on Afesis-Corplan, an NGO based in East London and the organisation through which the Swedish Co-operative Centre support is channelled. It therefore becomes all the more critical that the relationship between the technical advisor and the recipient organisation is clearly spelled out, efficiently managed, and cost effective. The relationship should be based on transparent contracts in which both sides (technical advisor and host organisation) respect and use each others' skills and experiences.

The problem with dependency on technical advisors, however, is not always due to the affairs of the organisation itself. In many cases, it may rather relate to the needs of stakeholders who engage with the organisation on a regular basis. As "additional capacity", technical advisors often have more time than the organisation's formal employees, which they often use to become familiar with the breadth of the organisation, rather than just their own specific division. This makes them extremely valuable resources not only for the organisation itself, but also for outsiders seeking access to what is often a complicated structure. Technical advisors then become the first and preferred point of contact for outsiders. Once these outsiders have defined their relationship with the organisation in terms of the technical advisor they deal with, it becomes difficult to re-direct their interest in favour of a regular
employee who may have less time to humour their requests. [3]

A clear benefit of donor involvement relates to the testing of new ideas. It is unlikely that without the support of the Swedish Co-operative Centre and NORAD / NBBL, that Afesis-Corplan and Cope would have pursued the co-operative model. The additional funding provided by these foreign donors gave their South African counterparts the freedom to take a risk with this model that many had defined as too marginal for housing purposes.

Perhaps the main risk with regard to donor involvement is not in respect of any individual organisation, but rather in respect of the sector as a whole. Already, the social housing sector has developed a reputation within the low income housing industry in South Africa as being heavily dependent on external, donor support, in the form of financial and technical support. The consequence of this classification is that social housing is not automatically seen as a viable enterprise. This prejudices financiers against the social housing model and makes finance especially difficult to access, increasing the need for donations, and thereby fueling a cycle of dependence. Remarkably, the classification is even detrimental to the reputation of the industry when understood in the opposite way. When an initiative is able to operate without external assistance (such as the Seven Buildings Company) this is interpreted as an indication that the initiative is not providing a sustainable product, and is therefore not viable. [4]

Among the Housing Savings Schemes of the South African Homeless People's Federation, there is some dependency on external funding. The R10 million grant from the Department of Housing to the uTshani Fund has been used as a revolving loan. Here the dependence may be on the non-market interest rate of 1 per cent on all loans. The SAPHF argues that within the framework of its membership, such a rate is sustainable because of the low risk of default (given the relationship based lending approach that is used), and the continuous savings effort of the some 75,000 members.

Ultimately, South Africans are highly suspicious of donor dependence. In this regard, all initiatives face considerable incentive to extract themselves from a dependency cycle and ensure that their services are both cost effective and supportive of their long term sustainability. In the short term, however, the problem of end user affordability remains. For most organisations working in this sector, there is still a gap in funding between the institutional subsidy and the availability of loan finance from the HIDF, especially given the prevailing interest rates. The Donor organisations have played an extremely important role in facilitating the delivery of social housing by making up some of the shortfall.
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G. An enabling environment

The enabling environment for co-operatives is lodged within a broader framework that seeks to promote social housing from the national level. This broad framework for social housing comprises a policy, legislative, financial and support framework, all working in conjunction with one another. As a whole, the four components of the framework define the boundaries of each through a hierarchy of policy interventions. Within the overall policy framework to promote social housing, the primary intervention is the institutional subsidy. This mechanism provides financial assistance to housing institutions seeking to provide housing for low income earners with tenure arrangements alternative to direct, individual ownership. Regulations incorporated within the institutional subsidy policy define the boundaries of the legislative framework, by stipulating that only companies, co-operatives or communal property associations are eligible institutions. On the basis of these three options, various tax conditions apply. The financial framework then comprises mechanisms to address the requirements of the institutional subsidy mechanism, and the support framework involves interventions that seek to promote the viability of institutions.

Within this broad enabling environment formed at national level, provincial and local governments are constitutionally entitled to pursue their own approaches to social housing, as are suited to their individual local contexts. Some provinces and local authorities have therefore given more attention to the potential for social and co-operative housing than others. Those jurisdictions which do emphasise social housing, generally comprise areas with a high proportion of urban land and inner cities, such as Gauteng province, and the municipalities of Johannesburg and Durban. While social housing is occurring in other jurisdictions as well, this is generally without explicit local or provincial government support, and rather as a result of NGOs in the area that have identified social housing as a viable option.

Within the broad framework for social housing, co-operative housing is, however, a minor focus. Perhaps because of ignorance more than anything else, the social housing framework generally favours rental and instalment sale models. That said, given broad acknowledgement of the value of public participation in development processes, there is clearly room within the framework to pursue the co-operative model more aggressively. Certainly, this was made clear at the International Conference on Co-operative Housing, held in Johannesburg in July 1999. At that conference, support for the co-operative approach in South Africa was confirmed on numerous occasions, by government spokespeople, representatives from NGOs and co-operatives, and international delegates.

The next sections set out the policy, legislative, financial and support frameworks that together comprise an enabling environment for social housing generally, and in some cases, also for co-operative housing specifically. The sections focus primarily on the housing sector, which acknowledges the role of co-operatives in social housing most significantly.
Since the 1994 general elections that saw the advent of democracy in South Africa, the country has sought:

"the establishment and maintenance of habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities, and to health, educational and social amenities in which all citizens and permanent residents of the Republic will, on a progressive basis, have access to:

a. permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements; and

b. potable water, adequate sanitary facilities and domestic energy supply."

This national housing vision was first iterated in the Housing White Paper, published in December 1994, and later enshrined in the Housing Act, No 107 of 1997, and forms the basis for all housing activity within South Africa. Consequently, to the extent that co-operative housing is able to contribute towards the achievement of this vision, it is supported as a viable alternative within the low income housing sector.

Following from this vision, the policy environment is framed by the Housing White Paper. This policy document sets out seven key strategic thrusts (see Annex 2) aimed at facilitating the provision of housing for low income households in South Africa, thereby, over the long term, resolving the housing backlog currently estimated at about 3 million households. Among these seven strategies, two are especially relevant to co-operative housing approaches: the institutional subsidy policy, and the People's Housing Process.

Within the framework set by the national housing policy, the Johannesburg City Council released a White Paper on Social Housing in the Inner City of Johannesburg, and Durban Metropolitan Council has developed a housing plan. Both of these documents also support the delivery of social housing within their jurisdictions.

These various policy initiatives are described briefly, below.
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G. An enabling environment

1. Policy
   a. Institutional subsidy policy

Since 15 March 1994, households with an income of not more than R 3,500 per month, who have not owned property or received government housing assistance previously, and who satisfy a range of other criteria, have been eligible to apply for a subsidy of between R 5,000 and R 16,000 (for more detail, see box 11). There are currently five subsidy mechanisms: individual, project-linked, consolidation, institutional, and relocation assistance. It is expected that within 1999, a mechanism to accommodate the specific characteristics of rural housing development will also be introduced.

The subsidy is intended to help households access housing with secure tenure, at a cost they can afford, and of a standard that satisfies national norms and standards, including minimum health and safety requirements. In principle, households may only receive the subsidy once. In each case, the subsidy is intended to facilitate access to a wide range of residential property and secure tenure options.

The most relevant of the five subsidy mechanisms for the purposes of co-operative approaches to housing is the institutional subsidy. Implemented in November 1995, the institutional subsidy is the primary subsidy mechanism for social housing projects. It provides institutions with subsidies of R 16,000 per eligible household, for the purposes of accommodating those households in the institution's stock. Originally, the institutional subsidy policy was released in June 1995, with the publication of the Department of Housing's popularised edition of the housing policy, entitled "Home Truths". In its initial form, it had two components. A "co-operative subsidy" was available to address the needs of a group of individuals accessing housing collectively, and a "social housing subsidy" was available to address the needs of organisations offering accommodation on a rental basis to qualifying beneficiaries. This version of the subsidy was much criticised, however, and in November 1995, a revised policy, designed to promote private sector participation in institutions accessing the subsidy, was implemented.

In terms of the current policy, the institution receiving the subsidy on behalf of the beneficiary must be legally registered as a company, co-operative, or communal property association. Beneficiaries may only take transfer of the property after four years following occupation, if they wish to benefit from the full subsidy allocation. If they take transfer prior to the four-year period, the institutional subsidy is converted to an individual subsidy, and awarded on the basis of the sliding scale, linked to the beneficiary's income. It is because of this characteristic that a number of developers that might normally have followed the project-linked subsidy route, developing housing for immediate individual ownership, have opted to apply for the institutional subsidy, postponing individual ownership for their clients for four years. While this was not the intention of the "four-year" policy, it has led to increased development in the institutional housing sector. The practice is an indication, however, that contrary to expectations that a simple review of the subsidy would suggest, not all housing subsidised with the institutional subsidy mechanism is co-operative-like in its approach.

While the institutional subsidy accommodates co-operatives in its criteria for how an institution must be structured, no legally registered co-operative initiatives have, to date, applied for the subsidy. While tenure aspects of certain kinds of vehicles are dealt with in the regulations in detail, little is said about Communal Property Associations and Co-operatives. Other than providing for them, the policy therefore does little to encourage the use of such vehicles. In addition, the institutional subsidy guidelines require that institutions receiving institutional subsidies have as their main object "to acquire, develop and hold immovable property with a view to enabling both qualifying and non-qualifying beneficiaries to occupy and/or purchase the residential properties contained therein". This contradicts the diverse nature of co-operatives which may not wish to "acquire, develop and hold property", but which may prefer to do only one or two of those tasks.

As part of the policy behind institutional subsidies, the national Department of Housing established the SHF in 1997, to promote the development of viable social housing institutions in South Africa. With the establishment of the SHF, national government then mandated that body to convene a task team to review the environment in which social housing operates, and propose a policy framework for its long term development. In April 1999, the social housing task team submitted its second phase report, outlining 50 recommendations for the development of a legislative and policy framework for social housing. While the 50 recommendations all have an indirect influence on the environment in which co-operative housing operates, there is only one recommendation that is directly related to the development of co-operative housing. This recommendation advocates a revision of the Co-operatives Act.

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The policy regarding what has been called the "People's Housing Process" seeks to support the poorest of the poor families who only have access to housing subsidies and who wish to enhance these by building or organising the building of their homes themselves. As such, it supports individual or groups of families who take the initiative to organise the planning, design and building of their own houses, without the assistance of a developer. Usually these families cannot access credit or accumulate significant savings to enhance their subsidies. The process assists such households to work together in accessing housing subsidies, as well as the relevant technical, financial, logistical and administrative support regarding the building of their homes.

At the centre of the arrangement is a "support organisation" contracted by beneficiaries (or made up of beneficiaries themselves) to assist and support them in the process of housing development. A support organisation can be established as a co-operative, Section 21 company, trust, or voluntary association in terms of the relevant legislation. If the support organisation wishes to access institutional subsidies, however, its options are limited to the co-operative or company.

To assist in the establishment of the support organisation, government offers a Facilitation Grant. The grant pays for workshops, targeted at facilitating the identification or establishment of a Support Organisation and the completion of subsidy applications. Once the subsidy application is approved, an Establishment Grant is also available. This grant assists the Support Organisation provide housing support functions to the beneficiary community. The amount of the Establishment Grant varies, depending on the number of families involved in the project. In 1998, a grant of up to R 570 per subsidy beneficiary family was approved.

While the co-operative model is an accepted model for the purposes of establishing a support organisation, the East London Housing Management Co-operative is, to date, the only support organisation to have established itself on this basis. The primary reason for this, as with other initiatives, is lack of familiarity with the legal parameters of the co-operative model in the South African context. In principle, the policy does not discriminate against the co-operative model. In terms of the philosophical approach behind the policy, the co-operative approach (irrespective of the legal vehicle used) is clearly promoted. From the perspective of the South African Homeless People's Federation, however, the legal vehicle chosen is seen as a means to an end, and therefore unrelated to the way in which the organisation actually works. Co-operatives, as legal vehicles, remain more difficult to set up than Section 21 companies, and so are less often chosen.

The People's Housing Partnership Trust (see box 12 ) drives the implementation of the People's Housing Process. The partnership arises from an initiative between the Department of Housing, Habitat, the United Nations Development Programme (UNDP), and the United States Agency for International Development (USAID). Governed by a Board of Trustees, the PHP Trust is an independent, non-government body with statutory recognition.
Johannesburg’s White Paper on Social Housing sets up the municipality as a facilitator of social housing (as opposed to a developer). In doing this, it outlines a wide range of interventions that need to take place in order for social housing to thrive in Johannesburg’s inner city. Critical among these are proposals to assist social housing institutions in the purchase of inner city buildings that hold existing arrears, and in the purchase of land.

While the White Paper makes no specific mention of co-operative housing, it seeks to promote the environment in which housing is delivered using the institutional subsidy. As an enabling document, it is likely that the White Paper also relies on the activities of individual institutions operating within the Johannesburg Inner City, to pursue the various options available to them. In this regard, the drafters were clearly familiar with the activities of Cope Housing Association, the only NGO involved in housing in South Africa whose single focus is on the delivery of co-operative housing.
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G. An enabling environment

1. Policy

d. Local government housing assistance programmes for metropolitan Durban

The Durban Metro Housing Unit has formulated a strategy to facilitate the delivery of low income housing within its area of jurisdiction. The strategy comprises eight programmes, the final of which relates to support for housing institutions.

The Housing Institutions Programme seeks to "increase the number of viable Housing institutions which are able to effectively produce rental housing stock, access government institutional subsidies and long term financing for beneficiaries". Through the provision of grants and loans, the programme seeks to assist the establishment of fifteen housing institutions between 2000 and 2005, of which 12 will be community-based, project-specific initiatives.

Durban Metro is in the unique situation in South Africa of having sufficient resources to provide capital assistance to initiatives within its area of jurisdiction. While no reference is made in the document to co-operative housing, the emphasis on housing institutions, which by definition may be co-operatives, is significant. The programme is responding to a perceived demand for rental and rent-to-own housing stock, particularly within the inner city and suburban context. In addition, it seeks to increase access by individuals to long term credit by assisting them in developing payment track records through the payment of rentals over the short term.
To date, no legislation has been developed to specifically facilitate the role of co-operatives in shelter development. Social housing, as the broader category into which co-operative housing is to fit, is also not addressed by specific legislation and policy. Rather, the legislative framework comprises a range of existing laws that also apply to other contexts.

The main segment of legislation that impacts on co-operatives in shelter development is that which establishes organisations as legal entities. This includes the Co-operatives Act, the Companies Act, the Shareblocks Control Act, the Sectional Titles Act, and the Communal Property Associations Act. Thereafter, legislation that impacts on the financial affairs of these entities is also important. This includes the Income Tax Act, and the Value Added Tax Act. Legislation specifically developed for housing purposes also influences the environment in which co-operatives in shelter development operate. This includes the Housing Act and the Gauteng Housing Act (only applicable in the province of Gauteng). Other legislation also impacts on the environment in which co-operatives work. This includes the Gauteng Residential Landlord/Tenant Act (also only applicable in the province of Gauteng), and the pending Rental Housing Bill (to be applicable nationally). In addition to protecting residents and landlords in their interactions with one another, these pieces of legislation seek to normalise relations in the rental and alternative tenure sectors so that investors will have greater incentive to focus their resources in this direction.

In April 1999, the social housing task team, a body convened by the SHF at the request of the Minister to investigate an enabling environment for social housing, recommended that social housing specific legislation be drafted as a "Social Housing Act". While the Department of Housing has not yet indicated its position on the recommendation, the Director General indicated in her address to the International Conference on Co-operative Housing in July 1999 that the Department was considering a social housing policy that would involve legislation. At this stage, however, it is too soon to determine the scope of the legislation and the impact it would have.

While the above legislation clearly provides for a highly regulated environment, and while this does not inhibit the development of co-operative housing, it also does little to encourage it. The following sections provide brief overviews of the various pieces of legislation, and consider them in respect of their contribution towards and enabling environment for co-operatives involved in shelter development.
Co-operatives in South Africa are governed by the Co-operatives Act, No 91 of 1981. The Registrar of Co-operatives, who sits within the Department of Agriculture as the Director of Business and Institutional Development, administers this Act.

Without defining co-operatives beyond stating that co-operatives are those institutions that register as such in terms of the Act, the Act provides for the formation, incorporation, functioning, winding up and dissolution of three co-operative types (ss 17):

- agricultural co-operatives;
- special farmers' co-operatives; and
- trading co-operatives.

These may be formed either as primary co-operatives (formed of individual members), central co-operatives (formed of two or more primary co-operatives), or federal co-operatives (formed of two or more central co-operatives). Once registered, a co-operative becomes a juristic person, with limited liability to its members, and with the capacity to enter into contracts independently, and to sue or be sued (ss 28).

The Act provides a legal framework for co-operatives that includes the following:

- Members have the statutory right to participate in the management of the co-operative.
- Directors may only be elected from among the membership of the co-operative. (ss 25(3)(b))
- Unlike companies, co-operatives are not precluded from extending credit to their members for the purchase of shares in the co-operative.
- Co-operatives may not borrow or raise money, or overdraw a banking account for more than 50 per cent of the aggregate of their share capital and general reserves, except by the members' special resolution (ss 53).
- The principle of one member, one vote, one share is flexibly applied in the sharing of profits among members, which is according both to shareholding as well as to the extent to which a member has traded with the co-operative.
- While co-operatives are not eligible for tax exemption under the Income Tax Act, No. 96 of 1985, they are not taxed on their profits. As a "closed co-operative", doing business primarily or exclusively with its own members, a co-operative may, however, qualify for certain tax advantages. Individual members receiving profits from the co-operative, however, are taxed on that income, depending on their net income.
- Although co-operatives take loans or deposits from their members, they are exempt from the Deposit-taking Institutions Act, No. 94 of 1990, (meaning that they need not be registered as a "bank"). This is on condition that: (a) the minimum deposit amount from an individual member must be R 1,000 per deposit, (b) that deposits must be of at least 12 months in duration, (c) that a written acknowledgement of debt is issued in respect of each loan or deposit, and that (d) the circumstances in which repayment of the loan and interest thereon may be deferred, are restricted.
- Termination of membership may be voluntary, or may take place where a member consistently contravenes the provisions of the co-operative's statute. In the latter case, expulsion is only possible by special resolution adopted at a general meeting of members after due notice of the term of suspension. Once expelled, shares may be cancelled and the value of the share may be forfeited to the co-operative.

While presumably useful for agriculture co-operatives in the context in which they operate in South Africa, the Co-operatives Act is not actively supportive of co-operatives. Certainly, the Act includes few of the provisions recommended as standard for such legislation in the COPAC Guidelines. Lodged in the Department of Agriculture, it has been poorly used beyond farming and other agricultural-related enterprises, other than recently, in respect of
public transport, and specifically the taxi industry.
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA

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2. Legislation
i. Application in respect of shelter development

While all three co-operative types may "in the interest of [its] employees ... administer a housing scheme" (ss 49, Chapter 3), the focus of both agricultural co-operatives and special farmers' co-operatives (and, indeed, the Act itself) is overwhelmingly on agricultural production. To date, only one housing initiative has registered as a "housing co-operative". The few registered co-operatives that are indirectly linked with shelter development, either as savings and credit co-operatives, block making co-operatives, etc., are generally registered as trading co-operatives. These "may be formed to carry out any object" (ss 23), according to "co-operative practice" (ss 20), by a minimum of between two and eleven members, depending on how the object is defined (ss 60).

Given this broad and flexible definition of the object of a trading co-operative, the Registrar has argued that the formation of a housing co-operative within the framework of existing legislation, is feasible. In a March 1998 document, the SHF also determined that although the Co-operatives Act does not specifically provide for a "housing co-operative", a co-operative in which the members have shares linked to the use of particular housing units was conceptually possible.

Huntley (1995) has argued that "co-operatives, compared to the other entities researched [Section 21 Companies, Share Block Companies, Trusts], are so far the best vehicle that provide participants a range of tenure options." And yet, the Section 21 company is generally the preferred choice for Social Housing Institutions, or housing initiatives seeking to operate in a "co-operative - like" way. This is notwithstanding the fact that the Section 21 model does not accommodate the demands of a co-operative approach to shelter development, as it is by its very nature an entity set up by its members for the benefit of others rather than for the benefit of the members themselves.

It appears that the primary reason for the absence of housing co-operatives in the South African environment is the agricultural bias of the existing legislation, and the ensuing lack of familiarity with the Act's application to the housing context. The Registrar of Co-operatives suggests three reasons for the 'false' assumption that the Co-operatives Act is only geared towards agricultural co-operatives:

- Most clauses within the Act are directed at agricultural co-operatives. The reason for this, however, is that government seeks to limit the powers of these bodies with stringent regulation. The Registrar argues that this should not be seen as discriminatory against other forms of co-operatives - indeed, such bodies are afforded far more freedom than agricultural co-operatives.

- The Act is administratively located in the Department of Agriculture. The Registrar agrees that this is not necessarily conducive to the development of other co-operative industries, but argues that this is based on the historical focus of government on co-operatives. He suggests that in new legislation, a more likely location for the Act will be in the Department of Trade and Industry (as is the case for the Companies Act).

- Agricultural co-operatives are more prevalent than other types, and also tend to be much larger. This makes them more noticeable than other co-operatives, and contributes to the notion that agriculture is the only industry in which co-operatives operate.

While the legislation does not appear to discriminate against co-operatives for housing purposes, it also does nothing to facilitate the emergence of such entities. Consequently, as Huntley (1995) concludes, while the model is promising, the extent of its utility is unknown.
Shelter Co-operatives in South Africa  
Prepared by Kecia Rust for UNCHS (Habitat) and ICA  
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2. Legislation  
ii. Constraints in the legislation  

On a more detailed level, however, certain aspects relating to the existing legislation appear to be unsuitable to development of the housing co-operative model in the South African context.

- **Investment in co-operatives**: Contrary to a company, in which it is possible for a financier to become a shareholder with representation on the Board of Directors, the co-operative model does not appear to allow for members with different interests. This might restrict the access of co-operatives to equity funding, and limit investment options by financiers in co-operatives to the provision of loans.  

- **Legal precedent**: Unlike the case of companies, there is not a well developed body of common law supporting the various aspects of the legal life of a co-operative. The lack of familiarity with the model is a serious disadvantage to co-operatives seeking finance.  

- **Tenure status**: The form of tenure that co-operative housing might be classified as in the South African context, is unclear. While international experience and opinion would argue in favour of co-operative housing being either ownership or rental tenure with appropriate systems to accommodate each, prevailing South African opinion is more likely to classify it exclusively as a form of rental. This distinction, and the ultimate classification of co-operative housing as one form of tenure over another, is important for the following reasons:

  - If classified as ownership, the limitations imposed by the VAT Act on rental tenure would not apply, resulting in a potential 14 per cent saving in the cost of developing subsidised co-operative housing over rental housing.
  
  - If classified as ownership, the pending Rental Housing Bill, and Gauteng's Residential Landlord and Tenant Act, would not apply to co-operatives, thereby affording them more flexibility in their operations.

- It appears that on the basis of the Use Agreement, into which all co-operative residents must enter, and which affords them the benefit of the use and enjoyment of the housing unit, co-operative housing would be classified as rental tenure. This would be the position of the South African Revenue Services (which administers the VAT Act). However, the shareholding rights of residents, as members of the co-operative, could argue in favour of the co-operative model being classified as ownership.

- **Focus on larger co-operatives**: The Act, with its regulations and requirements was originally designed for large co-operatives. In this regard, it does not accommodate the needs of smaller co-operatives (in terms of structuring and reporting) such as those that would be more common in the low income housing sector.

Generally, the company, with its more flexible objects and powers, the facility to create and issue an unlimited number of classes of shares and other instruments, and a clear legal history, is favoured over the co-operative. In the low income housing sector, the Section 21 Company, with its access to tax exemption, has become the favoured legal option for housing institutions seeking to offer housing on a collective basis, be that for rental, instalment sale, or other tenure forms. The registration of two housing institutions as co-operatives will certainly provide a valuable basis for evaluating the application of the current legislation in the housing context.
In 1996, the Registrar submitted an interim Bill to Parliament. The aim of this legislation was to bring the Co-operatives Act in line with the new constitutional dispensation, to accommodate the incorporation of co-operatives from the former homelands into the broader South African framework, and to address the needs of smaller co-operatives not accommodated in the Act. Parliament resolved, however, that the Bill would only be considered in the company of a policy framework for co-operatives in South Africa.

Following this decision, the Minister of Agriculture appointed a Co-operative Policy Task Team (CPTT) to develop a policy on co-operatives. The work of the CPTT came under criticism for a number of reasons, and ultimately, the final report was deemed inappropriate, as its focus was limited to the status of agriculture co-operatives. In May 1999, the Department of Agriculture advertised in the State Tender Bulletin for proposals to revise the legislation, and to do this within the context of a broad-based consultative process that addressed the needs of all industries in which the co-operative model might apply. A first draft of the legislation is expected by March 2000.

Broadly, it is intended that the new legislation will be enabling rather than restrictive. The Registrar has noted that it is unlikely that there will be a distinction between agricultural co-operatives and other co-operatives. There will probably, however, be a distinction between:

- regulation, which will fall with the Registrar, and will most likely be included within the Department of Trade and Industry; and
- development, which will then fall within the departments of the various industries (housing, welfare, education, transport, etc.).

Given the diversity of what is developing into a co-operative sector in South Africa, this would seem to be a positive development. In this regard, the Registrar's office is currently engaging with other departments to determine their needs for the co-operative model for their respective industries. The Registrar does not foresee, however, a specification of industry type in the legislation. For instance, there is unlikely to be a "housing" chapter in the Act. Rather the legislation would accommodate co-operatives broadly, and housing could be accommodated in that framework, possibly supplemented by regulations drafted in terms of the Act.
Companies limited by guarantee are most relevant to co-operative or collective approaches to housing. The most common, especially in the low income housing sector, is the "Section 21 company", defined in terms of Section 21 of the Companies Act. The Section 21 company is used primarily by educational, charitable, religious, or certain housing companies established as "not-for-gain", that wish to benefit from the possible tax advantages offered. Key features of this type of legal entity are:

- A Section 21 Company cannot be converted into any other legal entity unless such an entity has an object similar to the existing company and is itself a Section 21 company. The advantage to this is that it prevents conversion into sectional title and speculation that might send the stock out of the affordable housing market.

- Members are not entitled to share in equity, but can receive their deposit with or without any interest, as well as the portion of the loan account which has been paid by the member, with or without interest. In addition, an agreed upon nominal amount to be paid out to a member when he or she leaves, can be defined.

Problems do exist with a Section 21 company as a vehicle for the collective delivery of low income housing, and specifically for the co-operative model:

- While a Section 21 company is not prohibited from making profits, a distribution of profits to members of the company or to directors is prohibited. The choice of a Section 21 company would not preclude the distribution of the income or assets of the association to beneficiaries if they are not members. It is only a problem where it is intended that the beneficiaries should indeed be members of the Section 21 company (which would entitle them to exercise voting rights in general meeting, the appointment of auditors, and the appointment of directors). There is a risk that any amount designed to be paid to beneficiaries at the time of exit from a particular housing association could be construed as a benefit to such member. The Registrar of Companies has, however, recently ruled that lower than market related rentals as a result of housing subsidies would not constitute a benefit in terms of the Act.

- A Section 21 company does not have shareholders and it is therefore not possible to create "shares" for beneficiaries. In this way, it does not allow for a return on equity to the private sector investor in the traditional sense - it has no shares. This causes a problem for accessing finance. Normally, lenders are hesitant to lend to Section 21 companies because without shares, there is no security that owners will bear 'first loss' (normally expressed through the reduction in the value of shares). Some Section 21 companies have, however, overcome this constraint and accessed finance on the basis of other security. At issue here, is that the Section 21 company does not lend itself to the building of a capital base.

- If the beneficiaries are to be members of a Section 21 company, their membership obviously also does not confer upon them the ability to raise loans using their membership as collateral. Members do not have claims against the company when it is liquidated but could have a nominal liability. This is limited in the Memorandum of Association and is usually a minimal amount of, say, R 2.00.
The basic purpose of a shareblock scheme is to provide members with shares in a business, be they occupancy rights in a portion of a building, or rights to a portion of a certain enterprise, for so long as they remain members in the share block. Members who occupy property are not considered lessees, but full participating members of the company. Their shares are not linked to specific property, but rather to the 'use' of such property. Various vehicles can be used for the operation of a share block scheme, including companies (limited liability and Section 21 companies), a body corporate under the common law, a trading co-operative, a trust, and a close corporation. Each option has its own advantages and limitations. Only companies registered under the Companies Act fall under the ambit of the Share Blocks Control Act.

In a shareblock company, the rights of the member are set out in the "use agreement" entered into by the member and the company. The issued share capital is divided into share blocks, each linked to a specific part of the building. These shares afford the right to, or interest in the use of certain immovable property, but do not confer individual ownership. In this regard, there is no registrable real right, and shares are generally not acceptable security against which lending institutions would grant loans. This is a major disadvantage of this type of tenure. Upon the closing of the share block, members have rights to a return of capital and to participate in surplus assets, depending on the nature of their shares. These claims rank as secondary to the claims of other creditors, however. Members have no liability to pay in to cover any shortfall.

In many ways, the share block is very similar to the co-operative. Members have a pro rata share of the financial obligations while also enjoying a share of the share block's assets. A feature distinguishing shareblocks from co-operatives is that shareblocks allow non-residents to also own shares, thereby diluting resident involvement in the management and governance of the company. Shareblocks are not, however, frequently used for housing purposes. Reasons for this are unclear, but seem to relate to the desire (real or perceived) for individual ownership of housing units.
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2. Legislation
d. Sectional Titles Act, 1986

The Sectional Titles Act, 1986, sets out the requirements for the opening of a sectional title register in which households can individually own units within a broader development while having proportional ownership of the common property. These schemes are typically found where new buildings are constructed and sold "off plan", but can also be applied to older existing buildings.

In a Sectional Title development, the developer can be one of a number of legal entities, including a Section 21 company, a private company, or a local authority. Households that own individual units within the sectional title development acquire mortgage financing individually. Once the first unit is sold in a sectional title scheme, a body corporate comes into existence. This is a committee comprising resident owners as members that must take responsibility for managing the development as a whole. Members elect trustees from amongst themselves to oversee the day to day management of the development. Participation in the Body Corporate is, however, not limited to residents.

Sectional Title schemes generally seem to target middle to upper income earners, and not those operating in the low income market who are eligible for subsidies. The reason for this seems to be related to perceptions that low income earners desire individual ownership tenure of single units on single plots. While the potential for co-operation in a Sectional Title scheme is significant, the focus on individual ownership of units seems to dilute the emphasis on co-operative effort in the Body Corporate. Body Corporates often become the domain of a few powerful players who manage the building with varying effectiveness. In some cases, this leads to the downfall of the scheme. Bad experience with the Sectional Title model in the upper income classes therefore has also contributed to it not being pursued as an option among lower income earners.
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G. An enabling environment

2. Legislation

e. Communal Property Associations Act, No. 28 of 1996

The Communal Property Associations Act of 1996 provided for a new form of legal body or statutory association, to be known as a "Communal Property Association" (CPA). A Communal Property Association is formed when a community is seeking to acquire land either through the government's land restitution process, or through donation, or some other form of acquisition, on a collective basis for the community as a whole. An important reason for the development of the legislation was that the applicability of the Co-operatives Act for the same purpose had not been explored - possibly because it was lodged in a different department of government.

In cases where a legal entity has already been formed by the community prior to applying for land to be restituted or redistributed in its favour, the Registrar may apply certain sections of the Act on that entity's operations instead of requiring conversion to a CPA. Where emergency access to land is required by a community, the Act allows for the registration of a "provisional" CPA. In this case, the community becomes entitled to move onto the land, but not to accept transfer. Transfer is only effected once a constitution has been drafted for the CPA and it is formally registered. Provisional CPAs have one year in which to formally register as CPAs. It is the responsibility of the Director General: Land Affairs, to oversee the registration of associations and their compliance with the Act.

The Act is intent on maximum and effective communal participation by all concerned, throughout the entire registration process, and indeed once the CPA is registered. In this regard, the Act requires that a CPA constitution include the following principles:

- Fair and inclusive decision making processes, specifically with regard to any resolutions to amend the constitution or dissolve the association, dispose of or encumber the property held by the CPA, or terminate the membership of any person. In this latter situation, the member must be given a fair hearing and the opportunity to present his or her case.
- Equality of membership, in that discrimination on the grounds of "race, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture or language" is not allowed.
- Democratic process, giving all members the right to engage in the affairs of the CPA on an equal basis.
- Fair access to the property of the CPA in that members cannot be excluded from access to land that has been defined for their exclusive use or for communal use, and that land cannot be sold or encumbered without a majority agreement of CPA members at a general meeting.
- Accountability and transparency, specifically with regard to financial accounts and records, the affairs of the governing body and committees, and so on.

A significant consequence of registering an association in terms of the Act is that by formalising the body as a "juridic person", this also gives the body the capacity to sue or be sued. For this reason, the Act requires written permission for certain transactions to be given by the Registrar. These include:

- mortgaging the property as security for a loan;
- selling the property;
- dealing with any of the real rights in the property, such as mineral rights, rights to irrigation from a dam, etc.

While being used by over 140 initiatives, problems with the Act are becoming evident. A critical problem, which has since led to an announcement by the Department of Land Affairs of its intention to revise the Act, is that the model works less well with large communities.
The Income Tax Act determines the payment of income tax on the basis of the legal entity that is earning the income. Consequently, different rules apply to different legal structures: Section 21 companies are taxed differently from shareholding companies, which are taxed differently from co-operatives, and so on. In terms of the Income Tax Act, Section 21 companies are the favoured vehicle for operating in the low income sector. The Income Tax Act provides a range of potential exemptions that apply to this model, that do not apply to co-operatives. Co-operatives are not tax exempt, though they are not taxed on profits distributed to members. Companies operating a shareblock scheme however, may be eligible for some of the exemptions applying to companies under section 10(1) of the Act.

The tax dispensation as it applies to housing institutions structured as Section 21 companies, however, is also distorted and discriminatory. Section 10(1)(cC) of the Income Tax Act provides for the exemption of companies, but only in respect of the construction of new residential stock. Housing institutions having exemption under this section can therefore not become involved in upgrading projects. Section 10(1)(cI) of the Income Tax Act, on the other hand, allows for both upgrading and new construction, but then there is a requirement that at least 75 per cent of the adult members of the community involved needs to earn less than R 1,800 per month. This requirement is inappropriate given the income criteria for eligibility for housing subsidies, which place the limit at R 3,500 per month.

In its research, the Social Housing Task Team convened by the SHF, has determined that amendments to the Income Tax Act, while necessary, are unlikely. The Katz Commission on Tax, which is reviewing the current tax dispensation in South Africa, has indicated that it does not favour redistribution through the tax system.
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2. Legislation

g. Value Added Tax Act, No. 89 of 1991

The Value Added Tax (VAT) Act determines the payment of VAT (currently set at 14 per cent) on the purchase of goods and services. In 1995, the Receiver of Revenue ruled that the housing subsidy would zero-rated in terms of VAT - this amounted to a 14 per cent ‘saving’ on the subsidy portion of a housing product price. The ruling did not, however, address the situation of subsidised rental housing (which the VAT Act deals with differently than ownership tenure), leading to an anomaly in the low income housing sector that discriminates against rental tenure and influences the choice of tenure that is offered by housing institutions.

In the current scenario, input VAT cannot be claimed by institutions offering rental tenure, because VAT on the provision of residential accommodation is an exempt supply. This means that the housing institution is required to pay VAT, but is not able to claim such amounts back from the Receiver by way of an input tax credit. In addition, the benefit of the zero rating of the subsidy, which applies to the other housing subsidy mechanisms, is also lost. The implications for the housing institution, even if the costs are recovered from the lessee by way of increased rental, remain serious. The housing institution will be required to pay the input tax in one lump sum, but will only recoup that sum by way of gradual payments from the lessee. This means that the institution has less capital available for the development of the units, and the housing institution will itself therefore have to bear the continuing cost of that financial outlay.

The net effect is that the increased costs caused by the VAT Act undermine the affordability of rental thereby decreasing the housing options available to the low income market.

The implication of this scenario for co-operative housing has already been stated. If classified as ownership, the limitations imposed by the VAT Act on rental tenure would not apply, resulting in a potential 14 per cent saving in the cost of developing subsidised co-operative housing over rental housing. This could assist greatly in the short term viability of co-operative housing institutions, while also promoting co-operative housing as a viable option in the low income housing sector. Within 1999, both the ELHMC and Cope Housing Association were seeking a VAT exemption. If successful, the precedent set by the ruling in their favour could resolve the issue for other co-operatives.
The Housing Act provides the broad parameters for housing in the country, and sets out the roles of the three spheres of government. All spheres of government must ensure that housing development:

- provides a **wide choice of housing and tenure options**;
- is economically, fiscally, socially and financially **affordable** and **sustainable**; and
- is based on **integrated development planning**.

To date, the only form of tenure promoted by government has been individual ownership. With the promulgation of the Housing Act, 1997, there is now a legislative requirement to broaden the options available. It is in this context that it may be expected that co-operative housing as an alternative form of tenure will be supported.

In early 1999 the Housing Amendment Act, No. 28 of 1999, recognising the SHF as "a national institution established by the Minister under subsection 4(h) of the Housing Act, 1997", was passed into law. This can be seen as a deliberate supportive measure for the growth of social housing approaches in South Africa.
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G. An enabling environment

2. Legislation

i. Gauteng Housing Act, No. 6 of 1998

The Gauteng Housing Act seeks to enhance the national law (Housing Act, 1997), and to make all the necessary provincial legislative arrangements for the implementation of that law. Applicable only within the province of Gauteng, it has been promulgated in accordance with the Housing Act, which states that provinces may enact their own provincial-specific legislation in respect of housing.

Section 17 is explicitly about Housing Co-operatives and Associations. It states the provincial department must "promote the establishment of housing co-operatives and housing associations in the province; and monitor the registration, functions and development of housing co-operatives and associations". As a result of this, Gauteng Province is currently in the process of finalising regulations for social housing in the province. Officials from the province's Department of Housing have noted that the demand for tenure alternative to individual ownership in the inner city, as well as a national focus on the potential of rental housing in the low income housing sector, have contributed to this focus. A sub-directorate has been established within the provincial department to address all forms of institutional subsidy delivery, including co-operative housing.
The Rental Housing Bill, 1999, seeks to stimulate the rental sector in a number of ways:

- by allowing for the introduction of a rental subsidy housing programme or other assistance measures, to stimulate rental housing supply
- by creating certainty in respect of the rights and responsibilities of tenants and landlords, with a focus on provisions pertaining to leases
- by allowing for the establishment of Rental Housing Tribunals at provincial level (one per province), which will:
  - hear complaints from landlords or tenants
  - conduct preliminary investigations to confirm if the dispute relates to the matters within the Tribunal’s mandate to address
  - appoint mediators to resolve disputes, or conduct hearings on the basis of which rulings are made
- by allowing for the establishment of a Rental Housing Information Office at local authority level
- by allowing for provincial housing MECs to issue regulations in respect of their Tribunal
- by defining offences and penalties, and systems for review and appeal

Once promulgated, the Housing Rental Bill will address a component in the framework currently lacking, namely that of conflict resolution and landlord / tenant relations. The extent to which the Housing Rental Bill will impact on co-operative tenure is unclear. If co-operative tenure is classified as ownership, the Rental Bill will not impact on co-operatives. If classified as rental, however, certain details regarding the classification of stakeholders in a co-operative (given that there are no landlords and tenants in the strict sense of the terms) are likely to need additional attention.
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2. Legislation

k. Gauteng Residential Landlord/Tenant Act

This Act is aimed at regulating relations between landlords and tenants in Gauteng. It provides for quick and fair dispute resolution, and applies to all rental, including formal and informal private rental stock, as well as public residential dwellings. The Act also allows for local governments throughout Gauteng to establish Landlord Tenant Information Offices to educate landlords and tenants on their rights and obligations.

An important ingredient in the Act is the Landlord Tenant Dispute Resolution Board. This Board resolves disputes between landlords and tenants, primarily through mediation. The Board was launched in Gauteng in January 1998, with an aim to promote stability in residential rental sector relationships by mediating between disputing parties. Any landlord, tenant, or group of landlords or tenants may lodge a complaint with the board by filing a written complaint. The final regulations for the Gauteng Residential Landlord and Tenant Act will be published in 1999. As with the Housing Rental Bill, the extent to which this legislation will impact on co-operatives seems to rest on whether co-operative tenure is classified as ownership or rental.
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3. Funding

The funding framework as it relates to co-operatives in shelter development has evolved considerably since the 1994 general elections. At that time, it was agreed within the housing sector that access to finance was a key problem facing initiatives involved in low income housing. Consequently, a number of programmes, structures, and systems were established within the housing sector to enhance access to finance by low income housing deliverers and by potential beneficiaries.

The best known of these initiatives is government's national housing subsidy scheme, described earlier in this section. In situations where funding over and above the subsidy is required, a series of other mechanisms have been developed either by government, or NGOs, and in some cases, with the assistance of international donors. These relate to bridging finance, working capital loans, guarantees and grants. Traditional financial institutions, however, are not yet involved in the sector, though some social housing institutions are beginning to engage with banks on this issue.

The efforts of government and the NGO sector notwithstanding, most social housing institutions find they have limited access to credit, and are unable to access sufficient grant funding. From a financial perspective, social housing is a new concept, and credit instruments appropriate to the diverse needs of social housing institutions still need to be developed. Lack of familiarity with the co-operative housing model, and specifically the governance and management arrangements associated with it, has meant that housing initiatives seeking to operate in a co-operative-like way have even more difficulty in accessing finance from the various government-established bodies than their Section 21 counterparts. This means that the application of the various interventions in respect of a co-operative housing model is largely untested.
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3. Funding

a. Working capital from the Housing Institutions Development Fund (HIDF)

Currently, the only organisation offering working capital loans to the social housing sector is the HIDF a legally separate division of the National Housing Finance Corporation (NHFC), established with government support as part of its national housing policy. The HIDF is a developmental financier that provides a range of loan products at preferential interest rates (advertised as generally far below prime) to emerging Social Housing Institutions. By 2002, the HIDF hopes to assist in the establishment of 30 viable Social Housing Institutions.

With the fall in interest rates in the latter half of 1999 to levels of 15,5 per cent and for some products even lower, a key weakness of the HIDF structure became evident. While advertising interest rates as being below prime, in September 1999 the standard rate (variable depending on a calculation of risk) of an HIDF working capital loan was still 17,5 per cent - a full 2 per cent higher than that offered by the traditional banks. **This demonstrated that the HIDF is clearly less responsive to changes in the Repo Rate than are the traditional banks - a characteristic that will no doubt call on significant criticism from the market it serves.**

To date, two housing institutions operating in a co-operative-like way have sought finance from the HIDF. The first, Cope Housing Association, is a pre-co-operative initiative, currently structured as a Section 21 Company. In 1997, Cope sought finance for a 53 unit, new-build project in Bertrams, an inner city area in Johannesburg. After eighteen months of negotiations, finance was only approved in late 1998, and by mid-1999, had still not been paid out to the project. Among the reasons cited for the delay, HIDF noted that lack of familiarity with the co-operative model, and the consequent risk associated with this approach, predominated.

The second institution, the Seven Buildings Company, is a co-operative-like initiative structured as a company. The company manages 435 units spread across seven buildings in the inner city of Johannesburg. A critical feature of this institution is that its Board of Directors is made up primarily of residents. The HIDF has not yet approved the Seven Buildings Company's application for funding. Again, the primary reason for this is that the HIDF is unfamiliar with the governance and management arrangements in which residents dominate the composition of Board of Directors.

Although not formally documented, the experience of the Bertrams funding application has demonstrated that the HIDF applies specific criteria to co-operatives that it does not seem to apply to other social housing institutions. Specifically, co-operatives are required to demonstrate beneficiary ownership of the project, through the provision of a 10 per cent equity stake in the asset value of the institution. For most low income projects however, a 10 per cent "deposit" is equivalent to approximately two months income. This is clearly unaffordable to low income households. Cope has indicated that a 4-5 per cent "deposit" is workable. **At the time of writing, a mechanism to address the remaining 5-6 per cent required by HIDF had not yet been found.** It is clear that the HIDF is struggling with the parameters of the co-operative model and how loan products might be structured to accommodate the differences in a way that is also equitable to other tenure options. While the HIDF remains unresolved about the issue, however, its products remain largely inaccessible to initiatives seeking to provide housing in a co-operative-like way.

The only other sources of working capital finance offered to social housing institutions are those provided by the Durban Metro Housing Unit as part of their Local Government Housing Assistance Programmes, and by Nurcha and ICHUT within the inner city of Johannesburg. Durban's product has not yet been launched, however. Its application in respect of co-operative housing approaches has therefore not yet been tested. The Nurcha/ICHUT product leverages and partially secures long term finance for tenant acquisition of apartment buildings in central Johannesburg. Both these products, however, are only available in their local areas.
Bridging finance is possibly the most sought after form of finance for social housing institutions, especially given the delays in accessing working capital loans. At a national level, the only body that appears to offer this form of finance is the Urban Sector Network’s (USN) Opportunity Fund which provides loan funding for housing-related activities of USN member organisations.

In Johannesburg, the Inner City Housing Upgrading Trust (ICHUT) offers short term finance and technical capacity for project design and feasibility. ICHUT was registered as a Section 21 company in 1993, and manages a fund of R8 million. Initially established as a financial intermediary, ICHUT uses financial mechanisms to achieve inner-city housing and upgrading. ICHUT’s bridging finance product is for two years prior to projects securing institutional subsidies from the PHDB and long term finance from financial institutions such as the HIDF. The bridging finance is meant to kick-start the projects in the inner city. To date, ICHUT has committed 6.2 million in housing loans to 15 inner city projects, facilitating the delivery of more than 500 new or upgraded housing units. Five of these projects involve co-operative-like initiatives.

In addition, ICHUT acts as a technical intermediary for social housing in Johannesburg’s inner city. In carrying out this role, ICHUT seeks to:

- identify possible projects;
- mobilise support for specific actors promoting inner city housing projects; and
- provide assistance with project design and feasibility studies.

In carrying out its activities, ICHUT has found it difficult to raise additional funding in the absence of successful inner-city housing delivery at the rate and scale required. In addition, funding from European donors that might otherwise be accessed, is channeled to other institutions such as the SHF and HIDF. The lack of long term end-user finance from the traditional financial sector, and the delays inherent in the provision of finance from the HIDF has also been identified as a stumbling block to scale delivery in the inner city.
The uTshani Fund is the South African Homeless People’s Federation’s (SAHPF) revolving loan fund. Capitalised with a R 10 million grant from the Department of Housing in 1997 and a R 10 million loan from the Land Bank in 1999, this fund provides group loans to members of the SAHPF’s Housing Savings Schemes (HSS). Repayment is calculated over 15 years at a 1 per cent interest rate. The HSS manages the collection of individual repayments, and makes a single repayment on a monthly basis back to the uTshani Fund.

One of the main reasons for the establishment of the uTshani Fund was the non-availability of funding for co-operative-like initiatives. HSS housing projects were finding that Provincial Housing Development Boards were giving their projects lower priority levels than projects being developed by large contractors. Consequently, non-availability of funding related not only to credit, but also to subsidies. The uTshani Fund was therefore established to provide bridging finance for the subsidy, so that HSS projects could prove their viability to the PHDBs on the basis of what they were able to build. This strategy appears to have worked, as in 1998, the uTshani Fund was accredited to administer the allocation of the government subsidies to HSS projects in five of the nine provinces.
Guarantees are an important component to the financial framework for social and co-operative housing, as they facilitate the taking of risk by financial lenders. Guarantees are critical in the South African context where lenders are extremely reticent about lending to low income earners. Their availability, however, is also indicative of the highly formalised nature of South Africa's credit sector and the excessive pressures put onto low income households to meet the stringent requirements of financiers.

The primary guarantor in the industry is Nurcha, a non-profit company established in May 1995 that facilitates housing delivery by unblocking financial obstacles to the provision of subsidised housing. Specifically, Nurcha provides guarantees for bridging finance loans made by lenders to developers, for end users accessing credit from lenders, and for institutions that finance rental stock for low-income groups. In addition, Nurcha makes grants to those trying to resolve conflicts and difficulties that impede the delivery of affordable housing.

Nurcha has been involved in two co-operative-like initiatives to date. The first of these regards the Seven Buildings Company in Johannesburg. Nurcha provided a 50 per cent, two-year guarantee on finance that Seven Buildings received from ICHUT. Acknowledging that this was a special intervention, Nurcha argues that it was justified given the novelty of the Seven Buildings Project, and the potential impact it would have on kick-starting a social housing sector within the low income market. As part of its agreement with Seven Buildings, Nurcha appointed a representative to the Board of Directors of the Seven Buildings Company, who, in addition to his non-executive responsibilities, also provided valuable capacity building support. The guarantee has since expired without claim.

The other project involves the CME SACCO Ltd. In this case, Nurcha provides a 25 per cent guarantee on individual loans extended as part of CME SACCO's housing loan initiative. In addition, Nurcha has committed to paying a portion of the salary costs for the housing loans officer over a period of three years.

These two initiatives, however, are once-off special arrangements with the clients concerned, developed as part of Nurcha's commitment to guaranteeing institutions that provide rental stock to low income earners. The co-operative nature of the initiative is a result of the client concerned, and not the product that was developed. In addition to these, Nurcha, together with the Home Loan Guarantee Company (HLGC), has developed a guarantee product which indemnifies housing institutions accessing the institutional subsidy against losses resulting from non-payment by beneficiaries. This guarantee addresses the income risk faced by social housing organisations, by providing three months instalment payments, should a beneficiary not pay. The guarantee amount is payable for any loss suffered as a result of non-payment, except if the loss arises out of collective or boycott action by tenants, and certain other exclusions. The cover is conditional on the housing institution implementing recommended internal debt collection procedures approved by Nurcha / HLGC. Both the housing institution and the beneficiary must undergo education and training.

Nurcha has noted that they have not developed any products specifically designed for the requirements of "housing co-operatives" per se. While a few of their products are designed to accommodate the social housing model, attention to the special needs of co-operatives has arisen only in response to them being expressed rather than in terms of a broad policy framework.
Within the social housing sector, primarily two forms of grant assistance are available in addition to government's institutional subsidy. The SHF offers a pre-establishment grant to assist social housing initiatives establish themselves formally as social housing institutions, and Nurcha has grant funding available to assist communities to participate fully in the development of a housing project. In both cases, these grants may be made available for community development processes and to pay for professional assistance to communities.
The support environment in which social and co-operative housing operates comprises actors from government and the NGO sector, as well as institutions established by government but operating as independent entities.
As noted earlier, the Co-operatives Act No. 91 of 1981, is administered by the Registrar who sits within the Department of Agriculture. It is the job of the Registrar to register and regulate all co-operatives (including agricultural, special farmers', and trading co-operatives). This role would include advising various initiatives on what type of legal entity structure would best suit their needs. Since 1997, with the establishment of the NCASA, the Registrar's advocacy role in respect of the co-operative model, has decreased substantially.

As one type of potential entity for agricultural production, co-operatives are not classified as a priority for the Agricultural Department. Indeed, the attention given to co-operatives appears to be waning. As of 1 April 1999, the Registrar's title, formerly "Director: Co-operatives", was changed to "Director: Business & Institutional Development", and the new mandate of the directorate was expanded to include not only co-operatives, but all farmer and agri-business sectors. In the long term, the Registrar expects that responsibility for the Co-operatives Act will rest with the Department of Trade and Industry.

At provincial level, the only government focusing explicitly on social and co-operative housing is Gauteng. Gauteng has established an institutional subsidy programme that hopes to see 5,000 housing units developed with the institutional subsidy per year, or a total of 15,000 units over three years. The province's rationale for this focus is two-fold. First, it senses a real need for non-ownership forms of tenure among the subsidy-eligible population residing within its boundaries. And second, it has identified institutional ownership as the model for addressing the crisis in inner city buildings with existing tenants. It is in respect of this latter rationale that the province acknowledges a clear role for co-operative housing, if the parties concerned can easily accept such a model, and if the relevant capacity to support its growth is ensured.

As part of the institutional subsidy programme, Gauteng has recently issued regulations for social housing institutions that also apply to co-operative housing institutions. Within the ambit of the regulations, the "Registrar" of housing institutions is responsible for promoting the development of social housing institutions as viable businesses.

At local level, support for social housing is evident among the municipalities of Johannesburg and Pretoria in Gauteng province, Durban and Pietermaritzburg in KwaZulu Natal, Middleburg in Mpumalanga, and East London and Port Elizabeth in the Eastern Cape, to varying degrees. In none of these jurisdictions, however, have co-operative approaches been pursued with any vigour, if at all.
The SHF is the primary support organisation for social housing at the national level. Initially established by the National Housing Finance Corporation and funded primarily with government funds, the SHF provides capacity building and skills training services, while also providing ongoing institutional development support and some grant funding.

The SHF’s approach to social housing is articulated in a "Toolkit for Social Housing Organisations", developed in 1998. This ten chapter manual provides good practice guidelines for how to set up and manage a social housing institution on a sustainable basis, and forms the basis for all training offered by the SHF. While the Toolkit acknowledges the co-operative model as an option for social housing initiatives seeking to establish themselves as a legal entity, it notes that “incorporating a social housing organisation as a co-operative will require creativity.” In this regard, the co-operative model is not encouraged as a viable option; the Section 21 model receives much more prominence. This impression is reinforced by a review of the remainder of the manual, which gives no attention to the demands of the co-operative model and rather defines good practice implicitly in terms of what would be accepted in a Section 21 model.

The SHF is, however, beginning to consider the co-operative approach in more detail. In 1998, the SHF and Cope Housing Association entered into a partnership agreement to pursue the development of a co-operative housing model within the framework of the existing Co-operatives Act. SHF’s motivation in this regard was to broaden the range of legal options available to social housing initiatives. As part of the agreement, a working group comprising representatives from the Co-operative Housing Foundation, Afesis-Corplan, Gauteng Provincial government, and the Johannesburg municipality, in addition to the SHF and Cope Housing Association, was convened to deliberate on draft statutes for two forms of co-operative - a housing management co-operative, and a housing co-operative. In July 1999, the SHF and Cope jointly hosted the International Conference on Co-operative Housing. This conference began a process of further understanding the model and popularising its application for the benefit of the broader social housing movement.
Five organisations in the NGO/private sector provide support to co-operatives and housing-related co-operative like initiatives. These are:

- the NCASA;
- the Savings and Credit Co-operative League;
- the Urban Sector Network;
- People's Dialogue on Land and Shelter;
- the Association of Social Housing Organisations (ASHO).
NCASA is the apex organisation for co-operatives in South Africa. Its members include:

- the Agricultural Co-operative Business Chamber;
- the National Consumers Co-operative Union;
- the Savings and Credit Co-operative League of South Africa;
- the National Home Industries Co-operative Association; and
- Medical and Primary Health Care Co-operative of South Africa.

In addition to these trade organisations, NCASA also welcomes primary co-operatives and pre-co-operative entities as its members. As such, over 100 active co-operatives are directly or secondarily affiliated with NCASA. The primary distinguishing feature among NCASA's membership is their common adherence to the seven international principles for co-operatives as set by the International Co-operative Alliance. Established in 1997 by provincial co-operative structures, board members of NCASA are the chairpersons of the provincial structures, as well as the chairpersons of industry coordinating bodies.

NCASA's role is to:

- popularise the co-operative model through lobbying, advocacy and outreach;
- assist pre-co-operative entities achieve registration with the Registrar of Co-operatives;
- identify markets and joint venture partners at both local and international levels;
- provide training in a range of areas, including how to set up and run a co-operative, business strategy, economic literacy, etc.

NCASA only has one housing co-operative as a member: the East London Housing Management Co-operative. Over the longer term, however, NCASA hopes to see the emergence of more housing-related co-operatives, especially in the rural and peri-urban areas that to date have been largely neglected by the developer-driven housing programme. Such housing co-operatives could provide these areas with a valuable housing delivery resource, should they continue to develop housing for non-members after fulfilling their members' needs. In this regard, NCASA is intrigued by the efforts of the South African Homeless Peoples' Federation, and in particular, the Victoria Mxenge project in Phillipi, Western Cape. NCASA understands their efforts to be largely co-operative, and in the longer term is seeking to promote the co-operative model to that project as a viable option.

NCASA, while operating as the national apex body for co-operatives in South Africa, faces real capacity constraints in its ability to be an effective promoter of the co-operative concept. Like the Registrar of Co-operatives, NCASA has also been unable to access suitable data on the number, value, impact, composition, etc. of co-operatives in South Africa. Its effectiveness is undermined by this constraint, as without data on the value of the sector and its contribution to overall production and the national economy, it is unable to argue for its importance. Within this, NCASA's ability to support the development of co-operatives within the housing industry is even less developed.
Chapter II. Co-operatives in shelter development in South Africa

G. An enabling environment

4. Support structures

c. Non-governmental/private sector

ii. Savings and Credit Co-operative League of South Africa (SACCOL) Ltd.

The Savings and Credit Co-operative League of South Africa (SACCOL) Ltd. was established by Savings and Credit Co-operatives (SACCOs) and Credit Unions around South Africa, as their national association. Subsequent to its establishment, it was recognised by the South African Reserve Bank as the representative of SACCOs and Credit Unions in South Africa. Members exercise proportional voting rights according to the size of their membership, elect the SACCOL Board and various committees, and determine the fees and dues structure to cover SACCOL’s operating costs.

SACCOL’s main objective is to assist with the development of the SACCO movement at the employee and community level. SACCOL’s support services include training, advice and other technical services for members. It also offers its members financial services, accepting deposits, and making loans.
The Urban Sector Network (USN) is a membership body comprising urban development NGOs from around South Africa. Its members include Cope Housing Association in Johannesburg, and Afesis-Corplan in East London, the two NGOs seeking to promote the co-operative housing model. The USN’s services are largely facilitative: the body lobbies for national and provincial policy acceptance of the social housing model while providing its affiliates with support as they seek to undertake demonstration projects that will support their policy arguments.

In early 1999, the USN commissioned research on the structuring of operating costs within social housing institutions, and how these might be minimised. USN affiliates like the Built Environment Support Group in Durban and Pietermaritzburg, and Umzamo in Cape Town, (not to mention Cope Housing Association in Johannesburg and Afesis-Corplan in East London) have acted as initiators of Social Housing Institutions. All of these initiatives which seek to incorporate a co-operative-like approach (to a greater or lesser degree) in their activities. Once the institution is established as independent entities, they continue to provide ongoing support at a subsidised rate.

The USN also administers the Opportunity Fund which provides grants to USN members. This fund was established by the Swedish International Development Co-operation Agency (SIDA) with the objective of creating sustainable financial mechanisms to unblock housing delivery to low income earners. The fund is only available to USN members. Its funding has been especially helpful to Cope Housing Association in pursuing its Bertrams and Hadar Court projects.
The People's Dialogue on Land and Shelter (People's Dialogue) was launched after a March 1991 conference, at which community leaders from 150 informal settlements throughout South Africa agreed to form a network of informal settlements. People's Dialogue operates as an NGO of professionals that offer support to the South African Homeless People's Federation (SAHPF) and its regional structures. All documentation concerning People's Dialogue emphasises that it does not direct the SAHPF's activities, but rather operates in support of its processes, which are generally bottom-up and needs-driven.

The role that People's Dialogue plays in supporting the initiatives of the SAHPF and its ten regional structures is critical. People's Dialogue:

- organises exchange programmes and workshops
- produces a newsletter, "utyani luyathetha", in print and audio format
- provides support in the preparation of applications for subsidies
- provides whatever other technical support is necessary

The role of People's Dialogue as a lobbyist and advocate of the SAHPF and the principles by which it operates, as well as its role as technical advisor, makes it a powerful organisation in shaping the debate around people's processes in housing. Although the SAHPF and its many Housing Savings Schemes clearly operate in a co-operative - like way, People's Dialogue emphasises the informal nature of these structures, and attributes their success to this characteristic. Neither the SAHPF nor the Housing Savings Schemes are formally registered. Their informal status, People's Dialogue argues, affords them freedom in how the savings process operates and the goals it develops, that would otherwise be constrained by regulations.

This argument poses an interesting question that is considered in greater detail in the conclusion of this paper: to what extent does formal registration of a co-operative in the South African context, contribute to an undermining of the very "co-operative" principles on which the informal organisation was based? And, is there a difference between motivating for the co-operative model, and motivating for its legal incarnation? In its operations, People's Dialogue motivates against any sort of formalisation of its structures. This could be interpreted as an effort to malign the co-operative model as it is legally defined, notwithstanding the obvious co-operative approaches maintained by the SAHPF and its various structures.
ASHO is a grouping of Social Housing Institutions in Johannesburg and Pretoria, formed so that institutions might provide one another with ongoing support and information exchange. An example of this is the caretaker's training programme that is being developed by ASHO together with the SHF. The group meets monthly to discuss progress with specific initiatives. When an institution comes across problems in its activities (such as with access to funding), it calls on the support of its colleagues in ASHO.

ASHO only has one member that defines its activities as "co-operative". This is Cope Housing Association. Given Cope's relative stature in Johannesburg, it has a fairly influential voice in ASHO meetings. The other members of ASHO, however, are focused generally to a lesser degree on pursuing the co-operative approach.
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5. Conclusion

The environment in which co-operatives operate in South Africa is variously enabling and restrictive. While it could be argued that South Africa has sufficient legislative, financial and support structures in place to contribute towards a growth of the co-operative housing sector, the extent to which co-operative approaches are actually motivated within this framework is extremely limited.

It has been demonstrated that the Co-operatives Act is inappropriate to the needs of the low income housing sector, and indeed, that it fails to acknowledge the role of co-operatives in shelter development at all. In addition, the apparent focus of the Act on agriculture has meant that an understanding of the potential for housing co-operatives within existing legislation has been, until recently, largely academic. This has meant that until 1999, no housing institution sought legal registration as a housing co-operative, even though many worked in a co-operative-like way. The result is that the various facilitative bodies, be they financiers, support organisations, or even in government, are inexperienced in accommodating the co-operative model within their policies and activities. This, it can be argued, has contributed towards their reticence in developing products suitable to the co-operative model, and their favouring of other models, most notably the Section 21 company.

Within this cycle of hesitancy, the emergence of co-operatives involved in shelter development is even further undermined, as no individual initiative wants to face the consequences of being a pilot and challenge the various structures, systems and paradigms that currently dominate the South African low income housing sector. With a range of other constraints facing low income housing initiatives (including funding, access to land, and so on), it is strategic to opt for a more commonly known legal entity such as the Section 21 Company and save one's institutional strength for less easily resolved battles.

The existence of so many facilitative bodies in the low income housing sector might also be seen as a constraint to the emergence of the co-operative model. These bodies, developed in the context of the government's first white paper on housing, were not designed to accommodate the co-operative approach. The essence of their operations, in fact, is focused on individual tenure that is supported by finance made available to individual households. Changing the approach of these bodies, who on the surface appear to be in favour of any approach that might increase low income housing delivery, is one of the most difficult challenges to be faced in creating an enabling environment for co-operative housing in South Africa.
Chapter II. Co-operatives in shelter development in South Africa

H. Comparative advantages (and disadvantages) of co-operatives

Initiatives seeking to pursue a co-operative approach in their activities face considerable constraints. Perhaps the greatest constraints arise from the consequences they must face as a result of it being "pilots". In not only promoting, but also practicing the co-operative model, these organisations are breaking ground daily, setting new standards and creating new precedents for how low income housing is delivered in South Africa. The enormity of this challenge cannot be underestimated. With every step in the project delivery process, organisations such as Cope Housing Association and the East London Housing Co-operative must take existing procedures and approaches, widely accepted by all stakeholders in the low income housing sector, and adapt them (sometimes significantly) to suit the needs of the co-operative model. This means that their delivery efforts are split between efforts to deliver housing as would any other developer or social housing organisation, and efforts to change the environment in which that delivery takes place. Consequently the pace at which such initiatives are able to achieve their delivery goals is much slower than an organisation following a more traditional delivery path.

There is danger in opting for this model. While the efforts of Cope and the ELHMC have the potential to prove the viability of the co-operative model, the slower pace at which they are able to achieve this may test the patience of the industry and the public, and undermine whatever successes are realised. Operating alone also means that both Cope and the ELHMC run the risk of having industry and framework shortcomings being misinterpreted as failings of the co-operative approach. On the other hand, should they succeed, their success will be all the more dramatic.

The hesitancy in the low income housing sector regarding the co-operative model is due to an awareness of these consequences of being a pilot. Organisations operating in a co-operative-like way that choose rather to structure themselves as Section 21 or other companies, are choosing to avoid the battle around the legal definition of "co-operative" in favour of having sufficient energy to battle for acceptance of their approach. As the Seven Buildings Company in Johannesburg has found, even this is no small task.

And yet, notwithstanding these constraints, a number of housing initiatives are continuing with the co-operative approach. A number of reasons for this were raised in the course of the study:

- The co-operative planning process gives historically disadvantaged households the opportunity to participate in a process normally imposed on them. The sense of empowerment and control this gives them over the ultimate product that is delivered, is worth the long efforts involved.

- Co-operatives provide a framework in which long term community development goals can be achieved without external interference, and in terms of the pace set by the community. In this regard, co-operatives also provide an opportunity for consolidation initiatives to extend beyond the individual plot to the neighbourhood as a whole.

- Co-operatives provide an opportunity for achieving greater value for money in the housing delivery process. Operating as a group affords the poor greater bargaining power when seeking to access land and services at discounted rates. Local authorities are often encouraged by an exhibition of community cohesion, seeing this as an indication that rates will be paid in the long term. On this basis, they are in some instances encouraged to provide such initiatives with additional support. In addition, when the co-operative approach involves co-operative or mutual help building, this generally leads to larger homes at a lesser cost.

- Co-operatives allow for an improved quality of public space, as members participate in planning their housing developments. Traditional, developer-driven projects may afford residents a say in their own individual unit - cohesion at a neighbourhood level, between units is often not considered.

- Co-operatives contribute towards social and economic integration. In East London, for example, the local authority saw the co-operative model employed by the ELHMC as a way of bringing the poor into mainstream society. Because of the attention paid to public space and the community cohesiveness promoted through the co-operative, the local authority was able to give land that had previously been classified as a "buffer zone" between a middle income and lower income neighbourhood.

- Through co-operatives, communities are given the opportunity to develop the capacity to manage and control their own development.

- Co-operatives provide a mechanism through which problems associated with inner city degradation can be addressed. By creating a space in which communities can group together, co-operatives shift the focus of
protest from resistance to reconstruction. 

- In addition to its utility in other situations, the co-operative model could prove useful in the hostels upgrading process, if used to encourage the long term affordability of the stock. 

Another critical reason for including co-operatives in the low income housing sector has to do with the role they play in management, not only of individual properties but also of common ground and public space. It is well established that among poor communities, the capacity to manage housing, in terms of maintenance and other demands, is limited. The capacity of local authorities to manage the public space in such areas is dependent on the payment of rates, which, in poor communities, are also limited. The situation can set in motion a cycle of degradation as the capacity to effectively manage both private and public space dwindles. The co-operative model, which amasses the limited capacity of individuals, has the potential of ameliorating the situation. Co-operatives assist individual households in managing their own housing units and the range of responsibilities that accompany such tenure, while also assisting local authorities in managing the public space that surrounds the units.

In this regard, it may be the case that those poor who choose the co-operative model do so because they have no other option. Empowered advocates of the poor are few and far between. To the extent that the co-operative model assists communities in achieving their goals in an environment often hostile to their individual efforts, it is embraced. The goal is therefore not always to achieve what may be defined as an ideal of 'co-operation', but rather to use co-operation as a methodology to overcome poverty and its associated problems.
In March 1998, the Minister of Housing received the first phase report of the Social Housing Task Team, setting out the current status of social housing in South Africa. The report identified the constraints that currently hinder the development of a vibrant social housing sector and the emergence of sustainable Social Housing Institutions. While these findings are not repeated in this report, two of them do bear special consideration.

The most important finding was that notwithstanding a steady growth of the social housing sector, very little within the framework is actually designed to facilitate the development and progress of social housing. Even less is specifically targeted at facilitating the co-operative model. In addition, there are various provisions within the framework that are indeed a hindrance to the development of social housing in South Africa.

Another important finding of the report is that whatever provisions exist that may favourably influence the environment in which social housing operates, they relate only to the environment of individual Social Housing Institutions, rather than to the sector broadly. To date, the only interventions that have been targeted at the sector, have been the establishment of the SHF, and the establishment of the HIDF. The situation is amplified when considered in terms of a framework for co-operative housing. Efforts to improve the framework, as undertaken by Cope Housing Association, the East London Housing Management Co-operative, and even the South African Homeless People's Federation, are directed in terms of the specific organisation's individual interests. Only limited networking exists among the sector as a whole.

Ultimately, the above scenario creates a situation in which there is more confusion regarding the role and potential of co-operatives than clarity. Efforts to promote the model are seen as pilot ventures, and in most cases, external (foreign) funding is involved. Coupled with a national perception of the need for scale delivery in housing, other models are favoured for their simplicity. When all that is being counted are the numbers of houses being delivered, there is little incentive to promote an approach that cites its key benefit as long term community development.

Consequently, when the co-operative model is put forward as an option, it is critically reviewed for what are perceived as faults in comparison with better understood delivery and management forms. Problems that are often cited as relating to the model include:

- **The perceived "risky-ness" of governance and management arrangements that allow for residents (members) to be formally represented.** The General Manager of the HIDF, for instance, has argued that resident representation on the co-operative's governance structures could pose a conflict of interests. It has been argued that resident members are more likely to run the co-operative in their own individual interests, than in the interest of the co-operative as a whole.

- **The perception that low levels of affordability among the resident community will have a negative impact on the viability of the institution.** Social housing has been classified as not targeted at the poorest of the poor, but rather at subsidy-eligible households earning more than R 1,500. This is because the social housing "institution", with its high profile Board and well staffed management structures is expensive. What this assumption does not accommodate is a system in which residents manage their housing with limited external intervention, and at minimal cost.

- **The perceived slowness with which co-operative housing achieves delivery.** Co-operative initiatives, with their emphasis on community participation and mass consultation, are perceived as being long-term ventures, unable to deliver quickly. The main delay in Cope Housing Association's Bertrams project of 53 units, however, was the 18 months of negotiations required before finance was approved. The 'slowness' of the sector could be attributed to being more a product of the inhospitable environment than one of the initiatives themselves.

- **The limited capacity and small based nature of co-operative initiatives, and the extent to which this is perceived to increase the co-operative's risk.** At a provincial level, the fear is that when initiatives are unable to access additional finance, they become solely reliant on the institutional subsidy. This places the province's investment at risk. With the scarcity of subsidy funding, provinces are cautious about funding risky initiatives that might undermine the viability of the institutional subsidy programme. In the short term, their interest rather is in supporting more secure initiatives, lodged in more familiar, generally larger institutions.
Although the above assumptions are as yet unproven (and although many are clearly myths), they become critical stumbling blocks to the promotion of the co-operative model. In the interests of short term gains (i.e. housing delivery), long term concessions are made and community driven initiatives concede external demands for what appear to be more straightforward systems, abandoning the co-operative approach.

From the co-operative's perspective, aside from the unsuitable nature of the Co-operatives Act, problems relate primarily to the availability of finance, and specifically to:

- inaccessibility of private sector finance, especially working capital and bridging finance;
- high interest rates that make available finance unaffordable;
- a dependency on donor funds, where such exist;
- lack of funding specifically to promote institutional development and build the capacity of the organisation;
- risk aversion on the part of the HIDF as the primary social housing financier; and
- lack of clarity and uniformity on the part of lenders regarding their criteria for lending to co-operatives.

These latter two problems are especially worth mentioning. The primary funder in the social housing sector is the HIDF. Bearing in mind its relative youth (it has been operating for approximately two years), it has demonstrated extreme caution in operating in a market it was specifically designed to service. In 1998, HIDF's total capital and reserves amounted to a total of R\text{172} million. Of this, a total of R\text{20} million was paid out in project and capacity loans (of a total R\text{38} million approved). While this may relate in part to the slow pace at which the HIDF's clients access funds that have been approved for them, it also indicates a vast reserve of unused funds, ironically in a sector that claims funding is generally not available.

Other organisations involved in this sector include the Home Loan Guarantee Fund, Nurcha, and in Johannesburg, the Inner City Housing Upgrading Trust. In a meeting held as part of an evaluation process for Cope Housing Association, it was evident that communication among these bodies in respect of their approach towards co-operative housing is limited. This undermines the efforts of applicant co-operatives, especially when such funding is being sought for the first time. When challenged on their differences, the various funders argue that the funding application process could be improved so that access to available finance is increased. While this is true, it only sets out a small portion of the problem (and provides a useful diversion from more complex problems). In the weeks before the International Conference on Co-operative Housing held in Johannesburg in July 1999, the financiers who might potentially be involved in this sector met to discuss ways of resolving the financial framework for co-operatives and their access to funding. Despite sufficient opportunity to develop products specific to or appropriate for co-operatives, little activity has happened in this regard.

In addition to the above, a policy focus on ownership means that the co-operative model starts with a disadvantage. The existing financial and legal systems and rules are therefore biased towards the individual ownership model. This means that as the delivery of co-operative housing is pursued, amendments must also be made in the environment so that such delivery is possible.
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA

Chapter III. The future role of co-operatives in shelter development in South Africa

It is difficult to specifically define the future role of co-operatives in shelter development in South Africa. Certainly, the need for such an approach to low income housing exists, and to the extent that communities are able, they are already operating in a co-operative-like way as they manage their poverty and seek improved lifestyles. Indeed, at the International Conference on Co-operative Housing held in Johannesburg in July 1999, a number of initiatives were able to publicise their efforts and indicate their intentions for co-operation. Less clear, however, is the disposition of the dominant players in the housing industry (government, the various support organisations, and the private sector) to give the sector the necessary support to establish itself on a viable basis and on par with other forms of supported, low income housing. This support need not be in the form of direct financial provisions or subsidies. Rather, what is required is a fundamental paradigm shift from a position that sees co-operatives (and indeed, social housing) as a marginal option to be permitted, to one that sees them as an important alternative to be promoted. In order for this shift to occur, the perceptions set out in sections II.H and sections II.I above, must be addressed by all players in a concerted way.

There has been a clear shift in government policy that seems to accommodate the potential for co-operative approaches in shelter development. Indicators of this shift include the following:

- Statements in the Department of Housing’s 1998 Annual Report that "1999 will be a year for innovation in delivery approaches, maximising choice of housing options to suit the various needs, bold interventions to mobilise resources, integrated and co-ordinated development, improved quality and size... and support for consolidation of existing houses". 

- Repeated statements by both the Minister and Director General of Housing regarding the need for alternative forms of tenure, with a specific reference to rental tenure.

- The Minister's request of the SHF to prepare a social housing policy framework for her consideration, and her stated intention to include the policy recommendations in the Second Housing White Paper, due to be released in the final quarter of 1999 or early in 2000.

- The beginnings of the development of a track record for social housing across South Africa. To date, 24 institutional subsidy projects, comprising 4671 dwelling units have been approved as upgrade or redevelopment projects in the inner city of Johannesburg alone.

- The recent release of a tender by the Department of Agriculture, calling for proposals for the revision of the Co-operatives Act, and policy statements made by this same department suggesting that co-operatives should indeed be supported, if in the Department of Trade and Industry and not in the Department of Agriculture.

- The 1996 promulgation of the Communal Property Associations Act and efforts within the Department of Land Affairs to find legal ways to acknowledge traditional forms of tenure, including communal ownership of land.

- The recent success of the Co-operative Working Group, convened by the SHF and Cope Housing Association jointly, to develop statutes for a housing co-operative within the framework of the Co-operatives Act, and the imminent registration of the first two housing co-operatives within the history of South Africa.

- The interest expressed by the SHF in the co-operative model, demonstrated by its hosting of the International Conference on Co-operative Housing, together with Cope Housing Association.

- The confidence expressed by the Gauteng Department of Housing and Land Affairs in the activities of Cope and the role it plays in the housing sector.

- The clear support for the East London Housing Management co-operative as expressed by the East London municipality's allocation of well-located land at a discounted price.

- The statement by President Thabo Mbeki that "government will also place more emphasis on the development of a co-operative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity."
Notwithstanding this enthusiasm for the co-operative model, organisations that seek to capitalise on this policy
shift are finding that the environment is still not suited to their new approaches. Coupled with rhetoric that is clearly in
support of co-operative approaches, is a contradictory emphasis within both housing policy and practice on what are
tacitly understood by the sector to be more "traditional" approaches to low income housing delivery. So, for instance:

- **Tenure status:** Individual ownership and rental options are favoured over co-operative ownership. This is
largely because individual ownership tenure is perceived to be desired by Africans, Coloureds and Indians
who were denied it during the apartheid years. In addition, "co-operative ownership" is not legally
recognised as a form of tenure in South African law. As a result, there is a profound lack of familiarity with
the co-operative approach and what it entails, and it is rarely used.

- **Governance arrangements:** "professional" boards, comprising persons with quantifiable expertise are
favoured by government sponsored institutions such as the HIIF and the SHF over boards that are
representative of the resident population, and indeed that include residents as members. The
consequence of this preference is that boards of co-operative-like institutions are forced to include
professionals and reduce resident involvement if they wish to access finance and other support.
Consequently, the link between residency and participation in the governance of the institution is diluted,
and a key co-operative principle is undermined. In some cases, it also means that the board will incur higher
costs as professional may require a retainer for their participation.

- **Management arrangements:** professional management, usually accessed as an outsourced function, is again
favoured by government-sponsored institutions such as the HIIF and the SHF over management that seeks
to draw on the skills and capacity of residents. This is due to a perception that residents lack sufficient
capacity to carry out the required duties effectively. While this may be true, government sponsored
programmes do little to overcome this constraint to tenant management. The SHF, for instance, provides
ample support for the development of "professional management" arrangements, while providing little for,
and indeed discouraging management arrangements that draw heavily on resident capacity. Again, if
co-operative-like institutions wish to access finance and support, they are required to follow the standard for
a professional, outsourced board, which dilutes the degree to which residents participate in the running of
their housing, and undermines the potential for job creation within the initiative. In addition, it can lead to
higher operational costs as such capacity must be paid for.

- **Financing arrangements:** initiatives which seek loan finance and other donations to pursue a more finished
and (higher priced) product are favoured, seen as more viable over initiatives that follow an incremental
approach in the upgrading process, relying only on the institutional subsidy and resident contributions.
Institutions seeking to deliver a product that is limited to the scope of the subsidy (i.e. worth R 16,000)
appear to be afforded less recognition of their contribution than those seeking to deliver products requiring
additional finance (i.e. to a product cost of R 80,000). This is clearly a consequence of the structure of South
Africa’s housing policy, which has placed a considerable emphasis on the role of finance in low income
housing provision. The majority of the facilitative mechanisms established to support government’s national
housing programme are designed to support access to housing finance rather than simply support the
housing delivery process.

- **New build developments** are implicitly favoured over incremental upgrades of inner city tenant buy-out
units. This prejudice relates to two aspects of government’s goal of scale delivery. First, new build
developments contribute to a resolution of the housing backlog by constructing new units. Inner city tenant
buy-out initiatives, on the other hand, only contribute to resolving the crisis in inner city housing, by
improving the already existing housing. Second, is the perception that working with an existing community is
difficult more than developing housing in the absence of a community, and bringing residents on later once
the development process is finished, through a marketing campaign.

Some organisations, such as Cope Housing Association, have found innovative and strategic ways to address
these problems. In respect of tenure, Cope has set aside the debate on co-operative tenure until the co-operative
legislation is resolved. Instead, it has promoted the need for a policy that accommodates rental tenure, and has
temporarily defined the tenure offered in its member projects on that basis. In the short term, Cope has also focused its
delivery efforts on new build developments, rather than on inner city upgrades. The two tier structure afforded to
Cope by the Norwegian model (see figure 5) allows for a "professionalisation" of the governance and management
arrangements of Cope's member co-operatives through the service agreement that makes Cope responsible for
property management functions, and for participating on and building the capacity of the governance structures. This
approach has to some degree resolved Cope’s financing arrangements: new builds are more expensive and therefore
require finance which is more readily available to Cope than to other co-operative-like initiatives because of the manner
in which the governance and management arrangements have been "professionalised".
Cope's approach to the problems is telling. With every step in the project delivery process, organisations seeking to operate in a co-operative like way must take on the procedures and approaches, widely accepted by all stakeholders in the low income housing sector, and adapt them (sometimes significantly) to suit the needs of the co-operative model. Through this effort and their subsequent success, it is hoped by these initiatives that the low income housing paradigm that currently discriminates against their approaches will be overcome in favour of one that accommodates them as part of a broader low income housing framework. The development of a track record among co-operative-like institutions will contribute considerably towards the acceptance of the approach in the low income housing sector in South Africa.

Critically, at this early stage, the definition of "co-operative" in the context of shelter development requires a sophisticated understanding. If limited to the legal entity known as a "co-operative", and a specific (currently non-existing) form of tenure, the concept will suffer the problems related to what has already been classified as inappropriate legislation, and will overlook all else that is happening and has been documented in this report. Rather, the concept of "co-operation" should be accepted more broadly as contributing towards what are defined as "co-operative initiatives".

The co-operative initiatives which operate in South Africa's shelter sector do not all seek co-operation in all that they do. Depending on their specific context, some may use the co-operative approach in housing delivery, others may use it in housing management, others still may use it for savings and housing finance. Very few of these organisations are legally registered as "co-operatives". There are many entry and exit points within the housing process for a co-operative approach. For instance, Cope Housing Association emphasises co-operative decision-making in the management of the housing stock. In the longer term, as policy develops, it will also emphasise co-operative tenure. Cope's member co-operatives contract with Cope to provide them with an actual property management service, rather than doing it themselves. In Cope's new build projects a contractor is hired to do the construction -the community does not itself build the actual stock. The East London Housing Management Co-operative, on the other hand, will use the co-operative approach in the process of planning the various co-operative blocks, as well as in the delivery process. Later, individual households in the Amalinda Housing Co-operatives may choose individual ownership of their stock, and keep the co-op alive for the management of common space. The SAHPF resists classification as a co-operative, and indeed considers ease of registration as the key variable in deciding which legal form it should adopt, rather than any ideological definition of its approach. The SAHPF's belief in co-operation is so important and central to how the organisation operates, that classification as the entity which in the South African context is so poorly and confusingly defined, is seen as diluting rather than supportive. And then there are the Communal Property Associations that also embody the co-operative principles, but under the banner of another legal form. Each of these examples must together comprise that which is understood to be the "co-operative" in the South African context.

This broader understanding of "co-operative" resolves the problem that is often raised when a market for the model is considered. A key criticism of the co-operative model is that low income households want individual ownership. While this is debatable, the accuracy of the statement need not be challenged. The co-operative concept is broadened to include co-operatives that are about ownership, others that are about delivery, and still others that are about management. There are a range of options within the co-operative model that can be used for the benefit of low income housing persons living in a variety of conditions, with a variety of needs and aspirations. As noted by Luthando Vutula, General Manager of Cope, in his closing speech to the International Conference on Co-operative Housing, "In the context of a society in which the majority of our population have been profoundly disenfranchised, acutely removed from the choices that have determined the paths of their lives, co-operatives provide a space in which the previously disadvantaged can articulate their needs, pursue their goals and achieve their dreams on their own terms. It is the epitome of EMPOWERMENT - a clear principle of our democratic government and the ethos that currently drives our society." A key principle for an evolving understanding of the "co-operative" in South Africa, therefore, is that it be afforded the flexibility that its application suggests, and that co-operatives similarly be allowed to develop flexibly, responding to the particular needs of their particular contexts. Policy in support of co-operatives must address this factor.

While Cope's response to a constrained environment has been clearly strategic for Cope's own success, it has had a profound, and in some ways, limiting impact on the environment in which other co-operative-like initiatives must operate. Specifically, Cope's response to the governance and management concerns of bodies like the HIDF and SHF, have led such bodies to expect similar responses by other co-operative-like initiatives. In 1999, a key issue for debate among financiers and other support bodies in the social housing sector was whether or not a "mother body" (i.e. the Housing Management Co-operative in Cope's two tier model) should be required of tenant buy-out initiatives. The rationale behind the thought was that a two tier structure could provide such initiatives with management capacity, and (it was hoped) this would remove the risk of failed management away from the residents themselves while still allowing them significant control of the management process. At the International Conference on Co-operative Housing, the Financial Framework Working Group emerged from its deliberations with a recommendation that "a social housing model based on Cope's financial model, with some fine-tuning changes" be developed for application on all...
A key constraint to an evolving co-operative housing sector, therefore, is the inflexible environment imposed on it by the broader, low income housing sector, and specifically the facilitative bodies established to support it. Within the context of a need for scale delivery in housing, South Africa’s housing policy has established a range of facilitative bodies (the HIDF and SHF included) to achieve such scale. By their existence, these bodies have defined the scope of the national housing programme. Because co-operatives were not included in the initial policy deliberations that shaped these facilitative bodies, they do little to accommodate the co-operative model’s needs. And so, when a policy shift seeks to incorporate co-operatives and co-operative approaches in the national housing programme, the nature of that incorporation is necessarily framed by the policy’s already existing facilitative mechanisms. This translates into requirements being imposed on co-operatives that in many cases contradict the essence of co-operatives. The requirement that boards do not comprise a majority of residents is one example. Another example is the tendency among the facilitative institutions, such as the HIDF and SHF, to favour NGO-driven initiatives over community-based initiatives. NGOs generally have legal structures and operations that are familiar to the facilitative institutions. Community based organisations such as tenant buy-out initiatives on the other hand, are seen as less defined, more fluid in their approach. In a context where resources are limited and delivery at scale is urgently demanded, those approaches requiring less of a learning curve are favoured over those that appear on the face of it to be highly risky.

South African housing policy is currently on the threshold of a transformation from a numbers-based delivery focus to a focus on integration, community development and quality in its housing delivery programme. In order for co-operative initiatives in shelter development to benefit from this transformation beyond the rhetorical support that is already evident, it is critical that the prejudices against co-operatives are overcome and that the sector be given the opportunity to develop a substantial track record in its favour. The next section sets out proposals in this regard.
Chapter IV. Proposals and conclusion

Over the course of the research, a common proposal raised by interviewees was to revise the Co-operatives Act so that it might better accommodate a housing co-operative model. Indeed, to the extent that any lobbying on behalf of a housing co-operative model has been done, it has been within the parameters of a legal solution. Co-operatives, in this regard, are seen as "legal entities", on par with other options such as Section 21 or other companies. In considering the recommendation further, however, it is also important not to lose sight of that which makes co-operatives work in the current environment, and to think beyond their legal structuring.

It has been found that for the most part, co-operatives operating in shelter development (be they registered or not) are what they are in spite of the legislation, and not because of it. That which makes these organisations "co-operative" is the principle of co-operation that they follow, and not the legislative parameters in which they may be forced to operate. Indeed, in some cases, the legislative and other parameters of the formal sector serve to undermine the co-operative approach that defines them. Recommendations to amend the legislative environment in which such bodies operate, therefore, must accommodate the fact that in most cases, the environment is by its very nature (and possibly necessarily) structured to first serve the interests of the more established parts of the low income housing sector. The interests of the co-operative seeking registration are secondary. Because the co-operative housing sector seems to target the poor and marginalised, the power balance between these two interests is clearly skewed, and the registration process runs the risk of undermining that which it was established to support.

Promotion of the co-operative sector involved in shelter development in South Africa therefore, presents an array of challenges. While finding a balance between a need to promote the sector uniformly, and the need to allow for it to develop flexibly, another challenge relates to the dominant paradigm directing low income housing delivery in the current context. In a country as stratified as South Africa and with such vast disparities along class, racial, and cultural lines, variety in approach is, however, critical if the needs of all are to be met as promised. This is the basis for promoting the co-operative concept.

And yet, the various parties concerned have different needs. Government has a need for housing delivery at scale, that is low risk and affordable, and that supports a stable market. Communities opting for a co-operative approach need engagement in processes that affect their lives, and control over how resources allocated in their interest are spent. These two sets of needs often appear to run at cross purposes to one another. Ultimately, for a co-operative housing "sector" to grow beyond the few initiatives that it currently comprises, some key issues on which the established low income housing sector is based, need to be reconceptualised. Critical issues that need review include:

- the preference for individual ownership;
- the preference for mass-based, new-build housing delivery at scale, born out of a "numbers" approach to the housing crisis;
- the expectation of standardised systems of governance and management;
- the financial modeling associated with low income initiatives seeking credit;
- an aversion to full participation in favour of managed engagement with residents; and
- the association of social housing (and therefore by extension, co-operative housing) as targeting only the upper income categories of the subsidy-eligible population.

To a very large extent, a process in this regard is already underway. To get beyond simple rhetorical support, however, a policy shift is required. After five years of delivery in which the focus was on responding to "the housing crisis" with the mass construction of units, it is now necessary to also focus on "the crisis in housing" in which long term management, integration, and communities are also issues.

The International Conference on Co-operative Housing was successful in that it raised a range of issues for debate and resolved many of these in the development of concrete proposals. A summary of the recommendations is attached as Annex 3 to this report. One concern however, relates to the implementation of the proposals. Although the conference was held in July 1999, by October 1999 none of the recommendations had been pursued. While this may relate to the relative capacity shortages of the institutions that are proposed to implement the recommendations, it also highlights the rather secondary priority afforded to this new concept.
Proposals for supporting the growth of a co-operative sector in shelter development in South Africa can be split into three distinct categories:

- legislative and policy amendments;
- institutional support; and
- education and information.
To date, the low income housing sector's approach to the co-operative model has been responsive. Progress in resolving funding issues, for instance, has been in response to Cope's need for finance for its Bertrams and Newtown projects, rather than in terms of a policy framework that is being pursued. The problem with such an approach is that the initiatives developed suit the individual organisation or problem around which they were conceptualised, and not necessarily the needs of what is hoped to become the sector as a whole. On the flip side, this also means that there has been little thought as to the role that co-operative housing can play in achieving government's housing goals, both in terms of the housing crisis as well as the crisis in housing.
Chapter IV. Proposals and conclusion

A. Legislative and policy amendments

1. Need for clear principles

The point has already been made that revision of the Co-operatives Act is necessary. Indeed, this is acknowledged by the Department of Agriculture which has recently awarded a contract to this effect. What is perhaps more immediately important to the broader legislative and policy framework for co-operative housing however, is the need to reach agreement on some key principles that define the co-operative sector more closely. On the basis of these, legislation and policy can take into account, to the extent possible, the range of interests in support of a growing housing co-operative sector. Specifically, the principles to be considered should include:

- The target market for registration. A focus on the inner city, and specifically on tenant buy-out initiatives would be strategic. If such small co-operatives are to be accommodated, perhaps various classes of registration, allowing for the varying capacities of co-operatives, could be developed.

- The nature of co-operation. Co-operative approaches may have a variety of entry and exit points, depending on the needs of the community. So, for instance, a community may elect to plan the layout of the housing collectively, but appoint a developer to undertake the delivery of the housing. Alternatively, a community may elect to operate as a co-operative for the duration of the building process, and then disband once each household has an individual home.

- The methodology of support. Experience with co-operatives has demonstrated that they are best when grown from the inside and not imposed from the outside. If, however, government intends to use the co-operative model as a specific methodology to overcome specific problems (such as inner city degradation, bad buildings, etc.), then the approach taken in terms of the motivation should be carefully considered.

Of course, these principles will need to be developed within the framework of the seven internationally recognised principles for co-operatives. The essence of co-operatives, that they are democratic institutions which are easily controlled and managed, must be maintained. In addition, lessons learned by co-operatives operating in South Africa's shelter sector to date have demonstrated the need for flexibility in the understanding of how the model is applied in different contexts.

South Africa's co-operative housing sector is not yet defined. ICA and Habitat will have a critical role to play in assisting the sector by suggesting options for its development, guiding the sector through the provision of policy documents and case studies from other countries, and in responding to the sector as it learns to articulate its needs.
Once such principles are clearly defined, these can be worked into the Department of Agriculture's process of revising the Co-operatives Act. While proposals regarding the details of such a revision are beyond the scope of this report, what is clear is that the current Act makes little reference to the principles on which the co-operative concept is built. Other than acknowledging the need to abide by "co-operative principles" (which the Act fails to define), there is no provision in the Act to accommodate the special nature of co-operatives. In addition, the following issues will require careful consideration:

- The costs of registration, not only in terms of fees but also in terms of the formal arrangements required, and the impact this may have on the affordability of the target market.

- The impact of registration on the organisation's co-operative activities. To what extent will these be constrained or supported?

- The ease of registration, and the accessibility of the registration process to the poor and marginalised.

The latter point is especially important if the co-operative model is to succeed alongside the already popular Section 21 Company model, and the increasingly popular Communal Property Association model.

While legislation should be enabling rather than restrictive, and flexible rather than narrowly defined, the basis for registration as a co-operative should arise from the international principles which define co-operatives as distinct from any other sort of entity. In this regard, the revision process should be influenced by the COPAC Guidelines.
In April 1999, the SHF submitted to the Minister of Housing a report prepared by the Social Housing Task Team, that set out 50 recommendations for supporting the growth of a social housing sector in South Africa. While this report acknowledged the inclusion of co-operatives within the social housing sector, it did not specifically consider recommendations in support of co-operative housing sector. It also did not specifically consider the impact of the fifty recommendations made on the potential growth of co-operatives. It is therefore recommended that this report be carefully reviewed in respect of its impact on co-operatives, and that an addendum be published in this regard. This should be the work of the social housing task team, mandated to do so by the Minister of Housing.
Chapter IV. Proposals and conclusion

A. Legislative and policy amendments

4. Policy attention within existing facilitative bodies

In the South African context, the low income housing sector is driven by government intentions: both the HIDF and the SHF receive a significant portion of their funding from government. It has already been noted that these bodies are not currently predisposed to accepting the co-operative model. Given government's stated support for the concept, however, it would seem that these and other bodies should challenge themselves to consider the co-operative housing option carefully. Specifically:

- The HIDF, Nurcha, and Home Loan Guarantee Company (as well as other relevant funders) should come together to develop a specific product or product range to accommodate the co-operative model within the constraints of its affordability. This should include attention to the need for start-up funding, management support over the short term, guarantees against default, insurance against death or disaster, appropriate interest rates, and so on.

- The SHF should develop specific training products to not only accommodate but also promote the co-operative housing approach. This could be done in co-operation with Cope Housing Association. Specifically, the SHF could consider adding a chapter to its "Toolkit for Social Housing Organisations" that deals specifically with co-operatives.

- The National Homebuilders Registration Council should consider mutual help construction methods and design and construction standards for social housing structures.
The concept relating to South Africa's "crisis in housing", as being different from the "housing crisis" has already been discussed elsewhere in this report. Essentially, the difference relates to the focus of policy - being either on new build developments in terms of the housing crisis, or on refurbishment and upgrades in terms of the crisis in housing. Within government, a shift from the need for new housing towards the need for good and effective community housing is beginning to take shape with calls for "rehabilitating inner cities", and "stabilising the community". The co-operative model is especially well suited to inner city refurbishments as it accommodates the participation needs of existing residents, placing the responsibility for their housing in their own hands. If the effort to revitalise the inner cities were accompanied by an acknowledgement of the potential of co-operatives in this regard, this might broaden the potential market for the co-operative sector and provide the basis for the development of a useful track record.
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA

Chapter IV. Proposals and conclusion
A. Legislative and policy amendments
6. Accommodation of the concept within government policy

Social housing is slowly receiving policy attention from South Africa’s local, provincial and national spheres of government. Within this context, scope for accepting and promoting the co-operative concept also exists. The city of Johannesburg, for instance, is currently implementing a White Paper on Social Housing for the Inner City of Johannesburg, which could assist in providing many of the ingredients required for an enabling environment for co-operative approaches to housing. As part of this effort, Johannesburg’s "bad buildings" policy might also supportive of the co-operative approach. In October 1999, the Inner City Housing Upgrading Trust in Johannesburg, together with Johannesburg's Inner City Office, Gauteng's Department of Housing and Land Affairs, and the SHF, agreed to undertake an investigation into the feasibility of tenant management organisations for the purchase, refurbishment and ongoing management of inner city buildings. The co-operative approach should be carefully considered in the development of proposals through this study.

Other municipalities also beginning to consider social housing include Durban, Pietermaritzburg, East London, and Port Elizabeth. Over time, as each municipality gains experience, a focus on co-operative housing could be nurtured. A further role for municipalities, especially in terms of their Housing Act responsibilities, is to pursue the delivery of housing. In this regard, municipalities could engage in partnerships with local communities in their areas and support their development as co-operative entities. Specifically, the role of the East London municipality in providing suitable land at a discounted price, is worth repeating elsewhere.

At provincial level, Gauteng is at the forefront in formally expressing support for co-operative approaches. While not without hesitancy, Gauteng's support presents local actors with an opportunity to demonstrate the viability of the co-operative housing model and the benefits it can bring about. A significant reason for Gauteng's support of the concept is the exposure given to the former MEC for Housing, Dan Mofokeng and some of his officials, through a study trip to Norway. Sponsored by Cope Housing Association's donors, the trip sought to 'normalise' the co-operative housing model, and on this basis, to encourage government to accept it as a viable option for the low income housing sector. Given the right exposure, it is likely that other provinces might also come round to proactively including the co-operative model as an option in their policy frameworks.

At national level, the drafting of a second White Paper on Housing presents an ideal opportunity to articulate a shift from attention on the "housing crisis" to attention on the "crisis in housing", and the role of co-operatives therein. Certainly, the national department has already indicated that this is the intention of the second white paper. Policy interventions in this regard might include:

- an articulation of government's support for "co-operative approaches to shelter development", and the various adjustments to policy that such support would imply;
- specific measures to support the viability of housing co-operatives, with special attention to insurance, start-up funding, training, empowerment, and so on;
- a classification of "co-operative ownership" as a legally recognised form of tenure, distinct from individual ownership and rental;
- specific measures to support inner city regeneration initiatives;
- a system of differential property taxes, tax holidays and other similar incentives to promote rehabilitation and redevelopment projects;
- measures to promote savings among the poor as a means of social mobilisation and community ownership;
- multi-year and multi-project funding for co-operatives that fulfil specific criteria (this approach will support the development of strong co-operatives that can continue housing development for new members once housing for existing members has been provided);
- measures to allow for adequate regulation of government's investment, that does not undermine the co-operative's principles of operation;
- support for conflict resolution initiatives;
• indicators for community development spin-offs from housing delivery projects; and so on.

If policy proposals emerging from the Department of Agriculture are adopted, it is likely that the redrafted version of the Co-operatives Act (due out in draft form in March 2000) will seek the registration / regulation and development functions split. Responsibility for the Co-operatives Act, including the registration and regulation of co-operatives, would remain vested with the Registrar, but this post would be incorporated within the Department of Trade and Industry. Development functions, on the other hand, would be devolved to the relevant departments. On this basis, housing would be responsible for promoting the development of housing co-operatives, while transport would be responsible for promoting the development of taxi and other transport co-operatives, agriculture would be responsible for promoting the development of agriculture co-operatives, and so on. This is positive and should be supported. The Department of Housing should prepare itself for this eventuality by coming to terms with the scope and needs of the sector, and considering how it might best be promoted. The second White Paper on Housing could provide a useful opportunity for developing the necessary policy.

Furthermore, the national department of housing's recent emphasis on savings as a component of housing delivery presents an ideal opportunity to introduce the co-operative model as currently adopted by the East London Housing Management Co-operative, or the South African Homeless People's Federation. Policy developed by the department in support of savings-linked housing delivery should include the co-operative model as an essential part.

Finally, it was recently announced that Parliament is considering "The Promotion of Equality and Prevention of Unfair Discrimination Bill", which is expected to prohibit unfair discrimination in the provision of financial services. The housing department is also drafting a home loan and mortgage disclosure bill to enhance transparency and accountability in the provision of housing finance. Both these pieces of legislation should be scrutinised for their accommodation of co-operative principles and the extent to which they ensure that the co-operative approach is also not discriminated against.
It has been demonstrated that those co-operative initiatives that are underway in South Africa are heavily reliant on external support. The reason for this has to do with the relative newness of the concept within the shelter sector, and the consequences in this regard of being a pilot. While the low income housing sector benefits from extensive support in the form of government assistance through its national housing programme, this does not support, and indeed may be argued to discriminate against, co-operative approaches to shelter development. In line with recommendations in the COPAC Guidelines, therefore, that government policy and the broader enabling environment for low income housing must not discriminate either directly or indirectly against co-operatives, the following interventions are proposed.
The COPAC Guidelines stress the need for education and research in terms of the contribution and scope of operations of co-operatives. In the South African context, the relative ignorance of how to implement the co-operative concept is one of the barriers to its success as a viable option in the low income housing framework. Given the ease with which other models (such as the Section 21 Company) are implemented, and the support given to still other models (such as the Communal Property Association) to facilitate their use, it is no wonder that the co-operative model is infrequently used. In this regard, it is recommended that a body such as the SHF partner together with advocates of co-operatives to consider how the co-operative model might be institutionally structured in the South African context.

Two models already on the table are those maintained by Cope Housing Association and the East London Housing Management Co-operative. In terms of organisational structure, both are two tier models in which local housing co-operatives are supported by a regional "housing management co-operative". Their difference lies in the principle by which members may access housing. Cope follows the seniority principle that determines that members who have waited longest for housing are afforded first priority when it becomes available. The ELHMC follows the savings principle that determines that members who have saved the most on a consistent basis are afforded first priority when housing comes available. The merits and demerits of each model in relation to the other as well as to the demands of the broader low income housing sector need to be considered carefully.

Another possible model might be that which is currently being considered by the CME SACCO. The CME SACCO is currently undertaking a needs assessment of its members to determine the location and nature of two proposed projects to be funded through the housing initiative and development by an independent developer within the next year. In the future, CME SACCO might also consider establishing a CME "Housing Co-operative" through which such developments would be pursued in partnership with CME SACCO. While the model will be similar to the ELHMC, its key difference relates to the order in which the initiatives started. CME SACCO is an employee-based SACCO, and its primary aim is the provision of loans on the basis of long term savings. The housing focus follows this, rather than in the case of the ELHMC, preceding it.

With reference to savings and credit co-operatives, linkages between these and housing initiatives have the potential to stimulate housing delivery for the most poor. The experiences of the South African Homeless Peoples' Federation's Housing Savings Schemes are telling in this regard. A model which sees a housing co-operative develop alongside a savings and credit co-operative would be useful to consider, especially given the government's current focus on savings in the housing process.

Finally, certainly among the financiers of low income housing (including government), fascination currently exists with the scope of Cope's and the ELHMC's two-tier model in which risks associated with tenant based bodies appear to be contained by some larger, "umbrella" body known as a "Housing Management Co-operative". The debate has reached a point where recommendations for this model to be implemented among tenant buy-out initiatives are already being made, irrespective of whatever other, as yet unstudied, options exist. In part to address this issue, the Inner City Housing Upgrading Trust (ICHUT) which operates in Johannesburg, has issued a tender for an investigation into the long term feasibility of utilising tenant-based management structures for the purchase, upgrading and management of buildings in the inner city of Johannesburg. This research should include an investigation into the possible institutional arrangements for tenant-based initiatives that choose the co-operative model, and consider if indeed the two-tier model suits the interests of all stakeholders. In this regard, a model that sees independent co-operatives being affiliated with regional or national federations should also be considered.

Ultimately, whatever the model, there will be some common principles on which other role players in the sector will be able to rely. For this reason, this recommendation must be carried out in conjunction with the recommendation set out in chapter IV.A.1.
There is currently no insurer that operates specifically for co-operatives in South Africa. The CME SACCO previously had their loans insured in case of death by the Credit Union National Association (an American insurer for co-operatives). Since January 1999, however, this facility has not been available. An insurance mechanism that would respond to the specific characteristics of the co-operative model is critical if the sector is to enjoy any potential for growth.
The International Conference on Co-operative Housing was especially useful in respect of networking, as co-operative initiatives that currently operate under the guise of some other legal form had the opportunity to meet one another and compare experiences. Significant in this regard was a call by one of the conference participants to do away with the concept of the "pilot". This was supported by the Director General in her speech when she argued that by evidence of the conference alone, co-operatives were now well-established in the low income housing sector. In this regard, education and popularisation of the co-operative concept need not only extend outwards to spectators of the housing sector. Efforts should also be directed inwards, among the various initiatives currently operating in a co-operative-like way so that together, they may escape classification as pilots and rather be seen to be collectively contributing towards the development of a track record. To some extent, this is NCASA’s self-defined role. NCASA’s capacity is limited however. ASHO, the only membership based body representing social housing organisations, only exists in Gauteng province. Rather, co-operators such as the ELHMC and Cope Housing Association, as well as supportive agencies like the SHF and the Co-operative Housing Foundation, should take on this task.

Perhaps the most likely vehicle for this effort is the Co-operative Working Group, formed in late 1998 by the SHF and Cope Housing Association. While its initial brief was simply to address the co-operative legislation in the interests of using the co-operative model in the low income housing context, this could be broadened towards furthering the interests of the sector generally. In order to give meaning to networking in its initial phases, this body could take on responsibility for implementing or seeing to the implementation of the range of other recommendations set out in this section of the report.
While community based, collective approaches are often able to amass considerable capacity, this is often insufficient for the broad needs of the organisation. Ensuring ongoing real participation of all members requires ongoing training in basic skills. This has been the experience of the Seven Buildings Company which found that it had most success during the period where community organisers (funded by Rooftops Canada) engaged with residents in the affairs of the building and ensured appropriate resident participation. In addition, other forms of capacity support, especially in the pre-establishment phase of a co-operative, is needed. This is work that in the broader social housing sector, the SHF has accepted as its role. A special focus on co-operatives, to give the model the attention it deserves, would be useful in this regard.

The social housing task team has already established that funding for pre-establishment capacity building is sorely lacking in the social housing sector. The SHF has a grant that is currently available to fund the initial pre-establishment phase of a social housing institution. What is lacking, however, are broader support systems which would help specifically co-operatives to access such funding in a way that is useful and supportive of their particular model. It is therefore recommended that Habitat and ICA enter into a partnership with Cope, the ELHMC, the Co-operative Housing Foundation and the SHF, to develop capacity building initiatives that might support the emergence of more co-operatives in the longer term.
As noted by David Rodgers at the International Conference on Co-operative Housing, possibly the most effective intervention that can be made in respect of supporting co-operative housing is "education, education, education". Education can take on a number of forms, however. At its most straightforward it relates to popularisation of the co-operative concept. Beyond this, however, it relates to processes which assist stakeholders become advocates of the approach in the work they do - providing bodies like the SHF, for instance, with the tools with which to promote the model within their frameworks. Education also relates to the setting of indicators so that the progress of the sector may be monitored, leading to a process of lifelong learning by participants and observers alike. It allows for the concept not to be pigeon-holed into a limited understanding, undermined by prejudices and misconceptions.
Chapter IV. Proposals and conclusion

C. Education and information

1. Education and popularisation of the concept

A significant stumbling block to acceptance of the co-operative approach has to do with a misunderstanding of how it might apply to the housing context. The only organisations with any outreach in respect of how a housing co-operative model might work are Cope Housing Association and the Co-operative Housing Foundation. While the International Conference on Co-operative Housing, held in Johannesburg from 7-9 July 1999 has gone some way to this end, it is only a single event. Further education initiatives should be undertaken by co-operators in the low income housing sector, as well as by NCASA, and the SHF. This process could be done under the auspices of the Co-operative Working Group referred to above.

A key potential market for the co-operative approach, as has been noted elsewhere in this report, is labour and employers. Employee housing could be well provided through a co-operative approach in which labourers co-operatively own their units either with or without the employer. Co-operative advocates (not excluding Habitat and the ICA) should motivate this approach among unions and provide the necessary capacity to assist union housing departments to consider co-operatives as a viable option.

From government's side, it may also be possible to motivate for subsidies to be earmarked for co-operative initiatives, so that a groundswell of experience can be allowed to grow and a track record for co-operatives in shelter development can begin to develop. Demonstration projects that seek to address the range of target market suited to the co-operative approach should be pursued.

One additional area requires attention, however, if the concept is to be welcomed at all. Current perceptions that co-operatives are heavily donor dependent need to be overcome. While data collected for this report has indicated that co-operatives are clearly on the path to self-sufficiency, the broader perception within the low income housing sector is that they are generally non-viable, once-off pilot initiatives. Existing co-operatives such as Cope and the ELHMC should consider how to overcome this perception in favour of a broad acceptance of the role that co-operatives can and should play in South Africa's low income housing sector.
As has been noted elsewhere, data on the size, turnover, role, structure, impact, etc. of the sector has not been collected since 1995. Prior to 1995, the only data collected referred to the sector's financial health. Data is acknowledged in the COPAC Guidelines as being critically required if the sector is to be afforded the legitimacy of a viable option, and if policy initiatives to support it are to be appropriately designed. This data, while necessary for the co-operative sector as a whole, is especially necessary for the housing sector where co-operatives are generally given less consideration than they would probably otherwise be due.

Also important in a data collection process is a quantification of the impact that co-operatives can and do have on various specific interest groups, such as women, inner city residents, the most poor, youth, and so on. An assessment in this regard will assist policy makers in targeting their initiatives to the most strategic group.

Unfortunately, it is not clear at this stage which body will have the capacity to start such a process. While ideally placed either with NCASA or with government, neither is focussed sufficiently on the issue to expect them to undertake the task. Consequently, it is up to the existing co-operative initiatives within the shelter sector to quantify and plot their own success. In order to ensure uniformity in the information that is collected, however, these initiatives should work together to define a single set indicators. Recommendations in the Social Housing Task Team’s second report that refer to indicators, benchmarking and data collection, should also be considered in this regard.
Chapter IV. Proposals and conclusion

D. Conclusions

The role of co-operatives in shelter development in South Africa is clearly growing. With less than a handful of initiatives pursuing the model, however, the potential for the sector hangs in a balance. Certainly, all of the relevant role players in the low income housing sector agree that the model has its place. Only few, however, are assertively demonstrating this in their efforts (Cope Housing Association and the East London Housing Management Co-operative). Lack of familiarity among the key supportive institutions (most notably the SHF and the HIDF) with the co-operative model and specifically its governance and management arrangements, is perhaps the most significant constraint to the growth of the sector. How the sector is then promoted becomes a critical question, its answer an urgent priority.

Given the relative youth of co-operatives in the shelter sector in South Africa, very few institutions exist that can step 'outside' of themselves in support of the concept. Cope Housing Association and the East London Housing Management Co-operative, as well as Afesis-Corplan, are the only institutions currently intent on pursuing a co-operative "model" in housing. Their efforts, however, are focused on their own needs in pursuit of specific projects and a growing track record. They have little capacity to promote the co-operative 'ideal' in isolation. The SHF's focus is more broad than just co-operatives. A detailed focus on the co-operative model is therefore unlikely. While significant international support, most notably from the Norwegians, Swedes, Canadians, and Americans, is providing assistance, this is to individual initiatives, rather than more broadly within the South African low income housing sector.

Promotion of the co-operative concept, and motivation for the adoption of the recommendations included within this report, therefore, becomes an important role for the ICA and Habitat. While there are many local and international partners to assist in the process, it is unlikely that any one of them will have either the capacity or inclination to lead the process. At the threshold of becoming an accepted alternative, or being relegated to perpetual "pilot status", the co-operative model is now ripe for promotion. ICA and Habitat are likely to find success, should they commit themselves to actively supporting its growth in South Africa.
Co-operative housing has not been given significant research attention in South Africa. There are, however, two specific research initiatives that have produced studies that have influenced the direction taken in this report.
Since 1995, the Co-operative Housing Foundation has conducted important research on social housing in South Africa. Three reports, commissioned in early 1995, formed the basis of regional workshops held between 27 January and 12 February 1995, in co-operation with the South African National Civic Organisation (SANCO):

- Model Documents for the Legal Entities and Transactions required for the facilitation of low-income and social housing, by Jackie Huntley.


- Financing Options for Social, Co-operative and Collective Housing in South Africa, under the August 1994 Guidelines proposed by the JTC on Retail Lending Capacity of the National Housing Forum, by Russell Hahn.

These three reports formed the basis for a proposal submitted to USAID from the Co-operative Housing Foundation, to "assist community housing associations in Port Elizabeth in the introduction of community-based housing as an effective delivery option in the new South Africa."

In 1996, prior to the establishment of CHF's Port Elizabeth office, a further report was commissioned. Entitled, "Sustainable, group-based housing approaches in South Africa: Problems and Prospects", this report sought to define the framework in which social and collective forms of housing operated.

The Huntley document and the 1996 report have both been used in the process of this study. Huntley was perhaps the first person to acknowledge that housing co-operatives could be accommodated within the framework of the Co-operatives Act. The author was fortunate to contribute to the drafting of 1996 report, which was the first to set out roughly, the framework of legislation, institutional options, and financial mechanisms in which social and collective forms of housing must operate.
In 1997, the SHF was mandated by the Minister of Housing to appoint a task team to undertake a study which would result in the finalisation of recommendations for a social housing policy framework for South Africa. The author has been member of the task team which, to date, has prepared two reports:

- In March 1998, the task team submitted a report entitled "Current Status of Social Housing in South Africa: Report to the Minister of Housing by the SHF". This report carried the analysis of CHF’s 1996 report further, and provided a basis for policy development.

- In April 1999, the task team submitted its second report to the Minister, entitled "Recommendations for a Social Housing Policy Framework in South Africa: Second Report of the Social Housing Task Team". This report sets out 50 recommendations for a social housing policy framework in South Africa.

Involvement in the task team process, as well as drafting both these reports has contributed significantly to the author’s understanding of the subject matter and the issues relating to the environment in which co-operatives in the shelter sector operate. The observations and conclusions set out in this report should be seen as an extension from these studies, and a contribution to the broader debate regarding the role of co-operative approaches in shelter development.
In July 1999, the SHF and Cope Housing Association co-hosted an international conference to consider the role, status and future of housing co-operatives in South Africa. In preparation for the conference, an information package containing conference papers and abstracts, a fact sheet on Cope Housing Association projects, and other information, was compiled. The material in this package provided useful, up to date data on the status of key co-operative initiatives in the country. Following the conference, a report on proceedings was compiled which set out the conclusions reached. Both these documents were used extensively in the finalisation of this report, and are listed in the bibliography.
South Africa's national housing policy

South Africa's housing policy, as defined in the 1994 Housing White Paper, sets out seven strategies.

1. **Stabilising the Housing Environment**: This strategy has emerged from the history of bond boycotts in South Africa, in which many mortgage lenders found themselves exposed as borrowers defaulted on their loans. For financiers, the key aspect of stabilising the housing environment is ensuring that the "sanctity of contract" is respected and upheld by all parties. In the context of co-operative housing, this means that financiers are especially sensitive to the risk of rental and services boycotts, and that they price their products accordingly.

   This strategy led to the establishment of:
   - The Mortgage Indemnity Fund (since terminated);
   - Servcon Housing Solutions and Thubelisha Homes;
   - Nurcha; and
   - The National Home Builders' Registration Council (NHBRC).

   Of these bodies, the most relevant for housing co-operatives are Nurcha, which provides guarantees, and the NHBRC, which seeks to ensuring quality in the construction of new housing.

2. **Housing Support**: The White Paper acknowledges that at least 70 per cent of South Africa's population is unable to afford finance, and that a further 10 - 15 per cent of the population will only be able to afford limited finance, most likely from non-traditional lenders. The strategy to develop institutional, technical and logistical housing support mechanisms is therefore aimed at this population. This sector comprises households that generally earn less than R 1,500 per month. A strategy to provide support to people wishing to build or organise the building of their houses themselves is known as the "People's Housing Process". The East London Housing Management Co-operative has applied for funding under the People's Housing Process to contribute towards the development of its first project of 196 units.

3. **Savings and Credit**: The strategy around savings and credit is aimed only at those who can afford to save and to access credit - approximately 17 per cent of the population eligible to receive subsidies (those households earning less than R 3,500 per month). At the root of this strategy is the goal of achieving a normalised market in which the poor may also access credit.

   This strategy led to the establishment of the National Housing Finance Corporation (NHFC) and the Rural Housing Loan Fund (RHLF). Through the NHFC, the SHF, and the primary funder for the social and co-operative housing industry, the HIDF were established. When considering the role of the HIDF with respect to housing co-operatives, it is important to remember that its key focus is to be a catalyst for the normal market to function. Its efforts are therefore targeted at assisting housing co-operatives and other social housing institutions achieve the standards deemed necessary for receiving credit from the formal financial institutions.

4. **Subsidies**: Probably the most well known of the seven strategies, the introduction of once-off capital grants is an acknowledgement of the income disparities that exist and the negative impact this has on a low income family's ability to access the housing it needs. Subsidies provide a lump sum of money, available only once in the beneficiary's lifetime, as a financial leg-up into the market process.

   Although not initially introduced with the White Paper in December 1994, an institutional subsidy, allowing for collective ownership and rental tenure, was implemented in late 1995. Here, the assumption is that this form of ownership is temporary, a respite between homelessness and ownership. When the beneficiary acquires sufficient personal equity which, when added to the individual subsidy, allows them access the housing they need, it is assumed that the beneficiary will excuse themselves from the co-operative or rental housing arrangement and enter the market on an individual ownership basis.

   This strategy led to the establishment of the Peoples Housing Partnership Trust.

5. **Institutional capacities**: South Africa's housing sector has a history of complex and fragmented institutions that operated at cross purposes to one another. The assumptions behind this strategy are that a single institutional framework for housing is necessary, and that the role of the state is "to reduce levels of dependency and increase..."
levels of independence from State financial assistance”.

This strategy led to the establishment of the South African Housing Development Board at national level, and nine Provincial Housing Development Boards. It is the job of the PHDBs to allocate subsidies on the basis of approved applications.

6. Land: Perhaps the most obvious and visible remnant of apartheid policy is the lack of access to well located land. The White Paper states that “the potential use of appropriately located and suitable land for affordable housing should be considered for such use on an equal basis with other competing uses” such as agriculture, commercial development, and so on.

This strategy was not pursued energetically within the Department of Housing, as it was being pursued in the Department of Land Affairs, through legislation such as the Development Facilitation Act, the Less Formal Townships Establishment Act, and others, all set out in the Department of Land Affairs’ white paper. The Communal Property Associations Act also arises from this strategy.

7. Co-ordinated Development: Finally, the White Paper emphasises the RDP principles of co-ordinated development. The White Paper notes that “inadequate co-ordination and integration of efforts between the housing function and functions such as education, health services, transport and local government in the past, lie at the root of the breakdown in the housing process in many areas of the country”. It is with respect to this strategy that the argument for social and co-operative housing has been targeted.

Linked to each of these strategies are various institutions set up to give effect to the proposals. These are set out in figure 8.
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA

Annex 2. South Africa’s national housing policy

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Linked to each of these strategies are various institutions set up to give effect to the proposals. These are set out in figure 8.
The recommendations in this area related to the incorporation of the concept of the co-operative model in a range of existing mechanisms and processes. Many mechanisms and processes designed to support the establishment of a social housing sector were already in place. While these did not explicitly undermine the co-operative model, specific characteristics of the co-operative model were inappropriately dealt with or not accommodated at all. Revisions to the social housing framework to accommodate the co-operative model in a proactive way were therefore required.

- **Revise the Co-operatives Act, No 91 of 1981**, to accommodate the specific requirements of the co-operative housing model. Stakeholders pursuing co-operative approaches in the housing sector should be specifically engaged in this process.

- **Address funding requirements**, specifically:
  - for empowerment and capacity building within co-operative initiatives (possibly from the HIDF),
  - for education initiatives, and
  - to develop streamlined funding approaches, a single funding application, and a standard set of requirements from financiers;

- **Define regulatory requirements** for the allocation of institutional subsidies and other funding products to co-operatives

- **Review the Social Housing Task Team report**, submitted to the Minister of Housing in April 1999 by the SHF, to ensure that the recommendations accommodate the co-operative housing model sufficiently. In this regard, it was recommended that the Report be made broadly available for input and comment.

- **Ensure that representatives of the co-operative housing sector participate in the task team promised by the Director General**, Ms Mpumi Nxumalo, in her delivery of the Minister's speech, that would consider the implementation of a social housing legislative framework.

Specifically in respect of the funding framework, Gauteng Housing MEC, Mr Paul Mashatile, noted that "Government, together with its other funding and development partners, must devise innovative ways to fund these types of developments."
Shelter Co-operatives in South Africa
Prepared by Kecia Rust for UNCHS (Habitat) and ICA
Annex 3. International Conference on Co-operative Housing - way forward & summary of recommendations

The promotion of the co-operative concept within the low income housing sector

The recommendations in respect of this area related to the relative inexperience of the South African low income housing sector with the specific characteristics of the co-operative model as it is variously applied by different initiatives. On the one hand, it was felt necessary that the emerging "sector" clarify its vision, and address the breadth and boundaries of its activities in a clear and explicit way. On the other hand, however, it was felt that key characteristics such as community participation and resident empowerment should be explored in relation to their impact specifically on the requirements of financiers in the low income housing sector. In this regard, a certain degree of lobbying was necessary, in addition to education interventions required to popularise the concept.

- **Establish a national financiers' forum** to standardise funding requirements in respect of co-operatives. This forum should comprise the Joint Venture Committee already in place in Gauteng (currently comprising HIDF, PHB, SHF, HLGC, and ICHUT), as well as other stakeholders including the banks, government, and representatives of the co-operative housing sector.

- **Conduct research to define the sector clearly**, including a full audit of organisations in the sector (as an extension of the ICA/Habitat report), and an audit of educational institutions nationally and internationally which could assist with co-operative building up skilled professionals for the sector.

- **Pursue a publicity, outreach and education campaign**, targeted at the low income housing sector specifically, as well as at government broadly. In this regard, co-operative initiatives should seek to formulate a vision for their role in the various facets of the low income housing and development sectors, and position themselves strategically within the broader social housing sector.
The need to pursue the development of a track record

The recommendations in respect of this area related to the need to prove the benefits of the co-operative model in low income housing with real examples. All were mindful of the country's need for scale delivery, and the concomitant need to resolve the problem of integrated development. While co-operative housing is clearly well positioned to address the latter, the former has to date been illusive, given the range of other problems faced, including access to finance, an unsuitable legal framework, and so on.

- Identify opportunities for appropriate partnerships with educational institutions, the private sector, local authorities, CBOs and NGOs, and international co-operative organisations, to pursue delivery projects, capacity building and other initiatives.

- Identify opportunities to scale-up through promoting components of the co-operative model in housing developments already planned or underway. In this regard, existing co-operative initiatives should liaise closely with Provincial Housing Development Boards, Provincial Housing Departments and local authorities to promote the co-operative concept and identify avenues for intervention.

- Participate in the Presidential Job Summit Pilot Project on Housing, which seeks to deliver 50,000 units over ten projects across South Africa within the next three years.

- Broaden the capacity building and technical assistance interventions of the SHF to include active promotion of the co-operative approach either in the establishment of housing co-operatives, or in the inclusion of co-operative activities in other social housing initiatives.

- Build up the middle tier capacity of "promoters" (also referred to as Housing Management Co-operatives), organisations that would provide implementation and property management support to housing co-operatives. This could be a critical role for the SHF to play.
In addition to the above recommendations, invitations were extended to delegates to:

- **present the findings of the conference at the ICA’s meeting in Quebec City**, Canada, in September 1999.

- **submit a report from the conference to the annual conference of the Confederation of Co-operative Housing in the UK**, in September 1999.

- **engage with the forthcoming Task Team on Social Housing**, to be convened by the National Director General of Housing, Ms Mpumi Nwumalo, shortly.

- **participate in a national financiers’ forum** on a financial framework for co-operative housing.

Delegates were also reminded of the following opportunities to:

- engage with NCASA;

- participate in the deliberations around the redrafting of the Co-operatives Act; and

- review the Social Housing Task Team report recently submitted to the Minister of Housing.
A great number of recommendations were also made by conference speakers in their individual, joint and panel presentations, and in the question and answer sessions that followed. While these were not deliberated in detail by the Conference as a whole, they should form part of future work to be undertaken by all stakeholders in pursuing the use and acceptance of the co-operative model in South Africa. These recommendations include:

- **Legal issues:**
  - A need to review the tenure status of co-operative tenure (as a form of "ownership" or "rental") given the impact this would have on a housing co-operative's responsibilities in terms of the VAT Act, the Gauteng Residential Landlord and Tenant Act, and the pending Rental Housing Bill.
  - A need to reconsider the guidelines for the allocation of the Institutional Subsidy to housing co-operatives.

- **Financial issues:**
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  - The need for government-sponsored financial support for education initiatives.
  - The impact of high and fluctuating interest rates.

- **Delivery issues:**
  - The need for a renewed focus on the merits of micro delivery approaches as opposed to macro approaches.

- **Other issues:**
  - The need to address the role of women in housing co-operatives
  - The potential opportunities available in the church sector for pursuing the co-operative housing model
  - The opportunities available in liaising with international co-operative organisations for assistance in developing a co-ordinating body for the housing co-operative sector in South Africa.
  - The need to consider the conflict between liberalisation and regulation; efficiency and equity; and viability and accessibility, as these issues applied to the co-operative model.
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Box 1. External support for housing co-operatives

Following the physical transfer of the capital to Dodoma, the urban population growth rate went up to about 6 per cent per annum. About 80 per cent of this population were in the low-income bracket. This situation prompted the Government to develop a strategy to house the urban population under reasonable condition. With the aid of the UNDP, UNCHS, and the Indonesian Government, a study of the situation was made and some of the recommendations were as follows:

- To establish a savings and credit institution to cater for the finance of low cost house construction; and
- Promote creation of housing co-operative societies as a strategy of overcoming problems of supply of building materials.

Subsequently, it was proposed to form Dodoma Housing Society which would be made up of individual co-operative societies based on party connections, kinship ties, company groups, institutions, (including the Government) etc. Each individual member of a co-operative would save part of his/her income to be invested in the Dodoma Housing Society. The Dodoma Housing Society would obtain loans on behalf of co-operative societies from the W&FHDF, which was set up as a levy on all employers in Tanzania with the express purpose of providing loans for low income people. Loans for low income housing schemes in Dodoma were expected from this fund, through the Dodoma Housing Society. The society was expected to allocate funds to the co-operatives, which in turn would allocate the same to individual members. The Housing Society was never formed, and the W&FHDF was entrusted to the THB.

A technical service organisation would also be established to provide technical assistance necessary for the construction and renovation of houses by individual members of the co-operatives. Specifically, the organisation would do the following:

- Process title deeds for individual co-operatives where there was a need;
- To ensure that, structural plans and designs were completed for areas to be renovated;
- Prepare standardised building plans for different house types;
- Assist the acquisition of building materials to standardised specification;
- Administer the plot service programme, allocate loans to individual members through the co-operatives;
- Give any other advice necessary to ensure success of the project;
- Ensure collection of loan repayments; and
- Set up and supervise maintenance schemes including collection of charges.

Establishment of the Low Cost Housing Unit (LCHU)

Following the failure of the above strategy, a special housing unit was established under the Capital Development Authority (CDA) in July 1981. This unit was to function as the proposed Dodoma Co-operative Society, i.e. prepare plans, designs and manage low cost housing projects and to assist Dodoma residents in their development activities. The unit functioned under the office of the CDA Director General and gave emphasis to two field activities:

- Development of technical services; and
- Development of co-operatives

In its co-operative development work the low-cost housing unit started by instituting studies on the most appropriate ways of establishing co-operative movements. Research was based on both the 1968 and 1982 Co-operative Acts.

Following this study, first steps were taken in setting up employment based housing co-operatives. Different employers were visited and the idea of starting housing co-operatives for employees started. Most of the employers motivated their employees and hence formation of the numerous Housing Co-operative Units in Dodoma. Most of these co-operatives (58) are employer based, while non-employer based Housing Co-operatives are only 23 (1999 situation).
Apart from office visit campaigns by the LCHU, a motivation newsletter was prepared, and distributed to different groups of people. The newsletter enlightened the reader of the existing housing needs and the possibilities of solving the housing problems through formation of co-operative societies.

**Services offered by the LCHU**

Apart from the mobilisation programme the LCHU involves itself in various activities geared towards improving and providing low cost housing to the majority of Dodoma town residents. Some of the activities include:

(a) Building plans

- The unit prepares and makes available different type houses for the co-operators to select from. The co-operator prepares a site plan (this can be prepared at the unit by agreement between co-operator and designer). The co-operator is also required to buy from the unit 2 copies of septic tank and cesspit drawings.

(b) Building supervision

- Two surveyors are available to show co-operators their plot boundaries.
- Co-operators receive advice on construction methods, selection of skilled labourers, building materials and possible costs.
- Unit staff make periodical site visits. Inspects construction development and advised THB for further loan disbursements.

(c) Building materials and equipment

- The unit has two tractors and three lorries, which can be hired by the co-operators at a reduced rate. It has also other building equipment used in carpentry and masonry work. All are hired out to co-operators at a reduced rate.
- Through UNDP aid, the unit used to buy building materials like cement, roofing sheets, reinforcements and sell to co-operators at a very reduced price. This service is no longer available since the amount of funds granted has been spent.

(d) Infrastructure

- Through the grant by UNDP the low-cost housing unit was able to cause an area of about 120 hectares to be surveyed and planned for residential purposes.

(e) Education

- Apart from mobilisation of different groups of people to start co-operative societies, the LCHU conducts seminars and workshops for the co-operators. In these seminars and workshops they are educated on different issues of interest e.g. management and construction skills, loan acquisition procedures, loan amount which they can be eligible etc.

(f) Loan acquisition

- The unit was practically involved in THB loan processing. It was also involved in seeing to it that loan repayment was effected.

*Source: Interview with LCHU officials in Dodoma*
Box 2. The Mwanza Rural Housing Programme (MRHP) at Misungwi

The MRHP was launched in Mwanza Region in 1990 to help in the improvement of the quality of housing and housing related services in rural areas. MRHP has its headquarters at Misungwi, some 40 km from the Municipality of Mwanza. The MRHP has recognised that the core problems giving rise to poor housing in the area include shortage of building materials, poor skills and technology, rural poverty, desertification and heavy workload for women and children. The strategies put forward to solve these problems have included: discussing and analysing the problems with organised groups in the villages. Through such groups MRHP is disseminating knowledge on appropriate building materials and cheap construction practices. The initiative in housing development is used as an entry point to sustainable improvements. It also includes income generating activities for women groups and improvement of housing services e.g. access to and sanitation safe water supply by protecting water catchment areas, and harvesting and storing rain water.

Box 3. Peramiho Home Makers League (PEHOLE)

This is a CBO whose head office is in Peramiho, Songea, Ruvuma Region. The League was established and registered as a Society in 1992. It was formed to provide its members with descent shelter by building affordable houses on a self-help basis. The other objective of the League is to alleviate poverty among its members by creating job-opportunities. PEHOLE has four main working teams: Building materials production, carpentry, masonry and building rehabilitation. Subsidiary activities include farm work (to produce food and cash crops); animal husbandry; agro-forestry; transport, and retail trade businesses.

PEHOLE is believed to have a sound and sustainable foundation on resources for its activities. Apart from funds obtained from the sale of building materials and from the project's other activities, PEHOLE's other sources of funds include members' contributions, loans from Peramiho Catholic Mission and the National Bank of Commerce, and, grants from the European Union, the British High Commission and the Local Youth Fund.

The Organisation has had a direct and positive impact on the environment and the living conditions of the people of the area. The project has been able to generate 77 employment opportunities for the youth, and has distributed 12,400 seedlings to more than 150 families, thus enabling the planting of six hectares of trees. Since its inception the project has roofed 97 houses in Songea, Mbinga, Njombe and Iringa districts using tiles produced from its own tile-factory. PEHOLE is gender-balanced. Women are fully involved in the activities of the project. Out of the 34 members of the group, 15 (44 per cent) are women. The ten-member managing committee has four women on it. Women engaged in petty trading have also benefited from PEHOLE's credit facility, with four women's groups having received a total of TSH 220,000 so far, to set up small-scale projects in Peramiho villages.

Box 4. The Kasulu Habitat for Humanity Project

Habitat for Humanity International founded in 1976 by Linda and Millard Fuller is an ecumenical, Christian housing ministry that seeks to eliminate poor housing from the world and to make decent shelter a matter of conscience and action. Habitat for Humanity International started its activities in Tanzania in 1986 when the Kasulu Habitat for Humanity Project (‘Maskani’) was launched as a non-profit voluntary organisation to help poor rural people construct and complete their houses in the spirit of community participation, their biggest contribution being their own labour. The project has so far built 672 houses in 13 villages and in Kasulu township, and has been replicated in other districts of Kigoma Region, and in Ruvuma, Dodoma and Tabora regions.

Applications are submitted by interested families to the local Habitat project. Selection of participants is made by a committee and is based on the level of need; willingness to become partners in the programme; and ability to repay the loan. The family of each homeowner is required to invest “sweat equity” into the construction of their home. This reduces the cost of the house, increases the pride of ownership among family members, and fosters the development of positive relationship with other people. ‘Maskani’ is a continuous project in the sense that the beneficiaries repay their loans thus creating a “revolving fund” which enables other people to build their houses as well. Other sources of income are the selling of building materials, and undertaking consultancy work. The policy of Kasulu Habitat for Humanity Project is gender sensitive and encourages the participation of women in all of its activities at all levels. A third of the participants are women.

Despite all these achievements, the project faces a number of problems, including the failure on the part of the members to honour their loan repayment obligations; insufficient funds compared to demand; and bush fires that destroy many hectares of trees, thus frustrating the project’s plans of conserving the environment.

Box 5. Women's Advancement Trust (WAT)

WAT was founded in 1989 as a non-government, non-profit organisation. WAT's mission is to promote the advancement of women through education and training. Among its many objectives is to promote adequate shelter, to promote savings initiatives, to implement the Habitat Agenda and education on human settlements and environment. WAT has the following four main programs i.e. promotion of housing co-operatives, establishment of savings and credit societies, training youth groups in construction skills and making of building materials and the campaign for women's equal rights of access to land, property ownership and inheritance.

WAT is the only NGO in Tanzania that is very active in promoting other NGOs with shelter development as one of their activities. During the preparation for Habitat II conference, WAT organised a National Workshop on Co-operative Housing Exchange. With support from Rooftops Canada, WAT also organised a one-day workshop on the 7th of April 1999 with the aim of promoting the establishment of housing co-operatives.

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

Source: United Republic of Tanzania, Ministry of Lands and Human Settlement Development, 1995; and interview with WAT officials.
Box 6. Kijitonyama Development Community (KIJIICO)

Kijitonyama planned residential area is located in Dar es Salaam, some 8 kilometres from the city centre. In 1991, the area started to be densely developed without services. All access roads were undefined, swampy and with a lot of potholes. Sanitation and water supply systems were poor. Backseepage of polluted water in the clean water supply system is experienced at times of low pressure.

In 1993, 53 residents of Kijitonyama came together as an informal self-help group in order to co-ordinate the improvement of the access road, water supply and sanitation to the area. In the same year the CBO was able to mobilise residents and a public institution with a housing estate in the area to contribute a total of TSH 16 million (US$ 32,000) in less than 3 months. TSH 5 million (US$ 10,000) was used to realign the pipes and improve the water distribution network along the main access road that was haphazardly done through individual connections and facilitated by the Water Authority. TSH 11 million (US$ 22,000) was used for road improvement by filling in potholes, grading and providing simple storm water drainage. The improved road survived four rainy seasons. Water supply improvement has reduced water tapping distances for 10 per cent of the households in the area from 500m to 10m as water connection is done along the respective streets.

In 1994 the community organisation was registered in the name of Kijitonyama Development Community (KIJIICO). The CBO’s main objectives are to solve permanently the problem of accessibility to the area and to improve the water distribution, the sanitation system, environment and the social welfare of Kijitonyama residents. This is a middle and low-income area, whereby most of the property owners are middle income earners, while most tenants are low-income earners. The organisation is run by a twelve member elected committee, four of them women, one of these serving as the vice-chairperson of the CBO. The committee members are well educated and include professionals such as engineers, architects, economists, teachers, etc. This enables the CBO to have a better negotiation capacity and also better links with the central and local government than would a community led by leaders who are relatively less educated. It operates through seven standing committees with about 20 members in each committee (16 per cent of the committee members are women). The area covered by the CBO has expanded from one neighbourhood to five neighbourhoods within which there is an elected area representative in each neighbourhood and in every 10-15 houses. The top leadership of the CBO is elected by the general assembly of all residents. The community has a women group (KIJIICO Women Association) as an avenue for women to discuss their specific neighbourhood development problems. The chairperson of this association is a member of the CBO executive committee. The total population of the area served by this CBO is 22,000, all of which are automatically members of the CBO. Payable membership fee is TSH 3,000 per household.

Through KIJICO the community has been able to negotiate with the local authority for a sustainable approach in the provision of infrastructure and services to this area. The CBO attracted the attention of the Community Infrastructure Programme (CIP), funded by the World Bank and Irish Aid. Negotiations between KIJICO and the City Authority in 1994 resulted into selection of the community to be a beneficiary of the Dar es Salaam CIP. The CIP programme was conceived as part of the overall SDP (SCP, UNCHS) within the Dar es Salaam City Commission. CIP was established for the purpose of supporting the efforts being made by the private sector and CBOs to improve their own infrastructure and services.

Further negotiations between the CBO/CIP/Dar es Salaam City Council has resulted into the Government of Tanzania selecting Kijitonyama community as one of the two pilot communities in Dar es Salaam to benefit from Government initiated Urban Development Programme. The programme is funded under the Urban Sector Rehabilitation Programme of the World Bank with the aim of improving infrastructure in eight towns in Tanzania. The construction of a tarmac spine road, improvement of sanitation, storm water drainage and community access roads in the area started in April 1999. This is after five years of planning, design and negotiations with partners involved. Residents are contributing 5 per cent of the cost of construction of community access roads.

Source: Interview with KIJIICO officials.
Box 7. SMU Housing Co-operative Society

(1) Historical Background

The society is located in Dodoma and was officially registered in November 1987. Its main objective was identified as providing for their own housing needs. The following is a list of some of the activities.

- To build houses for the members through co-operative efforts
- To give loans to members for other development activities
- To start and develop other economic activities for the benefit of the society. This is subject to approval by the Registrar of Co-operatives.
- To ensure that co-operative funds and equipment are used in accordance to co-operative by-laws.

(2) Type and structure of the organisation

- Any employee of MSU (male or female) who has a need for the services to be offered by the co-operative society was eligible.
- Members have the final authority as to matters pertaining to their co-operative
- Through the annual general meeting the Chairman, Vice Chairman and 10 members of the committee are selected every three years.
- A quorum is half the number of members, or 50 members, whichever is the lowest.
- Every member has one vote
- The committee of 10 people is the executive committee
- There are two more sub-committees that handle finance and building construction matters. The building committee has three members and the finance committee has four, including the chairman.
- Reimbursement to be deducted directly by the employer
- Repayment period is three months; delay in making repayment carries 1 per cent interest, additional to the remaining amount.
- The co-operative is allowed to have shares in other co-op societies.

(3) Financing

- The main source of income is the monthly contributions by members.
- Parallel with the formation of the co-operative society a credit and serving (MITAA) was formed. This fund is mainly utilised for building purposes.

(4) Contribution to shelter development

- To date, 60 plots have been acquired and co-operators are building and development by self-initiatives.
- To date (1999) only 13 people have completed construction and moved to their houses. 8 houses are yet under construction.
- The rest of the plots are yet to be developed; clean water is at the site.

(5) Key issues and main problems encountered

The co-operative society fared well up to the year 1991 when the exercise of retrenchment was effected. Together with this ministries were changed. This brought about displacement of members especially the committee people (the Chairman and Vice chairman, for instance, are no longer living in Dodoma).
- Total number of present members is 101.
- 78 members are men while 23 are women.
- Neither loan nor external support has been received so far. There was a great expectation of securing loan from the defunct THB, also of getting cheap building materials through the UNDP aid.

(6) Attempts made to address the issues/problems

The former committee member (Mr. R.M. Mapinduzi) is planning to call up a general meeting where the Chairman and other leaders will be elected

Source: Interview with SIGARA Housing Co-operative officials
Box 8. Ukaguzi Housing Co-operative Society

(1) Historical Background

- It was established and registered in Dodoma in 1985
- The primary objective of the society was to enable its members acquire shelter for their own families, freeing themselves from rented housing. Rent was becoming a major problem to the members.
- Through housing co-operatives, members expected to acquire building plots rather easily.
- Housing loans would be available from the THB and building materials would be supplied to co-operators at low price. These should have enabled every member to at least construct two rooms to start with. The promises were the motivation to people to join the co-operative society.

(2) Type and structure of the organisation

- Membership of the co-operative society was limited to UKAGUZI low-income male and female employees only.
- The management of the society is vested in the hands of a Managing Committee of ten people including the Chairman and Secretary.
- At earlier stages of construction the co-operative in liaison with the LCHUs obtained expertise at reasonable cost agreeable by members before actual work started. The individual members got their work done and paid for by the society instead of each co-operator being involved.

(3) Financing

- Share capital was member’s monthly salary deductions. This amount was quite minimal and most co-operators depended very much on THB loan to meet the cost of construction.
- Most of the housing co-operative society members are also members of the savings and credit society.
- Only 20 members were able to secure a loan from THB, just enough to enable them to start construction

(4) Contribution to shelter development

- Four members out of the 20 who obtained THB loan were able to complete their houses. These are still under construction.
- All basic infrastructure is available at site.

(5) Key issues and main problems encountered

- Expected building materials from the low-cost housing unit were not made available for unknown reasons.
- It has been noted with concern that the building materials meant for low-income housing were being sold to people other than the co-operators, as a result the beneficiary group was denied of its right. The low income housing ended up to be high income since co-operators were forced to buy building materials from the open market.

(6) Attempts made to address the issues/problems

- Co-operators have now turned to rely on self efforts, seeking funds from elsewhere so as to enable the construction to proceed.
- This has had a very small impact on the total construction. Funds from the savings and credit society have contributed significantly for some members.

(7) Enabling environment

- Aid, grants, loans from any external source (co-operative union) should be given directly to the
beneficiaries.

Source: Interview with UKAGUZI Housing Co-operative officials
Box 9. Sigara Building Co-operative Society

The Society began its activities in 1976 when it was registered as an employer based Housing Co-operative under the Tanzania Co-operative Act of 1968 (No. 27 of 1968). All its members are current or former employees of Tanzania Cigarette Company.

The society was initially allocated with 80 plots in Sinza Block B area, Kinondoni District. The construction of houses was to be done in phases. By 1985, 40 housing units had been completed with the assistance of a loan provided by the Farmers and Workers Housing Fund and the process was through self-help. While the construction of houses for the remaining members has been basically through individual efforts.

The construction and completion of the 40 housing units generated new enthusiasm among the other employees to own their houses. This forced the management of the society to look for more plots to meet the increasing number of new applicants. The Dar es Salaam City Council allocated to the Society, an unsurveyed area at Yombo Vituka. The Society accepted the offer and paid for the valuation and compensation of the mud-built houses and permanent crops to farmers who lived there. Members contributed a total of TSH 4.7 million for the valuation and compensation, while 900,000 was paid for surveying 272 residential plots and 7 public open spaces. The construction of houses in this second phase did not take off as scheduled because the F&WHDF was no longer in operation. This, however, did not discourage members from meeting their objective to acquire shelter. They decided to fend for themselves and seek some assistance from their employer.

The success of Sigara as an employer-based housing co-operative society to some extent depended on the assistance and support provided by the employer. The Tanzania Cigarette Company management played a very big role in supporting the society, both materially and financially. The employer, for example, supported the society by providing such services as those needed for accounting and auditing purposes, transporting of building materials, provision of stationery, office space and secretarial services, and above all, giving out soft loans. In 1994 Tanzania Cigarette Company established an Employees Housing Fund and was able to extend soft loans (3 per cent interest rate) to 150 members amounting to just over TSH 200 million. In 1996, the company was privatised and the new owner froze the Housing Fund. At the time of the study, Tanzania Cigarette Company was owned by an American Company and was expected to be sold to another private Japanese company soon. During the change of ownership 80 per cent of the members were made redundant and therefore the society survives on the spirit of the members. The members have always recognised that the success of their Society depends greatly on their own initiative. In addition to problems of inadequate building capital by members who are no longer employees of Tanzania Cigarette Company, the Society's plots at Yombo Vituka area lacks infrastructure such as roads, water and electricity.

The Society has very actively involved women in all its activities ever since it was established. For example, its first chairperson was a woman. She led the society for 16 years, from 1977 to 1993. Out of the 74 members who have houses in Block B Sinza area, 34 are women. Women also own 120 plots (44.12 per cent) out of the 272 plots made available to members in Yombo Vituka area. The Chief as well as the Assistant Legal Advisor of the Society are both women. To date the society has a total of 130 members who live in their houses while 53 members houses are still under construction and 163 members in Yombo Vituka area have not started construction on their plots.

Among the future plans of the Co-operative Society is the upgrading of infrastructure in the already built up area in Sinza and Yombo; and the construction of a nursery school, recreational facilities, and light industries in both estates. The society also plans to make changes in the society's constitution in order to accommodate members who are no longer employees of Tanzania Cigarette Company. The changes in the constitution will also take into consideration the current vision of Housing Co-operatives as stipulated in the new Act of Co-operatives of 1991. The society also is considering the establishment of a rotating fund and running the co-operative as an autonomous entity in the growing market oriented economy in Tanzania.
Table 1. Increase of co-operative unions

Table 2. Type and distribution of co-operative societies in Tanzania, 1998

Table 3. Distribution and members of housing co-operatives in Tanzania

Table 4. Plots, title deeds and loans position for housing co-operatives, as of 31 December 1991

Table 5. The expenditure of loan for Wazalendo (urban) and Kibosho (rural), in 1994

Table 6. Informal sector enterprises by type of ownership and area
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<tr>
<th>Year</th>
<th>Primary co-operatives</th>
<th>Secondary co-operatives</th>
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<tr>
<td>1961</td>
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<td>38</td>
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<tr>
<td>1967</td>
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*Source: TFC.*
<table>
<thead>
<tr>
<th>Type</th>
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<td>Agricultural and livestock</td>
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<td>Savings and credit</td>
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<td>Industrial</td>
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<td>Consumer</td>
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<td>Housing</td>
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</tr>
<tr>
<td>Others</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
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Table 3. Distribution and members of housing co-operatives in Tanzania

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<td>No.</td>
<td>Members</td>
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<td>Dar es Salaam</td>
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<td>36</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mara</td>
<td>1</td>
<td>25</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Morogoro</td>
<td>3</td>
<td>54</td>
<td>4</td>
<td>222</td>
</tr>
<tr>
<td>Ruvuma</td>
<td>3</td>
<td>70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Singida</td>
<td>5</td>
<td>132</td>
<td>3</td>
<td>49</td>
</tr>
<tr>
<td>Rukwa</td>
<td>1</td>
<td>41</td>
<td>1</td>
<td>195</td>
</tr>
<tr>
<td>Tanga</td>
<td>2</td>
<td>67</td>
<td>3</td>
<td>47</td>
</tr>
<tr>
<td>Name of society</td>
<td>Reg. date</td>
<td>No. of members</td>
<td>Date of loan application</td>
<td>Amount applied (TSH)</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------</td>
<td>----------------</td>
<td>--------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>DAR ES SALAAM:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mwenge</td>
<td>1971</td>
<td>395</td>
<td>24.1.73</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Azimio</td>
<td>1971</td>
<td>42</td>
<td>3.3.73</td>
<td>657,000</td>
</tr>
<tr>
<td>Mafuriko</td>
<td>1971</td>
<td>122</td>
<td>1973</td>
<td>820,000</td>
</tr>
<tr>
<td>Mwananyamala-Kiswani</td>
<td>1973</td>
<td>103</td>
<td>1976</td>
<td>1,085,000</td>
</tr>
<tr>
<td>Mwongozo</td>
<td>1972</td>
<td>59</td>
<td>1973</td>
<td>1,475,00</td>
</tr>
<tr>
<td>Sigara</td>
<td>1976</td>
<td>80</td>
<td>1977</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Mlimani</td>
<td>1978</td>
<td>30</td>
<td>1978</td>
<td>2,085,057</td>
</tr>
<tr>
<td>Bugando</td>
<td>1979</td>
<td>19</td>
<td>1977</td>
<td>573,000</td>
</tr>
<tr>
<td>Ukombozi</td>
<td>1974</td>
<td>100</td>
<td>1974</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Mlimani</td>
<td>1986</td>
<td>300</td>
<td>1988</td>
<td>7,946,133</td>
</tr>
<tr>
<td>MCD</td>
<td>1986</td>
<td>30</td>
<td>1988</td>
<td>1,343,421</td>
</tr>
<tr>
<td>Hospital</td>
<td>1984</td>
<td>83</td>
<td>1990</td>
<td>1,266,268</td>
</tr>
<tr>
<td>Mirembe/Isanga</td>
<td>1984</td>
<td>75</td>
<td>1987</td>
<td>2,958,248</td>
</tr>
</tbody>
</table>

Table 5. The expenditure of loan for Wazalendo (urban) and Kibosho (rural), in 1994

<table>
<thead>
<tr>
<th>Activity</th>
<th>Wazalendo (urban)</th>
<th></th>
<th>Kibosho (rural)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value (TSH)</td>
<td>Per cent</td>
<td>Value (TSH)</td>
<td>Per cent</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,400,000</td>
<td>7.7</td>
<td>1,180,000</td>
<td>8.5</td>
</tr>
<tr>
<td>Education</td>
<td>3,800,000</td>
<td>21.0</td>
<td>460,000</td>
<td>3.3</td>
</tr>
<tr>
<td>Construction of housing</td>
<td>6,050,000</td>
<td>33.5</td>
<td>530,000</td>
<td>3.8</td>
</tr>
<tr>
<td>Farm inputs, commerce and trading</td>
<td>720,000</td>
<td>4.0</td>
<td>11,700,000</td>
<td>84.4</td>
</tr>
<tr>
<td>Health</td>
<td>2,170,000</td>
<td>12.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>3,540,000</td>
<td>12.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,080,000</strong></td>
<td><strong>100.0</strong></td>
<td><strong>13,800,000</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 6. Informal sector enterprises by type of ownership and area

<table>
<thead>
<tr>
<th>Type of ownership</th>
<th>Dar es Salaam</th>
<th>Other urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole ownership</td>
<td>208,717</td>
<td>432,306</td>
<td>1,142,294</td>
<td>1,783,317</td>
</tr>
<tr>
<td>Part./pre-co-operative</td>
<td>2,425</td>
<td>3,959</td>
<td>11,842</td>
<td>18,226</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>211,142</strong></td>
<td><strong>436,265</strong></td>
<td><strong>1,154,136</strong></td>
<td><strong>1,801,543</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMCOS</td>
<td>Agricultural marketing co-operative societies</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-based organisation</td>
</tr>
<tr>
<td>CDA</td>
<td>Capital Development Authority</td>
</tr>
<tr>
<td>CIP</td>
<td>Community Infrastructure Programme</td>
</tr>
<tr>
<td>CUT</td>
<td>Co-operative Union of Tanganyika</td>
</tr>
<tr>
<td>EPM</td>
<td>Environmental Planning and Management</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross national product</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>ICA</td>
<td>International Co-operative Alliance</td>
</tr>
<tr>
<td>ICHDA</td>
<td>International Co-operative Housing Development Association</td>
</tr>
<tr>
<td>KIJICO</td>
<td>Kijitonyama Development Community</td>
</tr>
<tr>
<td>KNCU</td>
<td>Kilimanjaro Native Co-operative Union Ltd</td>
</tr>
<tr>
<td>KNPA</td>
<td>Kilimanjaro Native Planters Association</td>
</tr>
<tr>
<td>LCHU</td>
<td>Low Cost Housing Unit</td>
</tr>
<tr>
<td>MLHUD</td>
<td>Ministry of Lands, Housing and Urban Development</td>
</tr>
<tr>
<td>MRHP</td>
<td>Mwanza Rural Housing Programme</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>NHC</td>
<td>National Housing Corporation</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>PEHOLE</td>
<td>Peramiho Home Makers League</td>
</tr>
<tr>
<td>PHFC</td>
<td>Permanent Housing Finance Company</td>
</tr>
<tr>
<td>RHLF</td>
<td>Revolving Housing Loan Fund</td>
</tr>
<tr>
<td>SACCOS</td>
<td>Savings and Credit Co-operative Societies</td>
</tr>
<tr>
<td>SCCULT</td>
<td>Savings and Credit Co-operative Union League of Tanzania Ltd.</td>
</tr>
<tr>
<td>SCP</td>
<td>Sustainable Cities Programme</td>
</tr>
<tr>
<td>SDP</td>
<td>Sustainable Dar es Salaam Project</td>
</tr>
<tr>
<td>TFC</td>
<td>Tanzania Federation of Co-operatives</td>
</tr>
<tr>
<td>THB</td>
<td>Tanzania Housing Bank</td>
</tr>
<tr>
<td>TSH</td>
<td>Tanzania Shillings</td>
</tr>
<tr>
<td>UNCHS</td>
<td>United Nations Centre for Human Settlements (Habitat)</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
</tr>
<tr>
<td>VF CU</td>
<td>Victoria Federation of Co-operative Unions Ltd.</td>
</tr>
<tr>
<td>W&amp;FHDF</td>
<td>Workers and Farmers Housing Development Fund</td>
</tr>
<tr>
<td>WAT</td>
<td>Women's Advancement Trust</td>
</tr>
</tbody>
</table>
Shelter Co-operatives in Tanzania
Prepared by Tumsifu Nkya for UNCHS (Habitat) and ICA

List of References


Sigara Building Co-operative Society Reports


United Republic of Tanzania (1996) National Plan of Action for Habitat II.


Shelter Co-operatives in Tanzania
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- Mr. Mosha, Manager, Mwenge Hosing Co-op Society
- Ms. Msigala, Training and Research Officer, TFC
- Mr Orondi, Registrar of Co-operatives, Ministry of Agriculture
- Mr Abdul Mshaweji, Executive Secretary, SCCLT (1992) Ltd
- Ms. Anna Shayo, Secretary, SACCO, WAT
ABOUT
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Chapter I: Introduction

A. National setting

Tanzania is divided into 25 regions, 20 are on the mainland and five on Zanzibar. In 1992, Tanzania adopted multi-party democracy after more than 30 years of a single party socialist rule.
Estimates of the overall national population growth rate vary between 2.8 per cent to 3.6 per cent per year, with the urban growth rate reaching more than 9 per cent. In 1988, the total population was 23,174,336 people. The population was estimated to be 28 million in 1996 and is projected to increase to 39 million people by the year 2000.

Only about 25 per cent of the population live in the urban centres. The majority of these centres were created during the colonial era as centres of administration and commerce. Until the late 1940s, the colonial government considered the urban areas to belong to Europeans and Asians, while Africans were regarded as temporary residents. However, from the late 1940s, Africans who were employed began to be accepted as permanent urban residents. Although more than 75 per cent of the population still live in the countryside, the urban population has been growing rapidly since independence in 1961.

Rapid urban population growth has been taking place in a situation of national economic hardships, especially since the late 1970s. The results of which have been varied but have included the failure by the government to provide new, or to expand existing infrastructure and services to cope with the increasing demand. The increased demand, coupled with lack of maintenance, has led to very poor condition of most infrastructure and services in urban areas.
Chapter I: Introduction

A. National setting

2. Economy

Tanzania is classified by the United Nations as one of forty-four least developed countries, with a GNP per capita not above US$ 300. The HDI value is 0.421 (UNDP, 1999). After many years of economic decline, there is now a realistic hope for recovery as indicated by a positive growth of the economy at a rate of about 4 per cent while inflation has fallen from about 30 to 8 per cent between 1995 and June 1999. The economy has become increasingly liberalised and the government has withdrawn from direct production and commercial activities, leaving that role to the private sector.

Agriculture dominates the economy, providing a source of livelihood for 80 per cent of the economically active population; it contributes 59 per cent of the GDP and 75 per cent of foreign exchange earnings. The principal export crops are coffee, cotton, tea, cashewnuts, sisal, cloves and tobacco. Subsistence farming accounts for about 50 per cent of the total agricultural output. An estimated 8 per cent of the land is presently under cultivation, of which about 3 per cent are irrigated. Industry in Tanzania is based on processing local commodities and manufacturing goods for import substitution. The principal industries are food processing, textiles, brewing, cigarettes and tourism. Since the Economic Recovery Programme was launched in 1986, there has been a gradual improvement in production.

With regard to income, households in Tanzania get their income mainly from self-employment on farm and non-farm activities, wage employment and rental services. In the rural areas, various sources of income indicate that 54 per cent of rural households get their incomes from agricultural activities, 20 per cent from non-agricultural self-employment activities, 8 per cent from wage employment, and 18 per cent from other resources. The pattern for urban households is slightly different. About 28 per cent of urban household get their income from agricultural activities (farming or selling agricultural products). Urban Agriculture is practised in open spaces within the urban boundary and in peri-urban areas. Another 28 per cent get their income from employment in non-agricultural activities, while 18 per cent earn from wage employment. Rental income is important for 2 per cent of urban households. The remaining 24 per cent of urban households get their incomes from sources other than those mentioned above (United Republic of Tanzania, 1996).

Tanzania is currently experiencing a major employment problem largely due to the poor performance of the economy in the 1980s. The potential of the informal sector in the generation of employment and income earning opportunities is now acknowledged and many facts about the future and dynamics of the informal sector are now known. The informal sector study carried out in 1991 showed that 21 per cent of the labour force are employed in the informal sector. 60 per cent of this informal sector potential is found in rural areas. Its contribution to the GDP grew from 10.3 per cent in 1985 to 32 per cent in 1991. 57 per cent of the contribution originated in the retail trade and food vending activities. 67 per cent of informal sector employment was male and 33 per cent was female. It is accepted that the income of an informal sector operator is on the average twice as high as the salary of the average civil servant (Planning Commission and Ministry of Labour and Youth Development, 1991).
Chapter I: Introduction

B. The co-operative movement in Tanzania

Traditional co-operative practice in Tanzania and Africa in general is an old phenomenon. Two areas of collective action by tribal and or clan groupings in most African communities included house construction and several occupational (mainly agricultural) activities. The history of conventional co-operatives dates back to 1925. They were prompted by problems that arose in agriculture and sales of coffee. The Kilimanjaro Native Planters Association (KNPA) was the first such co-operative which proved to be very successful and brought about:

- A rise in coffee price for farmers;
- Improved farming knowledge;
- Improved farming inputs;
- Farmers rights preserved; and
- Better use of farm products.

This resulted in the formation of large cash crop marketing co-operative societies and unions, to take care of the then expanding cash crop production in the country. An example is the Kilimanjaro Native Co-operative Union Ltd (KNCU) which started in 1933 with 11 primary Co-operative societies in Kilimanjaro region. Another one was the Victoria Federation of Co-operative Unions Ltd. (VFCU) in the Lake Zone. These co-operative societies were formed on mainland Tanzania under the general umbrella of the Co-operative Union of Tanganyika (CUT), a state apparatus, established to oversee the formation and operation of co-operative societies and unions.
Chapter I: Introduction

B. The co-operative movement in Tanzania

1. The growth of co-operatives in Tanzania

Since the attainment of independence in 1961, Tanzania has placed a lot of emphasis on co-operative modes of production in almost all the sectors of the national economy. There has been a strong commitment by both the ruling CCM Party and Government to a collective approach to the solution of developmental issues and problems throughout Tanzania’s post-independence period. The philosophy behind this strategy has been that given the meagre resources available in Tanzania, collectivisation seems to be the most realistic approach to attain self-reliance and national prosperity.

Co-operative movements are also in conformity with the socialist ideology of the country, as it was later stated in the policy document "Arusha Declaration" of February 1967. The Arusha Declaration which was Tanzania’s (i.e. the Party’s and Government’s) overall objective of guiding the development of the country toward an egalitarian society. Since then the government has actively and tirelessly encouraged every family to improve its living conditions through co-operative action including the construction of decent housing (yet, no effective policies or delivery mechanisms have been put in place). Thus as early as 1962, the Government began to mobilise people to build better houses through mutual aid groups and self-help approaches.

The pace of creation of co-operative societies increased and by 1961 there were 857 co-operative societies (see table 1). After Independence the Government encouraged creation of co-operative societies as it was seen to be a way of discouraging exploitation by profit minded individuals. Co-operatives were also seen as a tool for agriculture development and a means of providing necessary public facilities.

In order to strengthen the co-operative societies, the Government took the following steps:

- The 1943 Co-operative Societies Bylaws was revised in 1963. This was to remove any hindrances in registration of co-operative societies.
- Initiatives to start co-operatives in the consumer, transport and savings & credit co-operatives began and a Rural Development Bank was started in 1962. Moreover, a Co-operative College was started in Kilimanjaro region.
The vast growth of co-operative societies brought some major problems, which were identified as:

- Lack of co-operative knowledge by members and co-operative society workers;
- Lack of competent personnel especially accountants and auditors;
- Theft and corruption;
- Tribalism and unfair recruitment;
- Fall in crop prices; and
- Lack of sound co-operative union policy.

Several steps were taken to combat the situation:

- Establishment of the 1966 Presidential Probing Commission;
- Establishment of new co-operative bylaws in 1968;
- Establishment of Commission for Co-operative workers in 1969;
- Abolishment of VFCU in Nyanza in 1967; and
- Establishment of CUT.

The Arusha Declaration of 1967 brought about changes in the economic arrangement, to include in co-operative movement as follows:

- Co-operative societies were re-established;
- Co-operative societies were directed to venture more in the production and service sectors; and
- Many village co-operatives established and secondary co-operatives (unions) split up.

Nevertheless this did not solve the co-operative societies' problems. Instead the societies lost direction and politics invaded.

To curb this, further steps were taken:

- New Co-operative Act was established in 1968;
- Starting of programme in 1973-in 1975 a village was considered to be a co-operative society with diverse activities;
- In 1976, secondary co-operative societies (unions) were abolished and instead Districts or Regions (geographical) considered as co-operative unions; and
- Crop authorities for purchase of crops were created.

This means that the organisation now had only three levels, e.g. primary co-operative societies (villages); secondary co-operative unions which were the geographical districts or regions and the apex co-operative union known as Washirika. Between 1978 and 1991 the apex co-operative union (Washirika) was one of the five political organs of the ruling party (CCM). This resulted in a significant decline in agricultural output and disorganised purchase of crops. In 1980 the Government revisited the situation and decided to re-establish the apex co-operative union, but still as a political organ of the party.
By the end of 1980s the co-operatives were facing major problems, such as heavy debts and mismanagement. Change of direction in politics and economy during the middle 1990s brought in privatisation of public institutions and adoption of a free market economy. This necessitated a change of direction for the co-operative movement as well. The co-operative societies now fall within the spectrum of the private sector, which has led to the re-organisation of the co-operative unions.

As of June 1998 there were 4,919 co-operative societies with about 400,000 members (see also table 2). Average membership per society was 121 in agricultural marketing co-operative societies (AMCOS). The number of co-operative unions was 48, while there were two specialised unions. Sectoral apex societies were 5 per cent, while average capital per member was TSH 3,640 (AMCOS members only) while the total accumulated profit is 5,345 billions.
Before independence, Tanzania had patchwork of policies to deal with housing and human settlements in general. The colonial government did not see housing and other problems of human settlement as pressing. The housing problem became evident as many people started coming to growing urban centres (commercial or administrative) searching for work and the better life assumed to be in these centres. In rural areas, the housing problem has perceived as a matter of quality rather than quantity.
A patchwork of urban and housing policies existed to deal with Asians, Europeans and Arabs who were considered permanent residents of the towns. Africans were classified as temporary residents assumed to have come to earn a specific amount of money, which they needed back in the villages. But later when their stay became permanent or for longer periods of working, shanty towns started to appear. Areas occupied by Africans were of rural character in housing and way of life. Copying the house types of the ethnic group surrounding the urban centre, rural migrants started to settle. In Dar es Salaam the houses of these shanty towns resembled the house forms of coastal ethnic group — the Zaramo house. The policy in the 1940s therefore stated that there should be measures to integrate Africans into town life. In 1946, the colonial government set aside funds for African Urban Housing. The houses constructed were controlled by local authorities and were distributed to African workers. Individuals were allowed to construct privately on high density surveyed plots, provided they followed the laid down building regulations, e.g. that the houses should be of permanent materials. In 1965, the African Urban House Scheme was started which was intended to finance private construction at low interest rates.

The Government of Tanzania has passed through a number of phases in response to the growing demand for urban housing and within the context of worsening financial situation. After Independence in 1961, Tanzania had the intention of housing the majority who was Africans and mostly earning very low-income. Therefore the main housing strategies set on housing was to serve the interest of the majority.

To date, there have been a number of principal strategies set to alleviate the need for housing and services for lower income families. The first was the construction of houses by the public sector. This was marked by the formation of the National Housing Corporation (NHC) in 1962. The corporation was given the task of providing houses and other buildings by means of financial assistance and actual construction of houses. The corporation started by clearing slums, especially in Dar es Salaam, and replacing them with new single storey houses which were rented out to the previous house owners and others sold to them on tenant purchase basis.

Between 1962 and 1990, NHC constructed over 4,000 housing units mainly for rental, but also a few for sale under the tenants purchase scheme. Some of the houses were constructed under a slum clearance scheme implemented by the government until 1969. Most NHC houses were built in Dar es Salaam. The public sector employers, e.g. parastatal corporations also built houses for their employees. However, the combined output of the public sector has remained insignificant (15 per cent) compared to what has been provided by the private individuals (85 per cent).

The provision of houses to African workers and the establishment of the African Urban House Loan Scheme was the beginning of providing houses as commodities and setting aside resources which were not accessible to the majority of the urban poor. After independence, the formation of NHC and later the Permanent Housing Finance Company (PHFC) was nothing more than a replacement of the African Urban Housing and African Urban House Loan Scheme.

Tanzanian policy on social and economic development took another direction after the 1967 Arusha Declaration. This was Tanzania’s blue-print for socialist transformation, under which it was declared that: "We want to create a socialist society which is based on three principles; equality and respect for human dignity; sharing of the resources which are produced by our efforts; work by everyone and exploitation by none" (Nyerere, 1967).

To implement this policy in rural areas the government decided to resettle scattered homesteads into ‘Ujamaa’ villages so as to enable the government provide the villagers with communal public facilities and services more economically. The resettlement programme was implemented between 1973 and 1978.

Hand in hand with this, the government spelled out a policy on rural housing and launched a "Better Housing Campaign". Rural Construction Units were established in every district offices to co-ordinate implementation of the campaign. The Rural Construction Units were established and equipped with simple construction tools, transport facilities to include a lorry, Land Rover and five technicians. This campaign called for co-operation among the would-be builders in arranging for the purchase and transportation of building materials from district centres. This also called for control of contribution by would-be builders, through the village bookkeeper who was to look after for their accounts and to arrange payments to the rural construction unit for materials and construction. Through self-help villagers were to work together in the construction of their houses.

In consonance with the principles of socialism, self-reliance and rights of people to decide and control what
affects their lives, the Tanzanian government nationalised the most important sectors of the economy: key industries, financial and commercial institutions to form public companies. Also nationalised were large plantations, non-owner occupied buildings, which at that time were worth US $20,000 or more. A public corporation, the Registrar of Buildings was established to, *inter alia*, manage the nationalised buildings and build new ones to supplement those built by NHC.

The Government of Tanzania has been participating in implementing the different United Nation’s decisions reached by the United Nations General Assembly or through the different United Nations sponsored conferences and commission meetings. After Habitat I in 1976, the government prepared and approved a National Housing Development Policy in 1981. As observed in a 1993 report by the then Ministry of Lands, Housing and Urban Development, "The policy was in many ways ahead of its time as it foreshadowed the enabling approach later to be adopted by the United Nations as part of the Global Shelter Strategy". However, the policy was too narrowly focused on housing, without any complementary policy for urban management incorporating other aspects of human settlement development like such as the availability of land, and provision of infrastructure and services. The policy statement was never followed up, as it lacked strategies and a realistic programme of implementation.

Tanzania has also implemented many shelter and human settlements programmes which are briefly presented below:
Shelter Co-operatives in Tanzania
Prepared by Tumsifu Nkya for UNCHS (Habitat) and ICA

Chapter I: Introduction
C. Shelter policies and condition
1. Shelter policies and programmes
a. The Sites and Services and Settlement Improvement Programme

While resolutions urging governments to undertake sites and services and improvement of unplanned settlements programmes were being endorsed at the Habitat Conference in 1976, Tanzania was already implementing a sites and services and settlement improvement programme. The approach was adopted by the government in 1972.

The objectives of the programme were broadly threefold:

- To provide planned, surveyed and serviced plots for allocation to low income developers and displacees from upgraded settlements;

- To improve existing unplanned settlements, by providing services and security of tenure; and

- To provide credit facility for house construction and improvement in the case of unplanned settlements.

The first and second phases of the sites and services programme, launched in 1974 and 1977 respectively, was funded by the World Bank. The sites and services was intended to provide for about 75 per cent of the needed residential plots in the two towns covered under the programme, i.e. Dar es Salaam and Mwanza. It was also believed that this approach would assist in containing the growth of unplanned settlements.

The programme did to an extent, assist in increasing the housing stock. The few improvements of infrastructure and community facilities that were provided under the programme have led to improved living conditions. Among the shortfalls of the programme included the fact that the programme was hijacked by middle and high income groups because they were not catered for.

Hand in hand with the sites and services programme, the government implemented a settlement upgrading programme. This was by far the more beneficial to the target groups and it is estimated that about 450,000 targeted people benefited. However the number of upgraded areas remained few compared to the magnitude of the problem.
In 1991, the Government requested UNDP and UNCHS (Habitat) to assist in the ‘Review of the Human Settlements Sector.’ It was agreed that this would encompass a much wider perspective, including the broader aspects of human settlements development and urban management. The sector review, completed in 1992, identified *inter alia*, the key constraints impeding the development of human settlements. The review enabled Tanzania to put in place a "National Strategy for Sustainable Human Settlements Development". This strategy described the priorities of the Government of the United Republic of Tanzania for support to human settlements, and in particular for the sustainable development of urban centres. The sector review therefore provided a basis for the strategy for implementing what is contained in Agenda 21, Chapter 7.

This strategy concentrated on tackling the key constraints identified in the review. The focus is to develop local capabilities to undertake strategic planning, and to enhance capacities at the national level to support these initiatives at the local level. The objective stated in the report is to create sustainable development in urban centres which will improve living conditions in informal settlements, alleviate poverty, stimulate economic growth and employment and improve the urban environment.
Chapter I: Introduction

C. Shelter policies and condition

1. Shelter policies and programmes

c. The Sustainable Dar es Salaam Project (SDP)

The Government, through the Dar es Salaam City Council and under support from UNDP/UNCHS has been implementing Agenda 21. This project is being undertaken under the framework of the Sustainable Cities Programme (SCP) — Environmental Planning and Management (EPM) process. The Sustainable Dar es Salaam Project (SDP) was launched in 1992, and by 1993 it had become fully operational. It has an overall aim of enhancing capacity of the local authority in planning and co-ordinating and managing the growth and development of Dar es Salaam City in a sustainable manner. The EPM process is being replicated in all the nine municipalities in mainland Tanzania, as well as in Zanzibar municipality.

The 1992 Human Settlement Review Report and the subsequent National Strategy for Sustainable Human Settlement Development provides important information and an analysis of the human settlement sector in Tanzania and strategies which to date are still valid. There are four main elements being addressed:

- The capacity of public sector institutions and human resource development;
- Management of land and access to services;
- Quality and quantity of affordable shelter, this being the element (where housing co-operatives still stand as a strategy); and
- Economic growth and employment creation.

These major elements were reviewed again during the preparation of the National Plan of Action for the Habitat II Conference in 1996. A draft National Human Settlement and Shelter Development Policy was finalised in 1998. It has been circulated to selected stakeholders for comment.
The policy of the government has been that land should be accessible to all regardless of their affordability. Subsequently, land has been available from the government almost free of charge. Planned land is expressly granted for a short-term or long-term (33-99 year) duration.

Despite the goal of making planned land available to all, the supply has been limited compared to demand. For instance, figures from the Dar es Salaam City Council suggest an annual reported demand of 20,000 plots. Yet it is calculated that between 1972 and 1994 no more than 40,000 plots (or an average of 2,000 plots per annum, i.e. less than 10 per cent of the demand) were surveyed and allocated by the authorities in the City. The situation is similar in the other fast growing urban areas in Tanzania.

Reasons for this situation are many but hinge on lack of resources to acquire, plan and survey land fast enough to meet demand. The result of which has been the inability of people in all income levels and especially low-income people to get access to planned land. This has resulted in the growth of unplanned settlements, where in the case of Dar es Salaam about 70 per cent of city residents live. In other regional headquarters towns between 40 and 50 per cent of the residents live in such settlements. The land issue has been recently examined, resulting into initiatives to prepare and adopt a new Land Policy in 1995 and a new Land Act in 1999. Preparations are under way to enforce the new Land Act. This provides improved legal framework for land tenure and administration for it recognises the hitherto disregarded market value of land and individual land rights, to include land held under customary land tenure.
The financing policy after independence was aimed at reducing the shortage of housing for civil servants. The Government through staff circular No. 8 of 1962 and No. 4 of 1965 established a ‘Revolving Housing Loan Fund’ (RHLF) to finance renovation, construction or purchase of houses for its employees.

In 1972, the Tanzania Housing Bank (THB), a successor to the Permanent Housing Finance Company was formed to cater for other borrowers. Following this development, RHLF was abolished and all borrowers were transferred to the newly established Bank. Under the country’s shelter policy, financial institutions lending for housing were supposed to be responsive to the needs of low-income groups in both rural and urban areas. It was envisaged that new financial institutions might be created to increase lending opportunities. The THB became the sole source of formal housing finance institutions.

It was, however, only marginally able to lend to low income groups and over the years lending declined in real terms as both building costs and interest rates increased. By 1989 THB was facing financial constraints because of many non-performing loans.

The main sources of THB’s finance were public deposits, the Workers and Farmers Housing Development Fund (W&FHDF), external grants and revenue obtained through repayment of housing loans.

The W&FHDF was established in 1973 with specific objective of providing finance for construction of low cost houses for workers and farmers in the urban and rural areas. Housing co-operatives also benefited from the funds. A portion of the fund was therefore used for provision of loans to housing societies in urban areas as well as to low cost housing.

Secondly, a portion of the fund would be used for the provision of loans to employment based housing societies, and thirdly the remaining balance was earmarked for houses in the rural areas with a preference for housing schemes undertaken by Ujamaa villages and co-operatives societies.

Loans from the fund carried an interest of 5 per cent if the loan did not exceed TSH 25,000, and 6 per cent interest if a loan was ranging between TSH 25,000 and TSH 35,000.

Effective August 1995, THB was liquidated. This implies that there is currently no formal source of credit financing for shelter development in Tanzania.

In 1990 the Government re-introduced a RHLF for civil servants. It started operations officially in the 1992/93 financial year. The Government was supposed to inject in this fund TSH 200 million annually until when it would start to revolve, but due to financial constraints it has been unable to do so. Subsequently only a few of the targeted workers have benefited.
The national shelter policies pursued and strategies implemented until recently have not been able to meet the growing demand for housing. Between 40 and 70 of urban residents live in informally built shelter in unplanned settlements. Most of these settlements lack even the most basic urban services such as potable water supply, sanitary waste, disposal systems, access roads, drainage systems, health and education facilities. Houses are generally poor and overcrowded and some are located on marginal lands. These conditions not only cause severe health problems but also have serious effects on family life. Women, especially those who are heads of households, are particularly vulnerable as they struggle to make an income and provide for their families.

The quality of shelter is poor and investment in shelter and services is deterred by the poor economic growth, previous land policy which prevented the smooth operation of a land markets and severely restricted access to finance credit for the construction and improvement of housing.
Chapter II. Co-operatives in shelter development in Tanzania

A. Historical background of housing co-operatives

The change of policy in 1967 (Arusha Declaration) came at a time when the world’s approach to housing problems had changed in respect of spontaneous and slum settlements. Tanzania also started upgrading unplanned settlements instead of clearing them and introduced sites and services for low-income developers. When the idea of promoting home ownership through housing co-operatives for low-income families in the third world came about it was more than welcome in Tanzania in the late 1960s and early 1970s.
Traditionally housing activities in rural areas in Tanzania were carried out on mutual-help and self-help basis. Elements of such co-operation can still be seen especially on traditional houses. For urban areas there is little to be said on traditional co-operation because it was only during the early stages of the development of an urban settlement.

Traditional co-operation in rural housing also differs from one region to another depending on house form, materials norms and values of the ethnic group. In some ethnic groups failing to attend a call by one of the villagers to help in constructing his house without an excuse was an offence which one would be required to pay a fine. In other groups no fine is required except one might be left alone in cases where he needs the same help.

Before the coming of the Europeans, all houses in Tanzania were built solely from locally available materials such as mud, poles, thatch and stone. These materials are still widely used in rural areas, and the skills to assemble them into a dwelling are still there.
Before the rural resettlement programme that was implemented in the 1970s, isolated homesteads characterised rural Tanzania. Construction of these homesteads was carried out by family members and invited friends. Co-operation started from design stage. It was a tradition that if anyone wished to build, fellow friends and relatives were invited to help in collecting building materials and transportation from the bush (poles and grass), in case family members could not carry the work alone.

Construction of the house structure was and still is a men’s job, therefore the head of the household invites friends in the family to erect the structure of the house and thatch. Plastering in some societies is a women’s job. Therefore women fetched water and prepared plaster (earth and water) to plaster inside and outside. In homesteads where family members (extended families) were enough to do the job it was not necessary to invite friends. After a days job food and drinks were served. This was the time when the house construction was solely non-monetary.

Like many other countries, Tanzania came into contact with western house styles, and materials. The effect in changing house forms spread throughout the country. This also called for a change in construction the process.

This changed the traditional way of co-operating. The spread of monetary form of exchange, scarcity of traditional materials and changing attitudes towards traditional norms and values reduced tremendously traditional co-operation. By the 1960s, housing construction was limited to family and close friends. If help was needed from a distant friend monetary payment was required. But payments were not very high.

In 1974, the government decided to move people living in isolated homesteads into nucleated settlements. At this time mutual help and self-help was badly needed among villagers to construct houses in these new settlements. Most villagers had to move at the same time. Others moved with materials previously used in their old compounds — this depended on the distance between the old and new settlement. Villagers helped to collect materials for those who were not able to transport and through mutual-help constructed houses for all members in rotation, one after the other.

Traditional way of co-operating in the construction of traditional houses is still carried out to some extent but in most cases it is no longer non-monetary. With increasing desire of people to earn money in exchange for work it is no longer easy to invite people and at the end of the day serve them with food and drinks as it was in the past. Scarcity of traditional building materials that are now obtained far from the villages, labour for collection and transportation has to be paid. Changing norms and values have also changed attitudes on what is a good house. Therefore villagers who can afford to buy industrial materials construct durable houses and those who cannot afford continue building traditional houses. These differences have also contributed to the tendency of villagers to slowly see construction of houses as an individual responsibility.

In urban areas, co-operation in housing activities dates back to when urban settlements were developing. Ethnic groups around the developing centre obviously continued to co-operate according to their customs. For people who were migrating from other regions and had to settle in the fringes of the city or towns their co-operation was actually a continuation or transfer of rural values. Using traditional materials they also used similar building processes. Friends normally coming from same villagers, district or shared same vernacular language helped one another to build. Even the so-called shantytowns that were close or within urban boundaries were erected on mutual bases — they helped one another in materials collection (e.g. cardboard, tins, poles) and in the erection of their temporary homes.

In Dar es Salaam the Zaramo houses were also adopted by urban dwellers or settlers in unplanned settlements. Many coastal people are Muslims and the Muslim Community co-operates in many domestic activities, e.g. funeral ceremonies and even housing. Therefore supported by religious beliefs and traditional values, these settlements within the urban setting and on the fringes for some years continued to co-operate whenever one called for help in erecting the house and thatching.

When government tightened its building and development regulations in urban areas, where one had to have a right of occupancy for plot and also to adhere to building requirements, that houses be of permanent materials traditional co-operation had to give way to conventional construction methods. Use of permanent or industrial materials required skilled labour and therefore one had to hire paid labour. The rate of immigration and the increased need of the now scarce materials automatically made housing to be an individual responsibility.

Those who could afford to build houses in surveyed areas and with specified standards could also afford to pay for labour and materials. In such cases co-operation was among family members (extended families) — helping the
paid skilled labourer in the making of blocks, helping the paid skilled labourer in the making of blocks, site cleaning, etc.
Formal housing co-operative societies are relatively new in Tanzania compared to some countries in South America (Chile and Brazil) and India. However Tanzania, Ghana, and Lesotho were among the first countries in Africa where formal housing co-operatives were introduced in the 1970s.

The idea of establishing housing co-operatives in Tanzania was partly in response to the call by President Nyerere to promote building co-operative societies through aided self-help housing projects, and partly as a follow up action of an international initiative.

In January 1969, a Regional Meeting on Technical and Social Problems of Urbanisation, was held in Addis Ababa, Ethiopia sponsored by the United Nations Economic Commission for Africa (UNECA) and the German Foundation for Developing Countries. The meeting resolved to establish a housing co-operative pilot programme in an African country. The International Co-operative Housing Development Association (ICHDA) (linked closely to ICA) in co-operation with UNECA, was supposed to undertake a reconnaissance survey of four East African countries. The purpose was to collect information as to which country offered the best location and environment for an African co-operative housing pilot programme. Four countries, namely Somalia, Tanzania, Uganda and Zambia were visited for the purpose, and where a four point criteria was used in determining the existence of appropriate conditions for successful co-operative modes of housing production and infrastructure provision. The four criteria used were:

- Government’s policy on housing and urban growth.
- Government’s attitude towards co-operative enterprise.
- Attitude of political, social and cultural groups towards co-operative methods.
- Attitude of the people towards saving and working together.

After completing the reconnaissance survey in the four Eastern African countries mentioned above, ICHDA/UNECA team finally concluded that Tanzania offered the best conditions and therefore was the most appropriate country in which to develop a pilot programme because of the following eight reasons.

- As expressed in the Second Five-Year Development Plan 1969-1974, the Government of the United Republic of Tanzania gave strong support to, and had a positive policy on housing and urban development.
- Co-operative ideas and approaches formed part of all the sectors of the Government’s Five-Year Development Plan. Furthermore, co-operative methods and aims were and are an accepted way of life at all levels of rural and urban societies.
- Tanzania had a well-managed, efficient, and well-staffed national housing agency (i.e. the NHC) capable of undertaking a new and expanded role in housing development.
- The nucleus of a co-operative housing movement has been established by the Islamic Community in Dar es Salaam and other coastal regions.
- Tanzanians even at the lowest subsistence level of income, had and have demonstrated a capacity to save towards the desired goals.
- The default rate of buyers and tenants of houses constructed by the NHC was relatively low, compared to that which prevailed in other African countries at that time.
- That the team was encouraged by the interest shown by both the Ministry of Lands, Housing and Urban Development (MLHUD) and the NHC in trying the pilot programme, with a promise to provide 500 plots on a sites and services project area in Kijitonyama area, in Dar es Salaam.

The report of the team ICHDA/UNECA recommended the following:
• That two co-operative housing advisors with experience in sites and services projects be provided to advise the Housing Division of the Ministry of Lands, Housing and Urban Development). Furthermore, that two additional advisors be provided to assist the government in the pilot project, as well as the development of a national comprehensive co-operative housing programme.

• That UNECA/ICHDA should seek grant or loan assistance to provide seed capital for a co-operative housing revolving fund.

• That UNECA/ICHDA should collaborate in the development of a pilot programme work plan to establish a course of action, strategy, goals and objectives.

• Ways and means be explored to assist Tanzania in the provision of essential public facilities, schools, buildings, health centres, etc.

The Kijitonyama sites and services scheme for 500 families was proposed by the representatives of ICHDA as the first pilot project in Tanzania and indeed the whole of Africa. This scheme was later to be named Mwenge Housing Co-operative Society. Following the above arrangement, Mwenge Housing Co-operative Society was registered in June 1971. This was the pilot housing co-operative society and indeed the first such society to be registered in the country. By October 1971 two more housing co-operative societies (Manzese A and B and Azimio) were established in Dar es Salaam.
Chapter II. Co-operatives in shelter development in Tanzania
A. Historical background of housing co-operatives

4. Basic functions of housing co-operatives

It was believed that housing co-operatives had a great potential to solve many of the housing problems of low-income families. Low-income families have financial and skill problems, therefore by establishing housing co-operatives they would pull together their limited resources and collectively use them to build improved and better houses.

Housing co-operatives were expected to be allocated and surveyed residential plots, long-term leases or a certificate of title over the plots much easier and cheaper than would be the case with individual developers. It was also thought to be in line with the general policy of the country, that encouraged co-operative living and working in urban districts.
Chapter II. Co-operatives in shelter development in Tanzania

A. Historical background of housing co-operatives

5. Institutional and support structure

At the national level, the Prime Ministers Office and the MLHUD were jointly responsible for the policy and strategic planning. The Prime Ministers Office was concerned with co-operative organisation and MLHUD covered all aspects related to house construction. A Co-operative Housing Section was formed as part of the Housing Development Division of MLHUD to co-ordinate the support to housing co-operative societies. At regional and district level the Ujamaa and Co-operative Development departments staff and housing officers within the Town Planning offices were charged with the responsibility of providing support and promotion of housing co-operatives.

A manual for guiding the formation of co-operatives was prepared by MLHUD. This provided technical information for planning, organising the building process, building designs and included sample forms for membership application and for loan application.

The formation of housing co-operative societies in rural areas was not very successful for the following reasons:

- Unavailability of industrial materials, and therefore delays of materials to reach the few villagers who were ready to build their houses.
- The construction technicians were under-utilised and many had to go back to their previous posts.
- Affordability of villagers was too low to effectively be involved in long term housing programmes that required monetary savings.
- Villagers still preferred for traditional houses and traditional building processes.

Currently there is no housing co-operative department in the now Ministry of Lands and Human Settlements Development. At district and regional level co-operative activities are supposed to be under the Tanzania Federation of Co-operatives (TFC) and the Registrar of Co-operatives.
The main types of housing co-operatives included in a circular on urban housing co-operatives (1973) were those whose main feature was to provide members with satisfactory housing and housing-related services and based on durable co-operation. These are outlined in the following sections.
Chapter II. Co-operatives in shelter development in Tanzania

A. Historical background of housing co-operatives

6. Types of housing co-operatives existing in Tanzania
   a. The tenant-shareholder housing co-operative

Here the co-operative has the right of occupancy to the land, owns the dwelling and lets them to the members. The members are identical with the tenants of the dwellings, and accordingly as they are tenants, they are at the same time co-operative owners of the dwellings. In such a co-operative it will be the society with the title to the plots, owns the dwellings, takes up the necessary loan and mortgages the houses for it. The society will normally have as its main income the payments of rents by its members.
Chapter II. Co-operatives in shelter development in Tanzania

A. Historical background of housing co-operatives

6. Types of housing co-operatives existing in Tanzania

b. The house building co-operative group

The members pull their resources during the building period. The title of each of the plot is therefore with the member who should take over the house on completion. As such each of the members would mortgage his house to the Housing Bank from the beginning of the construction for the amount expected to fall on his house. This does not however necessarily mean that the society should in all cases be dissolved upon completion of the house. The society might take up to provide some communal services, shop, community centre, etc.

The groups that were willing and able to form housing co-operatives were, in rural areas, those living in model villages, while in the urban areas were people falling into two categories.

- The first category consisted of people who received information on co-operative housing through government sources, to include those working with the Prime Ministers office, the then MLHUD and those working for the same employer in say parastatal organisations like Tanzania Cigarette Company.

- The other much larger category were people who knew that they could obtain building land much easier by forming a building group than seeking building land as individuals. Others believed that forming a building group would make it easier for them to get support in order to improve their houses in unplanned settlements.
Chapter II. Co-operatives in shelter development in Tanzania

A. Historical background of housing co-operatives

7. Number of housing co-operatives and size

In 1971 there were three housing co-operatives, including the pilot projects, all in Dar es Salaam. By 1987, there were already 35 such registered societies in various urban centres in Tanzania. In 1998 there were 115 registered housing co-operatives, many of these which are no longer active as co-operative societies (see table 3).

The rapid increase in the number of housing co-operatives over the first 10 years of is because of the support structure put in place and the high expectations created among the members of the first groups. The number of housing co-operatives in Dodoma increased every year and they were all urban based. Unlike Dodoma where housing co-operatives flourished, particularly in the 1980s, the high expectations of co-operative society members in other regions in Tanzania was short lived and many became inactive. The experience from 1990 to date in many regions is a decreasing number of active co-operative societies. The case of Dodoma is described in box 1.
As described earlier, finance for housing co-operatives was from two sources, the THB — which is no longer in operation since 1995 and the W&FHDF (also operated by the THB) which was established particularly for the support of low-cost housing. Prior to getting a loan, a co-operative society had to fulfil the following conditions:

- Should be registered;
- Should deposit 25 per cent of project costs and provide 2.5 per cent of project costs for mortgage costs; and
- A co-operative society in an urban area should have land and a title deed.

In addition to this, the society's ability to repay the loan had to be verified by the bank. Repayment period was normally less than 25 years. Credit facility for such societies was provided by the THB, which could not cope with demand from its prospective clientele. Table 4 includes a list of some co-operatives and their access to land, security of tenure and credit. This information was compiled in 1991.
Tanzania received technical and financial support from UNECA/ICHDA, Carl Duisberg-Gesellschaft, and the German Development Assistance Association for Social Housing (DESWOS) for the establishment of the pilot housing co-operative society. The ICA has supported Tanzania in the promotion of housing co-operatives through national meetings.

During the early 1980s, support for the formation and running of many housing co-operatives in Dodoma was obtained from UNDP, which was particularly supporting the Low Cost Housing Unit (LCHU). LCHU was and still acts as a technical support unit for house building groups in Dodoma. Recently, an NGO, the Women’s Advancement Trust (WAT) has been supported by Rooftops Canada in promoting both the formation of Savings and Credit Co-operative Societies (SACCOs) for housing construction, formation of co-operative or building groups and in training.
SACCOs in Tanzania dates back to 1938 but its growth has been slow. At independence in 1961 there were only 3 registered societies. With support from the government after independence a national association — Savings and Credit Union League of Tanganyika Ltd. — was established to promote the formation and running of SACCOs. In 1964 there were a total of 35 societies. In rural areas these were popularly known as Rural Credit Schemes which advocated self-reliance and fast economic development of the peasant farmers.

Like all other co-operative societies, SACCOs underwent some years of stagnation (1976-1991) when all co-operative activities were co-ordinated by a national apex organisation — CUT. This was a period when co-operative societies were political organs of the ruling party with a political mission of mobilising people in the building of socialism.

In 1991 a new Co-operative Societies Act was enacted to allow for specialised system of co-operative organisations. Under this Act savings and credit societies united to reactivate their national association, Savings and Credit Co-operative Union League of Tanzania (1992) Ltd (SCCULT). The union initially had a total of 250 urban and rural SACCO members. SCCULT is affiliated to the TFC and, has the following major functions:

- To offer education and training, technical services and represent SACCOs at national and international levels;
- To mobilise SACCOs in order to establish a Central Finance Fund as a reservoir or loan capital for SACCOs and as investment capital for SCCULT;
- To establish risk management fund; and
- To look for income generating activities such as establishment of a Central Accounting Pool which will offer accounting services to SACCOs at a fee, buy shares in financial institutions, etc.

The most important function of SACCOs is to strengthen units so that its members can pool their resources in a common fund and allow borrowing from it. The loan advances to members can be used to:

- Establish and expand their income generating activities e.g. farming, livestock keeping, consumer shops etc.;
- Buy household goods;
- Build good houses;
- Pay for school fees, health, taxes, insurance etc.; and
- Buy basic needs, e.g. food and clothes.

Of interest to this report is how such co-operatives help members to improve their shelter. SCCULT was not able to provide information for every member SACCO, but table 5 shows how savings and credit funds were used by one urban and one rural SACCO respectively.

It is evident from table 5 that in the urban areas, priority in the utilisation of credit finance is given to housing and social services, while in the rural areas improvement of agriculture or income generating activities are given priority by the members.
NGOs are not new institutions in Tanzania, but following the adoption of political pluralism in 1999, there has been an increase in the number of NGOs. NGOs support a number of development activities in both rural and urban areas. There are a couple of NGOs, international and local, whose activities are directly or indirectly connected with improvement of shelter and human settlements in general. Information on such NGOs is summarised in boxes 2 (Mwanza Rural Housing Programme (MRHP) at Misungwi), 3 (Peramiho Home Makers League (PEHOLE)), 4 (Kasulu Habitat for Humanity Project), 5 (Women’s Advancement Trust (WAT)).

There are other examples, here and there where the relevant communities have tried to mobilise themselves out of desperation to address their housing problems through informal groups or by forming CBOs. A case in Dar es Salaam city is presented in box 6 which shows an example of such community initiative through a CBO — Kijitonyama Development Community (KIJICO). This community managed organisation started with self-help activities and later on managed to draw the attention of the government. An initiative on infrastructure improvement is going on through a partnership approach involving various stakeholders like the community, utility agencies, donors and the local authority.

See also boxes 7 (SMU Housing Co-operative Society) and 8 (Ukaguzi Housing Co-operative Society).
Building materials are mostly produced by individuals who employ simple technology and hand tools to produce building materials such as sand, stones, aggregates, lime, sand cement blocks, sun-dried or burnt bricks, timber, etc. These operators locate either on the source of a particular building material or closer to markets of such materials, the roadsides being increasingly preferred. There are, however, few organised, registered and unregistered groups including those of women and youths which deal with activities like stone crushing to make aggregates, lime production, bricks, etc. These groups operate in both rural and urban areas, but mostly so in the urban areas where there is a larger and ready market for building materials.

Some of the key problems experienced by these groups include lack of appropriate space for carrying out the activity. Some have located in such a way that conflict with other legitimate activities or cause damage to the environment, hence face threat of dislocation by planning authorities.
Informal sector enterprises by industry showed that the construction industry which included housing activities, masonry, and other unspecified construction activities comprised of 7 per cent of all informal sector enterprises and housing activities was 14 per cent of all activities in the construction sector. A breakdown of the type of ownership per industry and activities was not available. The survey also established the values of revenue, inputs etc. were much higher within partners or co-operatives than with sole owners. Dar es Salaam had the highest average value of capital, nearly twice the overall average.
Housing co-operatives in particular are said to offer the following advantages:

- They provide an opportunity to the dwellers to control their living environment.
- They are a means of tapping the co-operative potentials of members who desire to improve their socio-economic conditions through co-operative action.
- They are an economical way of procuring and using building materials by low-income earners.
- They are a means of mobilising and channelling family savings and domestic savings in general into housing development.

These advantages were generally experienced by the few housing co-operative societies in Tanzania which succeeded in getting plots, credit finance or from own saving, built the houses however long it took and are now living in their houses. This section assesses the impact of housing co-operative action in the development of shelter by looking at the following major impacts.
Shelter Co-operatives in Tanzania
Prepared by Tumsifu Nkya for UNCHS (Habitat) and ICA
Chapter III. The impact of housing co-operatives on shelter delivery
A. General assessment
1. Physical and socio-economic development of the housing neighbourhoods

The housing co-operatives societies that met even half of their targets, allowed their members to shape and control their living environment. They also allowed them to become self-managers of their housing production and improvement processes. One advantage of this strategy is that it reduced the burden on the state in providing finished housing to the dwellers or users. Houses built through such organised groups are all in fair or good conditions. These are permanent houses constructed using permanent manufactured building materials like metal roofing sheets, sand-cement blocks etc. Original designs for the houses in most of these societies were provided but modifications and additions of habitable rooms have been made. This has allowed members to rent out some of the rooms to other non-members. They have achieved a better accommodation and being able to generate income from renting.

Mwenge Housing Co-operative Society of Dar es Salaam and Mapinduzi housing co-operative society of Dodoma presently forms an ideal Tanzanian urban neighbourhood popularly referred to as urban villages. Mwenge is one of the few neighbourhoods which have the basic infrastructure and services developed as an integral part in facilitating the formation of a better housing environment for members. It is still one of the few neighbourhoods of Dar es Salaam with a sewerage system properly defined and in some areas paved access roads and paths and storm water drainage system. Presently, however, most roads and storm drainage are in an unsatisfactory condition due to lack of maintenance. The co-operative spirit still survives in these neighbourhoods and therefore initiatives to start maintaining the roads and drains have started. Mwenge Housing Co-operative Society in Dar es Salaam bears a clear and social fabric due to the nature of the location of the area as well as the nature of its initial formation. It is, however, larger both in terms of number of members, houses, area coverage and the number and type of facilities provided than any other housing society in Tanzania.

Some of the housing co-operatives have all the above impacts but do not necessarily form a defined neighbourhood and services were not provided prior to members building their houses. Sigara Housing Co-operative Society is one society that does not form a readily defined neighbourhood (see box 2). The co-operative society has two areas located in two different neighbourhoods. One of the areas forms part of a larger neighbourhood of Sinza-block B while the other is in Yombo Vituka area. Sigara has one additional advantage in terms of co-operation amongst the members, it is an employment based co-operative. The employer supports housing co-operative initiative in terms of providing free transport facilities to transport members building materials to construction sites and free accounting services to the society. This support makes it easier for members to co-operate in other areas of common interest like running a social club.
Shelter Co-operatives in Tanzania
Prepared by Tumsifu Nkya for UNCHS (Habitat) and ICA

Chapter III. The impact of housing co-operatives on shelter delivery

A. General assessment

2. Social cohesion and self-help spirit

Even after the active co-operation period, some housing co-operatives still run a number of activities on joint venture. Mwenge Housing Co-operative Society runs one co-operative shop, a social centre with rooms rented out for shops, a bar, a clinic, and an area for paid parking lots. It has an elected secretary who runs office on part-time basis (after 4:30) because he is employed. Meetings are convened when issues requiring discussions and decisions arise. Sigara has a similar arrangement, but most meetings take place at their workplace (see box 9).
Chapter III. The impact of housing co-operatives on shelter delivery

A. General assessment

2. Social cohesion and self-help spirit

a. Improvement on housing construction skills

Many members knew nothing about the techniques of housing construction. According to Mwaiselage et al. (1987), an average of 70 per cent of the members of both Mwenge and Sigara lacked construction skills and knowledge when they joined their respective housing co-operative. As for Mwenge Housing Co-operative Society, the ignorance of the members was a bit diffused by the approach used whereby a group of ten and later five members had to work together. Working in groups of ten members and later five members provided the members with an opportunity to consult one another and share experience whenever a problem arose on the construction site. Later on however, every member had to supervise construction of own house to its completion stage using the experience gained from group work. Generally, the skills and knowledge acquired by individual members on house construction through their exposure to construction work of their own houses is considerable. In addition, most of them are now confident and convinced that if they were to construct a house for the second time; they would do it a lot better than before.
Chapter III. The impact of housing co-operatives on shelter delivery

B. Key issues and problems

Housing co-operative societies in Tanzania have experienced several problems, some of which were adequately overcome, while others formed an impediment to the realisation of the original objectives. Problems experienced by most housing co-operatives are discussed below.
Shelter Co-operatives in Tanzania
Prepared by Tumsifu Nkya for UNCHS (Habitat) and ICA

Chapter III. The impact of housing co-operatives on shelter delivery
B. Key issues and problems
1. Formation, organisation and management

The housing co-operative societies were out of initiatives from outside the county and few officials in the country who understood co-operative principles and benefits. A workshop on the Promotion of Housing Co-operatives in Tanzania in 1981 discussed and observed that there had been no systematic and co-ordinated mobilisation campaign for national wide formation of co-operatives. After the formation of such organised groups in the early 1970s and 1980s there has not been continuity and stability of the initiative.

The bureaucratic procedures in the registration of prospective housing co-operatives was another obstacle. The registrar demanded that a co-operative society must first secure building plots before registration while the land office could not offer building plots to an unregistered society. This caused undue delays and progress of prospective housing co-operative societies.

The management of the formed housing co-operatives was another problematic area. There have been several cases of leadership crisis and changes in various housing co-operatives due to poor management. One of the reasons observed for this experience was lack of training of the leaders in the principles and management of housing co-operatives.

According to the government policy that has been in place since the 1960s, housing co-operatives are supposed to be given priority in plot allocation. Mwenge Housing Co-operative Society was offered land without too many bureaucratic procedures to follow because of its mode of formation as a pilot project with high profile external assistance. Most other housing co-operatives in operation have had many problems in being allocated with land. Access to land has been a thorny issue especially in Dar es Salaam where some individual applicants obtain land much easier and at a faster rate when compared to housing co-operatives. The high demand for residential plots in Dar es Salaam has affected many housing co-operatives, which could not compete with individual applicants who were ready to use all possible means in order to be allocated a plot. This experience has been contrary to the clearly stated policy that groups especially housing co-operatives should get first priority and preference compared to individuals when it comes to the allocation of plots.

Often an application for surveyed plots by an unregistered society would be turned down by the Lands Department of a local authority or the central government on the grounds that the society was not registered such that it lacks legal recognition. On the other hand the Registrar was of the opinion that to register a new housing co-operative when it hasn’t been allocated plots would lead to frustration of the members if they finally failed to get the surveyed plots. This vicious circle of reasoning discouraged many people initiatives to form housing co-operative.
The financing of housing construction in both Mwenge and Sigara Housing Co-operative Societies and many other societies was through a mortgage loan from the THB. The approach, however, differed slightly for the two housing co-operative societies. In the case of Mwenge, the society took off without a loan. Originally members who were all wage earners were given plots with foundations, while some essential building materials were to be supplied by the NHC. Materials distributed by the NHC included sand-cement, blocks, windows and doorframes. The supply of these materials, which also included cement once in a while, was irregular and in most cases unreliable.

Despite numerous efforts by its members, Sigara Housing Co-operative Society was until late 1980s unable to get the Certificate of Right of Occupancy (i.e. title deed) over the remaining 40 plots (four of which had been allocated to individuals who were not members. Delays in getting a title deed over the plots had adversely affected the operation and performance of a big number of housing co-operatives. For example, Makazi Housing Co-operative Society formed by workers of the Housing Department in Dar es Salaam and Kurugenzi Housing Co-operative Society in Mbeya Municipality had by that time not got their title deeds. Hence, they could not get a housing loan from the THB.

The THB, during its lifetime, did not play a significant role in the financing of shelter in the country including housing through co-operative action. Many studies show that all income groups financed the construction of shelter through their own savings or other means. The limited loans recorded to have been given to house builders and members of Housing Co-operatives Societies, helped them in the construction of a foundation and sometimes wall structure and had to finance the remaining part through individual savings.

The result of the unreliable sources of housing finance could be seen in the large number of uncompleted buildings whose construction depended on sporadic availability of funds. Completing a house, therefore, took years for the majority of builders, a good number of whom failed completely to complete their buildings, and a good number of whom continue to occupy their buildings incomplete. Slow housing construction adversely affects the provision of shelter, leading to high rents and overcrowding. The absence of a reliable financial institution adversely affected housing co-operative society members. And following the collapse of the THB in 1995, it means there is currently no credit financial institution to facilitate housing co-operative societies.
Construction through self-help arrangement has not been very easy for many urban based housing co-operative members. Many have had to commute long distances from their work places to the site and later on to where they were staying. Co-operative members have had very limited technical extension services on how to build a house. Extension service especially from technicians with training and experience in engineering, construction management, and architecture have been limited. Construction of houses has therefore been a responsibility of individuals who employ their own artisans.

While the costs of building materials have been rising, the salaries and wages of the members have not been rising at a corresponding rate. In addition, the loan they had taken from the THB also remained the same and probably lower in real terms because of the erosion of its purchasing power by inflation. A few members who happened to have other sources of income built quite fast while some of the relatively well to do members built their houses at a cost of which two low-cost houses could have been constructed. This fact partly explains the change of hands or ownership of some of the properties in Mwenge Housing Co-operative Society.

Sigara Housing Co-operative Society’s construction problems also stemmed from delays in obtaining building materials, thefts and bad workmanship of the craftsmen and artisans whom the society hired to do the construction work. These factors delayed construction for more than a year. Costs of servicing and repaying the loan had to be added up, as the members had to start paying back the loan to THB after a one-year grace period. They were however through their employer able to negotiate with the bank to start paying back a year later at a higher rate (TSH 386 per month for 5 years and TSH 240 per month for the remaining year). On many occasions assistance came from their employer on material acquisition, transportation of building materials to the site and advancing some money to the members to enable members pay some of their construction costs.

In the 1970s to mid 1980s shortage of building materials adversely affected the progress of housing co-operatives located far from Dar es Salaam. For example, Ukombozi Housing Co-operative Society located in Mtwara town got stuck for many years because of shortage of cement and roofing sheets. By the time the society got the building materials many years later after it had got a loan of TSH 1,560,000 from THB in 1974 for financing the construction of 100 houses, it could not build all the planned 100 houses because of the increase in construction costs.
Chapter III. The impact of housing co-operatives on shelter delivery

B. Key issues and problems

5. Institutional framework and enabling environment

The institutional framework within which housing co-operatives operating have been presents two other problems. Reorganisation of government ministries especially the shifting of the Housing Division/Department whose section (i.e. Housing Co-operative Section) was responsible for the promotion of and giving technical advice to housing co-operatives exacerbated problems faced by housing co-operatives. The Housing Department which was in the 1960s and 1970s, under the former was shifted to the Prime Minister’s Office in 1984 and to a new Ministry of local Government and Co-operatives Development a year later. After several months, the Housing Department was shifted back to the MLHUD. In April 1987, following re-organisation of government ministries and functions, the housing department was again placed under the Ministry of Local Government and Co-operatives Development. This adversely affected the attention, sense of direction and degree of commitment to housing co-operatives always leaving the one responsible in a learning process and stage.

In the 1970s the Commissioner for Co-operatives of the Co-operatives Department in the Ministry of Local Government and Co-operatives Development (formerly under the Prime Ministers Office) was responsible for all co-operative matters in the country. He was the Registrar of all co-operative societies and unions including housing co-operatives. On the other hand, the MLHUD was — up to April 1987 when government ministries and departments were reorganised — responsible for all housing matters including housing co-operatives in the country. One implication of this institutional re-arrangement is that, an application for the registration of a new housing co-operative had to be submitted to the Director of Housing who, when satisfied with the application, forwarded it to the Commissioner cum Registrar of Co-operatives. This organisational set-up complicated the management tasks, increased inter-ministerial consultations, delays, and red tape in general.

New housing co-operatives needed a well-staffed housing co-operative section with well-trained and experienced staff to give them management and technical support. For example, the Management teams of Mwenge and Sigara Housing Co-operative Societies lacked experience and training on how to manage and run a housing co-operative. The Housing Co-operative Section responsible for the promotion of housing co-operatives in the country was ill prepared to shoulder that responsibility. Moreover it did not have any training programme for its own staff or for the members and management teams of housing co-operatives. Therefore the best teacher for Mwenge and Sigara was their own experience i.e. learning by doing especially from past immediate successes and mistakes.
Chapter III. The impact of housing co-operatives on shelter delivery

C. Policy and economic changes and future housing co-operatives

1. Policy and economic changes

Being under a free market economy, Tanzania’s policy thrust is on privatisation and encouragement of private local and foreign investment in almost all the sectors. The co-operative movement falls within the spectrum of the private sector and its survival is dictated by adaptation to the vagaries of the market forces. With the adoption of market economy, co-operatives have been declared autonomous institutions to be run by members. Co-operators are therefore made freer to engage in economic pursuits and participate in civic affairs without undue political interference. Following these changes:

- Co-operative union apex institution was detached from the ruling party;
- A new Co-operative Act/law No.15 of 1991 was enacted;
- Individuals were allowed to purchase crops; and
- A new set-up of the co-operative movement.

Liberalisation of the economy, however, has had the following negative implications to co-operative movement in Tanzania:

- Loss of market for agricultural produce;
- Removal of government guarantee on bank loans;
- Increase in prices of farm inputs and implements;
- Bankruptcy and liquidation of some co-operative unions; and
- Loss of patronising co-operative membership.

In view of the above changes, the present set-up of co-operative movement is of four levels: primary co-operative societies, secondary co-operative unions, apex co-operative unions and the TFC. The TFC’s objectives are to promote the prosperity of co-operative societies, to unite them, educate, publicise, and disseminate information and statistics of relevance to the co-operative societies.

In this new set-up the co-operative members are free and co-operative societies are private economic ventures. This means that co-operative societies are responsible to their members who should have the final say. This also means that co-operative societies are to compete within the free market economy.

In view of the above changes the Tanzania co-operatives movement of the future has the following goals:

- To enhance members’ positive attitude and confidence on their co-operative societies;
- To cultivate the culture of accountability amongst the members and the leadership;
- To increase the economic efficiency of the co-operative societies in the liberalised market;
- To forge closer relations with the supportive institutions nationally and internationally including with the government; and
- To improve the co-operatives structure and organisation.

The movement is member centred and seeks to empower the members to own and manage sustainable and self-reliant economic entities. TFC believes that "stability shall follow when members are enlightened to differentiate between political and co-operative motives" (TFC, 1998).
Following the collapse of the THB, the existing pension fund institutions: the National Social Security Fund (NSSF) and the Parastatal Pension Fund are being encouraged by the government to put in place a mechanism for housing credit finance. The NSSF is working out such a mechanism.

The draft National Human Settlement and Shelter Development Policy addresses all broad human settlements issues, shelter, urban development and institutional and legal framework. The section on shelter provides policy statements on housing development through a co-operative approach. The draft takes note of the present state where there is still minimal production of houses through organised groups. It also notes that this development is due to lack of clear government policy, supportive implementation structure and decentralisation of co-operative movement which is in many ways an obstacle to housing co-operative. In view of the above review the new policy states that the government shall:

- Promote, support and encourage the development of housing through co-operatives, CBOs, NGOs and building societies;
- Initiate research to establish reasons for the poor performance of organised groups in housing production with a view to finding how best to support and assist those groups; and
- Review the institutional set-up for promoting co-operative housing.

The draft proposes two major implementation strategies:

- Formation of organised groups shall be encouraged where people have already shown interest of developing their housing. Such organisations shall be voluntary and have their own procedures of doing their activities. CBOs and NGOs shall facilitate their community members, promote the production of building materials, mobilise resources, manage community services, facilitate linkages and conduct training.

- Government institutions should assist in educating people on building technologies and alternative building materials, in making building plots and credit facilities available.

The Ministry of Lands and Human Settlements Development is currently collecting comments from stakeholders. The strategies contained in the report appear to be feasible and well informed by the changed economic and political context i.e. market economy and political pluralism. However, a deliberate effort is needed from the government to apply its part in the translating to strategies into reality, particularly in creating a supportive environment for the private and popular sectors, co-operatives, CBOs and NGOs.
Shelter Co-operatives in Tanzania

Prepared by Tumsifu Nkya for UNCHS (Habitat) and ICA

Chapter IV: Future role of co-operatives in shelter development in Tanzania

Tanzania is changing towards a market economy with the implication that the state is formally rolling back from the traditional responsibility of being the main provider of services and infrastructure. The private sector and communities are being encouraged to assume this role, which apparently some communities, through CBOs, had already taken a leading role.

Housing production has for a long time been a responsibility of the private individuals using own savings and land allocated by the government or bought relatively cheaply in the planned or unplanned areas. Given the new land policy and legislation which recognises market value of land, access to land may no longer be as cheap. A majority of developers may find it increasingly difficult and expensive to get land for building unless they co-operate and pool their meagre resources together to boost their purchasing power.

Housing co-operative or co-operative like groups constitute one of the sure strategies that could be used to promote housing development particularly to cater for the needs of the economically disadvantaged groups. These may enable them to access land and credit finance for shelter, community facilities and infrastructure provision. Thus housing co-operatives or co-operative like groups have a strategic role to play if marginalisation of the majority urban residents is to be avoided in the new economic environment in the making in Tanzania. They can also provide a strategy for addressing the thorny issue of growth of unplanned settlements.

However, the past experience provides useful lessons that may help in avoiding the past mistakes. It is therefore important to reflect on this experience.

Housing co-operatives in Tanzania have attempted to integrate both mutual and self-help strategies in housing production. In the course of their development, both members and leadership needed extensive specialist advice on matters of finance, legislation, formation, running and management of housing co-operatives.

Members were hurriedly introduced to the idea of housing co-operatives through ad-hoc campaigns and accelerated take-off stages without the members clearly understanding the essence and what formation of housing co-operatives would entail, their rights, duties and responsibilities. More organised awareness raising campaigns and sensitisation would enable members to co-operate after a clear knowledge of the essence, purpose and benefits or possible sacrifices, hence more prepared to manage their housing co-operative in particular and the built environment in general.

Lack of experience, hence capacity among the local staff on how to form and manage housing co-operatives was dealt with by the engagement of expatriates to assist the promotion of housing co-operatives. They introduced housing co-operative models that did not take into account the realities of low-income earners in Tanzania and other local institutional constraints. They required a relatively high level of, and stable monthly incomes or wages and salaries while the majority of urban residents were not employed in the formal sector and their incomes were low and irregular. Moreover, as observed by (Kulaba et al. 1987), the largest proportion of their income was spent on food, while housing took a small percentage (11-15 per cent) of their incomes.

Therefore, despite the conducive environment for the promotion of co-operatives following the social, economic and political changes, which were beginning to take place at that time, the co-operatives did not flourish as expected. However, since most of these conditions have not improved much, for housing co-operatives to play a role in the development of shelter, they have to accommodate the peculiar characteristics obtaining in Tanzania. Moreover, there is urgent need to put in place a credit financial mechanism to replace the role played by the defunct THB, which provided credit finance to housing co-operatives.

Housing co-operatives, CBOs or other forms of associations which are formed by middle and or high income earners who are also by local standards educated, tend to be more successful than housing co-operatives formed mainly by low income and less educated people. This could be because of relatively easier access by members to local and central government and other relevant institutions that could facilitate the co-operative. The fact that most neighbourhoods in Tanzania are inhabited by mixed income groups represents a potential that may enhance co-operatives or co-operative like groups.

Housing co-operatives need members who can set aside part of their income for housing and or to pay for the running costs of a housing co-operative, to pay for services and utilities and meet loan repayment commitments. People earning the minimum government monthly salary or daily wage rate and or those who cannot afford to meet their daily food requirements because they earn very low and irregular incomes are inappropriate group to form a housing co-operative. With unreliable incomes such members can not set aside part of their incomes to meet...
operational costs of a housing co-operative or to repay and service a housing loan from a credit institution or building society. These groups will have to continue depending on rental accommodation. The notion held particularly by politicians that every urban resident should be a house owner in any particular urban area is unrealistic.

The co-operative societies and co-operative like organisations exemplified in this report represent many more similar initiatives to address shelter and services problem. A recent study on CBOs and NGOs in Dar es Salaam (Nnkya and Lerise, 1999) shows a considerable increase of unregistered and registered organisations during the last ten years. These groups are established by urban residents to improve services and infrastructure in their settlements. Some of the registered groups are out-ward looking for donor support while the unregistered groups are in-ward looking for contributions of members to address their problems. Once the problem is solved, a group may dissolve.

However, a new group may emerge to address another problem affecting not necessarily all the members of the previous group. This freedom of association and dissociation may make these groups more vibrant and favoured by the members than co-operative societies.

In order to enhance their performance, these groups could be supported by facilitating its members to access information needed to inform their decisions and actions, train office bearers on management and basic accounting skills, meeting facilitation skills, etc. There is, however, a need to establish more systematically the support needed by these groups, as well as a larger study to establish the limitations and potentials of the non-co-operative groups.
Shelter Co-operatives in Uganda

Contributions of the co-operative sector to shelter development

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Shelter Co-operatives in Uganda
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Box 1. Editorial

“If you move around Kampala, you will find that many people do not know their Local Council leaders and do not attend LC meetings where decisions affecting them are made. This is because many people do not take Kampala as their home. They tend to be concerned more about their villages up-country where they spend less than 20 days in a year than the City where they spend all the other days.”

Source: Voice Newspaper of 13 September, 1999
Prior the 1995 Constitution most of the land belonged to the state under the Public Land Act especially in the areas outside the central region. In some Districts of Ankole, Bunyoro, Toro and Buganda region there are huge chucks of land owned by the various Kings, Chiefs and other Landlords who were given land by the king of the area by the 1900 Agreement with the British. There were therefore two systems of Freehold referred to as "Mailo" in Uganda Laws and Public Land Act, which could be given, be leased out to the developers for 49 or 99 years. The local authorities had a lease of 999 on public land and would in turn lease to the developers for a period of up-to 99 years.

The minority had leased land or were Landlords. So the majority were just living as squatters on their traditional land or in the urban areas whereby when a developer applied for such land, the occupant would then be paid off for the developments on the land rather than for the land and go somewhere else to squat.

The 1995 Constitution changed all this in Chapter 15.

Chapter 15 of the Uganda Constitution on land

237 (1) Land in Uganda belongs to the citizens of Uganda and shall vest in them in accordance with the Land Tenure Systems provided in this Constitution.

(3) Land in Uganda shall be owned in accordance with the following Land Tenure Systems:

a. Customary
b. Freehold
c. Mailo
d. Leasehold

(4) On the coming in force of this Constitution:

a. All Uganda citizens owning land under customary tenure may acquire Certificates of Ownership in a manner prescribed by Parliament.

b. Land under customary tenure may be converted to freehold land ownership by registration.

(5) A lease which was granted to a Uganda citizen out of public land may be converted into freehold in accordance with a law which shall be made by Parliament.

a. ....................

b. ....................

c. For purposes of Clause (5) of this Article "Public Land" includes statutory leases to urban authorities.

(6) ....................

(7) ....................

(8) Upon the coming into force of this Constitution and until Parliament enacts an appropriate law under Clause (a) of this Article, the lawful bona fide occupants of mailo land, freehold or leasehold shall enjoy security of occupancy in the land.

The Constitution put responsibility on Parliament to make a Law that would operationalise this Article to ensure that the "Land in Uganda belongs to the citizens of Uganda" becomes a reality. It protected all occupants of the land prior to the Constitution including the squatters referred to earlier either on public land under customary tenure or private land. The relationship between the lawful and bona fide occupants of land referred to in Clause 8 and registered owners of the land had to be regulated. Each occupancy had a registerable interest by getting a Certificate of Occupancy despite there being another owner who has the ownership through the land title. This means that even the poor peasant in some remote area of Uganda can under the Land Act 1998 have some document to show his or her interests for purposes of getting small village loans or from Micro-Credit Institution in (Village Banks live under the Savings Co-operative Societies). The Act also protects the children and spouses as one cannot sell his or her land without consent of the children who regard such land as family land. This gives security of tenure never available before especially for the poor. It therefore encourages construction or improvement of housing. It was not possible for...
a Landlord to easily accept permanent crops like coffee on his land or indeed build a permanent brick house since the occupants were seen as transient on their way out whenever the Landlord was able to develop his or her land. There is now a proposed amendment to the Act to make the spouses joint owners of land. This has been accepted by Cabinet and is waiting a debate in Parliament and will be adopted as the Committee of Parliament responsible for land has already agreed to it. This will give gender a special perspective in land matters. It is indeed a revolution, as random eviction cannot now take place after a spouse sells land secretly as in the past such a transaction would be illegal.

In brief, there is now easier access to land in comparison before the period of the Land Act. Even in urban areas, access has been made easy as statutory leases held by local authorities were abolished. So virtually, local authorities have almost no land to dish out to the rich or through corruption as in the past since there is little land available that is not occupied. Planning by the local authorities is however to be enforced.
Box 3. Savings and credit co-operative society defined

A Savings and Credit Co-operative Society is a Co-operative financial Organisation owned and operated by and for its members according to democratic principles for the purpose of encouraging savings, using pooled funds to make loans to members at reasonable rates of interest and providing related financial services to enable members to improve their economic and social condition.

Source: Draft Savings and Credit Co-operative Societies Act (1999)
Box 4. A report on achievements, strength and constraints of Kampala Housing Co-operative Society Ltd. (KHCS)

The Society registered in 1981 with 60 members to-date the number has increased to 100 members.

The Society offered services to Uganda Co-operative Bank, Insurance, BK Enterprises, United Nations Development Programme and presently Rural Water and Sanitation Project which is assisted by DANIDA based in Mukono District.

We have renovated the business premises of the aforesaid and constructed fresh water wells for the rural areas mentioned.

The work so far done has brought a generation of income to our society to a total approximately 30,000,000 (thirty million only) and out of this income realised the society managed to buy important building materials i.e.:

a. Secured 100 pieces of iron sheets;

b. Secured 1 acre of land on which proposed residential buildings and offices will be built;

c. The Society also managed to secure a manual block making machine.

Further more KHCS has a reputable experience in the field of construction and water sanitation hence enhancing health hygiene.

Have also set up the following projects:

- Establishment of a hardware and electrical shops;
- Fumigation services.

However, we are hindered in our operations due to lack of sufficient capital to carry out big construction works.

We are also hindered in our operations due to lack of appropriate construction tools e.g.:

- transport facilities;
- equipment;
- wood working machine;
- technical support;

Basically, the society does not rely on external funding, it depends on capital secured from members and construction works.
Box 5. Extracts from model bye-laws

Agricultural Marketing Objectives (d) says: To purchase the agricultural and building requirements of members co-operatively. (f) To make loans to members for productive purposes on security of their agricultural produce.

Mining: objective (d) To purchase agricultural and building requirements of members co-operatively (f) to make loans (just like for agriculture) but on security of wood products.

Fishing: Objective (e) To acquire land, building machinery and other services.

Livestock: Objective: (e) To purchase drugs, feeds and building requirements for members co-operatively.

Transport: Objective: (d) To acquire land, petrol stations, garage, building or rehabilitation of buildings if necessary and provide such accommodation … as are necessary for proper fulfillment of these objects.

Consumer: Objective: (c) To buy, acquire land by purchase of mortgage, lease exchange gift or otherwise.

Several types of co-operatives have by bye-laws relevant to housing development and this explains their mention in this report. There are therefore not irrelevant, as the experience in Uganda shows on the ground.
**Box 6: Makerere University Employees Co-operative Savings and Credit Group**

<table>
<thead>
<tr>
<th>Sector</th>
<th>University employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Mobilise savings and lend to members.</td>
</tr>
<tr>
<td>Date of registration</td>
<td>Unregistered – operating as a group - 1993</td>
</tr>
</tbody>
</table>
| Number of members | Male: 36  
                             Female: 35                                    |
| Economic characteristics of members | Started all by low income earners though now it is open to allow University employees. |
| Target area    | Urban, Makerere University Kampala.                                                   |
| Number of projects | None                                                      |
| Organisational structure | Annual general meeting – Executive Committee, Education, Supervision and Loans  
                                Sub-Committee, Secretary Manager (not full time). |
| Capital base   | USH 44,015,330                                                                         |
|                | Members shares USH 5,110,000                                                           |
|                | Members savings USH 35,423,753                                                         |
|                | Share premium: USH 220,000                                                            |
|                | Retained Earnings: USH 3,261,577                                                       |
| Number of loans disbursed | 161                                                      |
| Total value of loans | USH 111,056,000                                                                       |
| Total repayment | Not given                                                                             |
| Default rate   | Not given                                                                             |
| Use of housing related loans | Loans have been contributed to housing development and not total house construction.  
                                Loan range from USH 600,000 - USH 2,500,000 and are used for rent, land purchase, building 
                                materials purchase and renovations. |

Note: US$ 1 = USH 1,500 (1999)
**Box 7. Uganda Co-operative Savings and Credit Society Limited**

<table>
<thead>
<tr>
<th><strong>Sector</strong></th>
<th>Savings and credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities</strong></td>
<td>Mobilise and encourage member savings, advance loans, sight deposit scheme, feasibility study and project planning and implementation</td>
</tr>
<tr>
<td><strong>Date of registration</strong></td>
<td>2nd July, 1973</td>
</tr>
</tbody>
</table>
| **Number of members** | Male: 620  
Female: 30 |
| **Economic characteristics of members** | • Salary earners who also engage in business like piggery, poultry, retail trade  
• Pensioners turned businessmen |
| **Target area** | Countrywide |
| **Number of projects** | Housing, poultry, piggery, retail trade and transport |
| **Organisational structure** | Supreme power with members in Annual General Meetings Committee to oversee day to day and management |
| **Capital base** | USH 66.4 million |
| **Composition** | Shares: USH 9.6 million  
Savings: USH 55.4 million |
| **Number of loans disbursed** | 46 in 1998 |
| **Total value of loans** | USH 64 million |
| **Total repayment** | USH 12.8 million in 1998 |
| **Default rate** | 10 per cent |
| **Number of houses constructed/bought/owned** | 14 |

Note: US$ 1 = USH 1,500 (1999)
Box 8. Busoga Youth Environment Protection Association (BYEPA)

The Association was formed in 1993 with a focus on rural development. It was registered as a CBO with practices very similar to those of a Co-operative. It is based on the idea of partnerships, which assists in the right against poverty as a social problem and major hindrance to rural development.

BYEPA integrated its thinking and program into one major group namely; Rural Housing and Shelter Housing Improvement. Their three year plan of action emphasizes Rural Housing Schemes, which are affordable, revolving credit fund for entrepreneurship, preventive health education and water sanitation, environmental awareness, recreation centres and agricultural extension services. This is what can be referred to as human settlement and is not limited to building of a house.

The Association is composed of members who join on payment, which is payable in USH, but given in dollars as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate member</td>
<td>US$ 200</td>
</tr>
<tr>
<td>Associate member</td>
<td>US$ 100</td>
</tr>
<tr>
<td>Individual</td>
<td>US$ 5</td>
</tr>
</tbody>
</table>

In 1995 it started what they call in their Annual Report for 1998, the big task of campaigning for better housing environment with housing competitions.

The Association uses a combination of community participation, self-help construction and innovative financing which comes from contributions and an NGO in the United Kingdom called “Homeless International”.

BYEPA received 200 applications in the year they started operations and out of those only 20 were successful which by the end of 1998 had been completed with 10 belonging to women and the other belonging to men. The loan amount ranged from USH 500,000 to USH 2,000,000 and sizes 18 by 22 feet, 20 by 24 feet or 22 by 28 feet. All the houses were in permanent materials.

The Association encourages members in saving and loaning which is a condition to apply for a loan. The members also get small business loans for income generation.

The housing activities impelled by BYEPA are integrated into agricultural programmes, health improvement and recreation.

The group has received technical assistance from Department of Housing in Government of Uganda; Intermediate Technology Group, United Kingdom; World Bank Book Volunteers; UNDP Sustainable Development Advisor mainly for advice.

The conditions of the loan were to allow six months of grace and repayment in 4 years. It was not easy to establish the interest rate charged if any.
Box 9. Uganda Shoe Shiners Industries Society Limited

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industrial co-operative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Shoe shining and repairing</td>
</tr>
<tr>
<td></td>
<td>Savings and credit</td>
</tr>
<tr>
<td></td>
<td>Shoe brush manufacturing and shoe polish selling</td>
</tr>
<tr>
<td>Date of registration</td>
<td>16. March, 1994</td>
</tr>
<tr>
<td>Number of members</td>
<td>Male: 350</td>
</tr>
<tr>
<td></td>
<td>Female: 20</td>
</tr>
<tr>
<td>Economic characteristics of members</td>
<td>Low income earners i.e. all or most of their income comes from shoe shining and shoe repairing on daily basis at an average of USH 4,000</td>
</tr>
<tr>
<td>Target area</td>
<td>Urban centres in Uganda with much emphasis in Kampala.</td>
</tr>
<tr>
<td>Number of projects</td>
<td>Two</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Members at Annual General Meeting elects a Committee of nine members who appoints paid employees &quot;Secretary/Manager&quot; with other Field Cashiers.</td>
</tr>
<tr>
<td>Capital base</td>
<td>USH 16.3 million</td>
</tr>
<tr>
<td>Composition</td>
<td>Normal shares: USH 3.9 million</td>
</tr>
<tr>
<td></td>
<td>Savings by members: USH 11.8 million</td>
</tr>
<tr>
<td></td>
<td>Special shares of USH 0.6 million.</td>
</tr>
<tr>
<td>Number of loans disbursed</td>
<td>566 loans</td>
</tr>
<tr>
<td>Total value of loans</td>
<td>USH 22.4 million</td>
</tr>
<tr>
<td>Total repayment</td>
<td>USH 16.9 million</td>
</tr>
<tr>
<td>Default rate</td>
<td>35 per cent</td>
</tr>
<tr>
<td>Use of housing related loans</td>
<td>Rental, and purchase of land, building materials and labour.</td>
</tr>
</tbody>
</table>

Note: US$ 1 = USH 1,500 (1999)
<table>
<thead>
<tr>
<th><strong>Sector</strong></th>
<th>Registered teachers in the former District of Mengo</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities</strong></td>
<td>Mobilise savings from members, extend loans and also allows withdrawals against members</td>
</tr>
<tr>
<td><strong>Date of registration</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Number of members</strong></td>
<td>As at 31-12-1997, 3,100 members, 2,630 active members.</td>
</tr>
<tr>
<td><strong>Economic characteristics</strong></td>
<td>Registered teachers of all categories – primary, secondary, tertiary institutions and Universities.</td>
</tr>
<tr>
<td><strong>Target area</strong></td>
<td>Former Mengo District: Kampala, Mukono, Luwero and Entebbe District</td>
</tr>
<tr>
<td><strong>Number of projects</strong></td>
<td>One (construction of an office block for own use)</td>
</tr>
<tr>
<td><strong>Organisational structure</strong></td>
<td>Annual General Meeting elects a 9 member Executive Committee which forms 3 Sub-Committees of 3 members each for loans, education and supervision and employ Secretary, Manager and other Staff.</td>
</tr>
<tr>
<td><strong>Capital base</strong></td>
<td>(1998) USH 561,055,758</td>
</tr>
<tr>
<td><strong>Composition</strong></td>
<td>Members shares USH 178,675,152</td>
</tr>
<tr>
<td><strong>Number of loans disbursed</strong></td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Total value of loans</strong></td>
<td>Housing: USH 671,340,684 Land purchase: USH 154,317,192 Household effects: USH 91,504,054</td>
</tr>
<tr>
<td><strong>Total repayment</strong></td>
<td>USH 257,559,915 (1998)</td>
</tr>
<tr>
<td><strong>Default rate</strong></td>
<td>(Not given)</td>
</tr>
<tr>
<td><strong>Use of housing related loans</strong></td>
<td>445 loans for land purchase mostly in urban areas for housing by members as of 31/12/93</td>
</tr>
</tbody>
</table>

**Note:** US$ 1 = USH 1,500 (1999)
Box 11. Uganda Co-operative Savings and Credit Union Ltd. (UCSCU)

UCSCU was registered in 1992 and had specific objectives namely:

- to assist, promote, encourage and develop the co-operatives and credit societies in Uganda.
- To provide extension service like credit to member societies.
- To represent savings and credit movement to government and international organisations.
- To conduct training programmes for members as well potential members.

The Union to which the Societies affiliate is a micro-finance institution which gives reasonably priced financial services to the members.

UCSCU being the umbrella organisation of savings and credit co-operatives in Uganda, the Societies are the Members which in 1998 total to over 450.

Structure of UCSCU

The country is divided into 18 zones with each zone having a committee of elected officials of seven who plan for societies under their zone.

The financial service offered to affiliates include the central finance facility where the societies pool their deposits together and borrow from. The union also provides risk management insurance scheme for loans and deposits of the members against death or total incapacitation.

It should be noted that the Uganda Savings and Credit Union Limited lends to the primary society which in turn lends to the members on individual basis. It was therefore not possible to get from the General Secretary the details of the loans to determine how much of the lending goes for housing. This requires investigations at each primary society. In discussion with General Secretary however, it was revealed that housing may not be the major beneficiary due to the fact that housing would not produce the quick returns to enable repayment in short period required by the co-operative regulations.
26. The Society may grant loans to members for production or other necessary purposes (which includes housing) and may make advances to members against agricultural produce delivered to the Society.

27.(b) No loan shall exceed two thirds of average total annual volume of the produce delivered by the member of the Society over the three years preceding the application for the loan or ten times the amount of shares held by the member whichever is less or exceeding the ratio of 2:1 of his total savings.

27. Loans may be made to members after written application to the Committee on the following conditions:

(c) The rate of interest payable on loans shall be (one cent per USH per month) provided with prior approval of the Registrar this rate may be reduced.
Box 13. Namugongo Housing Co-operatives

This group is composed of twenty young men who got together in 1990s for a sole purpose of acquiring a house for each member. Their priority was to first purchase a piece of land adequate for the twenty plots on which they were to build the houses. The actual construction and financing was not co-operatively done but acquisition of the land was the main act. This group has since gone into limbo or non existent after achieving their objective to acquire land for their twenty houses.
Box 14. Masese example

When a grant was granted to the Government to upgrade slum areas using the methods of African Housing Fund, the best area chosen was Masese Slum located in Jinja about 80 km from Kampala.

The intention of Government through the Ministry responsible for Housing then was to organise the slum dwellers headed by women into a housing co-operative with bye-laws, regulations, etc. One of the first acts was to educate the would-be members of the need to make their own decisions that would bind them together.

The women on their own free will rejected to organise on the level of a co-operative and instead they registered as an association which was more flexible. The fear however was not just the red-tape but the co-operatives over time had gained a bad name of corruption and little democracy. Uganda having merged from dictatorship. The Masese women were not willing to be treated otherwise under a co-operative arrangement.
**Box 15. Masese Women’s Association**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Housing: High density, low income settlement upgrading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Training in construction skills, affordable housing construction for members, construction of supportive infrastructure and services, income generating activities.</td>
</tr>
<tr>
<td>Building materials production</td>
<td>Job creation, community mobilisation, credit scheme</td>
</tr>
<tr>
<td>Date of registration</td>
<td>1993</td>
</tr>
<tr>
<td>Number of members</td>
<td>600</td>
</tr>
<tr>
<td>Economic characteristics of members</td>
<td>Squatter settlement on outskirts of Jinja Municipality, poor families of casual workers in industries, prostitutes, local brewing and sale, informal sector small dealers.</td>
</tr>
<tr>
<td>Target area</td>
<td>Masese I, high density low income settlement in Jinja Municipality.</td>
</tr>
<tr>
<td>Number of projects</td>
<td>(6) Commercial production of building materials, construction, day care centre, market, environment and own housing.</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>An elected executive every 2 years which also carries out daily activities of the association and is paid a salary.</td>
</tr>
<tr>
<td>Capital base</td>
<td>US$ 1,334,800</td>
</tr>
<tr>
<td>Composition</td>
<td>DANIDA US$ 1,224,848, Government of Uganda US$ 100,000, Beneficiaries: US$ 10,000.</td>
</tr>
<tr>
<td>Number of loans disbursed</td>
<td>400</td>
</tr>
<tr>
<td>Total value of loans</td>
<td>US$ 604,780</td>
</tr>
<tr>
<td>Total repayment</td>
<td>US$ 100,000</td>
</tr>
<tr>
<td>Default rate</td>
<td>Very high</td>
</tr>
<tr>
<td>Number of houses constructed/bought/owned</td>
<td>370 completed. An ambitious project, when donor withdrew there was little capacity on the ground which has lead to mismanagement, stalling of the construction rate and default on loan repayment. Capital funds are used on inflated overhead costs.</td>
</tr>
</tbody>
</table>
### Box 16. Malukhu Development Association

<table>
<thead>
<tr>
<th>Sector</th>
<th>Housing construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Building materials production for self and commercial sale, carpentry and construction activities, training and skills development, credit and income generation.</td>
</tr>
<tr>
<td>Date of registration</td>
<td>1998</td>
</tr>
<tr>
<td>Number of members</td>
<td>490</td>
</tr>
<tr>
<td>Economic characteristics of members</td>
<td>Low income industrial workers, local brewing, sale and consumption, petty trade and other illegal activities.</td>
</tr>
<tr>
<td>Target area</td>
<td>Low income, high density slum area near the industrial area of Mbale Municipality.</td>
</tr>
<tr>
<td>Number of projects</td>
<td>4</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Elected executive of 9 people every 2 years who also carry out day to day activities paid a salary.</td>
</tr>
<tr>
<td>Capital base</td>
<td>DANIDA US$ 450,000</td>
</tr>
<tr>
<td>Composition</td>
<td>Government of Uganda and Mbale Municipality US$ 120,000, Residents: US$ 15,000</td>
</tr>
<tr>
<td>Number of loans disbursed</td>
<td>115</td>
</tr>
<tr>
<td>Total value of loans</td>
<td>US$ 150,000</td>
</tr>
<tr>
<td>Total repayment</td>
<td>US$ 50,000</td>
</tr>
<tr>
<td>Default rate</td>
<td>Not known yet</td>
</tr>
<tr>
<td>Number of houses constructed/bought/owned</td>
<td>115 houses</td>
</tr>
<tr>
<td></td>
<td>Project is on-going and has started phase II of 270 plots, emphasis is being placed on sustainability to avoid the shortfalls of Masese Women’s Association.</td>
</tr>
</tbody>
</table>
### Box 17. Katayi Multi-Purpose Co-operative Society

<table>
<thead>
<tr>
<th>Sector</th>
<th>Housing and related infrastructure.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Housing construction and related infrastructures, building materials production, skills development, income generation, savings and credit activities, food security, environmental protection, use appropriate local technologies, research and dissemination of information.</td>
</tr>
<tr>
<td>Date of registration</td>
<td>1987</td>
</tr>
<tr>
<td>Number of members</td>
<td>Over 500, members join and leave when achieve goal</td>
</tr>
<tr>
<td>Economic characteristics of members</td>
<td>Rural peasant, subsistence farmers, low education, un-employed, unskilled, youth, young, orphans of the HIV/AIDS Virus.</td>
</tr>
<tr>
<td>Target area</td>
<td>Rural – Masaka District</td>
</tr>
<tr>
<td>Number of projects</td>
<td>8</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Katayi is an &quot;apex&quot; organisation with an elected executive which also carries out the daily activities of the Society for an allowance. It has seven affiliated groups which have their own Executives but depend on Katayi for technical assistance, financial loans and borrowing of building materials and machines for their use.</td>
</tr>
<tr>
<td>Capital base</td>
<td>Not documented but estimated in the region of US$ 200,000</td>
</tr>
<tr>
<td>Composition</td>
<td>From various donors, members entrance fee and physical contribution that are turned into cash.</td>
</tr>
<tr>
<td>Number of loans disbursed</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total value of loans</td>
<td>Difficult to tell because use all sorts of innovations and the leadership is very poor at records keeping.</td>
</tr>
<tr>
<td>Total repayment</td>
<td>n.a.</td>
</tr>
<tr>
<td>Default rate</td>
<td>n.a.</td>
</tr>
<tr>
<td>Number of houses constructed/bought/owned</td>
<td>Over 400.</td>
</tr>
</tbody>
</table>

A lot of things are going on in this society but there is very poor record keeping. Most of the information is oral and estimates have had to be made by the Consultant. Notwithstanding the above shortcomings. It is a very successful rural grassroots housing co-operative which can be replicated.
Box 18. ILO definition of a co-operative

According to ILO, a Co-operative is "Association of Persons usually (but not always) of limited means who Voluntarily join together to achieve a common economic end through the formation of a democratically controlled business organisation, making equitable contribution to the capital required and accepting a fair share of risks and benefits of the understanding."

Source: ILO 1996; B. Yongjohns 1979
Box 19. Section 23 of Companies Act that apply to co-operatives on winding up

- Definition of inability to pay debts
- Powers to stay or restrain proceedings against Company
- Avoidance of disposition of property after commencement of winding up
- Avoidance of attachments
- Action stayed on winding up order
- Effect of winding up
- Power to stay winding up
- Power to summon persons suspected of having property of company
- Power to arrest absconding contributory
- Debts of all descriptions may be proved
- Application of bankruptcy rules in winding up to involvement companies
- Fraudulent preference
- Effect of floating charge
- Restriction of rights and creditors as to execution or attachment in case of company being wound up (except provision (a) to Sub-Section 91) thereof.
- Duties of bailiff as to goods taken in execution
- Offences by officers of companies which have gone into liquidation
- Officers of company failing to account for loss of part of company’s property
- Liability where proper accounts are not kept
- Responsibility for fraudulent trading of persons concerned
Box 20. The Condominium Bill

The Condominium Bill is now before Cabinet and is expected to become Law before the end of the Year (1999). In essence it sets out modalities that allow sectional ownership of flats or floors with tiles and communal ownership of common areas like external walls, roof structure, stair case, etc. The occupants are expected to form Legal Institutions which can employ a private company for the management of the common areas. This Institution of members would be as a Co-operative Society will charge user fees, set bye-laws and enforce them for the good of the occupants.

This is expected to encourage development and owner occupation of properties on high rise buildings and also to allow Government and other private companies sell off their assets with ease and to construct more to maximally exploit the infrastructure and services rather than the current situation where urban areas are sprawling and becoming expensive to service.
Box 21. New proposed Banking Bill

The proposed Banking Bill which the Consultant has seen is very stringent and will attempt to put very high standards of operations to basically make it difficult for Tom and Hurry to open a Bank as it has been in the past. The ownership of such a Bank will also be such that no one family or person has overall control.

The owners are supposed to separate ownership from management. The management will be more strictly checked by Bank of Uganda before being allowed to run a Bank.

The minimum paid up capital required will be for USH one billion and above and strictly limits inside lending. In case one has to borrow as an insider his or her collateral has to be 120 per cent in order to make it very secure.

The banks will also not be allowed to invest in movable property except where required for its operations. This is to stop Banks from contracting on non-core business for which they are not set up.
Box 22. The Savings and Credit Union

The Savings and Credit Union which is the apex of Savings and Credit Societies does not rely on external funding for its activities of lending but only for inputs in training and skills development. The bulk of the financial resources are from members savings. The bulk of the financial resources are from members savings which explains the flexibility of terms of lending in comparison with the Commercial Banks. The individual who saves with the Savings and Credit Union and indeed Society does so on two grounds namely that there may not be immediate need for spending the money and on the knowledge that by saving with Society he would get in return, after a long waiting period have access to a loan for building a house or purchase of building materials. It is this assurance of getting the loan on affordable terms that keeps the saver waiting patiently as long as he or she is assured of getting the loan. During the waiting period his/her savings are being used by another borrower and when it comes to his/her turn would also have access to savings of others. This explains the need for having repayment periods as short as possible so that savings can go around.

This in the view of the consultant is one of the most viable and sustainable housing finance mechanism that needs to be encouraged and supported by CBOs, NGOs, governments and international organisations. There is no known experience of the Savings and Credit Societies collapsing as the banks are doing. The resource mobilisation for housing finance especially for both low and middle income groups should embrace this methodology.
Box 23. Message to the co-operators on Co-operative Day 1999

With mood the co-operators are in following the closure of their Bank it was also felt they should be moaning the demise of their Bank rather than celebrating.

Our message to you this year is that "given all that has happened in the past co-operatives must shed off old baggage that has given them a bad name if they are to cope with the challenges of the new millennium. Co-operatives of the new millennium must be built on genuine self –reliance mutual self-help and leadership whose honesty and integrity is beyond reproach. Despite the problems co-operatives in Uganda have experienced during the last three decades. The salvation of the poor will be found in co-operative approach.

As a matter of fact, the seeds for the emergence of a strong co-operative movement in Uganda have been sown.

By Charles Kabuga: Secretary General, UCA
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Figure 2. Structure of housing co-operatives

Members

Elected Committee

Paid Employees
Figure 3. Ownership structure of the co-operative movement in Uganda

Apex (UCA Ltd.)

National Unions

District Cooperative Unions

Primary Societies

Individuals
Figure 4. Co-operative structure prior to the revision in line with 1970 Act

Members at Village Level
In need of marketing, agriculture input, information and credit services, brick making machines

Primary Societies
Purchase produce for storage and sale, provide credit and thrift facilities and agriculture supplies, production of building materials

District Unions
Process and transport member's produce, wholesale supplies, housing and construction

Ministry Responsible for Cooperatives (Ministry of Trade and Industry)

National Cooperative Organisation
The Coop Bank
Banking and Credit
Growers through Unions

Uganda Wholesale Coop Union
Wholesale bulk supplies to consumer primary societies, e.g. building materials

Uganda Cooperative Transport Union
Provide transport facilities, vehicle and accessories

Uganda Cooperative Insurance
Carries out insurance activities for the Coop Movement

Cooperative Savings & Credit Union
Mobilise members savings and creates convenient terms of credit. Acts as a Micro-Finance Institution for Member of Housing Cooperative

Apex Organisation
Uganda Cooperative Alliance
For education, representation, information, research development, etc.
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Table 1. GDP at factor cost as constant (1991) prices for the period 1994/95 to 1998/99

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GDP growth</td>
<td>GDP growth</td>
<td>GDP growth</td>
<td>GDP growth</td>
<td>GDP growth</td>
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<tr>
<td></td>
<td>rate</td>
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<td>rate</td>
<td>rate</td>
<td>rate</td>
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<td>Agriculture</td>
<td>1,250,441</td>
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<td>1,317,851</td>
<td>1,342,827</td>
<td>1,451,858</td>
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<td>5.9%</td>
<td>4.3%</td>
<td>1.1%</td>
<td>1.9%</td>
<td>8.1%</td>
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<tr>
<td>Food crops</td>
<td>860,880</td>
<td>872,038</td>
<td>854,597</td>
<td>868,209</td>
<td>951,696</td>
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<td>7.7%</td>
<td>1.3%</td>
<td>-2.0%</td>
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<td>Mining and quarrying</td>
<td>8,471</td>
<td>11,493</td>
<td>17,260</td>
<td>22,040</td>
<td>23,564</td>
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<td>9.1%</td>
<td>35.7%</td>
<td>50.2%</td>
<td>27.7%</td>
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<tr>
<td>Manufacturing</td>
<td>188,779</td>
<td>225,977</td>
<td>256,362</td>
<td>293,394</td>
<td>326,595</td>
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<tr>
<td></td>
<td>17.3%</td>
<td>19.7%</td>
<td>13.5%</td>
<td>13.5%</td>
<td>5.5%</td>
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<tr>
<td>Electricity/water</td>
<td>24,461</td>
<td>27,036</td>
<td>29,763</td>
<td>31,846</td>
<td>33,595</td>
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<td></td>
<td>11.4%</td>
<td>10.5%</td>
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<td>Construction</td>
<td>189,078</td>
<td>214,331</td>
<td>229,848</td>
<td>247,307</td>
<td>266,460</td>
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<td>25.2%</td>
<td>11.3%</td>
<td>7.2%</td>
<td>7.6%</td>
<td>7.7%</td>
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<tr>
<td>Electricity/water</td>
<td>382,166</td>
<td>423,041</td>
<td>436,194</td>
<td>462,574</td>
<td>503,014</td>
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<td>21.6%</td>
<td>10.7%</td>
<td>3.1%</td>
<td>6.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Transport and</td>
<td>120,909</td>
<td>134,154</td>
<td>148,349</td>
<td>163,122</td>
<td>174,919</td>
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<tr>
<td></td>
<td>14.3%</td>
<td>11.0%</td>
<td>10.6%</td>
<td>10.0%</td>
<td>7.2%</td>
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<tr>
<td>Community services</td>
<td>408,207</td>
<td>432,678</td>
<td>459,723</td>
<td>487,079</td>
<td>512,025</td>
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<tr>
<td></td>
<td>7.2%</td>
<td>6.0%</td>
<td>6.3%</td>
<td>6.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>74,441</td>
<td>80,396</td>
<td>86,828</td>
<td>92,906</td>
<td>98,480</td>
</tr>
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<td>dwellings</td>
<td>6.9%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>7.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total GDP</td>
<td>2,646,954</td>
<td>2,852,787</td>
<td>2,982,180</td>
<td>3,143,089</td>
<td>3,389,296</td>
</tr>
<tr>
<td>Total GDP growth rate</td>
<td>10.6%</td>
<td>7.8%</td>
<td>4.5%</td>
<td>5.4%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Per capita GDP growth rate</td>
<td>7.3%</td>
<td>4.7%</td>
<td>1.7%</td>
<td>2.7%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Table 2. Monetary changes (1992-1999)

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation (%)</th>
<th>Interest rate (leading rate) (%)</th>
<th>Exchange rate USH per US$ (avg. Bureau rate)</th>
</tr>
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<tbody>
<tr>
<td>1992</td>
<td>56.8</td>
<td>40</td>
<td>1,234.50</td>
</tr>
<tr>
<td>1993</td>
<td>3.8</td>
<td>24</td>
<td>1,216</td>
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<tr>
<td>1994</td>
<td>8.75</td>
<td>21</td>
<td>917</td>
</tr>
<tr>
<td>1995</td>
<td>6.6</td>
<td>20</td>
<td>975</td>
</tr>
<tr>
<td>1996</td>
<td>7.5</td>
<td>20</td>
<td>1,057.98</td>
</tr>
<tr>
<td>1997</td>
<td>8.2</td>
<td>21</td>
<td>1,083.80</td>
</tr>
<tr>
<td>1998</td>
<td>2.5</td>
<td>20.8</td>
<td>1,238.70</td>
</tr>
<tr>
<td>1999 (June)</td>
<td>4.5</td>
<td>20</td>
<td>n/a</td>
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Interest rates have averaged 21% since 1993 (Lending rate).
Exchange rate has averaged USH 1,082 per US$ since 1993.
Expenditure has increased since 1992/93 from USH 54,744/= (US$ 46) by 37% in 1997 (to USH 104,186) (US$ 84) and correspondingly have been the per capita consumption expenditures.

Table 3. Estimates of monthly per household consumption expenditure for HIS, FMS, SMS, TMS and FOMS by region (USH)

<table>
<thead>
<tr>
<th>Region</th>
<th>HIS</th>
<th>FMS</th>
<th>SMS</th>
<th>TMS</th>
<th>FOMS</th>
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<tr>
<td></td>
<td>Rura</td>
<td>Urban</td>
<td>Total</td>
<td>Rura</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>53,51</td>
<td>126,2</td>
<td>74,07</td>
<td>65,06</td>
<td>170,0</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>2</td>
<td>154</td>
</tr>
<tr>
<td>Eastern</td>
<td>45,47</td>
<td>71,99</td>
<td>48,33</td>
<td>40,00</td>
<td>80,26</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>7</td>
<td>3</td>
<td>05</td>
</tr>
<tr>
<td>Northern</td>
<td>38,08</td>
<td>63,37</td>
<td>39,74</td>
<td>51,41</td>
<td>82,42</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>4</td>
<td>6</td>
<td>9</td>
<td>53</td>
</tr>
<tr>
<td>Western</td>
<td>46,52</td>
<td>73,82</td>
<td>48,37</td>
<td>51,41</td>
<td>82,42</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>53</td>
</tr>
<tr>
<td>Uganda</td>
<td>46,34</td>
<td>104,4</td>
<td>54,74</td>
<td>48,94</td>
<td>138,2</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>75</td>
<td>4</td>
<td>1</td>
<td>34</td>
</tr>
</tbody>
</table>

Notes: HIS = Integrated Household Survey - 1992/93; FMS = First Monitoring Survey - 1993/94; SMS = Second Monitoring Survey - 1995/96; TMS = Third Monitoring Survey - 1995/96; FOMS = Fourth Monitoring Survey - 1997; Kitgum District was not covered by SMS and TMS.

<table>
<thead>
<tr>
<th>Region</th>
<th>HIS</th>
<th>FMS</th>
<th>SMS</th>
<th>TMS</th>
<th>FOMS</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
<td>Rural</td>
<td>Urban</td>
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<tr>
<td>Central</td>
<td>11,82</td>
<td>31,27</td>
<td>16,88</td>
<td>18,89</td>
<td>47,87</td>
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<td></td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>06</td>
</tr>
<tr>
<td>Eastern</td>
<td>17,88</td>
<td>10,02</td>
<td>9,28</td>
<td>22,27</td>
<td>10,5</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>4</td>
<td>8,76</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Northern</td>
<td>7,424</td>
<td>13,39</td>
<td>10,02</td>
<td>18,27</td>
<td>10,1</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>7,787</td>
<td>7,454</td>
<td>4</td>
<td>1</td>
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<tr>
<td>Western</td>
<td>18,49</td>
<td>9,869</td>
<td>9,539</td>
<td>25,64</td>
<td>12,0</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>9,564</td>
<td>9,539</td>
<td>2</td>
<td>47</td>
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<tr>
<td>Uganda</td>
<td>25,55</td>
<td>11,50</td>
<td>10,11</td>
<td>38,09</td>
<td>15,5</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>93</td>
</tr>
</tbody>
</table>

Notes: HIS = Integrated Household Survey - 1992/93; FMS = First Monitoring Survey - 1993/94; SMS = Second Monitoring Survey - 1995/96; TMS = Third Monitoring Survey - 1995/96; FOMS = Fourth Monitoring Survey - 1997; Kitgum District was not covered by SMS and TMS.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Central</th>
<th>East</th>
<th>North</th>
<th>West</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Average number of meals per day</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Households purchasing meat or fish at least once a week (%)</td>
<td>67</td>
<td>42</td>
<td>48</td>
<td>45</td>
<td>52</td>
</tr>
<tr>
<td>Households with adequate supply of milk for children below 5 years</td>
<td>27</td>
<td>21</td>
<td>12</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>Households that can afford to buy salt when it gets finished (%)</td>
<td>95</td>
<td>90</td>
<td>61</td>
<td>66</td>
<td>79</td>
</tr>
<tr>
<td>Households with everyone having at least two sets of clothes (%)</td>
<td>90</td>
<td>87</td>
<td>77</td>
<td>68</td>
<td>82</td>
</tr>
<tr>
<td>Households whose heads have at least one pair of shoes (%)</td>
<td>83</td>
<td>76</td>
<td>50</td>
<td>46</td>
<td>65</td>
</tr>
<tr>
<td>Households living in thatched houses (%)</td>
<td>28</td>
<td>60</td>
<td>89</td>
<td>42</td>
<td>50</td>
</tr>
<tr>
<td>Households living in own houses (%)</td>
<td>71</td>
<td>86</td>
<td>88</td>
<td>90</td>
<td>79</td>
</tr>
<tr>
<td>Households with any means of transport (%)</td>
<td>38</td>
<td>40</td>
<td>34</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Households that afforded the health care they wanted, the last time someone in the household was ill (%)</td>
<td>69</td>
<td>63</td>
<td>35</td>
<td>53</td>
<td>56</td>
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</table>

Table 6. Uganda mid-year population projections 1992 - 2015 ('000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
<th>Percent urban</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>1992</td>
<td>15,421</td>
<td>7,600</td>
<td>2,101</td>
<td>1,018</td>
</tr>
<tr>
<td>1993</td>
<td>15,850</td>
<td>7,823</td>
<td>2,253</td>
<td>1,091</td>
</tr>
<tr>
<td>1994</td>
<td>16,270</td>
<td>8,042</td>
<td>2,412</td>
<td>1,167</td>
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<tr>
<td>1995</td>
<td>16,682</td>
<td>8,256</td>
<td>2,580</td>
<td>1,248</td>
</tr>
<tr>
<td>1996</td>
<td>17,090</td>
<td>8,470</td>
<td>2,758</td>
<td>1,333</td>
</tr>
<tr>
<td>1997</td>
<td>17,493</td>
<td>8,682</td>
<td>2,945</td>
<td>1,422</td>
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<tr>
<td>1998</td>
<td>17,887</td>
<td>8,890</td>
<td>3,142</td>
<td>1,516</td>
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<td>1999</td>
<td>18,271</td>
<td>9,094</td>
<td>3,348</td>
<td>1,614</td>
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<tr>
<td>2000</td>
<td>18,646</td>
<td>9,293</td>
<td>3,565</td>
<td>1,717</td>
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<tr>
<td>2001</td>
<td>18,999</td>
<td>9,482</td>
<td>3,789</td>
<td>1,824</td>
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<tr>
<td>2002</td>
<td>19,329</td>
<td>9,662</td>
<td>4,022</td>
<td>1,935</td>
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<tr>
<td>2003</td>
<td>19,649</td>
<td>9,837</td>
<td>4,265</td>
<td>2,051</td>
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<tr>
<td>2004</td>
<td>19,957</td>
<td>10,006</td>
<td>4,520</td>
<td>2,172</td>
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<tr>
<td>2005</td>
<td>20,225</td>
<td>10,170</td>
<td>4,785</td>
<td>2,298</td>
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<tr>
<td>2006</td>
<td>20,583</td>
<td>10,352</td>
<td>5,073</td>
<td>2,435</td>
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<td>2007</td>
<td>21,947</td>
<td>10,553</td>
<td>5,386</td>
<td>2,584</td>
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<td>2008</td>
<td>21,298</td>
<td>10,748</td>
<td>5,713</td>
<td>2,740</td>
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<td>22,634</td>
<td>10,937</td>
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<td>2,902</td>
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<td>2010</td>
<td>22,037</td>
<td>11,118</td>
<td>6,328</td>
<td>3,072</td>
</tr>
<tr>
<td>2011</td>
<td>22,324</td>
<td>11,323</td>
<td>6,799</td>
<td>3,257</td>
</tr>
<tr>
<td>2012</td>
<td>23,745</td>
<td>11,555</td>
<td>7,226</td>
<td>3,460</td>
</tr>
<tr>
<td>2013</td>
<td>23,147</td>
<td>11,779</td>
<td>7,673</td>
<td>3,672</td>
</tr>
<tr>
<td>2014</td>
<td>23,531</td>
<td>11,994</td>
<td>8,137</td>
<td>3,892</td>
</tr>
<tr>
<td>2015</td>
<td>23,869</td>
<td>12,199</td>
<td>8,648</td>
<td>4,121</td>
</tr>
</tbody>
</table>

Note: The total population was projected using the component projection method, basing on data from the 1991 Population and Housing Census.

<table>
<thead>
<tr>
<th>Item</th>
<th>1991</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td>16.5</td>
<td>21.6</td>
</tr>
<tr>
<td>Population growth rate (%)</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Households per dwelling unit</td>
<td>1.1</td>
<td>1.05</td>
</tr>
<tr>
<td>Average household size (persons per household)</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Number of households (millions)</td>
<td>3.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Number of dwelling units (millions)</td>
<td>2.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Housing backlog (millions of units)</td>
<td>0.35</td>
<td>0.27</td>
</tr>
</tbody>
</table>

Source: Department of Housing (Ministry of Works, Housing and Communications), database (unpublished).
<table>
<thead>
<tr>
<th>Type of dwelling</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main house</td>
<td>35</td>
<td>94</td>
</tr>
<tr>
<td>Rooms(s)</td>
<td>64</td>
<td>5</td>
</tr>
<tr>
<td>Stores/basements</td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td>Garages</td>
<td>0.4</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0.3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Works Housing and Communications in Database with the Department of Housing (unpublished).
<table>
<thead>
<tr>
<th>Type of dwelling unit</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detached house</td>
<td>46</td>
<td>48.6</td>
</tr>
<tr>
<td>Semi-detached</td>
<td>23</td>
<td>10.8</td>
</tr>
<tr>
<td>Flat</td>
<td>6</td>
<td>0.1</td>
</tr>
<tr>
<td>Servants quarters</td>
<td>10</td>
<td>2.5</td>
</tr>
<tr>
<td>Hut</td>
<td>13</td>
<td>32.5</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Department of Housing Database (unpublished)
Table 10. Percentage distribution by number of rooms in a dwelling unit

<table>
<thead>
<tr>
<th>No. of rooms</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>57.8</td>
<td>30.4</td>
</tr>
<tr>
<td>2</td>
<td>20.1</td>
<td>29.6</td>
</tr>
<tr>
<td>3</td>
<td>8.6</td>
<td>18.6</td>
</tr>
<tr>
<td>4</td>
<td>8.2</td>
<td>14.9</td>
</tr>
<tr>
<td>6</td>
<td>2.6</td>
<td>3.5</td>
</tr>
<tr>
<td>6+</td>
<td>2.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Totals</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Ministry of Works, Housing and Communications: Department of Housing, Database (unpublished).
<table>
<thead>
<tr>
<th>Household size (persons)</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>2</td>
<td>18%</td>
<td>13%</td>
</tr>
<tr>
<td>3-4</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>5-6</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>7+</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Average household size (persons) 4.2 5.6

Source: Ministry of Works, Housing and Communications: Department of Housing, Database (unpublished).
Table 12. Projected housing need by the year 2010

<table>
<thead>
<tr>
<th>Item</th>
<th>Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions) 1999</td>
<td>3.3</td>
<td>18.3</td>
<td>21.6</td>
</tr>
<tr>
<td>Growth rate</td>
<td>3.7</td>
<td>2.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Sharing ratio</td>
<td>1.1</td>
<td>1.05</td>
<td>1.05</td>
</tr>
<tr>
<td>Household size per dwelling unit</td>
<td>4.2</td>
<td>5.6</td>
<td>5.5</td>
</tr>
<tr>
<td>No. of households (millions)</td>
<td>0.78</td>
<td>3.3</td>
<td>3.93</td>
</tr>
<tr>
<td>No. of dwelling units (millions)</td>
<td>0.51</td>
<td>3.1</td>
<td>3.66</td>
</tr>
<tr>
<td>Housing backlog (millions)</td>
<td>0.07</td>
<td>0.20</td>
<td>0.27</td>
</tr>
<tr>
<td>Population 2010 (millions)</td>
<td>6.3</td>
<td>22.0</td>
<td>28.4</td>
</tr>
<tr>
<td>Additional housing need (millions)</td>
<td>0.86</td>
<td>0.8</td>
<td>1.66</td>
</tr>
</tbody>
</table>

*: Assuming household size is constant and does not include demolitions and deterioration of current stock.

Source: Department of Housing (Ministry of Works, Housing and Communications), database (unpublished).
Table 13. Percentage distribution of households by tenure of dwelling units

<table>
<thead>
<tr>
<th>Tenure of dwelling unit</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupier</td>
<td>26</td>
<td>91</td>
</tr>
<tr>
<td>Rented</td>
<td>65.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Free housing</td>
<td>8</td>
<td>4.7</td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Department of Housing (Ministry of Works, Housing and Communications), database (unpublished).
<table>
<thead>
<tr>
<th>Item</th>
<th>Total stock ('000 units)</th>
<th>Stock in need of upgrading ('000 units)</th>
<th>Stock in need of replacement ('000 units)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units</td>
<td>%</td>
<td>Units</td>
</tr>
<tr>
<td>Traditional non-upgradable</td>
<td>25.0</td>
<td>5</td>
<td>0.0</td>
</tr>
<tr>
<td>Upgradable traditional</td>
<td>86.7</td>
<td>17</td>
<td>47.7</td>
</tr>
<tr>
<td>Semi-permanent</td>
<td>153.0</td>
<td>30</td>
<td>61.2</td>
</tr>
<tr>
<td>Low cost</td>
<td>173.4</td>
<td>34</td>
<td>34.7</td>
</tr>
<tr>
<td>Medium cost</td>
<td>40.8</td>
<td>8</td>
<td>4.1</td>
</tr>
<tr>
<td>High cost</td>
<td>31.6</td>
<td>6</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>509.7</strong></td>
<td><strong>100</strong></td>
<td><strong>149.3</strong></td>
</tr>
</tbody>
</table>

*Source: National Shelter Strategy Vol, MOHUD (1992).*
Table 15. Distribution of housing stock by type and conditions in rural areas

<table>
<thead>
<tr>
<th>Item</th>
<th>Total stock ('000 units)</th>
<th>Stock in need of upgrading ('000 units)</th>
<th>Stock in need of replacement ('000 units)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units</td>
<td>%</td>
<td>Units</td>
</tr>
<tr>
<td>Traditional upgradable</td>
<td>1,240</td>
<td>40</td>
<td>0.0</td>
</tr>
<tr>
<td>Upgradable traditional</td>
<td>930</td>
<td>30</td>
<td>651</td>
</tr>
<tr>
<td>Semi-permanent</td>
<td>620</td>
<td>20</td>
<td>372</td>
</tr>
<tr>
<td>Low cost</td>
<td>217</td>
<td>7</td>
<td>86.6</td>
</tr>
<tr>
<td>Medium cost</td>
<td>77.5</td>
<td>2.5</td>
<td>3.8</td>
</tr>
<tr>
<td>High cost</td>
<td>15.5</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,100</strong></td>
<td><strong>100</strong></td>
<td><strong>1,113.4</strong></td>
</tr>
</tbody>
</table>

*Source: Department of Housing (Ministry of Works, Housing and Communications), database (unpublished).*
Table 16. Current and projected water supply facilities by technology

<table>
<thead>
<tr>
<th>District</th>
<th>Number of current point water sources (December, 1998)</th>
<th>Total point water sources required to achieve 100% (by 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deep borehole wells</td>
<td>Shallow wells</td>
</tr>
<tr>
<td>Bundibugyo</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Bushenyi</td>
<td>413</td>
<td>n/a</td>
</tr>
<tr>
<td>Kabale</td>
<td>120</td>
<td>26</td>
</tr>
<tr>
<td>Kabarole</td>
<td>240</td>
<td>326</td>
</tr>
<tr>
<td>Kasese</td>
<td>167</td>
<td>n/a</td>
</tr>
<tr>
<td>Kisoro</td>
<td>13</td>
<td>n/a</td>
</tr>
<tr>
<td>Mbarara</td>
<td>689</td>
<td>n/a</td>
</tr>
<tr>
<td>Nyungamo</td>
<td>227</td>
<td>1</td>
</tr>
<tr>
<td>Rukungiri</td>
<td>260</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total (South-West)</strong></td>
<td><strong>2,154</strong></td>
<td><strong>364</strong></td>
</tr>
<tr>
<td>Hoima</td>
<td>338</td>
<td>44</td>
</tr>
<tr>
<td>Kalangala</td>
<td>2</td>
<td>n/a</td>
</tr>
<tr>
<td>Kibale</td>
<td>141</td>
<td>58</td>
</tr>
<tr>
<td>Kiboga</td>
<td>58</td>
<td>61</td>
</tr>
<tr>
<td>Luwero</td>
<td>676</td>
<td>72</td>
</tr>
<tr>
<td>Masaka</td>
<td>472</td>
<td>79</td>
</tr>
<tr>
<td>Masindi</td>
<td>427</td>
<td>58</td>
</tr>
<tr>
<td>Mpiigi</td>
<td>291</td>
<td>271</td>
</tr>
<tr>
<td>Mubende</td>
<td>204</td>
<td>156</td>
</tr>
<tr>
<td>Nakasongola</td>
<td>111</td>
<td>6</td>
</tr>
<tr>
<td>Rakai</td>
<td>354</td>
<td>10</td>
</tr>
<tr>
<td>Sembabule</td>
<td>91</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total (Central)</strong></td>
<td><strong>3,165</strong></td>
<td><strong>815</strong></td>
</tr>
<tr>
<td>Adjumani</td>
<td>158</td>
<td>15</td>
</tr>
<tr>
<td>Apac</td>
<td>502</td>
<td>83</td>
</tr>
<tr>
<td>Arua</td>
<td>1,036</td>
<td>1</td>
</tr>
<tr>
<td>Gulu</td>
<td>324</td>
<td>19</td>
</tr>
<tr>
<td>Katakwi</td>
<td>243</td>
<td>30</td>
</tr>
<tr>
<td>Kitgum</td>
<td>649</td>
<td>56</td>
</tr>
<tr>
<td>Kotido</td>
<td>396</td>
<td>98</td>
</tr>
<tr>
<td>Lira</td>
<td>381</td>
<td>127</td>
</tr>
<tr>
<td>Moroto</td>
<td>608</td>
<td>n/a</td>
</tr>
<tr>
<td>Moyo</td>
<td>496</td>
<td>n/a</td>
</tr>
<tr>
<td>Nebbi</td>
<td>577</td>
<td>47</td>
</tr>
<tr>
<td>Soroti</td>
<td>564</td>
<td>72</td>
</tr>
<tr>
<td><strong>Total (Northern)</strong></td>
<td><strong>6,191</strong></td>
<td><strong>551</strong></td>
</tr>
<tr>
<td>Bugiri</td>
<td>150</td>
<td>51</td>
</tr>
<tr>
<td>Busia</td>
<td>92</td>
<td>40</td>
</tr>
<tr>
<td>Iganga</td>
<td>644</td>
<td>106</td>
</tr>
<tr>
<td>Jinja</td>
<td>177</td>
<td>121</td>
</tr>
<tr>
<td>Kamuli</td>
<td>932</td>
<td>113</td>
</tr>
<tr>
<td>Kapchorwa</td>
<td>33</td>
<td>n/a</td>
</tr>
<tr>
<td>Mbale</td>
<td>187</td>
<td>54</td>
</tr>
<tr>
<td>Mukono</td>
<td>575</td>
<td>369</td>
</tr>
<tr>
<td>Pallisa</td>
<td>131</td>
<td>6</td>
</tr>
<tr>
<td>Toro</td>
<td>627</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total (Eastern)</strong></td>
<td><strong>3,548</strong></td>
<td><strong>860</strong></td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>15,058</strong></td>
<td><strong>2,590</strong></td>
</tr>
</tbody>
</table>

Source: Water Development Department, Ministry of Water, Land and Environment (unpublished); Department of Housing (Ministry of Works, Housing and Communications), database (unpublished).
### Table 17. Contributions of co-operatives to housing and building

<table>
<thead>
<tr>
<th>Union/Society</th>
<th>Residential</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Co-operative Housing Society</td>
<td>Block of flats for rent</td>
<td></td>
</tr>
<tr>
<td>Banyankole Kweterana Union</td>
<td>Office block at Mbarara</td>
<td></td>
</tr>
<tr>
<td>Buddo Zinnunnula Savings and Credit Society Ltd.</td>
<td>Health centre</td>
<td></td>
</tr>
<tr>
<td>Bugisu Union</td>
<td>Staff houses</td>
<td>Flats, Mt. Elgon Hotel</td>
</tr>
<tr>
<td>Kalambiro Growers Co-operative Union</td>
<td>Staff houses</td>
<td>Lodge filing station</td>
</tr>
<tr>
<td>Kigezi Co-operative Union</td>
<td></td>
<td>Filing station</td>
</tr>
<tr>
<td>Mengo Teachers Savings and Credit Society</td>
<td>Office block with shops being let out. Aso constructing an office complex with a meeting hall, offices and residential flats mainly for own use.</td>
<td></td>
</tr>
<tr>
<td>Post Savings and Credit</td>
<td></td>
<td>Hostel</td>
</tr>
<tr>
<td>Sebei, Elgon Co-operative Union</td>
<td></td>
<td>Kaboyoyn Hotel</td>
</tr>
<tr>
<td>UCSCU</td>
<td>House for rent at Bweyogerere</td>
<td>Office block</td>
</tr>
<tr>
<td>WASE (National Water and Sewerage Corporation S&amp;C)</td>
<td>Houses for rent</td>
<td></td>
</tr>
<tr>
<td>Wamaki Union</td>
<td>Staff houses</td>
<td>Lodge and commercial building housing a bank at Mityana</td>
</tr>
<tr>
<td>West Acholi Co-op. Union</td>
<td></td>
<td>Stones quarry</td>
</tr>
<tr>
<td>West Mengo Union Employees Saving and Credit</td>
<td>Houses for rent</td>
<td></td>
</tr>
<tr>
<td>West Mengo Union</td>
<td>Staff houses</td>
<td>Warehouse building</td>
</tr>
<tr>
<td>UCA</td>
<td>Staff houses</td>
<td>Office block</td>
</tr>
</tbody>
</table>

Source: Consultant derived from records and discussions with the Ministry responsible for co-operatives and UCA 1999.
Table 18. Distribution of brick-making machines by government

<table>
<thead>
<tr>
<th>Society/Union</th>
<th>Tile machines</th>
<th>Brick machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kigezi Co-operative Union</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Bugisu Co-operative Union</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Kyegeza S&amp;C Co-operative Union</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ndeese Co-operative Society</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Katikanya Co-operative Society</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ssayi Akakasa Omukono C.S</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Luli Growers Co-operative Society</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lwamayali G.C.S</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Bikko G.C.S</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Kiroga G.C.S</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Semulo G.C.S</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Kasagga G.C.S</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Nakasongola G.C.S (later re-located to Lubumba Women's Co-operative Society Ltd.)</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>UCSCU</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

*: Creretec machine factory type.

Source: Department of Housing (records unpublished) MOWHC.
Table 19. Savings and credit societies 1975-1995

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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Note: Uganda's currency was devalued by 97% in 1987, as a Government effort to decrease holding of minimal value paper money. This is reflected in the decline of savings between 1985 and 1990. This devaluation greatly stifled the economy. Measures were put in place to increase the money supply resulting in increased savings in 1995 despite a fall in membership.

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### Societies registered on probation

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<tbody>
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<td>P.206</td>
<td>Jinja</td>
<td>Building</td>
<td>Dormant</td>
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<tr>
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<td>Tiles &amp; brick making (silent)</td>
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<td>Mpigi</td>
<td>Marketing</td>
<td>Tiles &amp; brick making (silent)</td>
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<td>Marketing</td>
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<td>Luwero</td>
<td>Marketing</td>
<td>Tile making (silent)</td>
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<td>Marketing</td>
<td>Tile making (silent)</td>
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<tr>
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<td>Mityana/Mubende</td>
<td>Savings/credit</td>
<td>Tiles &amp; brick making (active)</td>
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<tr>
<td>Luti Growers</td>
<td></td>
<td>Kiboga/Mubende</td>
<td>Marketing</td>
<td>Tile &amp; brick making (silent)</td>
</tr>
<tr>
<td>Bikko Growers</td>
<td></td>
<td>Kiboga/Mubende</td>
<td>Marketing</td>
<td>Tile &amp; brick making (silent)</td>
</tr>
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<td>Kiboga/Mubende</td>
<td>Marketing</td>
<td>Tiles &amp; brick making (silent)</td>
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<tr>
<td>Lwamagaali Growers</td>
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<td>Kiboga/Mubende</td>
<td>Marketing</td>
<td>Tiles &amp; brick making (silent)</td>
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</table>

### Unions

<table>
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<th>Name</th>
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</thead>
<tbody>
<tr>
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<td>National (Kampala)</td>
<td>Savings/credit</td>
<td>Tiles (2 machines) (silent)</td>
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<tr>
<td>Bugisu</td>
<td></td>
<td>Bugisu (Mbale)</td>
<td>Marketing</td>
<td>Tiles (10 machines) (active)</td>
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<tr>
<td>Kigali</td>
<td></td>
<td>Kabale (Kabale Hqtrs.)</td>
<td>Marketing</td>
<td>Tiles (20 machines) (silent)</td>
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Source: In-house records of the Department of Co-operatives (MOTTI).
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<th>Urban</th>
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<td>1,367</td>
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<td>2</td>
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Source: Co-operative movement Statistics 1995 UCA.
<table>
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<th>Mean ('000)</th>
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Source: Co-operative movement Statistics 1995 UCA.
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<th>Total</th>
<th>Mean</th>
<th>Male membership</th>
<th>Total</th>
<th>Mean</th>
<th>Total membership</th>
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<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Mean</td>
<td></td>
<td>Total</td>
<td>Mean</td>
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Note: Number of female and male members may not necessarily equal to total membership due to lack disaggregation.

Source: Co-operative movement Statistics 1995 UCA.
Table 25. Distribution of co-operative societies by level of household incomes

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<th>Type of society</th>
<th>Low income (&lt; US$ 340)</th>
<th>Lower middle income (340-800)</th>
<th>Middle income (800-2,000)</th>
<th>High income (&gt; 2,000)</th>
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<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Brick making</td>
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<td>*</td>
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<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
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<tr>
<td>Mining</td>
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<td>*</td>
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</tr>
<tr>
<td>Multi-purpose</td>
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<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Savings and credit</td>
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<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Timber</td>
<td></td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Transport</td>
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Source: Compiled by consultant.
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<td>for co-operatives</td>
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<td>for co-operatives</td>
<td>renovation of facilities at</td>
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</tr>
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<td></td>
<td>Technical support in planning</td>
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<td></td>
<td>the facilities and preparation</td>
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<td></td>
<td>of curriculum</td>
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<tr>
<td></td>
<td>Textbook on &quot;The Principles and</td>
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<tr>
<td></td>
<td>Practice of Co-operation&quot; written</td>
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<tr>
<td></td>
<td>by the Technician</td>
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<tr>
<td></td>
<td>ACDI Education Technician to the</td>
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<tr>
<td></td>
<td>Committee of Inquiry into the</td>
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<tr>
<td></td>
<td>affairs of UCA to revive the UCA.</td>
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<tr>
<td></td>
<td>ACDI Technician to assist in</td>
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<tr>
<td></td>
<td>promoting the Savings and Credit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scheme. Training staff and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>developing procedures.</td>
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<tr>
<td></td>
<td>US$ 126,000 grant for the</td>
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<tr>
<td></td>
<td>construction of 14 staff houses</td>
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<tr>
<td></td>
<td>and a dining hall extension and</td>
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<tr>
<td></td>
<td>two fully furnished classroom/</td>
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</tr>
<tr>
<td></td>
<td>office/store room units.</td>
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</tr>
<tr>
<td>September, 1981 to</td>
<td>US$ 11,999,000 Food Production</td>
<td></td>
</tr>
<tr>
<td>30 September 1989</td>
<td>Support Project (FPSP). To</td>
<td></td>
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<tr>
<td></td>
<td>consolidate and extend the</td>
<td></td>
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<tr>
<td></td>
<td>achievements of the CIP.</td>
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<tr>
<td></td>
<td>FPSP continued the input</td>
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<td></td>
<td>distribution activity and included</td>
<td>well a considerable amount of Technical Assistance and Training aimed at</td>
</tr>
<tr>
<td></td>
<td>as strengthening co-operatives to</td>
<td>strengthening co-operatives to serve farmers. Commodities included: hoes,</td>
</tr>
<tr>
<td></td>
<td>serve farmers. Commodity</td>
<td>bicycles and seeds.</td>
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<tr>
<td></td>
<td>included: hoes, bicycles and</td>
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<td></td>
<td>seeds.</td>
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<td></td>
<td>US$ 100,000 for intermediate</td>
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<td></td>
<td>credit institutions i.e. UCB and</td>
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<tr>
<td></td>
<td>Co-operative Banks Credit</td>
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<td></td>
<td>extended to 86 societies in 6</td>
<td></td>
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<td></td>
<td>war damaged areas of Uganda.</td>
<td></td>
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<td></td>
<td>Project involved the procurement</td>
<td></td>
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<td></td>
<td>and distribution of agricultural</td>
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<tr>
<td></td>
<td>inputs and construction materials</td>
<td>and a credit component. The goals of the project was to provide residents</td>
</tr>
<tr>
<td></td>
<td>and a credit component. The</td>
<td>of war damaged areas of Uganda the opportunity to rebuild their lives and</td>
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<td></td>
<td>goals of the project was to</td>
<td>resume economic growth and development. Funding was US$ 5,482,000 of which</td>
</tr>
<tr>
<td></td>
<td>provide residents of war</td>
<td>US$ 3,994,000 was ACDI funding.</td>
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<tr>
<td></td>
<td>damaged areas of Uganda the</td>
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<td></td>
<td>opportunity to rebuild their</td>
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<td></td>
<td>lives and resume economic</td>
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<td></td>
<td>growth and development. Funding</td>
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<td></td>
<td>was US$ 5,482,000 of which US$ 3,994,000 was ACDI funding.</td>
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<tr>
<td>Ministry responsible</td>
<td>Phase I PL 480 involved the sale</td>
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<td>for co-operatives</td>
<td>of 10,050 metric tons of vegetable</td>
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<td>1981-1989</td>
<td>oil for two years.</td>
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<td></td>
<td>Phase II involved the use of</td>
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<tr>
<td></td>
<td>proceeds, equivalent to</td>
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<td></td>
<td>10,500,000 after offsetting the</td>
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<tr>
<td></td>
<td>government levy and a</td>
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<td></td>
<td>administration costs from the</td>
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<td></td>
<td>sale of 11,460 tons of PL 480</td>
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<td>vegetable oil during fiscal years</td>
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<td></td>
<td>Objectives were:</td>
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<td>• Increasing the production and</td>
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<td></td>
<td>incomes of small farmers with</td>
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<td></td>
<td>focus on the local production of</td>
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<td></td>
<td>edible oils seeds.</td>
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<td></td>
<td>• Enhancing the effectiveness of</td>
<td></td>
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<td></td>
<td>agriculture co-operatives in</td>
<td></td>
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<tr>
<td></td>
<td>Uganda.</td>
<td></td>
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<tr>
<td></td>
<td>• Promoting co-operative and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>non-co-operative agri-business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Strengthening of the Co-operative Bank.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• This program seemed as the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>main source of local currency for</td>
<td></td>
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<tr>
<td></td>
<td>the CAAS Project.</td>
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<tr>
<td></td>
<td>Funding categories were as</td>
<td></td>
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<td></td>
<td>follows:</td>
<td></td>
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<tr>
<td></td>
<td>• Promoting edible oil production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>30% of proceeds.</td>
<td></td>
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<tr>
<td></td>
<td>• A Co-operative Development Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>for loans to be made by the Co-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>operative Bank (16%).</td>
<td></td>
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<tr>
<td></td>
<td>• Non-co-operative commercial</td>
<td></td>
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<tr>
<td></td>
<td>loans (14%).</td>
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<tr>
<td></td>
<td>• Discretionary grants (16%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Institutional budget support to</td>
<td></td>
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<tr>
<td></td>
<td>UCA (24%).</td>
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</tr>
</tbody>
</table>

USAID/ACDI/UC
<table>
<thead>
<tr>
<th>Period</th>
<th>Recipient</th>
<th>Type of support</th>
<th>Donor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 31-December, 1998</td>
<td><strong>Wankoko Co-operative Society Ltd.</strong></td>
<td>US$ 300,000 for the construction of 13 co-operative wings located at District Farm Institutes and Rural Training Centres</td>
<td><strong>USAID</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>US$ 50,000 for furnishing libraries at the wings with books. Plus teaching aids such as; slide projectors, co-operative films, slides, magnetic easels, drawing boards and littering</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Donation of Photo-lab and plate processing equipment to establish a complete print ship for the production of visual aids by <strong>UCA</strong>.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>ACDI Technical Assistance Program. Technicians are to work in an advisory capacity with Ugandan counterparts. Training of 160 co-operative participants in the US.</strong></td>
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<tr>
<td></td>
<td></td>
<td><strong>USAID</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>Tororo Diary Co-operative Society</strong></td>
<td>US$ 20,000 financial and technical assistance</td>
<td></td>
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<td></td>
<td></td>
<td>US$ 35,000 poultry processing and refrigeration equipment, stern boilers, scales and office equipment.</td>
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<tr>
<td></td>
<td><strong>Bunyoro Growers Co-operative Union Ltd. and Banyankole Kweterana Union</strong></td>
<td>US$ 500 for electric cream separator</td>
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<td></td>
<td></td>
<td>US$ 3,500 for two portable one ton feed mixers and grinders.</td>
<td></td>
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<tr>
<td></td>
<td><strong>UCA</strong></td>
<td>US$ 3,000 grant to publish the book in English and two local languages</td>
<td><strong>International Federation of Agricultural Producers</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>US$ 3,000 Revolving Fund to <strong>UCA</strong> to facilitate the production and distribution of educational publications, micro-graphed newsletter.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>UCA</strong></td>
<td>Donation of a Gestetner and off-set press to <strong>UCA</strong></td>
<td><strong>ICA</strong></td>
</tr>
<tr>
<td></td>
<td><strong>UCSCU</strong></td>
<td>3,250,000 German Marks to the Union for: budgetary support, staff salaries and education and training programs for 13 years ending 1998.</td>
<td><strong>Konrad Adenauer Foundation</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>US$ 4.5 million to rehabilitate co-operative infrastructure in &quot;Luwero Triangle&quot;: Mpigi, Luwero and Mubende Districts. Target 81 stores. Rehabilitation of storage at co-operative society level and equipment them with basic marketing equipment such as weighing scales and calculators. Revolving Fund to assist co-operatives increase productivity of their members establish in the Co-operative Bank.</td>
<td><strong>Swedish Agency for International Development</strong></td>
</tr>
<tr>
<td>Period</td>
<td>Recipient</td>
<td>Type of support</td>
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<tr>
<td>September 30-1991</td>
<td>Ministry/Government</td>
<td>27 million Swedish Kroner Co-operative Reform and Development Programme (CRDP). CRDP aimed at a self-reliant sustainable development of primary co-operative and focussed on:</td>
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<tr>
<td></td>
<td>UCA</td>
<td>• Increased vegetable oil production to increase self reliance.</td>
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<tr>
<td></td>
<td>Ministry/Government</td>
<td>• Coffee sector development particularly policy and market structure including improved quality to increase export earnings and farmers share of sales.</td>
<td></td>
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<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>Development of carefully selected non-traditional crops for domestic and export markets.</td>
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</tr>
<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>US$ 320,000 and USH 17 million grant for emergency relief commodities USH 18 million grant for rehabilitation of 42 co-operative societies.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>US$ 20 million grant to the Uganda Co-operative Movement. Main objectives:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>• To increase agricultural production and productivity.</td>
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<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>• To help place input marketing on a sound commercial basis.</td>
<td></td>
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<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>To stimulate agri-business development project in 1990 was redesigned and focussed on:</td>
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</tr>
<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>• Increased vegetable oil production to increase self-reliance</td>
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<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>• Coffee sector development particularly policy and market share structure including quality improvement and increase export earning and farmers share of sales.</td>
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</tr>
<tr>
<td></td>
<td>Ministry/UCA/ UCCU (in liquidation) Co-operative Bank</td>
<td>Development of carefully selected non-traditional Co-ops for domestic and export markets.</td>
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<tr>
<td></td>
<td>UCA</td>
<td>Societies operating as according to principles and other viable and competitive business enterprises funding economic and other services to their members men and women alike.</td>
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<td></td>
<td>UCA</td>
<td>The four main project components were:</td>
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<tr>
<td></td>
<td>UCA</td>
<td>• Co-operative marketing development</td>
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<tr>
<td></td>
<td>UCA</td>
<td>• Co-operative export development</td>
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<tr>
<td></td>
<td>UCA</td>
<td>• Co-operative finance development and women in development.</td>
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</tr>
<tr>
<td>1993-1995</td>
<td>UCA</td>
<td>This project was followed up with the Co-operative Management And Development Project (CMDP).</td>
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<tr>
<td>Period</td>
<td>Recipient</td>
<td>Type of support</td>
<td>Donor</td>
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<tr>
<td>1993/94</td>
<td>UCA</td>
<td>Printing equipment to UCA Printing Press worth Danish Kroners 2.9 million. Importation of vegetable seeds and chemicals objective was the achievement of high and sustainable economic growth rate in Uganda and reduction of existing economic imbalances indicating the balance of requirement deficit. Involved the supply of 20 tonnes annually for 3 years of assorted vegetable seeds. The first consignment of 20 tonnes of vegetable seeds worth USH 356 million was received by UCCU prior to its liquidation in 1993. DKK 1.9 million, support to Tororo Dairy Co-operative Society. Objective was to convert milk into processed dairy products and thereby makes it possible to market surplus milk and to increase incomes and living standards for members of the dairy co-operative. DANIDA financed a feasibility study, machinery and equipment and technical assistance to train the staff at Toro Dairy Plant in cheese production.</td>
<td>DANIDA</td>
</tr>
<tr>
<td>1991/93</td>
<td>UCCU (liquidation) Uganda Co-operative Central Union</td>
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<tr>
<td>1993/1994</td>
<td>Toro Dairy Co-operative Society</td>
<td></td>
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<tr>
<td>November, 1991</td>
<td>Business Womens Co-operative</td>
<td>DKK 220,000 The Co-operative Dairy Heifer Project focusses on need families which are given in calf heifers to lack start them. The objective include: Organise rural women into viable and self-sustaining Co-operative Dairy Co-operative Dairy Societies. Improve institutional status Argument income of the rural women. Train women in zero grazing over 138 dairy cows have been given.</td>
<td>DANIDA</td>
</tr>
<tr>
<td></td>
<td>Kiyenye Co-operative Society</td>
<td></td>
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<tr>
<td>1985-To date</td>
<td>Kakoro Women Heifer Project</td>
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<tr>
<td></td>
<td>Nagamba Women Heifer Project</td>
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<tr>
<td></td>
<td>Uganda Wholesale Consumer Co-operative Union Ltd. (UWCCU)</td>
<td>UWCCU took over the distribution of vegetable seeds from UCCU. Such amounting to 20 tons were availed to it. US$ 1,224,848 for house construction and building materials production</td>
<td></td>
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<tr>
<td>1993</td>
<td>Masese Women Association</td>
<td></td>
<td></td>
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<tr>
<td>1998</td>
<td>Maluku</td>
<td>US$ 450,000 for house construction</td>
<td></td>
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<tr>
<td>Up to 1993</td>
<td>UCSCU</td>
<td>USH 81,134,000 grant to supply education and training programmes especially for Women Co-operative Group.</td>
<td>CCA (Canada)</td>
</tr>
<tr>
<td>1987</td>
<td>Katayi</td>
<td>Support from land ‘O’ lakes of USA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UCSCU</td>
<td>USH 91,757,000 from PAPSCA Project to UCCU for credit purposes.</td>
<td>PAPSCA</td>
</tr>
<tr>
<td></td>
<td>Dairy Co-operative Societies</td>
<td></td>
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<td></td>
<td>CCA (Canada)</td>
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Source: Uganda Co-operative Records Unpublished. Table developed by consultant.
### Shelter Co-operatives in Uganda
Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA

#### List of acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACCOSCA</td>
<td>African Confederation of Co-operative Savings and Credit Association</td>
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<tr>
<td>ACDI</td>
<td>Agriculture Co-operative Development International</td>
</tr>
<tr>
<td>AHF</td>
<td>African Housing Fund</td>
</tr>
<tr>
<td>BYEPA</td>
<td>Busoga Youth Environment and Protection Association</td>
</tr>
<tr>
<td>CAAS</td>
<td>Co-operative Agriculture and Agribusiness Support</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-based organisation</td>
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<tr>
<td>CCA</td>
<td>Canadian Co-operative Association</td>
</tr>
<tr>
<td>CRDP</td>
<td>Co-operative Reform and Development Programme</td>
</tr>
<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
</tr>
<tr>
<td>ECA</td>
<td>Economic Commission for Africa</td>
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<td>FINNIDA</td>
<td>Finnish International Development Agency</td>
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<td>FUAF</td>
<td>Federation of Uganda African Farmers</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>ICA</td>
<td>International Co-operative Alliance</td>
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<tr>
<td>ICDI</td>
<td>Agriculture Co-operative Development International</td>
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<tr>
<td>IFAP</td>
<td>International Federation of Agriculture Producers</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>KHCS</td>
<td>Kampala Housing Co-operative Society</td>
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<tr>
<td>MOLG</td>
<td>Ministry of Local Government</td>
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<tr>
<td>MOWHC</td>
<td>Ministry of Works, Housing and Communications</td>
</tr>
<tr>
<td>MOTTI</td>
<td>Ministry of Trade, Tourism and Industry</td>
</tr>
<tr>
<td>MWA</td>
<td>Masese Women’s Association</td>
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<tr>
<td>NW&amp;SC</td>
<td>National Water and Sewerage Corporation</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>NHCC</td>
<td>National Housing and Construction Corporation</td>
</tr>
<tr>
<td>OAU</td>
<td>Organisation of African Unity</td>
</tr>
<tr>
<td>RUWASA</td>
<td>Rural Water Sanitation Programme</td>
</tr>
<tr>
<td>SCC</td>
<td>Swedish Co-operative Centre</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
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<td>UNCHS</td>
<td>United Nations Centre for Human Settlements</td>
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<td>Uganda Co-operative Alliance Ltd.</td>
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<td>UCSCU</td>
<td>Uganda Co-operative Savings and Credit Union Ltd.</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>USH</td>
<td>Uganda Shillings</td>
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<td>WDD</td>
<td>Water Development Department</td>
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</table>
Shelter Co-operatives in Uganda
Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA

List of References


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Shelter Co-operatives in Uganda
Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA
People met by the consultant

- Charles Kabuga, Secretary General of UCA
- Joseph Kitandwe, Desk Officer for housing co-operatives in the Ministry of Trade and Industry
- F. Mwesigye, Commissioner for Co-operatives, Ministry of Trade and Industry
- O. Oloka, Secretary General, UCSCU
- W. Walaga, Assistant Commissioner, Human Settlements, Ministry of Works, Housing and Communications.
- The Chairman, BYEPA
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Notes

6. Unpublished report by the Department of Housing based on their database.
7. Assume household size is constant and does not include demolitions and deterioration of current stock.
9. Discussion with Officials of the Department of Housing (MOWHC).
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Chapter I. Introduction

Uganda was an active participant in the preparatory process for Habitat II Conference and equally took a leading role in the meeting in Istanbul, Turkey. Uganda was Chairman of the African Group for the preparatory process and this made her the spokes country for Africa on many issues during the negotiations that led to the adoption of Habitat Agenda and the General Principles.

The resultant output of the whole process and the Conference was the Habitat Agenda. The Agenda and whole spirit of the Conference introduced a fundamental change in the United Nations system, which put emphasis on partnerships with various stakeholders in the development of human settlements.

It is on the basis of this spirit that the General Assembly gave local authorities a special status in the participation of the Habitat Conference which otherwise would have been restricted to member states as represented by the Governments. Many stakeholders, e.g. of NGOs, co-operatives, women groups, youth, etc. had their input in the drafting of the Agenda channeled through Government delegations. It is for this reason that co-operatives featured in the development of human settlements were accorded specific roles in the Implementation of the Agenda. Co-operatives are perceived as one of the ways for the low income and disadvantaged groups to access sustainable human settlements. It is when people work in a co-operative manner that individual weaknesses turn into strength. This does not mean that co-operatives are only for the disadvantaged groups but have a lot more to gain than the high-income groups.

Arising from the above, the United Nations Centre for Human Settlements (Habitat) and the International Co-operative Alliance (ICA) commissioned a study on "The Contributions of Co-operatives to Shelter Development in Uganda" as part of a regional input. The study will also offer recommendations on how to improve and indeed encourage the contribution of co-operatives in the housing sector.

The recommendations derived will form a basis for a proposal of regional intervention by ICA.

The end beneficiaries for the final results of the report will be people who wish to improve their living conditions who may be living in poor or inadequate shelter conditions. The improvements in the co-operative sector in the area of housing are likely to lead to improved shelter and living conditions.
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Chapter I. Introduction
A. Background

1. General, socio-economic conditions and trends

Uganda has a population currently estimated at around 21.6 million, which is characterized by low incomes with a per capita GDP of US$ 340. The majority of Uganda's population (80 per cent) lives in rural areas as peasant farmers, artisans and small traders. The 20 per cent who work and live in urban areas have attachment to the rural areas where they bury their dead and retire in old age. Urbanization in Uganda though shows a high growth rate of nearly 3.6 per cent, yet urban areas are still seen as transitory (see box 1). The majority of urban dwellers work in the informal sector or petty trading while a small group works in the industry and service sectors.
Chapter I. Introduction
A. Background

2. Social economic changes and co-operative development

The analysis of social, economic and co-operative development in Uganda are based on three distinctive periods namely; pre-colonial, colonial and independence.
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Chapter I. Introduction
A. Background
2. Social economic changes and co-operative development
   a. The pre-colonial period

Long before the coming of Colonialism to Uganda, the Country was settled by several social groups (tribes) organized on the basis of Kingdom, Chiefdoms, Clans and families. The villages then were more homogeneous in that it was always made up of several related families. All activities were carried out at family, village, clan and kingdom level collectively.

There was need to organize for the security of members against other tribes, for social support in case of death, housing and even hunting which was the main activity. Subsequently as communities settled, agriculture, domestic animals and fishing was introduced but even then these activities were carried out collectively.

Communities organized themselves into an army which was trained and armed with bows and arrows, spears, etc. for the security of their community, raiding other communities to acquire 'slaves' and other goodies. This happened in the later years as the region was opened up and introduced to coastal trade.
Present day Uganda was colonized by the British categorized as a Protectorate as opposed to a Colony. This meant Uganda was not to be settled by the British but rather protected from other Colonial powers of the time because the Nile River which partly contributes to water resources of Egypt in addition to Blue Nile was and is still of strategic importance which had to be protected. (In fact there is agreement though not seen by the consultant which allows stationing Egyptian representatives at the Jinja Dam in Uganda to ensure adequate flow of water to Egypt). The Nile River is fundamental to the lives and development of ‘strategic’ importance to Egypt where the British had interest.

Since some of the major Communities in Uganda were already well organized administratively, the British adopted the same structures (‘indirect rule’) so as to minimize the cost of administration. The colonial administration worked through the local chiefs. The country remained largely rural with the same community arrangements for the delivery of services.

In view of the absence of European settlers in Uganda, the Colonial Government introduced the growing of cash crops (coffee, cotton and tea) by the local people on smallholdings to be able to support the cost of administration. Subsequently, a railway line from Mombasa to Kampala and Kasese was constructed and with it the influx of Asians who had come to build the railway.

The Asians prospered mostly through trading at the expense of the indigenous population resulting in the indigenous people organizing themselves to resist what was viewed as exploitation. Most of Uganda's independence leaders were a breed of the co-operative movement that was established at this time to take part in the export of coffee and cotton. The co-operatives at the time were mostly in agriculture marketing.

During this time, community participation in housing construction and other activities was a very common and acceptable practice. It was part of the culture and tradition. The construction would take place in turns depending on the need. The same would happen during harvest.
Uganda achieved her Independence in 1962 with enormous ambition to improve the living conditions of Ugandans promising good housing similar to those occupied by the Colonialists. During this period there has been no serious housing construction by Government other than the stock that was left behind by the colonialis in various Urban Centres in the 1950s which were referred to as African and European Quarters.

This is despite the establishment of National Housing and Construction Corporation (NHCC) in 1964 to spearhead this function. To date, NHCC has only been able to build about 8,000 units countrywide. This has left the function of housing construction to the private sector and individual households necessitating all kinds of arrangements to achieve adequate shelter.

During the years 1962-1972, Uganda enjoyed a stable political and economic environment and a lot of housing construction took place. Quite a number of houses resulted from the good returns of the agriculture-based co-operatives that were then in place. Savings and credit co-operatives were also established mostly targeted at people with regular employment e.g. Teachers, Institutional employees, etc. These co-operatives have lent members money for housing and other needs though it was always in small amounts e.g. to facilitate the acquisition of land or building materials. The reality is that the agricultural co-operatives through unions have been playing a great role in assisting the members to build houses. The Unions have also put up housing units in various towns like Mbale, Mbarara, Masaka, Kampala, Jinja, etc. as investments.

After 1972 the economy started deteriorating during the Army rule and subsequent internal wars. The social, political, economic fabric of the country collapsed, inflation reached 300 per cent, a speculative economy emerged and the country was characterized by serious shortages of basic needs and insecurity to both property and life.

Since 1986, relative stability and economic progress has been re-established and an environment conducive to housing development is now in place as the table below reveals.

The economy has been experiencing high growth rates of around 7 per cent per annum except for years 1996/97 (4.5 per cent) and 1997/98 (5.4 per cent) due to the El Nino weather conditions. Per-capita growth has also been high, above 4 per cent per annum except for the above two years (see table 1).

All sectors of the economy have registered steady growth since 1994/95 Financial Year except agriculture and commerce that suffered from a decline during the El Nino years 2.0 per cent and 3 per cent growth respectively (see table 1).

Housing construction has been experiencing a boom above 6 per cent per annum for a number of reasons namely:

- A high effective demand for owner occupier and tenant housing is a result of increased incomes, boosted security and a high flow of expatriates working on various projects in the country.
- A stable economy with an increasing availability of a variety of building materials.
- Increased security of person and property - good governance.

It is difficult to establish with reasonable certainty the incomes of Ugandan households due to a multiplicity of sources and the culture of not keeping records. The Uganda Bureau of Statistics uses the consumption expenditure as a basis to establish the income levels of Ugandan households.

40 per cent of GDP for 1998/99 is derived from Agriculture of which 28 per cent was of food crops and the sector is projected to grow by 13 per cent. This is where the highest percentage of the population derive their livelihood by growing cash and subsistence crops, livestock and fisheries (see table 1).

The manufacturing sector continues to expand though at a lower rate (11 per cent) during 1998/99 compared to the years before.
Table 3 and 4 reveal the estimates of monthly income per household consumption expenditure and monthly per capita consumption expenditure by regions by various surveys from 1992 to 1997. The figures are in current prices and should be viewed bearing in mind the following monetary changes in table 2.

The Central Region being more developed than others has the highest household consumption expenditure followed by the Western, Eastern and Northern in that order.

Some selected welfare indicators have been compiled in table 5 to show the national status (1999).

Government has identified in the Background to the Budget (1999/2000) that homelessness and poor housing as indicators of household poverty for which effort should be mobilized to overcome.

Uganda is ranked number 14 among the poor countries in the world with 40 per cent of the people living on less than one dollar a day, life expectancy of 42 years and an adult illiteracy rate of 38 per cent. Current incomes are now (1999) estimated at an annual average of US$ 340 an increase from US$ 270 five years ago. Monthly inflation in July was estimated at 10 per cent (New Vision Saturday 2nd October 1999). With lending rates ranging from 10 per cent (long term) to 20 per cent for short-term commercial loans. Mortgage rates by Housing Finance Company is 16 per cent for 15 years. The dollar exchange rate has depreciated from about USH 1,000 in May 1996 to USH 1,500 by September, 1999 making imports more expensive to access (see also table 2).

The Department of Housing of the Ministry of Works, Housing and Communications estimates housing costs to range between USH 50,000 and USH 150,000 per square metre on the open market while houses by Habitat for Humanity is USH 20,000, Masese Women’s Association USH 40,000, Malukhu Housing Project USH 21,000-32,000, Oli Housing Project USH 21,000-53,000, BYEPA USH 30,000-50,000.

Masese is more expensive because of materials used, cement blocks and tiles, BYEPA and USEP use same materials (local) and technologies while Malukhu used soil stabilized (with lime) for their bricks.
As part of the establishment of sanity and stability in the economy, Government is determined to maintain macro-economic stability by restraining expenditure to available resources, targeting resources towards program with the highest potential for poverty reduction and reducing dependency on external resources. This stability should ensure continued growth and prosperity in the economy and increased effective demand for housing both as a result of income generation and increasing population.

Considering the poor stock of already existing housing units, and the need for new ones to cater for new family formations, several housing delivery mechanisms will have to be applied to achieve the goal of adequate shelter.

Development of specific housing co-operatives (formal) is a recent phenomenon (1992) despite the changed environment for co-operatives caused by economic policies which do not give them special monopoly. There is room for that growth provided they are guided appropriately on how to operate and complement other actors in the field of shelter development.

Working together/co-operation in Uganda is as old as the various tribes/societies that make up the present Nation State of Uganda. This could be related to the very low incomes that reduce individualism and increase the need to have social support networks in times of need to particularly the middle and low-income groups. Co-operatives have enhanced resources available to the low-income societies of Uganda.

There are numerous informal pre-co-operatives initiatives that require enabling environment and technical support for their formalization. In view of the restructuring of Government Departments the process which was set after Habitat II, Department of Co-operatives to promote, co-ordinate and facilitate establishment and formalization of housing co-operatives through an Inter Agency Committee is yet to be operationalised.
Uganda's population has been increasing at a rate of 2.5 per cent per annum since 1980 as opposed to 3.8 per cent between 1956 and 1969 and 2.7 per cent between 1969 and 1980 (see also table 6).

Uganda still has a high fertility rate, which has not changed since 1960 estimated at 7.2 children per woman with a medium age of about 15 years. Population under 15 years is estimated at 48 per cent implying a high dependency ratio. The sex ratio (male to female) is estimated at 96.1 probably as a result of the country's recent social, military and political history.

Settlement patterns largely reflect the agriculture nature of the economy in rural areas; the patterns vary depending on a number of factors such as climate, vegetation, water supply, terrain, soil fertility, disease agents, etc. Areas of good rains, fertile soils, and free of disease agents have high and rising population densities e.g. Mbale, Kabale, Masaka, Mpigi, Mukono, Bushenyi, Kasese, Rukungiri, Nebbi and Arua Districts. Areas of tsetse flies are characterized by low densities e.g. Kabarole, Hoima, Masindi and parts of Mbarara Districts. The rest of the country is sparsely populated because of poor soils and rains e.g. Luwero, Nakasongola and most of Northern Uganda.
Chapter I. Introduction

B. Conditions

2. Homeless population

There is no official estimate of the homeless in Uganda though Government in the 1992 National Shelter Strategy categorizes homelessness as:

- No shelter: People without any form of shelter e.g. those who sleep along verandahs, in abandoned condemned or partially demolished structures. This category is not common in Uganda due to the strong culture of extended families. Virtually anybody can find a relative to stay with. The few that exist are mostly in urban areas where a cash economy is increasingly encouraging individualism.

- Temporary: Those in emergency accommodations due to temporary instability. This is a very recent phenomena resulting from rebel activities particularly in the West and Northern parts of the country which has forced some people to flee and are now settled in schools, churches, administrative quarters, refugee camps, etc.

- Sub-standard housing: Usually overcrowded and in a poor state of repair with no facilities or very inadequate and poorly maintained e.g. shared cheap tenements, illegal settlements, improvised units e.g. garages and stores.

- No secure tenure of a house plot: Illegal and uncertain land tenure, encroachment on marginal land e.g. swamps, absence of any planned services, etc. This is common in low-income areas reflecting level of poverty and lack of access to resources. The new Land Act (1998) theoretically guarantees the security of tenure. It is too early to assess its impact (see box2 below).
Chapter I. Introduction

B. Conditions

3. Housing stock, conditions and characteristics

The last decade (1989-1999) has seen tremendous housing construction repair and rehabilitation than ever before (1973-1986) which were periods of decline in the housing stock due to lack of maintenance, absolence and actual destruction due to militarism and bad governance. The increasing population in face of a declining housing stock at the time led to a steady deterioration of the housing situation.

The situation has now been reversed and reached its peak during the coffee boom (1992-1996). It has now peaked off with an estimated average annual construction of 100,000 units mainly on individual basis. While in 1991 there was an estimated backlog of 350,000 units and in 1999 it has now been reduced to 270,000 units (see table 7). This has equally reduced the sharing ratio from 1:1 to 1:05.

Notwithstanding the above, the general housing situation leaves a lot to be desired both in terms of quality and quantity. The quality of housing in rural areas and the low income high-density areas of urban centres (slums) is quite poor and alarming. It is characterized by absence of adequate infrastructure, services, use of non-durable building materials and poor construction techniques.

While rural settlements may have enough houses in terms of numbers, they are poor quality yet urban settlements have both problems of quality and quantity.

The problem of quantity is indicated by overcrowding and conversion of stores, garages, warehouses, etc. into living quarters. This affects the quality of the even would be good houses due to the pressure exerted on the supply of services meant for fewer people.

Updated figures by the Ministry responsible for housing derived from the 1991 Population and Housing Census reveal a great deal of Uganda's housing situation (see tables 8, 9 and 10).

Table 8 reveals that the majority of urban dwellers (64 per cent) live in room(s) popularly known as "Mizigo" (Tenements), while the majority (94 per cent) in rural areas live in main houses.

A high percentage of households in urban areas (77.9 per cent) live in 1 - 2 roomed dwelling units which correspond to tenements (Mizigo) while that of the rural areas (60 per cent) correspond to mud and wattle huts or simple grass thatch units (see tables 9 and 10).
Due to economic reasons, easier access to information and services and generally a greater enlightenment in urban areas, the households tend to be smaller than those encountered in rural areas (see table 11).

While rural areas have 47 per cent of households with more than 4 people, in urban areas it is 37 per cent. Urban areas have a higher percentage of single member households; because most people who migrate to the urban areas in search of employment opportunities tend to leave their families in the rural areas due to economic demands. Family labour is greatly utilized to farm the family land in rural areas.
Since 1986, overcrowdedness (number of households per dwelling unit) in urban areas has declined from 2.2 to the current 1.1 per unit in urban areas and 1.5 to 1.05 household per unit in rural areas. Infrastructure and accompanying services have also been expanded and improved upon reversing the decline.

Housing development in most urban areas is characterized by many commercial premises (shops at the front) with many single roomed units at the back, which accommodate average sized households. In the rural areas, this type of overcrowdedness is found in traditional non-upgradable units.
There is a housing backlog of 70,000 units in urban areas and 200,000 units in rural areas estimated by the Ministry responsible for housing in 1999 (see table 12). There is also a need to build 1.66 million units between now and the year 2010 due to demographic projections as household formation take place. This can only be accomplished at a construction rate of 170,000 units per year. Given the limited national resources, and the magnitude of the task, all alternative construction methods must be employed to meet this goal. Government of Uganda has drawn up a national housing policy and a strategy to meet these policy objectives (National Shelter Strategy for Uganda Vol. I & II under revision) and has identified 'Housing Co-operatives' as one of the delivery system given its democratic nature of operation which can enhance cost savings and effectiveness. Needless to point out however, that strategy implementation lies more with private sector like co-operatives, NGOs, CBOs rather than Government. The input by Government is therefore limited to policies and guidance. The budgetary allocations do not favour its deep involvement. This trend by Government is likely to continue to be the case as long as reliance on private sector continues to be the major policy framework of Government economic policies.

Government however finances the support infrastructure and services e.g. road construction, provision of safe water sources, energy sources and advisory services to self help housing groups. Government has also strengthened the Housing Finance Company of Uganda (HFCU) by putting all the proceeds from sale of Government houses into the Company for lending to the public. The HFCU is supposed to realize over 15 million dollars to enable the lending. Other financial mechanisms are being explored and this is where the Savings and Credit Societies have a potential role to play.

The co-operatives have been singled out as a cheaper method of housing development due to the community participation element, which is not included in the final cost of the house. It reduces the monetary burden of the individuals.
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B. Conditions

3. Housing stock, conditions and characteristics
   d. Occupancy status

Over 90 per cent of rural housing is owner occupied while 65 per cent of urban housing have tenant occupation (see table 13). There are great variations in rental charges depending on the status of the urban area. This ranges from about equivalent of US$ 1 per month for a single room in the poorest section of an urban area to about US$ 3,000 for high cost executive houses mostly in Kampala and Entebbe. Those that range from US$ 1,000 are actually paid for in US$ rather than USH.

Formal construction sector both public and private, caters mostly for the middle and high income housing while the informal private sector responds to the housing need of the low and to a limited extent the middle income earners.
Chapter I. Introduction

B. Conditions

3. Housing stock, conditions and characteristics
e. Rate of housing construction

There are no records to go by, most of the construction occurs informally but the Ministry responsible for Housing estimates (based on sample surveys) that up to 30,000 units are constructed each year since 1988 mostly to meet the demand that had accumulated between 1973-1988.

By 1996 to present it is estimated to have reached 100,000 units. Most of the construction is taking place in the rural areas where the majority of the population lives and where there are no restrictive laws and regulations to construction. Construction in the rural areas is mostly of affordable locally available materials while that in urban areas has a large proportion of factory made, sometimes imported materials which are out of reach for the majority of the population.

The limited number of formal housing finance institutions and low savings have meant most house construction is out of re-current household incomes which results in construction taking several years before completion. Housing savings and credit co-operatives have a potential role to play to mobilize resources to bridge this gap. There is no effective and widespread system of financing housing construction save Housing Finance Company which only provides bridging finance to those who can afford their high interest rates.

Given their definition, savings and credit co-operative societies (see box 3) should be able to mobilize funds from members and other activities for lending at affordable interest rates in a manner that is acceptable to all in view of the democratic nature of the co-operatives. In the draft of the proposed law by the members of the Saving Societies, such Societies would be empowered to "acquire, lease, hold, assign, pledge mortgage, discount or dispose property or assets; enter into contracts, borrow not exceeding forty percent of its paid up shares, deposits, unencumbered reserves and surplus, accept deposits and provide loans to its members.

The Savings and Credit Societies can also according to the proposed Bill act as trustees and hold in trust real and personal property, or pension funds of members. The Credit and Savings Societies are geared towards property development and lending for shelter development unlike the marketing and agricultural ones. They therefore have very high potential as alternative to Housing Finance Company or any other mortgage Financial Institution to assist large section of the population who choose to be members. Given low affordable interest rates, many would indeed choose to be members. The Credit and Savings Societies can easily replace the Co-operative Bank which has been taken over other Commercial Banks. They can be micro-financial institution which may not be restrictive, expensive and with a human touch. The beauty of such societies is that if tied to housing co-operatives, then one can be sure of lending for housing.
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B. Conditions
3. Housing stock, conditions and characteristics
   f. Housing stock by type

In order to ably define the Housing Stock in the country, the Ministry responsible for Housing has deviated from the traditional description and adopted use of the following housing types:

1. **Traditional non-upgradable**: Built of local materials, mostly non durable materials e.g. local fibres (grass thatch papyrus, etc) which require constant replacement. Use traditional technology and normally are one roomed. It is more sensible to replace than upgrade.

2. **Upgradable tradition**: Have a grass thatched roof, poor quality timber or waste materials for shutters, built of mud and wattle and usually have two or more rooms. No internal doors to each room can be upgraded and extended over time.

3. **Semi-permanent**: Have roofs of permanent materials e.g. iron sheets, etc. walls of mud and wattle, shutters of timber boards, walls may be plastered and floors of a cement screed. Have more than two rooms.

4. **Low-cost house**: Roof of permanent materials, e.g. iron sheets, tiles, etc. mud mortar bonded fired or un-fired brick walls, cement screed floors, usually have a brick foundation and are more than two rooms.

5. **Medium-cost house**: Most components are factory made to durable standards e.g. fired clay bricks, cement blocks, concrete blocks, etc. cement plastered walls with fair face finishing. Shutters are of timber or casement frames or louvres may be connected to electricity where available, may have internal sanitary fittings, a firm foundation and usually a minimum of three rooms.

6. **High-cost house**: Same materials as in 5 above but of a higher quality and finish have a minimum of 5 rooms, at least 3 bedrooms, have water and electricity connected. Sanitary facilities are usually in the main house. The finish and workmanship are usually superb and more resistant to normal wear.

House types 5 and 6 are considered conventional and are mostly the formal type. Based on the above description, current housing stock has been graded as follows in table 14.

The table reveals that out of the more than half a million units in the urban areas 149,000 representing 30 per cent of the total stock require upgrading and 59,940 representing 12 per cent of the total urban stock require total replacement. This means adequate urban housing stock is only 58 per cent (295,220) out of the total urban stock.

The situation in the rural areas is much worse than that of the urban areas (see table 15) with 36 per cent (1,113,4 units) requiring upgrading and 41.4 per cent (1,284,64 units) requiring complete replacement. The only stock in reasonably durable condition in the rural areas is 22.6 per cent (700,000 units).

Out of the country's stock of 3,600,000 housing units, less than one million representing 27 per cent of the total stock is in good condition as defined by the Ministry of Works, Housing and Communications. An enormous amount of upgrading and replacement has to be undertaken.

The structures that require upgrading or replacement in both rural and urban areas correspond with the low and lower middle income households in Uganda. These are household with very limited resources but who would have their housing greatly improved by co-operating, pooling resources and directly participating in the improvement of their housing.
A very limited stock, estimated at 10 per cent is constructed in the formal way in that the designs are prepared by qualified Personnel i.e. Architects, Planners or Health Personnel and is approved by the relevant local authorities. This is mostly in urban areas where developments are located near the local authorities and it is easier to monitor. Over 95 per cent of housing development in the rural areas and up to 80 per cent in the urban areas is not subjected to this process and thus considered informal.

There are also an estimated 20,000 housing units in the country with occupation permits mostly built by reputable construction companies e.g. NHCC or those that are rented by International Personnel working in the Country. This is mainly due to the following reasons:

1. There are not enough professional personnel to provide the services or to guide development even in the urban areas particularly in the low income high density settlements.
2. The long process of approval and cost implications is a deterrent to most developers. The process can take as short as 10 days if you pay your way or as long as 3 - 6 months if you are unable.
3. Resulting from (2) above, people are not appreciative of the need for professional designs and the process and prefer the informal way.
4. The cost of professional designs is prohibitive in view of the output: "permission to develop".

Formal housing is mostly found in urban area in the middle and high income settlements while informal housing is predominant in the high density low income urban settlements and rural areas. The dominant construction materials used in informal housing are local with very little or no factory made component, use artisans supplemented by community and household labour.
Chapter I. Introduction

B. Conditions

4. Accessibility to basic social services and infrastructure

The provision of infrastructure services plays a vital role for accelerated and sustainable social, political and economic development of any country. During the past decades, Government and the donor community have placed enormous resources in the rehabilitation and expansion of infrastructure services as a basis for the country's registered high growth rates averaging above 5 per cent per annum.

Provision of basic infrastructure services of water, sewerage and sanitation, transport, schools, health, power and communications are discussed below.
The following are the major stakeholders:

- The Water Development Department (WDD) responsible for water supply mostly in rural areas not covered by National Water and Sewerage Corporation (NW&SC). It drills boreholes, shallow wells, project springs and wells, construct gravity flow scheme, dams and valley tanks.

- NW&SC responsible for urban water and sewerage provision; do implement its own expansion programs or take over from WDD projects that have attained financial viability since the Corporation is expected to be self sustaining.

- Ministry of Health responsible for rural sanitation and some water schemes.

- Ministry of Local Government (MOLG) used to operate and maintain rural non-piped water supplies and sanitation particularly relating to community mobilisation. This function has now been decentralised and monitoring at the centre consolidated with WDD.

- Numerous NGOs, international donors, CBOs and the local communities are involved in the provision of all types of water supply, sewerage and sanitation.
Chapter I. Introduction

B. Conditions

4. Accessibility to basic social services and infrastructure
   a. Water supply, sewerage and sanitation
      i. Water supply

It is estimated that 35 per cent of the population have easy access to safe drinking water and urban coverage is estimated at above 60 per cent.

Table 16, on the current and projected water supply facilities by technologies, reveals the following scenario:

In order to achieve 100 per cent water distribution by 2015, more boreholes (29,800), shallow wells and protected springs (24,913) have to be constructed. In order for it to be affordable, boreholes and springs are the viable water source options for the majority of people particularly in rural areas and has enormous potential for community mobilisation. Maintenance of springs and well has always been the responsibility of the respective communities. Currently, with training the management of boreholes has also passed on to the benefiting communities.

Distances to water sources vary depending on geographical location and season. It is between 500m in the South and Central region to as much as 5 km in the dry parts of the North and North East where water sources tend to be seasonal and water is particularly scarce during the dry season.

The old urban centres (Pre-Independence) have piped water with an extensive network in the old boundaries and little in the new extended areas. The high density low income settlements hardly have access to piped water.

The results of the survey undertaken in the 35 districts out of 49 reveal that about 2 million houses are considered to be clean with sanitation facilities and the same number has facilities for a kitchen and just about 1.5 million households have both shelter and ways of disposing waste while at least 1 million households are without latrines.
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B. Conditions
4. Accessibility to basic social services and infrastructure
b. Transport and communication

The major transport mode in Uganda is by road, though there are others e.g. rail, water and air transport which are supplementary. Most of the Ugandans walk on foot to and from their places of work followed by bicycles in most rural areas. The use of motorcycles is on the increase particularly in the urban areas as is the use of mini-buses, buses and private cars. There is limited marine transport by boats and canoes (manual and motorised) on the lakes and air planes for both internal and international travel.

Uganda has a well laid out road network divided in the following distinct categories:

- Trunk (National) roads mainly made up of international routes joining Uganda to neighbouring countries and major domestic routes internally linking large population, commercial and administrative centres. The network totals 9,600 km of which 2,200 km are tarmac.

- District (Feeder) roads which comprise 22,300 km connect communities to commercial and social economic centres either directly or through linkage to the truck road. The respective District Administrations are responsible for their repair and maintenance.

- Urban Roads total 2,800 km and serve the City, Municipalities (14) and Town Councils. They are a responsibility of the respective Urban Authorities served.

- Community Roads total 30,000 km and link various rural communities to each other development and maintenance is a responsibility of the communities.

In a concerted endeavour to reduce poverty, emphasis is put on repair and maintenance as a way of easing access of goods to the market.

Sub-county Administrations are increasingly taking interest in the community roads and together with the communities are opening up new, repair and maintaining old ones. Originally, this had been a sole responsibility of the communities who either contributed financial resources or physical for the upkeep of community roads.

The telecommunications sector has been liberalised and a second operator has been licensed which has lead to an increase of telephone density from 0.25 per cent to 0.5 per cent. The use of the telecommunication services is still urban based though the Uganda Communications Commission plans to expand usage using the Rural Fund. Radio call facilities are used mostly by big organisations with extensive networks. Other services have been introduced though still confined to urban areas.

Though the Government owned Uganda Posts Limited is still the largest with a nationwide network, nine other mail couriers have been licensed leading to improvement of the service though it is still minimal in the rural areas.
Chapter I. Introduction

B. Conditions

c. Others

Through the Universal Primary Education Program, the number of Primary School going children has more than doubled to above 6 million. Enormous pressure has been put on the infrastructure already in place. Government, local authorities together with parents are participating in the construction of classrooms. The private sector is increasingly playing a role in the provision of Primary, Secondary and even University education which used to be the preserve of Government a few years ago.

The Government is pursuing a policy of preventive as opposed to curative medicine and has therefore placed resources at training education, information, etc. to achieve this changed policy objective.
Shelter Co-operatives in Uganda
Prepared by Emmanuel M. Byaruhaunga for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Uganda

A. Historical background of co-operatives

The co-operative spirit i.e. working together for the economic good of individuals in the group goes far back in history. The pre-co-operatives initiative can be traced in the history of many communities in the country to pre-industrial age.

The spirit of co-operation changed with the coming of colonial rule and introduction of cash crops which introduced a new production system from purely subsistence level to cash crops and monetisation of the economy. This was a great fundamental change in both social and economic terms. The introduction of cash crops especially coffee and cotton and subsequent marketing arrangements established a climate conducive to the creation of formal co-operatives.

The co-operatives were started by farmers as a protest to the system which they regarded as exploitative. While the farmers were paid low cotton prices, the middlemen were the main beneficiaries in terms of getting higher incomes. In 1913, a group of farmers from Singo in Central Uganda founded the first ever co-operative association with the sole aim of exporting and processing their crops. This example was copied by other farmers in the rest of the country to fight exploitation by the Asians. The colonial government saw this development as a threat. The co-operative movement therefore operated underground until 1946 when the co-operative Ordinance was put in place to legalise and control the co-operatives. Some co-operatives like Federation of Uganda African Farmers (FUAF) refused to register under the ordinance as they feared to be controlled. In fact its activities were out-lowered in 1949 when there were disturbances in Buganda Central Region.

Uganda got a new Governor by the name of Cohen (1952 - 1962) who was more liberal and developmental in comparison to the past Governors. He appointed a Commission of Inquiry into the grievances of the farmers known as "Commission of Inquiry into the process of the co-operative movement in Mengo, Masaka, Busoga Districts led by Dreschfield in 1952. The commission was to establish modalities to make the co-operative ordinance more operative.

The commission recommended that Government had no business guiding co-operative as they were private enterprise and that it was better for co-operatives to be left alone as private enterprise to be controlled by members.

In accordance with the recommendations the Co-operative Societies Ordinance of 1946 was amended in November 1952. The changes separated the Registrar of Co-operatives from the Commissioner for Co-operative Development and Co-operative Council almost similar the present Uganda Co-operative Alliance (UCA) was created with representatives of co-operative societies.

While these changes were seen as accommodative Government still had a strong hand in how the co-operatives were to run. It allowed Africans to have access to processing of coffee and cotton a function which hitherto was limited to Indians. In fact the "Acquisition of Ginneries Ordinance" was enacted in 1952 and provided for the African co-operatives to acquire and operate 20 ginneries within a period of five years. These were to be bought by the unions from their resources up to 50 per cent of the purchase price while Government would provide the difference from a special cotton fund to be paid over a period of 30 years at an interest of 4 per cent. Even coffee was legislated for under 1953 'Coffee Marketing Ordinance' which required coffee which is not processed on the farms or estates to be sold through Coffee Industry Board at fixed prices. The Bugisu Coffee Ordinance of 1955 was put in place giving Bugisu Co-operative Union a monopoly of purchasing, processing and exporting coffee from the District.

The idea of competition was abolished and monopoly put in place. It was to remain monopolistic and until 1990s when the law was revised in line with liberalisation of the economy.

These measures helped to increase membership of co-operators eight times and tonnage of crops handled increased six fold between 1952 - 1962. There were 14 ginneries and seven coffee curing plants in the hands of co-operatives by this period.

The co-operative movement was dominated by agricultural activities without excluding the others like savings and credit, consumer, transport livestock, fishing, handicraft, cottage industries, multi-purpose, building materials, etc. There is however no evidence of housing co-operatives as a separate entity in these early stages. The housing need was easily dealt with under multi-purpose co-operatives and the unions. In portfolio of the Union, housing was one of the needs of the members that had to be dealt with alongside others.

It is also possible to have left the other co-operatives to deal with housing issues since it was and still is a strong need of the members in whatever co-operative it is. This explains the element of building houses in almost all
co-operative objective.
Most of the leaders of the co-operative movement joined politics and the new managers were of lower quality and therefore mismanaged them. This caused discontent over the operations of the co-operatives. There were various commissions of inquiry set up which resulted in repealing of the 1952 Societies Ordinance being replaced by Co-operative Society Act and Rules 1963 which restored control through the Registrar by Government. In 1970, the 1963 Co-operative Societies Act was repealed and replaced by a new Co-operative Societies Act. The new Act abolished the autonomy and gave the Minister direct control over the affairs of registered societies. The 1991 Statute however liberalised societies to compete in the market place and reduced government control and powers of the Minister.

While the origin of co-operatives were in the form of pre-co-operatives based in a particular settlement that would come together to achieve a particular purpose like building of a house, harvesting with no formal rules on the membership or participation, this developed into formal co-operatives with the enactment of various laws. The co-operative spirit however based on the cultural concept of helping each other for a common good was changed to formal type which eroded the basic principle of co-operatives namely; control by members for their own benefit which the Act of 1991 in principle restores. There are some sections and clauses however in the current law that need to be amended to take care of full liberalisation like dealing with non-members which is currently restricted.
Discussion in this section include formal housing co-operatives and 'co-operative like' Organizations given the low number and operations of the former. Also covered is Katayi Multi-Purpose Society which though basically a rural housing co-operative could not register as such in 1987 due to the absence of an appropriate law.

Housing co-operatives and co-operative like initiatives in Uganda do carry out a wide range of functions unlike their counterparts in Europe e.g. construction, production and sale of building materials, etc.

In addition to decent living accommodation, they also provide such ancillary services as: roads (Katayi has actually constructed village roads), drainage, water, facilities for physical and cultural recreation and many others.

The following is based on the following housing co-operatives and co-operative like organizations studied: Katayi Multi-Purpose Society and its 9 affiliate groups in Masaka, Masese Women's Association, Malukhu Development Association, Namuwongo Housing Co-operative, African Co-operative Housing Society (de-registered), Lokerein Housing Co-operative in Kotido and Bundibugyo Housing Co-operative Society in Bundibugyo.
Chapter II. Co-operatives in shelter development in Uganda

B. Basic functions of housing co-operatives

1. Mobilisation

The concept of pre-Annual General Meetings has been institutionalised. These are usually held on the eve of the Annual General Meeting and this gives the members the opportunity to discuss a wide range of issues. Other people are invited to pass on any message to the members on issues that affect them. In addition, co-operative meetings are open to the public. This enhances their importance for mobilisation. In fact, many people have used them to do mobilisation and training. Mobilisation about citizenship duties, health, policies, etc.

Co-operatives such as the UCA, UCSCU Ltd., and many District Unions host weekly radio programmes. Such programmes provide good opportunity for mobilisation.

These activities cover the whole country.
Most formal societies organise training for their members and presently there are a number of individuals and NGOs who can package such training for organised groups. The training of members covers a wide range of subject and is not confined to the core activity of the co-operative. This covers cross-cutting issues that are necessary inputs in the societies core function e.g. leadership skills, Gender awareness, Environmental protection, Basic health care including information on HIV (AIDS), etc. for housing co-operatives training in housing maintenance is now becoming an important component. To emphasise the importance of this, most societies have an elected person/department responsible for member education. In fact there is a Secretary for Education on the management team of all co-operatives. The housing co-operative in Masese had big dose on nutrition training by a team from Israel through African Housing Fund. The health officials taught the members a lot about AIDS to this group that was formerly a slum teaming with prostitution. Donor funded co-operative like initiatives in housing e.g. Masese Women's Project, Malukhu in Mbale have been able to tap this training. Katayi Multi-Purpose has also been able to attract training and support for training done in house. The Katayi training is internally thought and generated unlike those with heavy donor funds so it is more successful and matched to the needs of the beneficiaries. Katayi Multi-Purpose Society has trained over 1000 people in various skills related to production of materials and housing construction and other aspects that enhance household incomes in the last seven years. It has its own Vocational School while it takes on young school dropouts in the surrounding villages to teach them building skills.

It has given carpentry tools to members with skills to train others and also produce materials like doors, windows, required by the community. The tools were availed to Katayi by Government donation which were originally secured from FINNIDA and some were directly secured by Government purchasing through the Department of Housing in the Ministry responsible for Housing.
Societies mobilise resources from first and foremost its members, who pay an agreed membership fee which is usually low depending on the income of the members. Members also buy shares in the society according to their respective affordability. Shares are usually denominated in small figures of USH one thousand to allow easy purchase. Housing co-operatives, by their nature, have the advantage of tapping other resources of the members to supplement the financial contributions such resources can range from physical labour input, professional advice or contributions in material form.
Loose associations of youths with no skills and capital, are increasingly getting involved in the production of building materials such as bricks and blocks on commercial basis as the construction industry booms in most parts of the country. Young men and women are also learning on the job as construction artisans. These people start as unskilled labourers (porters) on construction sites and eventually attain skills of artisans who are responsible for most of the house construction in the country. The production of clay bricks by these groups which are not necessarily registered can be seen a long most trunk roads in Uganda. They are not all documented as such but can physically be seen.

Masese Women’s Association is probably the biggest building and construction co-operatives in the country. It employed up to 300 men and women during 1992 - 95 when it was involved in producing building materials and construction of 370 houses for their members and 6 schools for Jinja Municipality.

During this time, they also produced cement based materials for the Water and Sanitation Project (RUWASA). Current employment levels vary from 50 - 100 depending on availability of orders and contracts. The decline in employment is basically a result of competition from other actors in the private sector and weak business skills of the MWA leadership. Masese as will be shown later cannot be seen as a model since it was over assisted with donor funds and cannot easily be replicated. No wonder since the demise of the donor funds, the signs are that weakness are showing and the members are asking for assistance instead of maturing to be on their own.
Housing co-operatives create self help opportunities and mutual support systems that allow more effective dealing with groups rather than individuals. This is why people in the recent past have been advised by Government and UCA to form housing co-operatives in order to have their problems effectively solved. A co-operative allows tapping of individuals skills for the benefit of many at limited or no cost and members automatically benefit from support of the others. This support is very important for particularly low-income communities who may not have the financial resources individually to meet these demands. In fact as a matter of general policy most societies in Uganda under their bye-laws have special funds to which members make regular contribution to cater for members social assistance. There is a sense of belonging and togetherness by members of the same society. The Society can easily come to a member's rescue in case of need.
Housing co-operatives in other parts of the world, pool resources and build houses for the occupation of members or renting for extra income. This arrangement cannot however be practical in Uganda in view of the cultural background of most Uganda societies. In order to prove maturity, one has to have his or her own house, though usually applies to men rather than women in Uganda. Joint ownership does not give the sense of pride that "I own". It is not seen to provide security of tenure when owned jointly. This is why in the rural areas the head of the family will sub-divide his or her small holding among his children however, uneconomical it may appear. The President of Uganda has been on record many times calling for a stop of this sub-division as it is not viable. It will however take long to be stopped. This same culture relates to housing which occupies land. Joint tenure usually breeds misunderstanding, insecurity, however un-viable, or un-economical it may be. In summary, the following should be noted as the main reasons for not accepting joint ownership:

- Tradition and culture have emphasized individual ownership in terms of assets that even in areas where land is owned communally the elders allocate it to individuals for their use but not collectively.
- Housing is the single most valuable assets owned by many families and would not wish to co-own this asset.
- Society is not that advanced to appreciate collective ownership, most people view it is as a form of communism.
- Houses, even in the most primitive form, have always been owned by individuals, and collective ownership for this asset is foreign and bound to take time before taking root.
Housing co-operatives through their unions buy or build houses for rent to their members and the public. In the case of Uganda, the houses are rented to the public and not necessarily members. Houses are bought as a means of diversification to generate income for the Union. This is also possible with other co-operatives that are not housing co-operatives. Bugisu Co-operative Union bought Mt. Elgon Hotel for this purpose. Although this is at the level of Unions, there is no reason why it cannot happen at the level of Societies as they grow and expand in their activities. This would be opportune when the members have all satisfied their individual housing needs. Uganda Electricity Board, Post Office, Buddu Teachers Savings and Credit Societies have purchased/constructed houses under the arrangement of Savings and Credit System. The housing co-operatives are yet to venture in this area given their small capital base. Katayi tried to acquire land and construct houses in the Masaka Municipality but was frustrated by the Local Authority. The case study however of Kampala Housing Co-operative Society Ltd. (KHCS) shown in their report of 1998 in box 4 shows some success.

Table 17 gives some examples of the involvement of Unions into housing and building activities.
Chapter II. Co-operatives in shelter development in Uganda

B. Basic functions of housing co-operatives

8. Maintenance

Co-operatives emphasise the improvement of physical structures. Through co-operatives, very many individuals have been able to improve on their houses.

There are several instances where co-operatives assist their members acquire loan to get iron-sheets and cement to upgrade their houses. Such cases are found in the coffee and cotton growing areas. These are known facts although no data was easily available to the consultant in view constraints of funding for travel and data collection. Case studies of savings and credit co-operative societies reveal this lending.
9. Loans to members

This is the case with most of savings and credit societies such as Mengo Teachers' Saving and Credit Co-operatives where beneficiaries used to spend a substantial amount on house construction. Due to capital erosion (e.g. inflation), but also to the loan period and the loan savings ratio, it is not possible to lend big amounts required for housing.

There are also some groups such as GALUGRY Young Farmers' and Housing Co-operative where an International Housing Scheme has been established. Funds are extended to the members to procure building materials.

Co-operatives give loans to members in terms of cash to buy building materials and pay for skilled labour that may not be available within the society. The loans are also extended in terms of materials where available and have been acquired cheaply due to bulky purchase or produced by the society. The loans can also cover purchase of land though in most instances in Uganda land is already available - with the member mainly the rural areas. In the urban areas however, this may not be the case and co-operative have to purchase the land or apply to be allocated in case there is land which is not claimed by anybody. The issue of land delivery is discussed later on. Loans are also extended to members for upgrading, renovation or rehabilitation of members houses.
Most housing co-operatives in Uganda purchase building materials in bulk for members or produce them for cash purchase to members of any willing buyers or sweat equity exchange. Most project based co-operatives are producing materials for cash sale while Kataayi Multi-Purpose Co-operative Society uses both methods of cash sale and sweat equity exchange. (see box 4 on KHCS)

There are numerous Informal Associations of the Youth involved in the production of clay construction and fencing bricks. Even the formally registered housing co-operatives produce building materials besides construction activities making this one of the basic functions of housing co-operatives.
A Building Materials’ Construction Program through co-operatives was initiated by the Ministry of Lands, Housing and Urban Development in 1987/88 and is still going on among the co-operatives which were part of this program.

Brick and tile making machines were distributed free of charge to co-operatives as shown in table 18.

The Consultant is aware of exchange of tiles for coffee delivered to the co-operative undertaken by Bugisu Co-operative Union.

The machines were procured under ODA and ILO assistance. It was not possible to evaluate their impact to-date by the consultant during the preparation on this report but can be regarded as having contributed to shelter development.

Other successful Unions like Masaka, Mengo, East Mengo though agricultural based have lent out money and materials for housing to their members. Lubumba Women Co-operative Society bought a piece of land and put up an office block. They got technical assistance from Katayi Multi-Purpose Society.

Kasagga Growers Co-operative Society was funded to secure a machine for tiles. Production for the tiles was however hampered by lack of funds to purchase cement and the market was not good for the products as they were too expensive to the ordinary person.

Similarly, due to cost element, Semulo Growers failed to produce tiles significantly since they could not sell them to the members.

We may differentiate between three different categories of co-operatives relating to construction work:

- All housing co-operatives discussed in this report carried out construction activities either for members, societies or private commercial housing. Kampala Housing Co-operative Society is actively engaged in commercial construction for non members.

- 'Loose associations' concentrate on construction of houses for members and very rarely go out to construct houses commercially. If the loose association aims at eventually formalising its existence then its more likely to construct both for members and commercially to generate income for its registration.

- Most importantly, however, project based housing co-operatives like that of Masese (see box 15), and Malukhu (see box 16) in Mbale are able to carry out construction work beyond the membership of the society.
There are many other relevant co-operative societies to shelter development in Uganda. This is attributed to the fact that co-operatives may be adapted to a large variety of economic needs and situations. However, the types relevant to housing include; savings and credit, transport, carpentry, brick making, construction, agricultural marketing (provide loans for housing) and multi-purpose co-operatives. Most bye-laws of co-operative societies have an objective relevant to building and house construction as seen in box 5.

Furthermore, they:

- Undertake welfare activities for the member and their immediate families and employees for the promotion of their moral, educational and physical improvements.
- Encourage in the members the spirit and practice of thrift, mutual self-help and education.
- Provide loans to members on the security of their specific products: i.e. bricks,
- Savings, trustworthiness, etc.
- Promote and publicise the co-operative principles and carry out educational programmes through seminar and workshops.
- Encourage the members to save money by accepting their deposits.
- Buy, acquire land and buildings by purchase, mortgage exchange or gift for the business of the society.
- Co-operate with other co-operatives
- Take up or otherwise acquire and hold shares in any other society.

The basic functions as they relate to the various types of co-operatives are as follows:
Chapter II. Co-operatives in shelter development in Uganda

C. Basic functions of other relevant co-operatives

1. Savings and credit

There are 475 registered savings and credit societies and quite a number of co-operative like initiatives on the same line. The number has been growing since the formation of the first savings and credit co-operative.

The first savings and credit co-operative in Uganda was the African Civil Servants Co-operative Thrift and Loan Society of Kampala registered in May 1948. Rapid development was encouraged by the Co-operative Ordinance of 1946, the churches which wished to establish lasting socio-economic structures, encourage self help, reliance and initiatives. Government has also influenced the expansion of savings and credit societies by the introduction of the Rural Saving Scheme in 1961, creation of the Department of Co-operative Development in 1962 and subsequent facilitating laws.

In 1971, savings and credit societies formed UCSCU setting a fresh pace for development through promotion and education programs. UCSCU also provides technical support to members.

By 1978 there were 218 registered societies and over 50 pre-co-operatives mainly in urban areas with about 94,000 members with a total of USH 38 million (exchange rate USH 6 = USS 1) in self generated savings with outstanding loans of USH 16 million.

1. Mobilise member savings: They create funds by providing a mechanism whereby savings are mobilized, receive competitive interest and ensure minimum risk to the savings. In the case of work based societies, members' savings are collected through the "check off system". This is more convenient and ensures regularity of savings e.g. the Makerere University Employees Co-operative Savings and Credit Group profiled in box 6.

In the case of rural based non-institutional societies the members are obliged to deposit their savings to the society in cash especially during the season of selling their crops. Some savings and credit schemes have assumed the role of rural financial inter-mediation providing similar services like any credit institution. In fact they are playing the role of micro-finance institutions which we can call village banks. Examples include Bulungeni Village Bank and Kigutamanya Village Bank.

At the beginning of 1991, there were 421 registered societies and about 300 pre-co-operatives with 70 per cent of the registered societies located in rural areas or serving predominantly rural membership.

Growth has been influenced/stimulated by:

- The 1946 Co-operative Act
- Church leaders who have natured such societies and continue to facilitate them with offices and other support.
- Support from the Department of Co-operative Development.
- Support from donor agencies, e.g. Bread for the World, Rebobank, Dutch Bishops Coady International Institutes, Canadian Development Foundation and United States Agency for International Development (USAID).
- Formation of UCSCU with new services e.g. central finance/inter-lending facility, risk management, education and training.
- The shift from substance to cash economy which has enabled saving among the rural people
- Commercial banks' inability to lend to low income people.

2. Undertake credit business: Once the adequate funds have been accumulated, they are lent to members at reasonable and competitive interests and on easy repayment terms. The terms in the ratio of 1:1 or 2:1 or 1:3 of the savings.

3. Invest members savings in secure ventures that may provide profits or benefits for the members, such as transport, commercial buildings and Treasury Bills. As pointed out earlier, savings and credit societies as a model for micro-finance institutions needs to be explored and encouraged as viable option for sources of funds to lend for shelter development (see table 19).
The internal civil strife (1972-1986) had its toll due to the chaotic economic condition that prevailed, savings declined, members became inactive and others stalled due to low levels of capitalisation. The currency conversion of 1987 further disorganised the growth of the movement as it eroded further the savings which had been reduced by the Civil Strife.

Savings and credit societies in Uganda have resulted from one of the following common bond:

1. **Single employer:** The society is made up of people employed by a single employer e.g. Uganda Electricity Board (UEB), Post Office Savings and Credit Societies. Box 7 provides a profile of Uganda Co-operative Savings and Credit Society Ltd. serving employees of the Ministry responsible for co-operatives countrywide:

2. **Community based bond:** members share the same social economic problems. This is mostly in rural areas. The examples are Katayi (see box 17) and BYEPA (see box 8).

3. **Professional bond:** Members share the same profession e.g. teachers, doctors, lawyers, etc. See profiles of Uganda Shoe Shiners Industries Society Ltd. (box 9) and Mengo Teachers Co-operative Savings and Credit Society Ltd. (box 10).

Savings and credit co-operative societies have the following advantages over other financial Institutions:

- Serve lower-middle income families i.e. small entrepreneurs, farmers, artisans, etc. with small savings that would otherwise not be accepted in commercial banking institutions.
- There is less formality and technicalities thus making accessibility easy.
- Access to loans is easy and much more simplified than other Institutions. They consider character of borrower, his/her capacity to repay and other innovative but effective approaches.

The organisational structure of savings and credit co-operatives in Uganda is outlined in figure 1.

- The Credit Committee appointed by management or elected by the Annual General Meeting processes loan applications from members based on the societies' regulations/policies.
- The Supervisory Committee appointed by Management Committee or the Annual General Assembly carries out the audit functions, ensures implementation of decisions of the Annual General Meeting, Staff Appraisal, etc.
- Education Committee responsible for the education of members employees, officials, etc.
- Other Committees - Each society can have extra committees to meet a specific objective.
Chapter II. Co-operatives in shelter development in Uganda

C. Basic functions of other relevant co-operatives

1. Savings and credit
   a. The Uganda Co-operative Savings and Credit Union Ltd. (UCSCU)

   This is a national union formed in 1971 by 44 savings and credit societies with the following objectives:

1. Assist, promote, encourage and develop savings and credit societies in the country; UCSCU has now introduced a Central Finance Programme. The loan protection fund, and life saving funds.

2. Provide basic extension services required by individual societies which would be very expensive on the open market e.g. audit.

3. Mouth piece for all members and lobbies for support

4. Conduct training for all stakeholders.

   By 1994, the savings and credit co-operative movement had the following:

   - Registered societies - 442
   - Pre-registered groups - 413
   - Membership - 147,000
   - Accumulated savings - USH 1.8 billion
   - Share capital - USH 331.0 billion
   - Loan balance by members - USH 1.7 billion
   - The balance - USH 34.6 million
   - Fixed assets - USH 645.0 million
   - Members equity - USH 2.2 billion

   Use of loans by members 1992

   - Agriculture and farming - USH 132 million
   - General business and Trade - USH 66 million
   - Education (members' children) - USH 118 million
   - Medical treatment - USH 33 million
   - Construction and house improvement - USH 99 million
   - Others - USH 211 million

   Funding for housing construction and improvements takes third position in the loan portfolio of savings and credit societies. Savings and credit co-operatives are closer to people particularly the law and middle income families who would otherwise not be able to access or afford commercial loans.

   Capitalisation and other interventions function would increased the intensity and role of these societies. Box 11 gives some more details on UCSCU.
Chapter II. Co-operatives in shelter development in Uganda

C. Basic functions of other relevant co-operatives

2. Transport

- Operate transport services for passengers, goods and produce in general and any other auxiliary services related to the service.

- Own vehicles.

The Uganda Co-operative Transport Union Ltd. is one of the biggest transporters in the country and provides transport services to co-operatives and non-co-operatives customs. Some of what they transport include building materials.
Shelter Co-operatives in Uganda

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C. Basic functions of other relevant co-operatives

3. Carpentry

- Promote improved methods of cutting timber and supply expert advice.
- Produce wood based goods for sale to the public.
- Bulky purchase of raw materials.
Chapter II. Co-operatives in shelter development in Uganda

C. Basic functions of other relevant co-operatives

4. Brick making

- Encourage improved methods of brick and tile making.
- Purchase brick making machines for efficient production of good quality bricks and tiles.
- Manufacture bricks, vents, roof and floor tiles for sale to the members and other customers. Table 20 shows some details.
5. Construction

- Promote improved methods of house construction/building.
- Market and produce bricks for the members co-operatively.
- Purchase and sale building materials e.g. timber, cement, iron sheets and nails.
- Undertake civil works contracts, such as; repairing and maintaining houses where necessary.
Agricultural marketing has played a very important role in facilitating housing development as these are the main sources of income for the general population.

As indicated earlier in this report, the Unions purchase building materials such as iron sheets, cement, nails and implements like spades and wheel-barrows, which they would sell to members at reasonable prices as compared to the open market. This was particularly helpful during the bad times when building materials were very scarce. Even when the materials are available, purchasing in bulk is still cheaper.

All district co-operative unions and their affiliates have been involved in this kind of practice in the past hence, their relevancy to housing. The fact that most of the successful co-operatives deal with marketing of crops should not therefore be seen as limited with the activity as there is always room to venture into other activities of members interest such as housing.

The Co-operative Credit Scheme in most agricultural co-operatives has also been used to provide loans inter-alia for housing purposes. This Scheme is largely in the agricultural marketing co-operatives. In fact when we look at the bye-laws of most societies there is an element in the objective to housing as already noted earlier.
Shelter Co-operatives in Uganda
Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA

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C. Basic functions of other relevant co-operatives

7. Multipurpose

These combine the various functions performed by the other types of co-operatives mentioned above. Housing forms a big activity in view of the fact that it was not easy in the past to register purely housing co-operatives so the use of multi-purpose types of co-operative that would not be limited in their operations.
Co-operative spirit in shelter construction is very old as already pointed out earlier, but this co-operation has been taking various forms depending on circumstances that are prevailing. Some could cater for building materials production, actual construction, maintenance and raising financial resources.

In Uganda, co-operation and the formation of co-operatives is in the following two broadly defined categories:
Chapter II. Co-operatives in shelter development in Uganda

D. Number of co-operatives, size, housing units, characteristic of members, their impact on overall shelter delivery

1. Formal registered co-operative societies

The UCA has compiled statistics of formal registered co-operatives as of December 1995. The consultant has attempted to update the register using materials available with the Registrar of Co-operatives. During the survey (1995), all co-operative primary societies, district unions and national unions were covered.

Presently, there are 5,359 formally registered co-operative societies lead by agriculture marketing (3,398), savings and credit (587), and multi-purpose (349) (see table 21). Housing (with 13 societies) is ranked 21st in terms of numbers out of 31 listings by type. 4,565 societies can be considered housing or housing-related in that they support/facilitate shelter development in Uganda.

Out of the housing and housing related co-operatives, 1,530 are active, 1,604 semi-active and 1,376 dormant in terms of activities/reporting to District officials responsible for co-operatives.

Table 22 provides a survey of 4 sample housing co-operatives, with US$ 26 as the mean nominal value of the shares. Two reporting societies revealed a mean share capital of about US$ 200 each.

Table 23 reveals the turnover of 200 societies that were surveyed with an annual turn over of US$ 1.7 million and a mean of US$ 164,860. The savings and credit societies are the most vibrant and capitalized of all the following and housing related co-operatives besides the agro-marketing co-operatives.

Table 24 is a survey of 2,830 housing and housing-related co-operative societies with a total membership of 74,246 females and 527,046 males giving a mean of 26 females and 186 males per society. It is important to note that in most cases, each member represents a household thus meaning more than 2.0 million people are associated with housing related co-operative movement.

Table 24 reveals that the five societies that were surveyed had a total membership of 29 females and 134 males with a mean of 6 females and 27 males respectively. This gives a total mean of 33 people per society giving an estimated 166 people in all the formally registered housing co-operatives. The number is much greater when you consider the pre-co-operative initiatives. The consultant and officials of the Housing Department estimated the number to be well over 10,000 people.

Income characteristics of members differ from one type of co-operative to the other. Table 25 shows the distribution of co-operatives by types and income levels.

The income characteristics of each type of society is determined by the level of sophistication and investment required to start such society.

Most of the good houses that were built in the 1960s and which have stood the test of time were by the first members of the agro-marketing co-operatives that started in Central Uganda. All societies in the co-operative movement in Uganda have had a positive impact on the overall development of the housing sector.

It is important to note that most of these co-operatives increase the incomes of their members and part of these incomes are used in housing development. Most of the co-operatives lend their members cash or materials at lower rates of interest for housing development and other activities in comparison with what financial institutions would do. The model bye-laws which are applied by most if not all Societies, under Rule 26 - 28 makes clear on the obligation to give loans to members as indicated in box 12.

There were 13 registered housing co-operatives as by September 1999 (7 in rural and 6 in urban areas). Five of these were dormant. One of many reasons for this dormancy could that members had met their housing needs and thus interest has waned, resulting in no activity.

It is not possible to establish with certainty the number of housing units attributed to housing co-operatives because of absence of records and the informal nature of most of the associations inclusive of both formal and informal co-operatives. The following is worth noting:

- Housing co-operatives in urban areas tend to build houses confirming to the formal urban planning regulations. Due to cost implications, the number of such houses are few. housing co-operatives in urban areas is new development and mostly among youthful employees with incomes ranging from upper lower to
upper income groups. The Consultant estimates about 1,000 units built in urban areas under this arrangement (see box 13).

- In rural areas most of the housing co-operatives are not formally registered because of reasons already stated. Though quite a lot of housing in the rural areas is built through community co-operation, it is not reflected in the records of formally registered co-operatives. The Consultant estimates over 200,000 units have been constructed in rural areas under this arrangement.

Until recently, the co-operative movement had majority shares in a commercial co-operative bank which has been liquidated. Though member co-operative societies borrowed money from this bank in the past, there is no evidence that any housing co-operative ever accessed any loan from the Bank. This is because of commercial nature of the loans implying short term and high interest rate which is not conducive to housing development.

The impact of formally registered housing co-operatives has been minimal in terms of housing units but it can be significant if the unregistered societies are included particularly in the rural areas. The main aspect would be in the area of collecting materials since they are usually local, pooling of labour for construction, constructing infrastructure especially roads, water points, etc.

A sample housing survey that was done in 1989 during the preparation of National Shelter Strategy by the Department of Housing in the Districts of Masaka, Bushenyi, Mbale, Arua and Kampala did encounter numerous informal associations striving to improve their housing conditions collectively. Non formalization of these "pre-co-operatives" is due to the following reasons:

- Peoples dislike of formalities which are time consuming to write Constitutions, bye-laws, books of accounts and a host of other things which are not easily understood by the would be beneficiaries.
- The bureaucracy and paper work which sometimes entails bribing to get things done.
- Until 1991, the Co-operative Act was silent on housing co-operatives and thus there was no framework for registration, Government was mainly interested in the agro-based co-operatives that turned out big money and this frustrated the formalization of housing co-operatives. Katayi Multi-Purpose Co-operative Society in Bukoto Sub-County, Masaka District started as a housing co-operative in 1974 but had to become "Multi-Purpose" so as to be registered in 1987.

See also box 14.
Housing co-operatives (formal) in Uganda can be identified by source, kind and extent of support. To a large extent, this is also an indication of the success of these societies in the short-run.
Central Government has encouraged the establishment of housing co-operatives in the following donor funded projects.
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Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Uganda

D. Number of co-operatives, size, housing units, characteristic of members, their impact on overall shelter delivery

2. Types of housing co-operatives in Uganda
   a. Donor-funded projects

   A building materials production co-operative to mainly provide employment for the youth was established under supervision of the Ministry in charge of Housing. The society was facilitated with brick and tile making machines, a shade, store, construction equipment and raw materials. For a time the society did well producing materials and constructing a few houses but soon collapsed due to mismanagement and embezzlement by the Society's leadership.
The Masese Women's Project funded by DANIDA (US$ 1.3 million) Government of Uganda (US$ 100,000) created the Masese Women's Association because the members did not want to register as a co-operative. This was because during this time the co-operative movement was experiencing a lot of corruption among member Societies. The co-operative movement had developed a bad image. The Association did very well constructing houses for members and even won construction Contracts outside the Masese Community. The Association also produced cement based building materials for commercial sale. The Association did very well as long as there was donor support both financial and technical but collapsed soon after the support ended due to mismanagement. The Association is now limping and producing at very low levels, employing 30 people compared to the previous 370. Box 15 provides a profile for the Masese Women's Association.
Also developed on the same basis as Masese but with less funding from DANIDA (US$ 450,000) and Uganda Government (US$ 50,000). Technologies used in this project are less sophisticated than that of Masese and quite adoptable. Members have had training in production of building materials construction and carpentry works. They have used this skills to construct own housing and also for other individuals outside the project at commercial rates. So far they are doing well since the project is still supported financially and technically. Capacity building is emphasised to avoid the experiences of Namuwongo and Masese. Box 16 provides a profile for Malukhu Development Association.
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2. Types of housing co-operatives in Uganda
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iv. Oli Development Association (1992 -

This is similar to that of Malukhu with funding from DANIDA (US$ 450,000) and Government of Uganda US$ 70,000 but the association has not registered much achievement due to inconsistency in technical support by the Implementing Agency (AHF) and the Ministry responsible for the Project. This is one of the donor supported which may not be viable like Katayi discussed below which started on its own.
This is an indigenous co-operative society with humble beginnings (1972) in the Village of Kakunyu with a charismatic and visionary leadership. The leader had technical training and was able to improvise using local materials. The society failed to register as a housing co-operative as housing was not at the time covered by the Co-operative Act. It thus registered as a multi-purpose co-operative. The Masaka Catholic Diocese was impressed with their output with so little that it donated a manual brick making machine. The Society has since been able to win support from people and institution who have visited the area. The Ministry responsible for Housing provides technical support and uses the Society to demonstrate what other rural communities can achieve with so little.

Most of the support has been in material form and capacity building to sustain the society. Box 17 provides a profile of Katayi Multi-Purpose Co-operative Society.
The other type of housing co-operatives has depended on membership and to a limited extent of local support. They have achieved very little and most of them are now dormant.

- Bundibugyo Housing Co-operative Society Ltd. started as an indigenous society but has since stalled due to inadequate capital to acquire raw materials to use on their donated brick making machine.
- Lokerein Housing Co-operative Society Ltd. in Kotido has stalled when run out of capital with an uncompleted commercial structure which they had hoped would generate more income to the society.
- Namugongo Housing Co-operative collapsed when the leader and mastermind left the County for an International job and the members had acquired land. Construction is on individual basis now.
- Kampala Housing Co-operative has taken on more commercial construction activities to generate capital before embarking on the Society's own housing.
- There are nine pre-co-operative groups in Masaka affiliated to Katay Multi-Purpose Society. They are supported by Katay Multi-Purpose Society for machinery (borrow brick and tile making machines) and skills development (training).
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   2. Types of housing co-operatives in Uganda
      c. Sustainability

The Consultant has not encountered a successful housing co-operative society that has not had external support. This is due to the limited local resources within the members, leadership and management problems.

The growth of housing co-operatives in Uganda requires identification of such initiatives nurturing/supporting them to grow to sustainability.

Massive intervention and injection of capital in Local Societies overwhelms them and leads to abuse. It is not sustainable given the amounts involved with the cited examples and tends to collapse when donor support is withdrawn. It creates a dependency syndrome rather than self-help efforts and members tend to look to the donor for direction and not to fellow members.

Limited intervention to facilitate and propel housing co-operative societies to sustainability would be the most ideal situation as exemplified by Katayi Multi-Purpose Society.
In Uganda a minimum of 30 (thirty) individuals can form and own a housing co-operative. Payment for at least one share and the entrance fee is adequate to confer ownership rights to a member. This involves the individual at the primary level. Although the Law provides for only primary societies as being sufficient to form and own a Union, none has been formed for housing co-operatives. There is however some intention through UCA do this, in the meantime they utilise the services of Marketing and other Unions. The structure of the housing co-operatives is outlined in figure 2.

UCA is the apex organisation for the co-operative movement as a whole. All co-operative societies are free to affiliate to it directly thereby owning it.

Figure 3 shows the four-tier ownership structure of the co-operative movement in Uganda.
Housing Co-operative activities unlike the others show a balance in gender terms. The Masese one is actually dominated by women but most others have a balance.

Affirmative action has been taken by the UCA and Government to, inter alia:

- increase women participation in co-operatives
- increase their incomes through economically sustainable development activities
- improve their leadership and management capabilities and raise gender awareness at all levels in the participating co-operatives. This has been achieved through such measures as:
  - the establishment of a women desk at the UCA Ltd. and the district and national unions. Government had earlier on established a Women Co-operative Activities Program throughout the country; mobilisation of the community through women groups; leadership, management and technical and seeking partnerships with NGOs and other organisations pursuing the women's rights.
  - It is also Government's Policy that there is at least one women on all society committees.
  - As for the youths, the legislation provides for their participation in co-operative activities from 12 years (twelve) of age though they are not eligible to assume leadership roles until they are eighteen. This is true for all shelter related co-operatives.
A co-operative upon registration becomes a body corporate by the name under which it is registered and distinct form of its members. It is a legal entity. According to the Uganda Co-operative Statute 1991, Section 27, Co-operatives have perpetual succession and a common seal, they have power to hold movable and unmovable property of every description, it can enter into contracts, institute and defend suits and other legal proceedings and do all things necessary for the purpose of their Constitution. Co-operatives are regulated by the Co-operative Societies Statute, 1991, the Co-operative Regulations 1992 and their respective bylaws. In addition, there are different legislations relevant to their respective areas of specialisation.

In all Co-operatives there is a "separation of powers". The three organs responsible for decision making, management and control are:

- the general meeting;
- the committee; and
- the management

All co-operatives, shelter inclusive regardless of size, have to tackle tasks which are prescribed by legislation and the bye-laws. The above bodies ensure co-operative governance and the realisation of the various objectives.

All the members together form the general meeting. The supreme authority in a co-operative is vested in the general meeting of the members at which every member has the right to attend and vote. However, the right to proxy or to sending a non-member does not exist.

One member - one Vote. The voting power is linked to the person and not the amount of share capital. Decisions in a general meeting are taken on a majority vote, with the minority bowing to the will of the majority. In this way the co-operative acts in the interests of its members.

The responsibilities and decision making powers of the general meeting are determined by the Co-operative Societies Statute and bye-laws. Thus, the right to any decision making about the bye-laws of the co-operative is reserved for the general meeting. It is the upper organ for the development of objectives and decision making in a co-operative.

The first annual general meeting is held not later than one month after the receipt of the Certificate of Registration of the Society. It exercise similar powers and performs the same duties as the annual general meeting.

Every society is by law obliged to hold at least one annual general meeting to review performance during the year and also elect office bearers. All other general meetings that may be called during the year are called special general meetings since they are optional.

An important managerial instrument for controlling housing co-operatives is the system of accounting. All societies must therefore ensure that all required accounts are written up-to-date. It is also the duty of every registered co-operative to cause its accounts to be audited at least once every year. As soon as the report on the audited accounts and balance sheet of the registered society is received by the committee, it must convene an Annual General Meeting of the members of the society within three months after the end of the Financial Year of that society.

The Committee of any society that fails to cause its accounts to be audited without any justification is deemed to have given up its office prompting the Registrar to convene a special General Meeting to replace it.

The aims and objects of the society have to be achieved through some members to whom the management of the society is entrusted. These are collectively referred to as the committee of the co-operative society.

The committee is elected by the general meeting for a two year renewable term in case of a primary co-operative and two terms only in case of the apex and tertiary co-operatives.

The Uganda laws provide for the Constitution of the Committee consisting of:

(a) not less than two or more than six members. Experts in different fields may be co-opted to guide the committee in
technical matters during meetings.

As for most of the co-operatives, the committee members are honorary members and receive no payment for their governing tasks but instead an allowance for their expenses. The duties of the committee are expressed in the Regulations and bye-laws.

The committee may in turn appoint a management team, either full time or part-time.

Secondly, office management members are usually members of the committee. They exercise another main profession individually but on a regular basis against payment.

The full time management officers, usually headed by a Secretary/Manager are employed exclusively and principally for the co-operative. They are responsible for the day to day running of the society and are accountable to the committee as a whole.

The above relate as much to co-operatives in shelter development as to any other type of co-operative. There is one general piece of legislation that applies to all types of co-operatives.
Members participation in a housing co-operative is dependent on their rights and obligations. There are rights related to the participation on the life of the co-operative and those concerning the share of its achievements. In Uganda, a member is free to exercise the rights of a member once she/he has made the requisite payments to the society in respect of members or has acquired such interest as prescribed by the legislation and the bye-laws. The rights of the members are inviolable and applicable to each member without regard to his social standing, the number of shares she/he has, the political orientation or the origins.

Furthermore, individuals may neither hold more than one third of the paid up share capital of a co-operative society nor become member in more than one society with un-limited liability save with the written consent of the Registrar. Individuals may not join more than one society with the same or similar objectives. So one can be a member of several housing co-operative societies.

Members of a co-operative have the same rights and the same contribution to make. As regards participation in the co-operative each member has the right to:

- Attend of the various meetings
- Be elected to the committee
- Participate in the formation of bye-laws
- Call for a general meeting
- Contribute to the agenda of the general meetings
- Propose the suspension/dismissal of errant committee members
- To withdrawal their membership at any time following the bye-laws; and
- To share in the achievement of the society

On the other hand members have obligations and duties as follows:

- observe the bye-laws
- to attend training organised by the co-operative
- to educate themselves about the activities of the co-operative
- to fulfil their financial obligations towards the society and to
- accept liability for the co-operative debtor in case it goes into liquidation.
- observance of the rights and obligations of membership constitutes participation.
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F. Resource mobilization

Housing co-operatives needs funds for investment in fixed assets and for working capital required to cover operations. Ideally, the members are responsible for the overall capital needs of their co-operatives.

There are two categories of sources of co-operative funds, namely; owned capital and borrowed capital. Owned capital is derived from shares and reserves. A share is a fixed part of the co-operative share capital. It represents both the shareholder's interest and the right of membership in the co-operative. It is measured by the sum of money for the purpose of:

- Determining the shareholders liability.
- Ascertaining the amount of the shareholders dividends.
- Reckoning the shareholders share in the surplus assets of the co-operative in the event of winding up.

Shares are very important for equity capital. Since there must be sufficient capital funds, it is economically advisable to endow the housing co-operative with a large amount of equity capital. This is an indispensable requirement for the credibility demanded.

Paid up share capital represents the position of subscribed share capital as is actually paid up in cash or credited as paid up. Although members are encouraged to buy as many shares as they possibly can, no individual member is allowed to hold more than one third of the paid up share capital of any co-operative society.

Shares attract an annual dividend not exceeding ten percent of the paid up capital.

Societies are mandated to maintain Share Transfer Funds, to which an amount not exceeding five percent is allocated, annually, out of the Society's surplus. The Registrar for Co-operative Societies determines the allocation and the financial institution where the fund is to be invested.

Societies hardly pay interest on shares. This has tended to discourage share contributions. Consequently, the member shares constitute a very small part of the overall funds of the co-operatives.

Societies attach a lot of interest to the creation of reserves. They provide long term capital for investment, increase the bargaining power of the co-operative and act as buffer against liability. They are a cheap source of finance since they do not attract interest and can be used to finance housing development. Reserves are independent of the members fluctuations.

Co-operative legislation provides for the maintenance of a reserve fund. Ten percent of the net gain or surplus resulting from the operations of the society during the Financial Year is paid into this fund. The Registrar may however sanction the payment of lesser amounts and approves the mode of its investment.

The written consent of the Registrar is required for any withdrawals and such drawings must be made good from the next surplus.

The Reserve Fund constitutes capital collectively owned by the members and carries no obligation to pay out interest. It is indivisible and no member is entitled to claim a specified share of it.

The Reserve Fund is intended to be applied to discharging the liabilities of the society and the repayment of the share capital on the dissolution of a registered society. Any proportion of the reserve fund that may remain after discharging the liabilities of the society and the repayment of its share capital is disposed of in such manner as the members may in a general meeting decide.

In many instances, however societies have, with the approval of the Registrar, not funded their reserves but sunk them exclusively in fixed assets required for housing. This fund is intended as a safeguard against unforeseen losses.

The solvency of a society depends on the position of its reserves. Therefore societies have to devise other sources of generating reserves. These include; penalties, entrance fees, un-collected share capital and dividends, grant donations and other forms of assistance from any local or foreign institutions either public or private.
Societies have also used the method of "ploughing back" which relates to the depreciation policy. They have taken advantage of the policy of generous or over depreciation to build up capital and hidden reserves. This is intended to provide for sufficient cash for the replacement becomes necessary. Funds are invested in Sinking Funds to ensure that cash is available for the purchase of a new asset when it become required.

Housing co-operatives like all others make special provision in their bye-laws to charge entrance fees to cover additional administration cost for a new member.

Co-operatives have accumulated funds consisting of share interest, bonus and revolving capital funds. The members may agree that all or part of their interest or bonus be credited to their share or capital or deposit accounts instead of paying out in cash.

Societies also create reserves out of profits and undistributed and unappropriated profits if any. The members can agree to leave all or part of their shares of surplus due to them at the end of financial year in the society.

Housing co-operatives have also benefited from grant donations. A number of programmes are being supported by USAID, the Swedish Co-operative Centre and DANIDA, FINNIDA, etc.

Co-operative regulations provide for the establishment of the Co-operative Development Revolving Fund. Every registered society is required to pay five percent of its surplus annually to the Revolving Fund. This fund is administered by five member committee trustees appointed by the Board of Director of the UCA. The Board also sets the terms and conditions for borrowing from the fund. A registered society may withdraw its annual contributions after three years.

The traditional sources of housing co-operative finance are very narrow and the amounts raised very insignificant. The few housing co-operatives therefore rely, primarily on external finance like the Masese, Malukhu, etc.

Three types of deposits are accepted viz: Sight deposits, recurring deposits and Fixed Term Deposits.

- **Sight deposits** can be withdrawn on demand or at a very short notice. Since they cannot be reinvested profitably, they attract a minimum rate of interest. They are accepted as a convenience to the members and to develop their confidence in the scheme.

- **Recurring deposits** are used to encourage members to make small regular savings for a fixed period of time. The success depends on how regular the savings are made. A savings plan is made for a period i.e. one year or six months. When such a period ends, another plan period can be started.

- **The more well to do members** are encouraged to participate in the Fixed Term Deposit Plan. Larger amounts are deposited for fixed periods of one, two, or three years. It is from such sources that a large part of the necessary funds come to enable societies to make larger loans to members. The minimum and maximum period for this type of deposits is one and three years respectively. Re-investment for a further period is encouraged. The minimum deposit amounts and the interest rates are determined by the general meeting.

While loans and deposits from members are not restricted at all, those from non-members face statutory restrictions. According to Section 42(i) of the co-operative Societies Statute, 1991 a registered society can receive deposits and loans from persons who are not members only to such extent and under such conditions as the Register may from time to time in writing authorise. In this way a co-operative can receive from non-members deposits, loans and advances up to a certain limit known as the maximum liability.

It also implies that borrowed capital of a society can be more than its maximum liability since borrowed capital includes total loans from the members and non-members. On the other hand maximum liability is only fixed for loans and deposits which the society may receive from non-members.

Societies borrow from non-members, usually banks for several purposes but generally for the acquisition of fixed assets, purchase of building materials (usually Bank overdrafts) and for granting loans to members.

As already noted, the establishment and operation of housing co-operative societies requires less capital outlay and more member participation. Rudimentary basic equipments that are affordable are bought e.g. timber hand saw, brick moulds, simple easily fabricated building tools, etc. Due to the low capital requirement to establish and operate these associations there are numerous ones in the country only that they are not registered for reasons already discussed.
The following are the local sources of financing the establishment and operations of Housing and Housing related co-operative societies.
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F. Resource mobilization

1. Entrance fee

These are paid by people applying to become members in the society, also known as membership fees. This is usually a very small fee as low as USH 1,000 in rural areas and may rise up to USH 10,000 in urban areas. This money is not refundable and thus a reliable source. Most rural housing co-operatives only pay this and make no more financial contribution so the very low capitalisation.
Some Housing Co-operatives sale shares to their members as a way of raising long-term funding. The share is usually USH 1,000. In most loose associations this is not applicable though some of them charge just one common flat fee for all members. These tend to be low so as not to discourage membership. This is in consideration that members are mostly low-income earners.

The money generated from entrance fees and share-capital is used to purchase stationery, registration and other overhead costs. Some capital goods are also procured e.g. brick making machines, building tools and equipment, carpentry tools, firewood, pay for transport and some cases like that of Katayi Multi-purpose Society establish training and production centres of building materials.
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F. Resource mobilization

3. Deposits

It is possible for housing co-operatives to encourage members to save with the society or make advances towards the overall cost of their respective houses.

This money is available to the members and can be withdrawn on demand as per each Association's bye-laws.

The Housing Co-operatives established in the housing projects of Oli, Malukhu, and Masese have encouraged members to start saving with the association towards the purchase of their houses long before the house is even constructed. This has made more money available to the respective Societies for more house construction.

Co-operatives are quite prudent in the management of finances and maximizing returns to members. Naturally, if the society has excess resources than their immediate requirements, the excess is placed on Fixed Deposit Accounts or purchase Treasury Bills which is a much safer way of investing and at the same time ensures availability of money in case of emergency. Interest accruing from this source also contributes to the funding of the co-operative society.
A society can borrow from its members, individuals or Banks and then repay with interest at a later date. This has been possible with state sponsored Housing Co-operatives where Government has provided the Co-operatives with some free services e.g. monitoring, planning, surveying and technical assistance or advanced money as a loan for individual titling. This money is not repayed to the Government but remains with the Co-operative to form a Housing loan revolving fund for new members to benefit from.

While borrowing from individuals is possible it is for quite small amounts which can easily be paid back given the very low capitalisation of most of these housing co-operatives. Loans for purchase of firewood to fire bricks or transport are common to be paid back within short periods.

Due to the low capitalisation of most of the housing co-operatives, they are unable to approach any bank for loans. It is only the Government backed Masese Women's Association that is known to operate overdraft accounts with Commercial Banks.
There are various sources of grants to Housing Co-operatives particularly from individuals and institutions who have appreciated what these organisations are doing to uplift the living conditions of members with so little. Local Community Leaders and Authorities are known for having donated cash and land as in the case of Katayi Multi-Purpose Society, Masese, Oli and Malukhu. Local authorities and district leadership have extended support both physical and financial to these organisations to encourage them in their activities. In case of Katayi, an individual landlord donated over three acres of land for a rural technical school to teach school dropouts building skills.

The youth who are un-employed are encouraged and facilitated by local leadership, NGOs, etc. by provision of seed capital and tools. To produce building materials (mostly fired bricks) for sale.

Katayi Multi-Purpose Co-operative Society enjoys enormous individual support based on its achievement. People who visit the Co-operative end up donating equipments, sponsoring construction of a house for a disabled or elderly, etc. It should be pointed out that even without donations, Katayi as part of their programme build houses for the needy. Katayi has a "Shelter Needy Project" in their programme. The idea of shelter needy was internally developed.

As mentioned before, Government provides grants and technical assistance to some Housing Co-operatives it supports Masese, Katayi, Maluku and Oli, through the Department of Housing of the Ministry responsible for housing.

An Inter Agency Committee has been established under the Ministry responsible for co-operatives to help identify constraints to housing co-operatives and propose solutions. It aims at sourcing financing and technical assistance to spearhead housing co-operatives. Due to the on-going Civil Service Reform and Restructuring Exercise, it has been inactive as those supposed to chair it were not sure of keeping their jobs.
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G. An enabling environment

The Government of Uganda adopted the Enabling Approach as strategy to solve the human settlement problems in the country. This strategy as contained in the National Shelter Strategy for Uganda and in the National Plan of Action aims at creating an environment that is conducive to shelter development and therefore, puts responsibility on the Government to create the enabling environment through policies and legislation that it undertakes.

Co-operatives being one of the economic and social interest groups are affected by policies of Government be they economic or legislative. On the side of the economic policy, the Government of Uganda has been undertaking economic reforms based on private sector as the engine of development. This is part of economic liberalisation.

It is no longer possible to accept monopolistic economics whereby co-operatives had a monopoly to deal in certain services or commodities. Some were having the monopoly of buying particular crops from the farmers e.g. Coffee Marketing Board had a monopoly to buy the coffee or Lint Marketing Board with monopoly of buying cotton from the co-operatives and selling to the roasters and textile manufacturers respectively. This type of arrangement virtually gave co-operatives a monopoly of produce purchases from the farmers who by law had to sell their coffee, cotton, etc. through the co-operative societies to the Unions. Under the policy of liberalisation, co-operatives are just like any other players in ginning cotton, coffee marketing or production of building materials. The new players who are usually Companies with strong financial base to the extent that co-operatives have almost been competed out and therefore reduced significantly their market share. "The Uganda co-operative movement needs to comprehend these changes and developments and reorganise itself if it is to keep in the market place."

When Government direct support weakens, the co-operatives need to have a fresh look on their operations by changing methods of work.
On the side of legislation, the environment has been positive. In the past, co-operatives were seen and actually turned into instruments of implementing social and economic policies of Government. Government encouraged co-operatives to gin cotton as a way of enforcing government policy. The introduction of co-operative credit schemes and group farms in the 1960s were sponsored by Government rather than the co-operators themselves. The support by Government created loopholes in the basic principles of co-operatives. It was recommended by the Commission of Inquiry to give more powers to the Registrar who was empowered to divest co-operative boards of their powers. The Minister was given power to suspend any provision in the law governing co-operatives. The Minister had power therefore to appoint managers of co-operatives and obviously such managers so appointed owed their allegiance to the Minister rather than the Membership which was negation of the fundamental principle of a co-operatives. The policy of this nature towards co-operatives was based on the provision of Co-operative Act of the time which in a way was a negation of co-operative as defined by ILO (see box 18).

The definition by ILO which seem to be acceptable by the co-operative movement in Uganda means that each co-operative should be based on members' needs and not outside initiative which can never make it sustainable nor viable. It has to be based on members contribution and participation and based on democratic principles.

It should be members' controlled through democratically elected leaders. It has to be owned, controlled, used and benefit the members either individually or as a group.

The housing co-operatives and indeed all others have always had a legal framework in which they operate starting with the Co-operative Ordinance 1946, the Co-operative Act 1952, the 1963 Act which was to reflect Independence aspirations, the Co-operative Societies Act 1970 to the current one "The Co-operative Statute 1991".

Prior to the Statute of 1991, co-operatives were seen and actually operated as agents of Government or extension of the same and could therefore be described as having been something else other than what we know as co-operatives which serve the interests of the members who at the same time exercise control. The 1970 Act which was built on the previous ones created the structure outlined in figure 4.
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Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA

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G. An enabling environment

2. Co-operative structure prior to the revision in line with 1970 Act

The structure outlined in figure 4 may appear logical on face value, but it does not identify the real members. The actual owners who should therefore have benefited lost out to legalities. The legal structure which produced the "legal persons" in the form of societies and unions became the property of the managers instead of real owners. The liberalisation has accorded such structure unworkable and the people at the primary co-operative society level are no longer supportive as they derive no benefits instead they deal with the new players under the liberalised economic system. When roots are cut and the apex in reality become irrelevant. The old structure depended more on government, donors and not the self-reliance which is the thrust of the co-operatives. The housing co-operatives are therefore active at primary level where members are rather their at the apex or even UCA level.

The co-operatives however, under the new Statute of 1991 does not operate as a Government extension or agent to implement its policies but has been allowed to play the role they should play like any other private sector enterprise. In fact it is very clear that under Clause 58, of the Co-operative Statute that the Companies Act become operative upon winding up in accordance with Schedule (ii) of the Co-operative Societies Statute.

At a recent UCA Annual Meeting however, the New Vision of 24 October reported a Minister in charge of Tourism and Co-operatives to have said that Government supports co-operative movement and he expected it "to help in implementing Universal Primary Education, spread of rural electrification and provision of decent housing as well as gender balance". This would mean Government has some vested interests. However, as of now and according to the law, co-operatives are like private sector and some sections like below of Companies Act apply to them.

Box 19 on the winding up of co-operatives indicates some resemblance between co-operatives and private sector companies, at least in the area of winding up.

The new Statute therefore calls for a new structure of operations. The revised structure (see figure 5) which takes into account the current economic and political climate of liberalised economic policies in order to enable housing co-operatives compete with other players was developed by UCA and adopted as the most viable structure of operations.
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G. An enabling environment
3. The revised co-operative structure

The revised structure of the co-operative movement in Uganda (see figure 5) meant to take into account the liberalised economy. The new flat structure was adopted by UCA in 1997 in preference to the original four tier structure (see figure 4) to make the co-operative movement respond to grassroot members needs while at the same time it provides competitive service to the members. The consultant was however unable to judge the impact of the new structure on co-operative movement. It is still in a stage of trial.

While the new structure may appear confusing it replaces the earlier structure (see figure 4) which was unable to show ownership by the co-operators and where instead the managers or the bureaucracy seems to take over the ownership while the real owners became onlookers rather than participants. The new structure provides the linkages and the inter-relationship of organ of the co-operative movement. It is not a vertical structure like the previous one. It is based on services to be provided rather than that of the office.

There are no major differences in policies between Central Government and Local Government as far as housing co-operatives are concerned the centre has an upper hand in the Organisation since the registration and the regulations are made by the Ministry responsible for co-operatives at the Central level. The bye-laws are made by the co-operatives themselves. The bye-laws detail the day to day requirements which have to be in line with the Regulations and the Statute. (The Government however has prepared model bye-laws) The involvement of Government whether local or central is now limited to regulating and general policy framework. The general policy of Government for example is to give women a place in the economy. The women increase in participation in the co-operative movement is however still limited except where Government initiated the programme like Masese, Namuwongo, Malukhu, Oli, etc. where it insists on women taking effective part. In the few housing co-operatives of this nature known by the Consultant the women have been taking a very active part. In general, the women seem to have interest in housing co-operatives than the other types of co-operatives.
Co-operatives demonstrate a number of characteristics that make them a positive factor in the housing and socio-economic development of Uganda.

- Self reliance is the essence of co-operatives. Not every one is capable of fulfilling his.

- Housing co-operatives are member owned, member oriented and member controlled activity. They do not develop as an end in themselves but always pursue the housing interests of their members. They are created by the people because of a common felt need and can thus help their members as they enable individuals to benefit from economies of scale and stimulate competition and from a social point of view encourage cohesion and co-operation of a community level to improve shelter conditions.

- Co-operatives have proved to be a useful countervailing power in reducing the evils of exploitation by other private sector enterprises particularly the middlemen. By providing an alternative to other forms of housing production they add on element of competition which can serve to hold down costs and improve market conditions.

- Co-operatives serve to link small scale and medium scale producers housing units to the national economy. By serving as channels for obtaining inputs and for marketing of building materials for their members they help to incorporate them into the larger economy of the country.

- Co-operatives are the most widespread type of formal organisation with the most complete network of institutional relationships. This includes national and district unions and primary societies formed by individual members. For instance, there is a continent-wide advisory and coordinating organisation for savings and credit co-operative the African Confederation of Co-operative Savings and Credit Association (ACCOSCA) affiliated to the World Council for Credit Unions based in Madison Wisconsin, United States of America. The UCA is affiliated to the ICA. The housing co-operatives however have yet to become prominent on their own. The encouragement of housing co-operatives and the Savings and Credit Societies will go along way in contributing to the network like other types of co-operatives.

- This network makes co-operatives ideal for tackling economic issues. Although their only objective should be to serve members needs, co-operatives may be adopted to a large variety of housing needs of the members. They have therefore successfully been used to mobilise the masses. For example, they have been used by Government mobilise in the recent past i.e since 1987 to mobilise groups to build better houses in specific projects especially sponsored by Government which are discussed in this report.

- Co-operatives contribute to the domestic development of society at large, for they are the most democratic form of undertaking their members who actively participate in setting their policies and making decisions control them. At the primary levels, members have equal voting rights (one member, one vote) and they are also organised in a democratic manner at other levels. In contrast, control in other organisations is unequal and in the hands of larger shareholders.
In spite of the acclaimed performance of co-operatives and their contribution to social and economic development, there are still exist plenty of room for better performance through improved efficiency.
Chapter II. Co-operatives in shelter development in Uganda

1. Key issues and main problems encountered

1. Inadequate capital base

One of the problems common to housing co-operatives is the inadequate capital base. Generally, co-operatives have relied on their members and donor support to provide much of the financing needed. The traditional source of co-operative finance, which include: fees, share contributions from members and reserve funds, is very narrow and the amounts raised very insignificant. Hence, housing co-operatives are financially weak.

It is common to come across several small uneconomic co-operatives whose membership is too small to raise a reasonable amount of share capital. As a consequence of the low capital base of such societies lack, inter alia; basic infrastructure, storage facilities, office accommodation, equipment for brick and tile making machines and transport and concrete mixers.

Housing co-operatives cannot utilise the non-co-operative methods of selling additional shares to the investing public in order to secure additional funds. Yet they require the same amount of capital as non-co-operative businesses to perform similar functions. Furthermore, the shares are not marketable in the same way as quoted company shares and moreover they cannot be sold for more than their face value. This keeps investments low.

The other major danger facing housing co-operatives is that although shares are not marketable, they can be "cashed in" sometimes at short notice. This can weaken co-operative finances just at a time when their demand for capital is expanding.

Problems of under-capitalisation have undermined the co-operatives ability to generate further co-operative finance. Income generating activities like purchase of tools for construction and building materials require financing.

If they are to improve on the inward flow of funds, housing co-operatives need to be attractive to outside financiers, albeit, more external cash would mean weakening of members independence.
Internal Control Systems refers to methods and procedures, financial or otherwise, designated/adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business including; the adherence to relevant policies, the safeguard of assets, the prevention and detection of error and fraud, the accuracy and completeness of the accounting records and timely preparation of reliable financial information. Hence, an effective internal control system should incorporate an effective internal audit function. Internal auditing being an independent appraisal activity within an organisation for the review of operations as a service to management. It is a management control which functions by measuring and evaluating the effectiveness of other control. These are such important management tools that should be watched carefully and used by housing co-operatives.

Housing co-operatives have experienced setbacks on account of the lack of integrity on part of some of the society officials, members and staff. This posses great risks dishonesty, misappropriation and speculation when large sums of money are handled by the society leaders and their managers. Since many co-operatives are not effectively well managed and operated in the interest of members due to lack of honest and effective leadership. This is however more common with marketing and agricultural co-operatives than the housing ones but the same problem exist through reflecting small amounts of money due to the nature of their business. Frauds have occurred where considerable sums running into millions of USH have been misappropriated by the persons entrusted with co-operative funds.

In a nutshell, weak financial management has led to:

- Inefficient and improper use of funds.
- Operating without appropriate business plans.
- Ineffective budgeting and monitoring of operations.
- Incomplete and non-existent reporting.
The economies of large scale operations are just as important to co-operatives as to private operations. Insufficient business volume account for many failures of housing co-operatives. Such a case is true with for instance brick making co-operatives.

In fact the Masese Women Housing Project has been facing the problem of winning big tenders except for a few when they were purely favoured by NHCC that went out of their way to give them tenders to supply concrete blocks for their projects. They were also favoured by DANIDA in their water project to produce some concrete slabs and build schools in Jinja.

The only way in which a greater proportion of trading can be expected to be channeled through co-operatives is as a result of economic justification and in the absence of this any further major breakthroughs for co-operatives seem unlikely.
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4. Inadequate human resources

Co-operatives ascribe their membership to the principle of "Voluntary and Open Membership" which makes it open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial or religious discrimination. 

Therefore, co-operative education, training and information is a sine qua non for an effective and successful co-operative group. It is therefore essential that the members must be made aware of their rights, duties responsibilities and privileges otherwise they will start interfering with the management committee and causing confusion. It is also absolutely necessary that the members, even the general public, are informed of what is going on in their society so that they can give intelligent directions or keep abreast with times on matters regarding their society. The youths and opinion leaders should be informed about the nature and the benefits of co-operation. 

The education and training available is significantly inadequate and has retarded the democratic and managerial capacities. This lack of education and training is manifested in several forms:

- Ignorance of co-operative principles and practices. This is the major cause of continued failures to make sound and self-generating progress. There is also the problem of poor interpretation and failure to adhere to the principles.

- Problems have also arisen due to the membership which is largely unknowledgeable about their rights, duties and responsibilities.

- Membership which lacks knowledge to interpret what it is given, to demand explanations and the capacity to demand accountability. This is attributed to illiteracy.

- Membership with very limited business knowledge and a tendency to vote for the most eloquent or clamorous persons who are not necessarily interested in housing co-operatives or matters.

Uniformed membership is responsible for apathy and passivity amongst members of the co-operatives. Hence, the low rate of member participation in making decisions affecting their co-operative organisation.
The generally unsatisfactory performance of housing co-operatives could be explained by inappropriate policy and legislation. Although the future belongs to those who plan, co-operative planning is inadequate. The absence of planning results in lack of effective policy guidelines and render co-operative development direction very unsustainable.
Uganda has for a number of years been implementing Structural Adjustment Programmes. In order for the housing co-operatives to flourish, they have to adopt free economy principles in order to be a successful player in the market place.
Donors have extended support to co-operatives usually based on Government requests for assistance to the co-operatives and to assist it in its rehabilitation program following the civil strife, which wrecked the country prior to 1986. Some of this support has also gone to Government directly where their programmes are related to co-operatives. Some co-operatives have managed to exist on their own without external support.
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J. External support for co-operatives, volume and potential dependencies involved

2. Donor assistance to the co-operative movement

Donor assistance to the co-operative movement enables the tax payers in the donor countries to appreciate and understand the positive contribution donors can make in the economic development of the country. This is based on the principles of each donor, though they can be summarised as:

- To help put in place an input supply and output marketing on a sound commercial basis and to stimulate agri-business development.

- As for the USAID, co-operative represents perhaps the oldest and democratic institution in Uganda. In addition, because co-operatives have a system within the private sector for developing, purchasing, processing and marketing. But above all, because co-operatives work for the betterment of their individual members.

- Donor's assistance is mainly due to the realisation and appreciation of the potential of co-operatives to improve the economical and social standards of the members. And because of their contribution to the democratic development of society at large.

- USAID gives priority to the rural areas where agriculture is based with great involvement of the co-operatives.

- DANIDA supports several programmes in the country in accordance with Government priorities. They however put emphasis on poverty eradication, gender and institutional support.

The co-operative movement has in the recent past after the fall of Amin regime in 1987 received a lot of attention from donor community especially agencies like DANIDA, USAID, SIDA, Regional Co-operative Alliance, ILO, etc. There was equally a lot of external support before the collapse of the economy and prior to Amin's regime in 1972.

Some of the financial support has been directly to the primary housing societies, the Union level, UCA, Transport and Insurance Co-operative.

On the level of Societies it is not easy to get the exact number of Societies which have had assistance but it suffices to mention those known to UCA and what the Consultant was able to find out from various sources. The Katayi Multi-Purpose Co-operative Society that has done a lot in the development of rural housing in there area of operation with some assistance from FINNIDA as part of the preparation of National Shelter Strategy which comprised of tools and brick making machines worth about five thousand dollars. It has since received technical and other logistic support like provision of transport from Rooftop Canada. They have also supported Katayi in terms of guidance to deal with income generation training of artisans and agro-forestry practices alongside housing and infrastructure construction. Katayi however, has undertaken most of their activities on their own initiatives and thinking and any assistance has been purely additional but not the primary mover of their activities.

The Masese Women Project was assisted with financial input of about US$ 0.7m while the Malukhu and the Oli one have received smaller financial input totalling to about a million dollar all from DANIDA to set up the housing project being undertaken.

The group in Busoga formed on self-help basis called BYEPA to improve housing in the rural areas has had the assistance of an NGO in the United Kingdom called Homeless International which funded equipping of their office and purchase of vehicle funds for a Revolving Fund. So far 20 houses have been built with repayment period being of four years and the maximum loan is being USH one million only (US$ 650).

The biggest external assistance however has been to UCA the Apex Organization for co-operatives in Uganda. UCA is responsible for training of managers of the co-operatives of the unions as a whole.

The Swedish Co-operative Centre (SCC), USAID have provided greatest financial and managerial assistance. The SCC aided UCA by building five prefab houses in Bugolobi Kampala and a printery to generate income. IFAP provided hoes for sale to farmers by UCA to create a Revolving Fund. The ICA Regional Office donated a vehicle to ease on transport and an agreement was signed 1986 between SCC and UCA for assistance in management.
USAID in 1988 also gave formal assistance in respect of five year co-operative Agriculture and Agribusiness Support (CAAS) Project. SCC and USAID assisted in capacity building at both institutional and personnel level. UCA/SCC Luwero Triangle Project under co-operatives was funded by Swedish International Development Authority (SIDA) which accomplished building of 85 ware houses.

The USAID/CAAS (Co-operative Agriculture and Agribusiness Support) provided the Primary Society Matching Grant Programme under which 78 Milling Operations were set up, seven brick and tile making machines, constructed valley dams, supported farm supply shops provided ox ploughs and refurbished coffee processing factory.

SCC/SIDA funded through UCA relief assistance to female headed households in Gulu and implemented Northern Co-operative Rehabilitation Programme (NCRP) which comprised of construction of 30 stores and marketing equipment and West Acholi Co-operative Union with transport and workshops. The Co-operative Bank, Co-operative Transport Union, Uganda Co-operative Insurance also benefited financially from SCC/SIDA.

SCC tackled accountability problem of co-operatives with provision of computers that computerised over 2000 societies, 4 national unions and 9 district unions in 17 districts. The management was improved by posting competent people to unions on secondment. SCC/SIDA financed the Co-operative Reform and Development Programme (CRDP).

USAID provided the funds for purchasing and refurbishing the Co-operative Centre which is now the headquarters of UCA. The German Agro-Action supported the women groups in the co-operatives and SCC/SIDA/USAID/European Union and Uganda Government set up the Union Export Services Ltd.

Table 26 summarises the external assistance to the co-operatives.
Chapter III. The future role of co-operatives in shelter development in Uganda

A. Policy changes proposed

Policy changes can be discussed on two levels namely; international level and the national/local level.
Chapter III. The future role of co-operatives in shelter development in Uganda

A. Policy changes proposed

1. International level

The most important and fundamental change that has occurred in the recent past is the adoption of Habitat Agenda which directly relates to co-operatives and the way they operate. The changes on international level have to inevitably influence the national policies. The Habitat Agenda has been adapted in the National Plan of Action and Government recognises the important role co-operatives have to play in the improvement of shelter.
Chapter III. The future role of co-operatives in shelter development in Uganda

A. Policy changes proposed

1. International level
   a. Actions to be taken under the Agenda

Governments were called upon to adopt policies that lead to increased mobilisation of housing finance in order to extend more credit to people living in poverty. The Agenda recommended creation of a housing finance mechanisms by exploiting or harnessing the potential of non-financial financing arrangements through the formation of community based institutions like housing and community based development co-operatives especially for low cost housing. The financing of housing for the low income in all countries including Uganda is supposed to be encouraged (paragraph 82 of the Agenda) through removing of obstacles both legal and administrative, the expansion of savings and credit co-operatives, credit unions, co-operative banks, co-operative insurance enterprises and other non-bank financial institutions in order to establish savings mechanisms in the informal sector especially for women. Such institutions would then form partnerships between such co-operative institutions and public and other financing institutions.

Uganda has included this aspect of financing mechanism in the National Plan of Action and it is therefore part of the policy to finance human settlement in this manner. This policy change and emphasis on co-operatives as one way of financing housing will affect the co-operatives to see themselves as possible financiers rather than looking outside themselves to finance housing for their members.

The Government plans to support bodies like trade unions, farmers, women consumer organisations, the youth, to set up their own co-operatively organised financial institutions and mechanisms.

One may wonder what Government or any other actor has done on the ground to implement these lofty or grand ideas on Government side, there is not much happening and going by the budgetary provision. All actions are left with private sector. There has been no change in increase of financial institutions dealing with housing. However, under the Private Sector Foundation, a body being financed by World Bank a number of Village Banks or Micro-financial Institutions have been set up in a number of Constituencies mainly on the initiative and support of the local Members of Parliament.

As of now, there are seems to be little Government is doing to implement its own Plan of Action which on reflection was ambitious. This is in view of competing demands on Government resources. The information available is that the plan is being revised.
The goals and principles as adopted in Istanbul recognises that Partnerships with all stakeholders like co-operatives was essential to the achievement of sustainable human settlements development and provision of adequate shelter. Policies towards formation of broad based alliances to pool resources, sharing of knowledge skills and capitalising on the strength of collective action. This is being spearheaded by Government as a policy through encouraging collaboration and partnership of action in decision making like the formation of National Committee for implementation of Habitat II decisions. This Committee is composed not only by Government officials as it would have been before the conference but by all relevant stakeholders majority of whom are not from Government. The UCA and the co-operative sector plays a big role in this partnership.

Finally, under the principal of adequate shelter for all, Uganda committed itself to increase affordable housing through co-operative housing and partnership with Government and co-operatives to eliminate social barriers to access land especially by women and people with disabilities. In Uganda this is performed through the new land law which gives rights to whoever occupies and uses the land and spouses having the right to co-own land. The Accessibility to land has been discussed earlier on in this report.

International co-operation is necessary to involve both private sector and co-operative sector. The donors and multilateral agencies are to assist the co-operative sector to form partnerships with Governments to participate in the provision of shelter and development of sustainable human settlements. Intensify their co-operation with co-operative sector by United Nations and Bretton Wood institutions.

The on-going policy changes in the management of the economy and the need for gender balance will have an impact on co-operatives in the shelter sector. The housing co-operatives have to reconstitute themselves to incorporate these changes if they are to survive.
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A. Policy changes proposed

2. Regional level

On regional level there is the African level at ECA and OAU whereby human settlements and environment is being emphasised to improve the quality of life for people in Africa; what emerges from the OAU resolutions on this matter will have great impact. Potentially there is an emphasis on the African Continent to emphasise rural development in human settlements. This emphasis is however not realistic as urbanisation is taking a momentum never seen before. So urban areas need to be targeted.

On the Sub-regional scene; the East African Community is now emphasising environment and human settlements as one of the concerns of the secretariat. In fact there is a human settlement project being developed for the whole region based on community management approach. The fact is that community development is being emphasised has implications in a positive way for co-operatives. The community approach is a form of co-operative in shelter development.
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A. Policy changes proposed

3. National level

On the national level, the major policy being emphasised is private sector as the engine of development. This policy will continue to put the co-operatives in a new situation of being competitive. There is also tendency in addition to dealing with produce, transport, insurance and banking by the co-operatives to increasing involvement in real estate for the members. The current population growth especially in urban areas demands increase in housing stock as clearly demonstrated in part one of this report. Co-operatives will find themselves more and more involved in shelter development for the members individual benefits or as a group. The Condominium Bill (see box 20 ) is currently being developed which in effect will increase housing co-operatives though they will be called Corporations in order to own and manage blocks of flats. These Corporations being created to manage block of flats would enable individuals to get title for the four walls of the unit while the main structure and the attendant services will be co-operatively managed, and maintained. This too is likely to encourage both formal and informal groups of people who wish to co-operate to put up such facilities.

There is an anticipated major changes in the Banking Act (see box21 ) which will require higher paid up capital base of over USH 4 billion minimum and also higher insurance premium in view of the recent upheavals in the banking industry which saw the Co-operative Bank itself along others closed. The Bank was closed just like a few others before it for insolvency and loss making. If it was not the changed circumstances in policy of Government, the Co-operative Bank would not actually have closed instead some money would have been found to recapitalise it through government inputs. This could not be done as it was regarded as private sector. Since the collapse of the Bank, all its branches have in fact been sold to private commercial banks namely; Standard Chartered and Centenary Rural Development Bank all of which are owned by private sector and not co-operative unions.

In the changed circumstances, other ways will be found to assist the public especially the rural folks in provision of banking. Such a facility that should be encouraged by co-operatives is the "Village Banks" based on the same system as the Grameen Bank in Bangladesh. The village banks i.e. Micro Finance Institutions are likely to grow and admit a lot of members as one of the ways for creating savings and credit for shelter development and indeed other developments. These Institutions should be on the basis of Credit and Savings Societies rather than on the level of Banks in the real sense of the word which cannot easily meet the demands of a financial institution that can be called a Bank.

In fact all the savings and credit societies are micro-finance institutions. Such societies need to be encouraged if co-operators have to finance for housing (see box22 ).

The problem facing co-operative movement is the liberalisation and break away with monopolies as Government Policy. The unions which would have been able to put in money for capitalisation for shelter development are now crippled, as they are not able to compete favourably with the more powerful private sector for now. They can however be made to compete but after change of focus, personnel and skills.

The legislation has to emphasise for co-operatives to benefit the individual rather than current one based on the legal person i.e. those who hold offices in the co-operatives. The co-operatives have to do what members want and what is marketable. Entrepreneurs have now to lead the co-operatives rather than just anybody. There is a plan to amend Sections in the Co-operative Statute according to Commissioner for co-operatives which were made before liberalisation had taken root. The Commissioner in charge of co-operatives thinks the section prohibiting co-operatives doing business with non-members should be amended to allow them do business with anybody.

The Government through the Ministries of Trade and Industry which takes care of co-operatives and that of Works, Housing and Communications which deals with housing are emphasising the housing element for co-operatives in view of the Habitat Agenda and the need for housing. There is need to reduce further the powers of the Minister and bring in UCA more prominently to be in charge. The UCA which is part and parcel of co-operatives has more claim to guide the Unions than Government.
A message delivered to co-operators on the Co-operative Day in 1999 (see box 23) is clear and summarises the co-operative situation in Uganda. As of now the co-operative movement is weak due to the changes in Government policies but have a strong basis or roots on which to grow.

It is very clear that co-operatives which have been having a field day in Uganda are going through a stage of transformation where they are no longer seen as agents of government meant to implement government policy but as those to be owned and operated by the beneficiaries as it should be. For the co-operative to become efficient and have greater role to play in shelter sector in Uganda, there is need to further make changes in the Co-operatives Statute currently in place to be brought in line with liberalised economy.

While it is agreed that the Law in place is more liberal and gives more independence to the co-operative, than before certain sections of the law still involve government to the extent that make them more aligned to public sector than private one. There is no good reason for example why it is absolutely necessary for one to be member of a housing co-operative, has to be resident within the area of where the society is located and operates. It is not clear what happens to a member who has to move away to some other area and yet wishes to continue being a member of that co-operative. This restriction stops those who may have an interest say in a housing co-operative operating in Kampala the Capital City and yet may reside in another town or rural area. Any investor in housing either for his own occupation or rental would prefer Kampala and other major towns for a housing co-operative membership than small village housing co-operative where the returns may not be as high. It is not even clear from the private sector point of view why there is a restriction on the ownership of shares to only 1/3 and yet it would be helpful for the weak members to have a shareholder having more than 1/3 but less than 50 per cent to avoid control by one person but the same allowing those with some money to save to come in. No company is allowed to buy shares in a society except with permission of the Registrar. Surely, if one has to do business with the permission of registrar, then it becomes very bureaucratic and cannot quicken decision making which one gets in private sector. The more the co-operatives become bureaucratic the less competitive they become with other players in the market place whether with relevant to shelter provision or otherwise. Shelter requires a lot of capital outlay and should be able to attract capital finance from other sources which may have interest in the co-operative spirit.

The same question go with the restriction of membership in several societies an element that is restricted unless approved by the Registrar. There is room provided for the Registrar to allow belonging to several co-operatives. This should be encouraged in view of the fact that somebody with extra resources may wish to benefit from belonging to several co-operatives. This may increase the amount he or she may get in terms of loans for housing as one source for a loan may not be enough. This however should not lead to domination of one person for several co-operatives.

However, if one member raised enough funds to build more than one house then it can benefit the Country. The fact that the registrar is allowed to permit such arrangement shows it has merit but the law seem to be of the view that members do not have proper value judgement, and therefore requires a Registrar to give permission. It is high time the law begins to see co-operators as people with reasonable mind that can make decisions which affect them positively rather than the registrar thinking for them. The shares should easily be transferable to give them value. In the present law the government through the Minister makes regulations while the societies make the bye-laws. The estimates for each coming year are subject to be reviewed by the registrar before being put before the general meeting for discussion or approval.

The power of the Minister and Registrar should further be trimmed so that UCA is given more supervisory powers because the Board Members are elected through the co-operative system. The Board of UCA has more interest in the success of the co-operative than government so should be given power to control in a delegated manner if necessary.

There is indeed other laws like the proposed Condominium Law which does not seem to take into account co-operative housing instead it creates corporations to look after a block of flats. The membership called corporations in the Bill could as well operate under co-operative housing which can be made into separate law to stimulate development in housing. If it is not possible to make a separate law it can specifically be included in the amended Co-operative Statute. This should be one of the ways to highlight housing as one of the most important aspect of co-operatives which should be reflected in the changing role of the co-operatives.

It is not likely to have a big impact on the basis of ownership of housing units jointly especially in the rural areas where many co-operators stay. It is however possible in urban areas especially if seen as an investment rather than owner occupier. Their impact however will continue to be like what has already happened in a place like Katayi
Multi-Purpose Co-operative which has done a lot in house improvement but on individual basis. The reasons why people prefer individual ownership has been discussed already in this report.

The findings show that the groups or co-operatives in housing development which have 'succeeded' had government and external financial and management support. They may not however be sustainable. The co-operatives which have succeeded without much support like the famous Katayi Multi-Purpose co-operative have relied on the availability of leadership skills of the founder. The founder of the co-operative Mr. Katerega had a vision on how to improve rural housing in his area after training as a building technician.

He had skills of mobilising and training of other people. Co-operatives therefore need to have leaders with the capacity to manage. To have shares only in a co-operative and you become a chairman is not enough. The two examples of Katayi and BYEPA which depends on the vision of the leadership and Masese group which heavily depended on external support but now on its own cannot be replicated easily.

There is need however for the Local Government to be interested in shelter development so that the Central Government plays a lesser role. This would be in line with the Constitution and Local Government Act 1996. The Local Government are nearer to the people and know their needs. Where successes have been scored like in the case of Masese in Jinja or Malukhu Housing Project in Mbale, the local authorities have been supporting say in the provision of land, technical advise and being on the committee that would allocate the plots. It require little financial input to have housing co-operatives in place. All that is required is a little support and encouragement then what follows is the availability of the peoples energies which are presently not utilised since the people are not even aware of their potential in shelter development.
Co-operatives have an important role to play in the country's housing delivery process particularly for the low income earners however changes in their management, organisation and legal set up need to be reviewed to reflect the current partial, economical and social environment.
Chapter IV. Conclusions and proposals to improve the role and contribution of co-operatives in the shelter sector

B. The way forward on housing co-operatives

Economic and Social Council and indeed in the General Assembly, made up of Governments recognises the importance of co-operative as engines of development.

The co-operatives are highly democratic whereby citizens use self-help and self-help responsibility to meet grassroots social development like overcoming poverty, creating employment and social integration. They are also used to enable individuals to meet their housing needs which would otherwise be difficult if done on individual merit or basis.

Government of Uganda has however, to develop policies that are conducive to development of co-operative housing using its legislative powers when it takes into account the co-operative values and principles. Suggestions have been made earlier in this report and what needs to be looked into is on the legislative side.

The co-operative movement has a long history in Uganda and indeed has played a great part in the development of the country. It is within the culture of the people in Uganda to use co-operative spirit to achieve goals which would otherwise be difficult to achieve individually. Presently however, the co-operatives especially of the formal type are going through very fundamental strains which have shocked the co-operative movement. It now needs to regroup and plan a fresh strategies within the free enterprises system where there is no protection by the Government. There are many other players in the market place and no area is restricted and reserved for co-operative. There is therefore a need for re-education and fresh look at the laws and regulations governing co-operatives to bring them in line with the reality and enable them to play a meaningful role in shelter development. The potential for greater involvement in housing development by the co-operatives is great. What is required is a shift from relying on agriculture and crop marketing as the main activity to construction, management, financing of shelter. The potential as business concern of the members is particularly high in urban areas while in rural areas owner occupier is most attractive. This however calls for greater interest in shelter issues by the local governments which currently is non-existent or if existent is not pursued as one of the main agendas.
The Central Government in accordance with the Constitution and Local Government Act 1996 has been left with a role of policy making and legislation in respect to housing. The actual programming and production of housing units is the responsibility of Local Governments, the communities and individuals. In exercising this role it needs to review the current Co-operative Statute with a view of enabling co-operative play great role in the liberalised economy. It would remove certain sections which have left the Government with great control over co-operatives and such role should be passed on to UCA.

In order to encourage co-operative involvement in shelter development, it should be able to give certain incentives to all who engage in shelter development in substantial manner so that co-operatives can be able to gain from such incentives especially in the areas of taxation. For example a co-operative society was to purchase materials for its members from a manufacturer, there could be a tax reduction.

There is a need for training of cadres to lead the changing role of co-operatives. The syllabus of the co-operative colleges needs to be reviewed so that those who undertake training are able to have competitive spirit. This should be able to improve general capacity in the co-operative movement which should benefit housing development.

The Government needs to put emphasis on education of the cadres, members of the co-operative and leadership. There is need for more auditors, accountants to work with the co-operatives. It also has to review the current legislation to bring in line with current market oriented trends.

In order for the future housing co-operatives to be viable and sustainable, they have to be recognised and be assured of equality with other types of Associations and business enterprises which contribute to economic development. In particular, housing co-operatives need to be brought out in terms of importance to other types like transport, insurance, banking, agriculture. There is a need to establish a Housing Co-operative Union instead of being covered by Produce Based Co-operative Unions. Similarly the Savings and Credit Societies and their Union needs a separate legislation to align them with Financial Institutions. The encouragement of Credit and Savings Societies which can work as Village Banks needs to be encouraged and supported in view of the stringency attached to Commercial Banks that makes accessibility by the low income very difficult. Savings and Credit Societies is the most sustainable way of financing housing co-operatives.

There is an international recognition through the General Assembly Resolution 47/90, 49/155 and 51/58 under which the International Co-operative Day is organised by ICA. On national level, the recognition is the existence of whole Department in Government which deals with co-operative matters and the enactment of Co-operative Act. This recognition however need to provide full autonomy and capacity for self regulation of the co-operative movement.
Chapter IV. Conclusions and proposals to improve the role and contribution of co-operatives in the shelter sector

B. The way forward on housing co-operatives
   2. Proposals for action by local governments

The onus of shelter development is legally the responsibility of the local governments. As of now the local governments seem to have so many problems to deal with that shelter development does not seem to be on the list of their priority. They need to take more interest in both co-operatives and the shelter sector so that the co-operatives can be closely watched from close quarters and assisted to take a greater role in housing development. The local governments should establish strong Co-operative and Housing Departments and attract the necessary personnel to boost the sector.
Shelter Co-operatives in Uganda
Prepared by Emmanuel M. Byaruhanga for UNCHS (Habitat) and ICA

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B. The way forward on housing co-operatives

3. Proposals for action by non-governmental organisations

NGOs operate like private sector though are not driven by profit motive. They are very useful in service delivery. NGOs can play a role of organizing and helping the housing co-operative set up and putting in place working mechanisms of checks and balances. They can also be used as channel for funds by the donor agencies as NGOs are usually more committed and cheaper in programme implementation. This does not mean that all NGOs are effective as we have some of the cases of NGOs being formed in Uganda for purely profit making! However, most NGOs especially the International ones operating in Uganda are generally effective in programme they implement, mobilise resources and commitment on part of the implementers.
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4. Proposals for action by international donor community/United Nations

There are a number of donors both bilateral and multilateral level who have interest in co-operative housing and co-operative as a whole. The Istanbul Declaration and the Habitat Agenda put a lot of emphasis on co-operatives as a potential partner that need to be integrated as a stakeholder in shelter development. UNCHS is the designated United Nations agency to implement the Habitat Agenda. The United Nations therefore should play its role in the implementation of Habitat Agenda. The Co-operative Day should be observed like any other United Nations day with Secretary General of the United Nations issuing a Statement to encourage awareness especially in co-operative housing. It should be involved in the training of personnel to spearhead co-operatives as means of shelter improvement.

The donors in general should assist the co-operatives in the formulation of viable programmes in shelter for funding which can be done through channeling such financial assistance in NGO, UCA, Unions, etc. The linkage of a local co-operative with another in donor countries would boost the morale and stamina of the local housing co-operative as the one going on between Rooftops Canada International an international arm of Co-operative Housing Federation of Canada. While the Canadian input is minimal, it is all the same an encouragement. The Canadian Programme has been assisting the Katayi with facilities like transport (one small Pick-Up), carpentry tools, and other simple but very important logistics. Most important, Rooftops Canada has provided assistance by example of what can be done which is a form of training. The Chairperson of Katayi was sponsored to travel to Canada to see how the co-operative there deal with housing and attend workshops. It should however be emphasized as done earlier that Katayi’s programmes have been locally thought out and implemented. The external input should not be over-exaggerated.
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5. Proposals for action by co-operatives in Uganda

The major action required of the co-operatives in Uganda is to realise that monopoly is over and strategies on how to cope in this competitive environment for the benefit of the members. The co-operatives have to ensure that the confidence of the members is regained by paying them on time in accordance with the market demands. They have to lobby government so that the laws put in place are not against their interests. It has to behave like any other interest group and not as part of Government as it was in the past.

There is need for the co-operatives to put emphasis on improvement of Human Settlements for their members either on individual basis or co-operative housing as a group instead of concentrating on trade and crop marketing only. In fact efforts should be made in conjunction with donors to set up financial institution that could provide mortgages for the co-operators. This can be on the level of Housing Co-operative Union. Housing Finance is very short in this country and entry of co-operatives participation in financing to replace the closed Co-operative Bank would be a good and viable option. The Co-operative Bank was mainly financing the farmers but the proposed Mortgage Bank would deal with housing finance only. The Savings and Credit Societies are more sustainable and should be encouraged.

There is need for co-operative education, training and general capacity building of the primary level and be able to attract royal, dedicated and qualified people to work for the societies.

They have to be more transparent by management committees submitting comprehensive reports to the members, giving them copies of the balance sheet, occasional news bulletin and arrange general courses geared to the needs of the members. The members must be kept informed and most importantly they have to have confidence in the leadership of the co-operative through ensuring that the members interests are catered for.

The UCA needs to be strengthened and to take on a supervisory role currently still held by the Ministry in-charge of co-operatives at the Central Government level.
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B. The way forward on housing co-operatives

6. Proposals for action by external co-operatives

These should be able to link societies of similar occupation with those in Uganda to encourage skill development. For example, a housing co-operative involved in construction of houses could be linked or twined with one in Uganda. This would bring in external expertise especially in management skills which are currently lacking. They can also be involved in mobilising and setting up relevant housing co-operatives, through awareness creation so that the local co-operative can see the need for using this approach to improve on shelter conditions of the members who may not manage to do this on individual capacity but can manage as a group. The external co-operatives can also provide financing for initial starting of housing co-operatives as they are likely to have some spare funds for this purpose. In summary they can train, mobilise and finance the local co-operatives. The activities have to be mainly based at local level of societies.
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B. The way forward on housing co-operatives

7. Proposals for action by other stakeholders

The other stakeholders have to form partnership as called for in Habitat Agenda. The most important stakeholder in this, is the local governments whose primary responsibility is to provide housing for its residents. The Central Government too is a stakeholder which needs to encourage the co-operatives in shelter development as a policy since it should be in the interest of government that her people have good quality of life through provision of adequate shelter and sustainable human settlements.
Shelter Co-operatives in Zimbabwe

Contributions of the co-operative sector to shelter development

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for

UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS (HABITAT)
and
INTERNATIONAL CO-OPERATIVE ALLIANCE
Shelter Co-operatives in Zimbabwe
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Box 1. The genesis and growth of urban housing co-operatives in Zimbabwe

Urban housing co-operatives grew out of the need to house the mass of the low-income people, which needs both the public and private sectors had clearly failed to satisfy. Fologwe notes, "Once the homeless people realised the inability of council to provide them with houses, they decided to come together as organised groups to solve their housing problem" (1997:3).

Butcher (1990) expands this notion to include the failure of both local authorities and central government to provide housing against a backdrop of a large housing deficit. The Executive Director of the National Housing Construction Trust (NHCT), one of the giant housing co-operatives, attributes the setting up of the NHCT to the agreement by members that "government alone could not provide for our housing needs" (Socks, 1997:2). So, the raison d'être for housing co-operatives lies in the perceived failure by government at its various levels to deliver houses to the homeless sections of the low-income groups.

The first housing co-operative was formed in Bulawayo - Zimbabwe's second largest city - in 1986. This was followed by the formation of one in Harare a year later. By the end of the 1980s there were 12 registered urban housing co-operatives - just over one per cent of the total number of co-operative in the country. At the end of 1997 there were over 180 housing co-operatives in the urban areas of Zimbabwe (Munzwa, 1997). This figure represents about five per cent of the total number of co-operatives in all sectors. It can be seen from the preceding discussion that urban housing co-operatives have grown both in absolute and per centage terms.

Box 2. A glimpse into Bulawayo Instant Muscle Co-operative

Formed in 1984, the co-operative's line of business is in general construction and materials production. The co-operative's products include bricks, window frames and trusses. By 1999, the co-operatives total stock and values were as follows:

1. Bricks
   - Standard: 325,000
   - 4.5 inch: 25,000
   - 6 inch: 9,000

2. Window frames
   - Small: 75,000
   - Big: 5,000

3. Trusses: 100,000

The co-operatives executive comprises entirely of males in their forties, the exception being one committee member who is 62. The co-operative members earn an average monthly income of Z$ 2,628 each. The co-operative still has all its founding members. Housing is but one of its clientele in the construction sector.

Source: Survey, 1999
Box 3. A look at pseudo co-operatives: The rise and fall of building brigades

Building brigades came into being in 1982 "...as part of a comprehensive policy package...as a key mode of low-cost housing construction" (Mutizwa-Mangiza, 1989:1). The rationale for the establishment were:

- To eliminate exploitative profit margins by private contractors;
- Employment creation; and
- To foster the socialist aspiration of the ruling party.

Mutizwa-Mangiza notes the Cuban influence that was encouraged in high political circles. Two years later 11 urban local authorities had building brigades. By 1994 there were 33 of these brigades in Zimbabwe.

A typical building brigade was organised into three teams:

- Setting out, excavations and foundation;
- Superstructure; and
- Materials production.

Building brigades can be termed pseudo-co-operatives as they are initiated and nurtured by central government and local authorities. They are currently very few of these remaining in the country. Their popularity declined because of poor work targets and performance as well as workmanship. Mutizwa-Mangiza identifies other problems of building brigades as:

- Security of employment due to inadequate financing;
- Rising building costs in the face of slow pace of work resulting in overspending; and
- Management and control which led tension between municipalities and central government with the former regarding them "...as a political 'hot potato' " (Mutizwa-Mangiza, 1989:12).

By the beginning of the 1990s the popularity of building brigades in the housing sector had dipped because of workmanship and costs. The decline of direct public sector activities in housing construction resulted in a virtual demise of the brigades. Their members resurfaced when government launched its massive housing drive in 1992. This time, though, they came in as individual casual workers in the GCUs. At the time of writing there was talk of reviving the brigades in government circles. In theory the brigades are still alive although there is no evidence of their existence in the housing arena (see Zimbabwe, 1995).
Box 4. Where housing co-operatives are unnecessary?
The case of Masvingo

The mushrooming of housing co-operatives in major urban centres has been a welcome phenomenon in Masvingo. When it was announced that people should form housing co-operatives, many housing co-operatives were formed and registered with the ministry. However, none of them has so far been keen and enthusiastic to develop houses urgently. The main reason is that some of the savings of the co-operatives are too small to construct houses. For example, Pepukai Housing Co-operative levies ZS 40 per month as subscriptions. This is too little. The other reason is that rented accommodation in Masvingo is readily available. It is not difficult for home seekers to get houses of their own as the serviced stands are readily available.
Box 5. Ensuring better houses for the people?
A brief look at minimum building standards in urban Zimbabwe

Stand size

- Minimum size for a stand-alone house is 150 square metres with front boundary of 8.5 metres width. Large stand sizes can be provided to co-operatives if they can afford them. The stipulated minimum stand size used to be 300 square metres in 1980.

- Minimum size for semi-detached house is 105 square metres with a front boundary of 7 metres.

- The house is set back from the front boundary by 6 metres and from the back and side boundaries by 1 metre.

Infrastructure

- Every house is to be connected with tap water, sewer toilets and baths or showers, have electricity connection points.

- Every stand shall have road access of either gravel or tar finish with storm drains. Stand access road reserve shall be 8.5 metres wide.

- Sewer pipes shall have a minimum diameter of 100 mm and laid in trenches 0.3 metres below the ground surface. Pipe fall or gradient shall be 1:6 from house to 1:5 at the mains connection point.

The house

- The minimum size of a room is 7.0 square metres with a minimum width of 2.1 metres

- Unless other materials are approved for use, walls shall be built of burnt bricks; cement blocks or stabilised soil blocks and floors shall have granolith finish.

- Roofing shall be made asbestos sheets, tiles or corrugated iron sheets

- Every room shall be provided with window areas, which are not less than 10 per cent of the floor areas.
Box 6. Co-operatives and governance: 
Ethics and conduct in Kugarika Kushinga Housing Co-operative (KKHC) in Mabvuku, Harare

Disregarding the law: Salary

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

Disregarding the law: Investment, transparency and democracy

The co-operative went outside the legal boundaries of the Act in buying and operating a commuter omnibus. The 76-seater bus, which is intended to supplement member contributions, was the result of a "unilateral decision made without consulting the stakeholders" (Mapedza, 1996:34). In the first five months of its operation, the bus made a net profit of ZS 30,049.

Operational inefficiency: Poor record-keeping

Mapedza (1996) asserts that KKHC does not have an accurate up-to-date record of its membership. While the register kept by the Registrar of Co-operatives at the MNAECC shows a membership of 1,600, the chairman of KKHC had a tentative figure of 2,000 but hastened to point out that a definite figure would be known after the record had been updated.

Operational inefficiency: Investment, affordability and cost recovery

There is evidence of some misplaced optimism, over-confidence and miscalculated investments. Over ZS 16 million had been spent on building houses for 361 members. It should be noted that at current figures this is equivalent to around ten years' contributions. The co-operative still owes over ZS 5 million to the MLGNH for construction services undertaken by the then MPCNH in phase two. At current contributions alone (ZS 2,000,000 per annum), it would take almost half a century for the last member to have a house.

There are also problems of affordability. With the average income at ZS 648, a member would have to pay 48 per cent of monthly income to be able to stay in the cheaper four-roomed houses (rent ZS 200 per month) and still pay the ZS 102 subscription and administration fees to the co-operative. This proportion does not include monthly rates and electricity charges (Mapedza, 1996).

In addition to affordability the co-operative also has an uneconomic cost-recovery method. At ZS 200 per month for four rooms and less than ZS 400 for six rooms, the rentals paid are definitely too low. A proposal to double the rent was rejected. This is hardly surprising considering that mid-1996 arrears in rentals and contributions were ZS 3 million - an equivalence of 18 months' subscriptions! The management committee thus finds itself with two problems, namely uneconomic rents and member defaults. Partly as a result of this resignations are beginning to take their toll.

Not open to advice: Loss of technical adviser

HPZ, an NGO that offers technical assistance to housing co-operatives came up with a minimalist strategy that would have enabled all the 2,000 members of the co-operative to be housed on the 32 hectares of land earmarked for Phase Three. This was a toned-down strategy involving 500 cluster houses, comprising one room and a wet core per unit. If this approach had been adopted, the building society loan would have been paid by the year 2004. The rentals were to be set at ZS 80. The co-operators, who perhaps felt the houses were substandard, did not welcome the proposal. HPZ and KKHC thereupon parted ways.

And then rumours and whispers

There are as yet unsubstantiated rumours of misappropriation of funds, with some claims that some ex-top officials, who used to be lowly paid domestic workers now own construction companies that are being awarded KKHC contracts! The political appeal of KKHC and the meddling of top political figures have raised whispers about politically orchestrated cover-ups of embezzlement.

Box 7. This house does not belong to the co-operative which built it!
Addressing the ownership problem

The latest Act also addresses a crucial anomaly. The first two Acts did not recognise community ownership. Once a house was built and allocated, title was registered in the name of the individual rather than the co-operative "...thus undermining the whole fabric of community participation..." (Fologwe, 1997:7).

The 1996 Co-operative Societies Act paved the way for the correction of this serious flaw. It was under this Act that the Model (Housing) By-laws were recently made. The by-laws require that houses built by the co-operative be owned by the co-operative. It is only after the scheme has been wound up (that is, after all members are housed) that ownership is transferred to individuals. In addition to the above stipulations, the by-laws require a detailed feasibility study, detailing the objectives of the housing co-operative, its membership, development plan and financial assessment. As indicated above, this stringency is a reaction to the widespread collapse and mismanagement of many co-operatives.

Box 8. Taking advantage of the money market
The Housing Co-operative Trust Fund (HCTF)

Described as "...a real breakthrough for housing co-operative(s)" (CFH, 1999: 18), the HCTF makes it possible for co-operatives to participate in the money market that offers considerably higher interest rates (some 40-50 per cent) than on ordinary savings accounts (25 per cent and below). At the same time it makes sure that the co-operatives enjoy the advantages of a traditional savings account. With the HCTF, co-operatives continue to make their regular contributions. Funds from several co-operatives are pooled. This has the effect of lowering banking costs in the face of higher returns. It is envisaged that the HCTF could save as collateral for member co-operatives.
Box 9. The coming of a technical partner:
A review of Housing People of Zimbabwe (HPZ)

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

HPZ development services (those that have to do with the formation and registration of co-operatives) are offered free of charge. The other services are charged on a negotiable sliding scale (CFH, 1999: 17). The organisation argues that since it is a non-profit organisation, the "fees outline(d) in the service agreement help defer the costs of mortgage organisation, project development, contract tendering and so on" (ibid.).

The organisation is an important national advocate for co-operative housing. It carries out research in various housing related issues like mortgage finance and interest rates. HPZ holds biannual national seminars on issues that touch on co-operative housing. There are reports that HPZ is actively involved in the establishment of the country's first national housing co-operative apex organisation. It is also championing the HCTF (see box 8 above).

Source: CFH (1999: 16-8).
Box 10. Civil society joins the fray:  
The Civic Forum on Housing (CFH)

The Forum's mission statement is "To promote democratic forms of urban governance to address the economic and social aspects of housing needs and delivery, especially to low-income communities". Its vision is to "foster communication and information dissemination within civic groups, governments and local institutions on housing issues."

The Forum has been a significant player in enhancing interaction and participation in policy formulation and implementation. The Forum has attracted membership from all sections of the urban communities including trade unions, co-operatives, local authorities, central government, academic institutions, financiers and co-operatives.

Already the Forum has produced an impressive array of informative publications that has helped house seekers, builders and buyers including housing co-operatives. These booklets, brochures, fliers and posters deal with finance, land, planning, surveying and other critical areas. The Forum is an important policy advocate. It holds regular Community Housing Workshops that have been rated as helpful by participants. These have been held in Mutare, Chitungwiza, Chinhoyi and Gweru. The Forum was instrumental in reviving the problem-ridden housing co-operative movement in the city of Mutare (CFH, 1999:8).
Box 11. Bits and pieces
Of mortgages, long-term finance and pyramids in urban Zimbabwe

Mortgage lending and housing in Zimbabwe

Mortgage lending is crucial to long-term housing finance in Zimbabwe. Mortgage rates have traditionally been controlled and subsidised. Despite deregulation elsewhere in the financial sector, government still continues to subtly control deposit and lending rates in building societies, the only finance institutions legally authorised to advance mortgage loans. The low lending rates in housing mean that private sector housing finance institutions can only manage to pay very low interest on deposits. The much higher rates offered elsewhere in the financial sector (the money markets, finance houses, discount houses, unit trusts and commercial banks) have resulted in a massive outflow of funds from building societies. Twice this outflow of funds resulted in the cessation of mortgage lending, as mortgage finance became scarce. This was in 1992, and 1998. The suspension of mortgage lending effected in 1998 still continues to this day. As a result of this suspension, housing co-operatives have to rely on funds from the USAID for long term finance.

International finance and long term housing finance

The two prominent organisations in housing finance in Zimbabwe are the World Bank and USAID. The USAID’s Housing Guaranty Program provides finance to building societies for low-cost housing. Up to 1997 this money was on-lent to building societies at subsidised rates. For example at a time when interest rates on mortgages were 17.5 per cent USAID funds were attracting a preferential rate of 14 per cent. Housing co-operatives can access these funds provided they have members in the correct income bracket and have accrued deposits amounting to 25 per cent of the required loans. By the beginning of the third quarter of 1999 these were just about the only funds available for low-cost housing in Zimbabwe. World Bank Funds are channeled through government for serving land.

"First come only served": Pyramid savings in co-operatives?

As non-profit organisations, housing co-operatives can not legally engage in profitable business especially that which is not related to their mission. This is particularly true of the co-operatives whose motive is to provide housing for their members. According to MNAECC officials venturing into income generating projects that are "not complementary to house construction" is illegal (Mapedza, 1996:56). The only other sources of finance for housing co-operatives are those rents cited in table 6.1 in chapter 6. In the absence of sustainable long-term finance, housing co-operatives have to rely almost exclusively on member contributions. Pooling resources in housing co-operatives could become like the notorious pyramid schemes whose motto seems to be "first come only served". The case of KKHC, which will need about half a century to house its membership, is arguably a warning to this effect. This problem can only be addressed by the development of adequate sustainable long-term finance. The development of a secondary mortgages market in Zimbabwe, which is already underway with the introduction of mortgage-backed securities, is one of the welcome crucial steps that will get rid of the spectre of pyramid savings in housing co-operatives.
Box 12. Linking for advantage:
Housing co-operatives and friends

Partnerships between co-operatives and other NGOs like HPZ have been beneficial and indicate an increasing role of co-operatives in dealing with housing crisis in the country. These partnerships are also strengthened by relationships with other NGOs like the CFH. These organisations have been working with various housing co-operatives to improve efficiency in management of co-operatives.

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

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

The various organisations mentioned above have some partnerships with local authorities. The co-operatives themselves relate to the local authority through the regulatory controls. The other organisations like HPZ and IT Zimbabwe have forged partnerships with the local authorities and negotiate on behalf co-operatives.
Shelter Co-operatives in Zimbabwe
Prepared by Takawira Mubvami and Amin Kamete for UNCHS (Habitat) and ICA

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Figure 1. Management of housing co-operatives in Zimbabwe

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- Housing People of Zimbabwe (Advice)
- Local authorities (Advice and assistance)
- Housing Co-operatives
Figure 2. Structure for the relationship between co-operatives and the apex organisation
Shelter Co-operatives in Zimbabwe
Prepared by Takawira Muvhani and Amin Kamete for UNCHS (Habitat) and ICA

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Table 18. An overview of central government action on personal income
Table 1. Population figures for Zimbabwe (census figures)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>5.1</td>
</tr>
<tr>
<td>1982</td>
<td>7.6</td>
</tr>
<tr>
<td>1992</td>
<td>7.6</td>
</tr>
<tr>
<td>1997</td>
<td>11.8</td>
</tr>
<tr>
<td>2000</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Note: Projected figure using current growth rate.

<table>
<thead>
<tr>
<th>Year</th>
<th>National population</th>
<th>Urban population</th>
<th>Average annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Share of total population (%)</td>
<td>National population</td>
</tr>
<tr>
<td>1962</td>
<td>3,657,470</td>
<td>764,740</td>
<td>19.83</td>
</tr>
<tr>
<td>1969</td>
<td>4,099,340</td>
<td>945,430</td>
<td>18.54</td>
</tr>
<tr>
<td>1982</td>
<td>7,546,071</td>
<td>1,941,610</td>
<td>25.73</td>
</tr>
<tr>
<td>1992</td>
<td>10,412,548</td>
<td>3,187,720</td>
<td>30.61</td>
</tr>
<tr>
<td>1997</td>
<td>11,789,274</td>
<td>3,826,580</td>
<td>32.46</td>
</tr>
</tbody>
</table>

Sources: Recalculated based on Mutizwa-Mangiza (1986); Wekwete (1994); CSO (1997).
Table 3. Housing conditions in Zimbabwe, 1999

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing stock</td>
<td>817,000</td>
<td>560,000</td>
</tr>
<tr>
<td>Occupancy</td>
<td>6.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Annual replacement</td>
<td>0.5 %</td>
<td>10 %</td>
</tr>
</tbody>
</table>

Source: NHTF, 1999: 3.
<table>
<thead>
<tr>
<th>Period</th>
<th>Housing units delivered (average per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1991</td>
<td>15,000</td>
</tr>
<tr>
<td>1992-1994</td>
<td>20,000</td>
</tr>
<tr>
<td>1994 to present</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Sources: **Zimbabwe (1998); Kamete (1998) NHTF (1999).**
Table 5. Estimated urban housing needs in Harare, 1994

<table>
<thead>
<tr>
<th>Income group</th>
<th>Housing needs</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income groups</td>
<td>62,813</td>
<td>75</td>
</tr>
<tr>
<td>Middle and high-income groups</td>
<td>20,937</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83,750</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*: Housing needs reflect the sum of all applicants on waiting lists of all urban local authorities. The data is compiled by MLGNH from local authority submissions. The figure is modified by comparing the total number of households (H) - as per recent census figures - and the total number of housing units (U). The difference between the two (H minus U) indicate the housing deficit.

### Table 6. Some economic indicators for Zimbabwe

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Year when data was valid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget deficit</td>
<td>10 per cent</td>
<td></td>
</tr>
<tr>
<td>Interest rates</td>
<td>55 per cent</td>
<td>mid-1999</td>
</tr>
<tr>
<td>Unemployment-</td>
<td>Over 50 per cent</td>
<td>early 1999</td>
</tr>
<tr>
<td>Poverty with income below poverty datum line</td>
<td>75 per cent</td>
<td>1996</td>
</tr>
<tr>
<td>Inflation</td>
<td>65 per cent</td>
<td>September,1999</td>
</tr>
<tr>
<td>GNP per capita (US$ )</td>
<td>600</td>
<td>1975</td>
</tr>
<tr>
<td></td>
<td>700</td>
<td>1990</td>
</tr>
<tr>
<td></td>
<td>540</td>
<td>1993</td>
</tr>
<tr>
<td></td>
<td>400</td>
<td>1999</td>
</tr>
</tbody>
</table>

*: The idle economically active population, e.g. people who do not fit into any of the following categories: "Paid employee" (formal sector); "Employer" (formal sector); "Own account labour" (self-employed, formal and informal sector); and "Unpaid family labour" (domestic, informal, formal).

Sources: Mainly RBZ (various dates); Except for MPSLSW, 1996 (for poverty figure); UNCHS (1996) for GNP per capita 1975, 1990, 1993.)
<table>
<thead>
<tr>
<th>Period</th>
<th>Policy</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| 1980   | • Home ownership  
      • Rent restrictions  
      • Minimum housing standards.  
          o low-income plots minimum size 300 m²  
          o 4 roomed core of 50-60 m²  
          o construction modes - self-help, private, building brigades | Rent restrictions were meant to curb the exploitation of low-income families as most of them rented rooms in the low-income residential areas. This proved very difficult to monitor. |
| 1982   | • Minimum housing standards.  
      • Partnerships in housing between government or local authorities and the private sector  
      • Housing co-operatives recognised  
      • Revision of housing standards - 200 m² minimum plots  
      • Introduction of the PUPs to ease the problems of financing housing for low-income housing | Local authorities failed to provide adequate serviced plots. Due to the size of the plots, the provision of off-site infrastructure was expensive resulting in more expensive units. |
| 1985-6 | • Partnerships in housing between government or local authorities and the private sector  
      • Housing co-operatives recognised  
      • Revision of housing standards - 200 m² minimum plots  
      • Introduction of the PUPs to ease the problems of financing housing for low-income housing | Employers could construct houses for their employees  
      It still was difficult for housing co-operatives to be registered.  
      Revision of the minimum plot size was meant to make the houses affordable to low-income families  
      PUPs were supposed to introduce cheaper finance for low-income earners. This could be loaned at lower interest rates. |
<p>| 1990   | • Introduction of Start-Paying-For-Your-House Scheme (better known as the Pay Scheme) | These were supposed to be prepaid housing schemes were the government would match the money put up by the prospective home-seekers. This was suitable for high and middle-income earners. The policy was also abused as undeserving people ended up benefiting. |
| 1995   | • Direct housing construction by the government using their building units | Construction by building units was substandard. There were problems of supervision and material shortages. They could not meet their targets. IMF and World Bank have asked government not to be directly involved in housing construction. |
| 1996   | • Revision of housing standards - 150 m² as minimum plot size. | The 150 m² plots are meant to reduce costs of providing infrastructure and making housing affordable. Local authorities and politicians are opposed to the new minimum standards, as they believe that they are too low. They have not yet been implemented widely. |</p>
<table>
<thead>
<tr>
<th>Period</th>
<th>Number of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>5,581</td>
</tr>
<tr>
<td>1980-81</td>
<td>2,201</td>
</tr>
<tr>
<td>1981-82</td>
<td>3,416</td>
</tr>
<tr>
<td>1982-83</td>
<td>200</td>
</tr>
<tr>
<td>1983-84</td>
<td>3,009</td>
</tr>
<tr>
<td>1984-85</td>
<td>3,343</td>
</tr>
<tr>
<td>1985-86</td>
<td>2,645</td>
</tr>
<tr>
<td>1986-87</td>
<td>2,373</td>
</tr>
<tr>
<td>1987-88</td>
<td>2,137</td>
</tr>
<tr>
<td>1988-89</td>
<td>1,300</td>
</tr>
<tr>
<td>1989-90</td>
<td>1,563</td>
</tr>
<tr>
<td>1990-91</td>
<td>1,569</td>
</tr>
<tr>
<td>1991-92</td>
<td>205</td>
</tr>
<tr>
<td>1992-93</td>
<td>496</td>
</tr>
<tr>
<td>1993-94</td>
<td>4,705</td>
</tr>
<tr>
<td>1994-95</td>
<td>9,883</td>
</tr>
<tr>
<td>1995-96</td>
<td>12,238</td>
</tr>
<tr>
<td>1996-98</td>
<td>8,000 (estimate)</td>
</tr>
</tbody>
</table>

*Source: Harare City Council, 1997.*
Table 9. Units completed by housing co-operatives in Harare

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Units completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highfield</td>
<td>200</td>
</tr>
<tr>
<td>Zvichanaka</td>
<td>98</td>
</tr>
<tr>
<td>ZRP</td>
<td>75</td>
</tr>
<tr>
<td>Unity for Purpose</td>
<td>16</td>
</tr>
<tr>
<td>Napolo</td>
<td>0</td>
</tr>
<tr>
<td>CAPRI</td>
<td>40</td>
</tr>
<tr>
<td>Progress</td>
<td>41</td>
</tr>
<tr>
<td>PTC Trust</td>
<td>32</td>
</tr>
<tr>
<td>Takura Natbrew</td>
<td>33</td>
</tr>
<tr>
<td>Chiedza</td>
<td>10</td>
</tr>
<tr>
<td>Tube and Pipe</td>
<td>42</td>
</tr>
<tr>
<td>Kutambura</td>
<td>173</td>
</tr>
</tbody>
</table>

## Table 10. Basic functions of other relevant co-operatives in the housing sector

<table>
<thead>
<tr>
<th>Type of co-operative</th>
<th>Basic function</th>
<th>Remarks on Zimbabwe’s experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing co-operatives</td>
<td>Help build houses for members who pay a regular fixed subscription</td>
<td>The dominant type of co-operatives which has monopolised the name &quot;housing co-operatives&quot;</td>
</tr>
<tr>
<td></td>
<td>Providing a pool of funds from which qualifying members can borrow a fixed per centage of their total contribution</td>
<td>There is only one known SLA specifically for housing. It was established by homeless people mainly squatters in Hatcliffe and Dzivaresekwa holding camps, supported by Shelter Zimbabwe, an NGO. Members will be allowed to borrow for house-building only. So far no lending has taken place.</td>
</tr>
<tr>
<td>Building brigades</td>
<td>Construction of houses for a fee</td>
<td>Mainly sidelined by standards that quote specification of established materials producers (e.g. Monarch, Marilee, and Willdale). Considerably less expensive materials of high workmanship. Common in high density areas</td>
</tr>
<tr>
<td>Building materials production</td>
<td>Manufacturing of building materials, mainly bricks and metal fabrications</td>
<td>See box 3</td>
</tr>
<tr>
<td>Building materials retail and wholesale outlets</td>
<td>To stock and sale building materials to individuals or contractors</td>
<td>There are numerous of these but they are (always mistaken for?) private companies. Not specifically for housing</td>
</tr>
<tr>
<td>Transport co-operatives</td>
<td>Ferrying labour or building materials</td>
<td>None specifically set up for the building industry or housing sector</td>
</tr>
<tr>
<td>Vendors</td>
<td>Selling petty commodities and food at industrial, construction and commercial sites</td>
<td>As above</td>
</tr>
<tr>
<td>Extractive</td>
<td>Engaged in sand abstraction, wood felling and stone quarrying</td>
<td>Very popular but almost always illegal in terms of procurement, operations and ownership. None is registered though they use co-operative tag to their advantage</td>
</tr>
<tr>
<td>Centre</td>
<td>No. of housing co-operatives</td>
<td>Houses Built/under construction by co-operatives</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Harare</td>
<td>123</td>
<td>2,800</td>
</tr>
<tr>
<td>Bulawayo</td>
<td>4</td>
<td>195</td>
</tr>
<tr>
<td>Masvingo</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Mutare</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td>Kwe Kwe - Redcliff</td>
<td>5</td>
<td>128</td>
</tr>
<tr>
<td>Kadoma</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Chinhoyi</td>
<td>2</td>
<td>None</td>
</tr>
<tr>
<td>Bindura</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Gweru</td>
<td>3</td>
<td>None</td>
</tr>
<tr>
<td>Gwanda</td>
<td>2</td>
<td>14</td>
</tr>
</tbody>
</table>

Notes:
Column 2: refers to the number of housing co-operatives in each centre.
Column 3: refers to the number of units constructed or under construction by housing co-operatives.
Column 4: refers to the number constructed by other actors excluding housing co-operatives. The numbers are not on an annual basis but from 1980 to date.
Column 5: refers to the percentage contributions by co-operatives to the total figure.

## Table 12. Savings and state of construction from selected housing co-operatives

<table>
<thead>
<tr>
<th>Co-operatives</th>
<th>Type of co-operative</th>
<th>Year of formation</th>
<th>Year of registration</th>
<th>Members</th>
<th>Savings (ZS)</th>
<th>State of construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination</td>
<td>Work-based</td>
<td>1992</td>
<td>1995</td>
<td>28</td>
<td>70,000</td>
<td>2 houses</td>
</tr>
<tr>
<td>KKHC</td>
<td>Community-based</td>
<td>1986</td>
<td>1988</td>
<td>2,000</td>
<td>174,000</td>
<td>713</td>
</tr>
<tr>
<td>Vehicle Registry</td>
<td>Work-based</td>
<td>1997</td>
<td>-</td>
<td>20</td>
<td>180,000</td>
<td>None</td>
</tr>
<tr>
<td>Zvichanaka Co-operative</td>
<td>Community-based</td>
<td>1993</td>
<td>1995</td>
<td>150</td>
<td>163,000</td>
<td>92</td>
</tr>
<tr>
<td>Kambuzuma Co-operative</td>
<td>Community-based</td>
<td>1987</td>
<td>1989</td>
<td>200</td>
<td>1,000,000</td>
<td>9 with others at various stages</td>
</tr>
<tr>
<td>Shelter for All Co-operative</td>
<td>Community-based</td>
<td>1996</td>
<td>1997</td>
<td>13</td>
<td>115,000</td>
<td>None</td>
</tr>
<tr>
<td>Unity is Power</td>
<td>Community-based</td>
<td>1995</td>
<td>1999</td>
<td>31</td>
<td>80,000</td>
<td>None</td>
</tr>
<tr>
<td>Prosperity</td>
<td>Community-based</td>
<td>1999</td>
<td>1999</td>
<td>18</td>
<td>156,000</td>
<td>None - still to be allocated land.</td>
</tr>
<tr>
<td>PTC Trust</td>
<td>Work-based</td>
<td>1991</td>
<td>1992</td>
<td>32</td>
<td>-</td>
<td>Completed</td>
</tr>
<tr>
<td>Cotton Printers Workers Co-operative</td>
<td>Work-based</td>
<td>1984</td>
<td>1985</td>
<td>469</td>
<td>23,000</td>
<td>170</td>
</tr>
<tr>
<td>Radiator and Trimming Housing Co-operative</td>
<td>Work-based</td>
<td>1993</td>
<td>1993</td>
<td>49</td>
<td>416,500</td>
<td>25</td>
</tr>
<tr>
<td>Pepukai (just been formed)</td>
<td>Community-based</td>
<td>Pre-registration stage</td>
<td>-</td>
<td>30</td>
<td>Nil</td>
<td>None</td>
</tr>
<tr>
<td>Ngomahuru Housing Co-operative</td>
<td>Women group</td>
<td>1992</td>
<td>1993</td>
<td>10</td>
<td>100,000</td>
<td>None</td>
</tr>
<tr>
<td>Kapedzanhamo Maoko</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>150,000</td>
<td>3</td>
</tr>
<tr>
<td>Zvichanaka</td>
<td>Community-based</td>
<td>1995</td>
<td>1996</td>
<td>-</td>
<td>800</td>
<td>Just bought 15 stands</td>
</tr>
<tr>
<td>Shelter Housing Co-operative</td>
<td>Community-based</td>
<td>1990</td>
<td>1990</td>
<td>15</td>
<td>12,000</td>
<td>Bought 2 houses</td>
</tr>
<tr>
<td>Jit housing Co-operative</td>
<td>Community-based</td>
<td>1996</td>
<td>1999</td>
<td>37</td>
<td>200,000</td>
<td>None</td>
</tr>
<tr>
<td>Santana</td>
<td>Work-based</td>
<td>1999</td>
<td>Not yet registered</td>
<td>17</td>
<td>20,000</td>
<td>None</td>
</tr>
<tr>
<td>Munyati</td>
<td>Work-based</td>
<td>1993</td>
<td>1994</td>
<td>25</td>
<td>150,000</td>
<td>18 houses</td>
</tr>
<tr>
<td>Zviitire</td>
<td>Profession related (teachers)</td>
<td>1993</td>
<td>1994</td>
<td>19</td>
<td>30,000</td>
<td>13 but not yet complete</td>
</tr>
<tr>
<td>Zvirongwe</td>
<td>Community-based</td>
<td>1992</td>
<td>1992</td>
<td>15</td>
<td>120,000</td>
<td>None</td>
</tr>
<tr>
<td>Rojamunhu</td>
<td>Community-based</td>
<td>1990</td>
<td>1991</td>
<td>28</td>
<td>192,000</td>
<td>None</td>
</tr>
<tr>
<td>Kutsanzira</td>
<td>Work-based</td>
<td>1993</td>
<td>1994</td>
<td>12</td>
<td>120,000</td>
<td>None</td>
</tr>
<tr>
<td>BNC Housing Co-operative</td>
<td>Work-based</td>
<td>1990</td>
<td>1991</td>
<td>50</td>
<td>210,000</td>
<td>21</td>
</tr>
<tr>
<td>Dzavazedu</td>
<td>Community-based</td>
<td>1995</td>
<td>1997</td>
<td>100</td>
<td>616,000</td>
<td>None</td>
</tr>
<tr>
<td>ZRP</td>
<td>Work-based</td>
<td>1997</td>
<td>1999</td>
<td>30</td>
<td>200,000</td>
<td>30 unserviced stands</td>
</tr>
<tr>
<td>Gwanda housing Co-operative</td>
<td>Community-based</td>
<td>1998</td>
<td>1998</td>
<td>11</td>
<td>21,500</td>
<td>None - has 600 m² of land</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Male (per cent)</th>
<th>Female (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>Vice Chair</td>
<td>81</td>
<td>19</td>
</tr>
<tr>
<td>Secretary</td>
<td>68</td>
<td>32</td>
</tr>
<tr>
<td>Vice Secretary</td>
<td>81</td>
<td>19</td>
</tr>
<tr>
<td>Treasurer</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>Committee</td>
<td>46</td>
<td>54</td>
</tr>
</tbody>
</table>

*Source: Survey, 1999.*
Table 14. General levels of participation as perceived by housing co-operative members

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision-making</td>
<td>● 10 per cent of cases advisory committees make decisions.</td>
</tr>
<tr>
<td></td>
<td>● Decisions are discussed by management committee.</td>
</tr>
<tr>
<td></td>
<td>● They are then tabled at monthly meetings for adoption by everyone.</td>
</tr>
<tr>
<td></td>
<td>● In other cases management committee discusses decisions.</td>
</tr>
<tr>
<td>Planning</td>
<td>Management committee</td>
</tr>
<tr>
<td>Implementation</td>
<td>Task committees are formed in 15 per cent of cases. Execution and supervision left to the management committee.</td>
</tr>
<tr>
<td>Allocation of plots/houses</td>
<td>Everyone. This is normally done during the general meetings and the management committee will action decisions taken.</td>
</tr>
<tr>
<td>Daily management</td>
<td>Chairperson and other committee members</td>
</tr>
<tr>
<td>Expenditure</td>
<td>Mainly chairperson and treasurer. All members present at general meetings approve expenditure.</td>
</tr>
</tbody>
</table>

*Source: Survey 1999.*
### Table 15. Overview of financial sources for co-operatives in the housing sector

<table>
<thead>
<tr>
<th>Co-operative type</th>
<th>Source</th>
<th>Significance</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTERNAL SOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing co-operatives</td>
<td>Member contributions</td>
<td>Essential initial capital base</td>
<td>Depends on membership levels</td>
</tr>
<tr>
<td>Savings and loans clubs</td>
<td>Member savings</td>
<td>Sole source</td>
<td>Depends on membership economic status and size</td>
</tr>
<tr>
<td>Construction, materials production &amp; extraction, retail, transport and distribution</td>
<td>Shares</td>
<td>Essential initial capital base</td>
<td>Depends on membership levels</td>
</tr>
<tr>
<td>All types</td>
<td>Bank interest</td>
<td>Depends on the savings and type of account</td>
<td>Negative real interest on ordinary deposits.</td>
</tr>
<tr>
<td>Housing co-operatives</td>
<td>Rentals on members who have been allocated co-operative housing</td>
<td>Depends on finished accommodation</td>
<td>Puts pressure on members who have to make double payments, i.e., subscriptions and rents</td>
</tr>
<tr>
<td>Building materials</td>
<td>Sales</td>
<td>Major source</td>
<td>Depends on business environment</td>
</tr>
<tr>
<td>Building brigades</td>
<td>Fees</td>
<td>Major source</td>
<td>Always depends on satisfactory completion of contract</td>
</tr>
<tr>
<td>All types</td>
<td>Income generation projects</td>
<td>Insignificant for housing co-operatives. Main business for other co-operatives.</td>
<td>Marred by poor business planning and management. Legally venturing into income generating projects not complementary to house construction is not allowed (see box 6)</td>
</tr>
<tr>
<td><strong>EXTERNAL SOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All types</td>
<td>Bank loans</td>
<td>The major external source</td>
<td>Depends on own contribution</td>
</tr>
<tr>
<td>Housing co-operatives</td>
<td>Building society loans</td>
<td>Up to 75 per cent of needed building costs.</td>
<td>Have not been provided now for over two years due the suspension of mortgage lending by building societies. USAID funding still available up to year 2000 (see below)</td>
</tr>
<tr>
<td>Housing co-operatives</td>
<td>USAID funding in the form of the Housing Guaranty Program through participating building societies</td>
<td>May make up to 75 per cent of total capital outlay. Interest rates subsidised</td>
<td>Qualifying co-operatives should have at least 25 per cent of loan applied, with members earning no more than Z$ 1,200 per month before 1997 which was raised to about Z$ 3,000 in 1998.</td>
</tr>
<tr>
<td>Housing co-operatives</td>
<td>NHF</td>
<td>Not cash but in the form of serviced stands allocated by local authorities who would have used NHF funds (from World Bank and USAID) to service the stands</td>
<td>This is a business transaction as local authorities are now selling land on a full cost-recovery basis.</td>
</tr>
<tr>
<td>Key issue and problem</td>
<td>Description</td>
<td>Co-operative affected</td>
<td>Remarks</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------</td>
<td>-----------------------</td>
<td>---------</td>
</tr>
</tbody>
</table>
| **Management**        | - Little or no management skills in management committees.  
                       - Elections based on charisma rather than skill | All types | Being attended to at the national level through the Registrar of Co-operatives and HPZ (see Kamete, 1998) |
| **Operational**       | - Problems in day-to-day running  
                       - Making of unconstitutional decisions (see box 6) | All types | No internal checks to bring the culprits to book. Outside interference rampant (see Mapedza, 1998; Kamete, 1998). |
| **Legal**             | Flouting of legal stipulations relating to tenders, management, incomes etc. Reports and complaints about, financial mismanagement, corruption and poor decision making on expenditure, cost recovery and investment | All types | No legal actions taken; politically motivated cover-ups? (see box 6) |
| **Financial**         | - Increasing economic problems, dwindling income, rising cost of living  
                       - Retrenchment of members  
                       - Some co-operatives becoming large and cumbersome  
                       - Might not house all members | All types | This has led to reduced subscription levels and increasing defaults. Sometimes co-operatives decide to increase numbers to bolster subscription |
| **Political**         | Interference in community based co-operatives by local councilors and MPs and some party officials | Housing | No controls. Political clout always holds sway |
| **Technical**         | Wrong choices on investment options, project sizes, and design | All types | Technical partners who have tried to redress the situation are snubbed for making unpopular prescriptions (see box 6) |
| **Governance**        | - Mainly undemocratic processes  
                       - Male dominance | Housing | Centred on the violation of constitutional provisions and use of power and influence to "solve" problems and make controversial decisions |
| **Ownership**         | Co-operatives cannot legally own property. Property registered in the name of individuals | Housing | Harare has passed by-laws permitting land to be registered in the name of housing co-operatives |
| **Institutional**     | Institutional fragmentation | All types | Too many agencies and institutions involved at local and central government levels and NGOs. No redress yet. |
| **Economic**          | - Increasing economic problems, dwindling income, rising cost of living  
                       - Retrenchment of members | All types | This has led to reduced subscription levels and increasing defaults. Sometimes co-operatives decide to increase numbers to bolster subscription |
| **Demographic**       | - Some co-operatives becoming large and cumbersome  
                       - Might not house all members | Housing | Some local authorities placing limits on the maximum number of co-operators |
<p>| <strong>Land for housing</strong>  | Local authorities increasingly running out of land in general and serviced land in particular. | Housing | The problem is most acute in large urban centres. Most local authorities redressing this through the incorporation of nearby rural land in master plans. |
| <strong>Equity</strong>            | Violation of standing procedures on access to land | Housing | Co-operatives can access land ahead of others on the housing waiting lists. Some people forming co-operatives to jump the queue. |</p>
<table>
<thead>
<tr>
<th>Nature of support</th>
<th>Notes</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative formation &amp; development</td>
<td>Familiarisation with goals and structure of co-operative, formation and registration;</td>
<td>HPZ; MNAECC; CFH; local authorities</td>
</tr>
<tr>
<td>Financial planning and management</td>
<td>Establishment of appropriate accounting systems; investment, auditing, financial planning, monitoring and loan repayment</td>
<td>HPZ and MNAECC</td>
</tr>
<tr>
<td>Legal services</td>
<td>Preparation and negotiation of contracts, mortgages and other legal documents; Fashioning of constitution and by-laws</td>
<td>HPZ</td>
</tr>
<tr>
<td>Technical services</td>
<td>Mainly related to project development; securing of land; creation of building and development plans; management and mortgage; Origination of mortgages; sourcing of materials; procurement of contractors; implementation of overall building scheme.</td>
<td>HPZ; MNAECC; local authorities.</td>
</tr>
<tr>
<td>Information</td>
<td>Providing information on various housing issues and processes like land acquisition, housing construction, finance</td>
<td>CFH</td>
</tr>
<tr>
<td>Advocacy</td>
<td>National lobbying on policy, legislative and institutional changes</td>
<td>Politicians; academics; HPZ; CFH</td>
</tr>
<tr>
<td>Investment</td>
<td>Housing Co-operatives Trust (see box 8 ) takes advantage of high yields in the money market</td>
<td>HPZ</td>
</tr>
<tr>
<td>Financial resources</td>
<td>Financial resources in the form of ordinary loans, concessionary loans and grants;</td>
<td>Building societies; Bilateral agencies (USAID; World Bank), employers</td>
</tr>
</tbody>
</table>
Table 18. An overview of central government action on personal income

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax</td>
<td>Up to 45 per cent of income</td>
</tr>
<tr>
<td>Development levy (formerly drought levy)</td>
<td>5 per cent of income tax</td>
</tr>
<tr>
<td>Sales tax</td>
<td>15 per cent</td>
</tr>
<tr>
<td>National social security scheme</td>
<td>3 per cent of income</td>
</tr>
<tr>
<td>Withholding tax (on interest on savings)</td>
<td>30 per cent</td>
</tr>
</tbody>
</table>

*Source: Kamete (1998a: 7).*
List of Acronyms

- CFH: Civic Forum on Housing
- ESAP: Economic Structural Adjustment Programme
- GCUs: Government Construction Units
- HCTF: Housing Co-operative Trust Fund
- HPZ: Housing People of Zimbabwe
- IMF: International Monetary Fund
- KKHC: Kugarika Kushinga Housing Co-operative
- MLGNH: Ministry of Local Government and National Housing
- MNAECC: Ministry of National Affairs, Employment Creation and Co-operatives
- MPCNH: Ministry of Public Construction and National Housing
- NGO: Non-governmental organisation
- NHC: National Housing Convention
- NHCT: National Housing Construction Trust
- NHF: National Housing Fund
- NHTF: National Housing Task Force
- NSSA: National Social Security Authority
- PSHP: Private Sector Housing Programme
- PUPs: Paid Up Permanent Shares
- RBZ: Reserve Bank of Zimbabwe
- SLA: Savings and loans association
- USAID: United States Agency for International Development
- ZRP: Zimbabwe Republic Police
- ZS: Zimbabwe dollar


RBZ (Reserve Bank of Zimbabwe) (various dates) Quarterly Economic and Statistical Review. Harare: Economic Publications Unit (Economic Research and Policy Division).


Notes

1. The year 2020 is an important year in terms of the vision of Zimbabwe (enshrined in a policy document called Vision 2020) which sets out what the country wants to be by that year.

2. The private sector has not been playing a major role in low-income housing delivery. It was seen as an expensive mode of production, and housing policies have not encouraged the use of this mode until new policies emphasizing partnerships and employer-assisted schemes were adopted in the 1990s. Regulations like rent controls have also paid a part in discouraging private sector participation.

3. A holding camp is an area where former squatters rounded up in Mbare and Epworth were forcibly placed. The government insists that this is a transitional measure. There are two of these in Harare.

4. It should be pointed out that the study found it difficult to get accurate figures with respect to membership of co-operatives and the number of houses they had constructed. Like all entities who sense that they are being appraised the respondents were keen to provide fantastic figures that would either gain them top marks or pathetic figures which could get them help. A lot of cross-checking was thus necessary and the figures were by no means similar (see also box 6).

5. Interestingly, the building society concerned had to be rescued by the Reserve Bank after it almost collapsed due to liquidity problems in early 1999.
Chapter I. Shelter conditions and the co-operative movement in Zimbabwe

A. The national setting

Zimbabwe's total land area is 390,757 square kilometres. The current density in persons per square kilometre is 30. In the 1992 census Zimbabwe's population was put at 10.4 million, up from 7.6 million in 1982. By 1997 the population had gone up to 11.8 million. Table 1 is a summary of the population figures. The national annual average population growth rate between 1992 and 1997 was 2.5 per cent down from 3.5 per cent between 1987 and 1997 (CSO, 1997:20; Kamete, 1998). At this rate the national population is set to double in about 22 years (NHTF, 1999:2).

As of 1997 the urban areas had a combined population of over 3.8 million which was then 32 per cent of the national population, up from 27 per cent in 1982. With a population of about 8 million rural areas are currently home to 68 per cent of the national population (CSO, 1997:13).
Table 2 provides the picture regarding intercensal changes in urban growth. The intercensal period from 1962 and 1969 saw the contribution of urban population to total national population decline by about 7 per cent. Total urban population grew by over 24 per cent. In the rest of the periods both urban population and the proportion of that population to national population experienced marked increases. In fact, in the period between 1969 and 1982 urban population more than doubled, implying an average annual increase of more than 5.5 per cent. This has been explained by the post-independence relaxing of racist restrictive laws that were designed to stem the influx of blacks into the cities. This shock rise dropped within the following 10 years. But an annual average of 3.7 per cent is still quite high. The two largest urban centres (Harare and Bulawayo) grew at an annual rate of 6 and 7 per cent, respectively (MPCNH, 1995:14). This is higher than the African average of 5 per cent (UN, 1989).
Shelter Co-operatives in Zimbabwe
Prepared by Takawira Muvhani and Amin Kamete for UNCHS (Habitat) and ICA

Chapter I. Shelter conditions and the co-operative movement in Zimbabwe

C. Housing conditions

The average household size in Zimbabwe is 4.7 people. Using the latest intercensal population estimate of 1997, the total number of households in Zimbabwe was put at slightly over 2.5 million. Housing stock estimates put the current housing stock at about 1,377,000, out of which 560,000 units are in urban areas. Table 3 provides a summary of the housing conditions in 1999. Due to obsolescence about 0.5 per cent of the urban housing stock has to be replaced annually. The replacement rate in rural areas is 10 per cent.

Zimbabwe's urban housing deficit in 1992 was put at about 670,000 units. By 1999 this deficit had risen to over 1,000,000 (NHTF, 1999:2). At the current urbanisation rate of around 6 per cent, it is estimated that by the year 2020, the deficit will have risen to around 2,000,000 units. The NHTF estimates that an average of 250,000 housing units should be delivered every year "...if the backlog is to be completed (sic) in the next five years" (NHTF, 1999:2). If the deficit is to be wiped out by the year 2020 Zimbabwe's housing delivery systems should produce close to 100,000 housing units per year.

However, by 1996, all housing production systems combined could only deliver no more than 25,000 units annually (see table 4). A substantial proportion of this was being produced by the public sector using Government Construction Units (GCUs) established in 1992. (MPCNH, 1991; Zimbabwe, 1995; Kamete, 1997; 1997a; NHC, 1997; Zimbabwe, 1999).

The distribution of housing needs in a typical urban centre is shown in table 5. The picture represents what most analysts believe is the case in urban Zimbabwe (cf. NHC, 1997). The bulk of the needs are in the low-income category, which in 1994 referred to people with a maximum monthly income of ZS 1,200.

Because of the mismatch between supply and demand, which itself pushes up the costs of building and buying houses (see below), some 40 per cent of the national urban population are lodgers, who rent part of a house occupied by the owner. With the rise in rents an increasing number of people are reported to be joining the ranks of squatters at the holding camps set up by government at Porta Farm, Dzivaresekwa and Hatcliffe in Harare. The average rental per room in a high-density area is about ZS 800 excluding water and electricity (The Herald, 01-10-99). This is happening in a situation where 70 per cent of the population in large cities earns below ZS 1,500. The corresponding figures are 82 and 90 per cent respectively in medium and small cities respectively (NHTF, 1999:2).
The above picture exists against a backdrop of multiple economic and social adversities. The vagaries of an unstable, unpredictable and insecure macro-economic environment naturally feed into housing. Features that are of note in Zimbabwe’s macro-economic environment are reflected in table 6 below (cf. RBZ, 1990 to date).

These maladies affect housing in that they make housing unavailable, inaccessible or unaffordable. They impair or impede the capacities of public authorities, companies and individuals to effectively deliver housing. It is partly because of the incapacity of the existing housing production systems to meet the housing needs of the people in the face of these maladies that the co-operative movement came into the housing landscape. However, before the co-operative movement is introduced it is imperative that housing policy in Zimbabwe be looked at. The next section will dwell on this.
Shelter Co-operatives in Zimbabwe
Prepared by Takawira Muvhumi and Amin Kamete for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Zimbabwe
A. Housing co-operatives
1. Background to housing policy

The description of housing policy in Zimbabwe will not make sense if it is not situated in its political perspective. The Zimbabwean Government inherited an urban housing system that was run along racial lines. The most visible result of this is the segregated nature of Zimbabwe's cities. The European areas were well developed, and houses were built, financed and owned by the private sector. Houses in the African areas were owned by the government or by companies and rented to the Africans, and built and financed by the public sector. The township conditions were poor and featured large scale overcrowding, backyard shanties and some squatter areas. In Zimbabwe squatting as a symptom of a shortage in housing supply is not as prevalent as is often the case in other African countries. This is the result of the enforcement of tight influx control policies. Rather, the housing shortage manifests itself in less visible features such as high rates of overcrowding, subletting/lodging and backyard shanties. In Zimbabwe, backyard shanties are illegal wooden or other types of structures which are appended to the main house or are constructed as free-standing dwellings on the legal plot. These are normally rented out to the urban poor who cannot secure accommodation. In cases where squatting areas did emerge, government's policy was and still is to remove them forcefully. Although government policy is one of removing squatters, they have in some instances provided alternative sites for squatters. This provision of alternative locations has generally been inadequate. In 1997 about 390 residents at Porta Farm, one of the sites where squatters were relocated, were threatened by the Harare City Council with removal by force, while no alternative accommodation was given.

After 1980 urban growth increased as a result of perceptions of better job opportunities and better living standards in general, droughts, the removal of influx controls, migration of households of the "single" men and the extension of home-ownership. The main task for the government just after independence in 1980 was to unify the segregated cities, and provide accommodation for all city-dwellers on the basis of home-ownership. These goals were to be achieved by a 'rent-to-buy' scheme whereby the government sold houses to sitting tenants, upgrading of existing housing stock and the building of new houses on the basis of sites and services and aided self-help. See table 7 for a chronology of low-income housing policies in Zimbabwe.

The Transitional National Development Plan, inaugurated in 1983, stated that housing was a basic need and it recognised that housing plays an important role in people's well-being and productivity and in overall economic development. Furthermore, it was seen as an effective tool for wealth distribution. Therefore high priority would be given to housing. However, housing has not been a high priority sector in the subsequent years. In competition for scarce resources it lost out to sectors such as education, health and agriculture.

The objectives of the government's housing policy can be found in the Transitional National Development Plan. The plan states these as:

- The reduction (elimination) of the housing backlog, then estimated at 64,000 in urban centres in 1983,
- The improvement of the quality and number of houses in communal, resettlement and mining areas,
- The reduction of building costs through direct involvement of government in production.

The official strategy to achieve these objectives comprised the following:

- The provision of serviced sites on an aided self-help basis
- The use of building brigades construction
- provision of financial and technical assistance
- Mobilisation of people in solving the housing problem (formation of co-operatives);
- The formation of joint ventures by municipalities, communities, employers and the State to develop a coherent urban development programme.
- Strictly enforcing housing standards (minimum plot size of 300 m and an expandable and detached four-roomed core house).

All houses were to be provided on a full cost recovery basis. This would mean that housing would then be the
In the first fifteen years of post-colonial housing policies, there are two significant points in time that mark a change in conditions and policies. In the first five years after independence the number of stands and houses delivered were quite high. This was mainly the result of projects initiated with funding from the International Bank for Reconstruction and Development (the World Bank) and the United States Agency for International Development (USAID). The Kuwadzana site and services scheme funded by USAID was one of the largest low-income residential schemes embarked on immediately after independence. The scheme had well over 10,000 serviced residential plots. However, from the mid-eighties onwards, there has been a decline in the delivery of housing and stands, marking the first turning point. The stands or plots refer to serviced residential plots under the site and service schemes (see Table 8). The record of delivery of serviced plots in Harare over the past ten years reflects a rapidly widening gap between supply and demand. Output had fallen from 5,500 plots at independence in 1980 to less than 1,500 plots per annum in Harare in 1990, yet, the official housing waiting list was, on the other hand, increasing at a rate of 10,000 per annum. The increase in output after 1994 mirrors changes in housing policy when the private sector became involved in the servicing and production of low-income housing.

One reason for the decline in delivery was the switch from using private constructors to the employment of co-operatives and building brigades. The failure of building brigades has been pointed out earlier, and this subsequently resulted in a drop in housing delivery. The framework for co-operatives had not yet been put in place and most co-operatives were therefore not yet operational. Secondly, a severe shortage of cement emerged at that time which caused an increase in prices and delay in construction work. Thirdly, the overall economic downturn in 1982 and the subsequent three-year drought resulted in reduced Central Government revenues. At the same time, Government’s efforts at reducing the budget deficit caused significant cutbacks in capital expenditure. There was thus a reduction in funds available for the National Housing Fund (NHF). The drought in 1991-93 also affected expenditure in the housing sector. The involvement of the private sector in housing from 1994 had remarkable results in the servicing of land and the construction of houses. However, most of these are for middle and higher income people.

As stated in the first Five Year National Development Plan, efforts in the mid-eighties were mainly geared towards encouraging the private sector, especially the financial institutions, to participate in low-income housing. The Paid Up Permanent Shares (PUPs) were introduced in 1986, as well as incentives for employers to invest in housing for their employees. Still, the delivery and building process faced problems, mainly on account of lack of affordability, which was caused by the high cost of building materials and high interest rates.

From 1990 onwards increasing pressure from various forums of local authorities officers, architects, engineers and the University of Zimbabwe led eventually to the relaxation of building standards in December 1992. This was intended reduce costs of servicing the stands and constructing the houses, and to allow more economical use of land and cheaper building materials, which would also stimulate the local and informal building material sector. The relaxation resulted in small-scale manufacturers entering the lucrative housing construction scene and many jobs were created.
Furthermore, under pressure from the early housing co-operatives and the NGO Housing People of Zimbabwe (HPZ) (see box 9), housing co-operatives were invited to play a more important role in housing development. While the co-operative concept was still new in the housing sector, this required substantial efforts in selling the concept and in advocating adaptation of the various by-laws of the MNAECC, the Building Societies and local authorities.

Other elements of the new policy of relaxing housing standards were the mass production of houses and the use of affordable house designs and economical land use planning to achieve affordability. The aim was to produce a total of 670,000 units in urban areas during the period 1992-2000. This task was to be shared among the public, private sector and NGOs including housing co-operatives. The public sector alone aimed to achieve a production of 160,000 units, almost 25 per cent of the total required units, during the 1992-2000 period. The MPCNH itself has established its own (temporary) GCUs (with the capacity of building 5,000 units per annum) and Materials Production Units to speed up the building process. These targets are far from being met. Although the private sector has intensified its efforts to produce houses, it is currently producing only 20 per cent of its annual quota and this is way off target if the housing deficit is to be eradicated. The private sector is currently producing only 20 per cent of its required annual quota if the deficit is to be eradicated.

However the International Monetary Fund (IMF) has discouraged the government from being directly involved in the construction of houses. The construction unit stopped operating in 1998 under immense pressure from the IMF. They had managed to complete the construction of a total of 1,200 units, with an additional 1,006 still at various stages of construction. About 8,200 units were planned for Harare when construction stopped. The general thrust is now to complete the construction of the units that are at various stages of completion. These are largely in the urban high-density (low-income) areas.

GCUs still exist. Most of them are working towards the completion of the unfinished units. However, whilst their capacity was 5,000 units per annum, they only managed to construct about 1,200 units in over four years. This is a very dismal rate. The main problem was the erratic supply of materials and funding for the projects. The degree of supervision was also low as some of the units constructed are below the housing standards and have developed various faults e.g. cracking walls.

Most urban local authorities have been involved in acquiring land to provide accommodation. This land has to be serviced first before being allocated to beneficiaries. Upgrading of existing substandard accommodation has also been adopted as a strategy. Some of the strategies that have been adopted for the provision of low-income housing are described below.

- **Aided self-help:** Local authorities provide serviced stands, mainly consisting of tarred roads, water and sewer reticulation. The individual beneficiaries are then expected to construct dwelling using whatever resources they have at their disposal. This has been the most common means of providing housing for low-income families. However, the main problem has been the very slow pace at which serviced residential stands were released. The demand for the plots far exceeds supply.

- **Pay schemes:** Local authorities prepare layout plans for unserviced areas. These are then tendered to contractors on behalf of beneficiaries. Beneficiaries are required to pay up front for the requisite infrastructure. They then take possession of the serviced plots and construct dwellings at their own pace. This kind of approach is suitable for middle and high-income earners. However, the schemes have been abused, with money being diverted to other uses or undeserving people benefiting ahead of those who will have contributed.

- **Employer assisted schemes:** Serviced land is allocated to employers who then assist their employees in the construction of houses. The employers usually deposit some money with building societies. Most employers hire private construction companies to do the construction. In Harare about 5 per cent of the new low-income houses are built in this manner.

- **Consortia/Syndicates:** Groups of employers come together to form consortia or syndicates. They request for unserviced land from relevant local authorities. Houses are constructed for employees after servicing. This is almost similar to the housing co-operatives approach. This mode is not very popular and very few houses have been constructed using this mode.

- **Joint Ventures:** These are suitable in situations where local authorities have insufficient funds to service land. The local authority provides land and other partners provide resources for servicing and construction of houses.

- **Wet cores:** These comprise a single room, toilet and a shower on fully serviced land. The schemes are suitable for low-income families who can construct rooms at their own pace as funds become available. Most
of the current wet core schemes, as is the case with Dzivaresekwa high-density, low-income residential area in Harare where two-room cores were provided, have been criticised for providing very small rooms.

- Rented accommodation: This is in very short supply in most low-income areas. Households are forced to rent single rooms from landlords who also stay on the same property. The government's policy is to provide only 10 per cent of the housing stock for rent. The rest should be on ownership.

- Housing co-operatives: This is increasingly becoming a significant form of the provision of low-income housing in Zimbabwean cities. It has become the principal hope for home seekers in the larger cities. Due to the increase in the number of housing co-operatives during the last few years and the support they are getting from urban local authorities (in terms of land allocation) their contribution to housing provision is increasing. Whilst they are still providing few houses, the trend is that housing co-operatives are increasing in number and are producing relatively more housing units as local authorities move away from the provision of housing.
Chapter II. Co-operatives in shelter development in Zimbabwe

A. Housing co-operatives

2. The co-operative movement

The existence of co-operatives in Zimbabwe stretches far back into the formative years of colonial rule in the country. The earliest co-operatives were in the commodity buying and distribution sector. Agricultural co-operative societies are also among the earliest in the country (see Butcher, 1985). By the 1950s, co-operatives had become so important that parliament passed legislation govern the formation and operations of these organisations. The Co-operative Societies Act (Chapter 193 of 1956) had as its purpose the establishment of "a legal basis for the formation and registration of co-operatives" (Butcher, 1990:2).

Immediately after independence in 1980, co-operatives gained political prominence as the government adopted the policy of self-reliance in pursuit of its socialist ideology. There was a dramatic expansion of co-operatives in all sectors of the economy. By the beginning of the 1990s the number of co-operatives exceeded 1,100 (Butcher, 1990). It should be noted that this number refers to those co-operatives formally registered by the Registrar of Co-operatives. Thousands of unregistered "co-operatives" are still littered in all sectors of the economy throughout the country (see Kamete, 1998).

By the second half of the decade, co-operatives had more than quadrupled numerically, this despite the demise of dozens of co-operatives and the socialist stigma attached to co-operatives. Despite the fact that socialism was government's official policy, the little successes and many collapses reported about many co-operatives as well as the political manipulation of these entities by the ruling party which then held strong Marxist-Leninist ideals did not make them particularly attractive to the general public and the private sector. After 1980, it was apparent that people were being disillusioned by unfulfilled promises of the co-operative movement. The wealth and economic wellbeing that had been promised by champions of the co-operative movement and self-reliance did not materialise. This placed some kind of a stigma on socialism and all that it stood for, particularly in the private sector and among the educated elite. It is partly because of this stigma that government decided to mount several high-profile campaigns extolling the virtues of socialism, including the introduction of political economy as a subject into educational curricula. See also box 1.
In 1997, a total of 3,233 housing units were at various stages of construction by housing co-operatives excluding those completed. In Harare 12 housing co-operatives had by then already completed their housing schemes. Harare alone has over 120 registered housing co-operatives (HPZ, 1999). Whilst it is obvious that housing co-operatives have an important role to play in the provision of housing, most urban local authorities still have to appreciate the significant role they play.

Most urban local authorities have been struggling to provide serviced land for housing. This has in the past resulted in huge backlogs for housing provision. Waiting lists kept growing whilst the number of houses provided dwindled. Housing co-operatives have become the avenue through which most urban poor households are using (abusing? - see below) to access urban residential stands. Local authorities have been allocating unserviced land to co-operatives and the amount of land allocated in this manner is now equal to that allocated via other means. Due to local authority bureaucracy and lack of capital, it is taking upwards of three years to provide serviced land and issue title. Housing co-operatives have drastically reduced the length of time needed once resources have been mobilised. It takes co-operatives about a year after the land has been acquired to start constructing houses.

Only one third of households in the urban areas of Zimbabwe own their land. Nearly half the urban population consists of lodgers, while one tenth are tenants (HPZ 1999). Most housing schemes financed by conventional finance markets are out of reach of the urban low-income residents. In addition, a quarter of low-income people cannot afford contributions to housing co-operatives.

A total of 53 housing co-operatives have completed their projects nationally. Over 6 per cent of the total national number of housing co-operatives have completed half their total requirements in terms of the construction of housing units (HPZ, 1999). Examples of those that have completed their requirements in Harare are given in table 9.

There has been a huge increase in the number of housing co-operatives operating in the urban areas of Zimbabwe and it is projected that they will be providing over 6 per cent of low-income housing by the end of next year. (HPZ, 1999).
Chapter II. Co-operatives in shelter development in Zimbabwe

A. Housing co-operatives

4. Defining housing co-operatives

The provisions of the Co-operative Societies Act (Chapter 24:05) define a housing co-operative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned, democratically controlled housing enterprise who become registered in terms of the Act.

There are two broad categories of housing co-operatives in Zimbabwe. These are workplace-based co-operatives and community/neighbourhood-based. Housing co-operatives in Zimbabwe have been operating in accordance with internationally recognised principles.
Chapter II. Co-operatives in shelter development in Zimbabwe

A. Housing co-operatives

5. Forming housing co-operatives

The MNAECC registers housing co-operatives in accordance with the provisions of the Co-operatives Societies Act. This piece of legislation sets out the rules and regulations in terms of the operations of co-operatives. There are some requirements that have to be satisfied before registration by the Ministry. These include:

- The minimum number of members required for registration purposes is 10.
- The organisation should receive pre-registration education on co-operatives
- The association should have developed its own by-laws to govern its operations. This should be used to protect the interests of members. Most pre-co-operatives are helped by HPZ.
- The associations are also expected to have developed their own internal codes of rules and conduct for members.

Once the co-operative has been registered, it becomes a recognised legal entity that can be sued and sue and can enter into contracts with other organisations. Requirements are also to the effect that for people to form a community based co-operative, they should be in the same income bracket in order to have similar values, standards and housing aspirations. However, in reality incomes can vary widely for some of the community based co-operatives. Members should also be on the appropriate local authority's housing waiting list in order for land to be allocated to them. There is also the proviso that one can only be a member of one housing co-operative in the same local authority.

When one follows the development of housing co-operatives in the country, it becomes clear why there are still very few active co-operatives in the country. The earliest post-independence housing co-operative is a work-based co-operative formed by the workers of Cotton Printers, a private company in Bulawayo, the second largest city in Zimbabwe. The Cotton Printers workers in Bulawayo had to overcome many problems before the Bulawayo City Council could allocate land to their co-operative. Cotton Printers Housing Co-operative was established in 1986. It was an initiative of members of the Welfare Fund that was established in 1984 by employers of the company. There were denied plots by the BCC and they interpreted this to have political connotations as the co-operative was largely made up of Shona speaking people as opposed to the Ndebele dominant in Bulawayo. They were only allocated land after the intervention of the then Ministry of Local Government, Rural and Urban Development.

In Harare, the first (and up till now the largest in Zimbabwe with 2,000 members) housing co-operative was Kugarika Kushinga (KKHC). This is a community-based co-operative. Like all the other co-operatives that would follow, it was formed out of frustration with being on the housing waiting list for many years without seeing any progress made. In the following years more and more people decided to take up the challenge of providing for their own houses, instead of waiting passively for the allocation of a stand or a house. Like the Cotton Printers co-operative, they had their fair share of problems. During its formation, the leader was arrested at one time at the instigation of the ruling party officials in the area. There were fears that a new political party was being formed. It was only after extensive assurances through meetings that it was a community-based organisation that they were allowed to register. This tended to dampen the morale of others who wanted to form similar organisations.

The growth of the number of housing co-operatives in recent years (after 1992) has been facilitated by an NGO that was formed in 1992. The NGO, HPZ, is an intermediary service NGO that aims to assist housing co-operatives in the planning process and in each of the steps of project development (see box 9). The NGO is also actively engaged in negotiating with the Ministries, the local authorities and the building societies to persuade them to accept its recommendations so that some fundamental constraints that co-operatives in the housing sector face will be eliminated. These constraints include for instance the fact that local authorities only allocated stands to individuals, just as the Building Societies only lend money to individuals. Finally co-operatives in the housing sector require a different set of registration regulations than other types of co-operatives, as they deal with individual ownership, inheritance and with savings instead of income, which should not be taxed as such.

In Zimbabwe, housing co-operatives have been classified according to the composition of its members or their origins: -

- Work-based co-operatives - formed people employed by the same employer or company. e.g. Capri, Cotton Printers
- Co-operatives based on profession e.g. domestic workers groups, teachers group e.g. Determination is a teacher's co-operative or Gwanda Lecturer's co-operative.
- Women's housing co-operatives. e.g. Kupedzanhamo Maoko
- Community based - mixed - made up of different people from all walks of life who have come together for purposes of meeting the housing challenge, e.g. KKHC
In Zimbabwe the term housing co-operatives refers to an organised group of people whose regular subscriptions are geared towards the construction of housing for members. They should not be confused with typical savings and loans associations (SLAs), as they do not lend to members. The study only discovered one SLA that is designed to lend specifically for housing. This association sponsored by Shelter Zimbabwe brings together former squatters in a holding camp in Hatcliffe. At the time of study this SLA had not started lending, but was still in the process of mobilisation of savings. The most established SLAs are not specifically for housing, though they may lend to members who will use the loans for house-related purposes.

Two co-operatives were identified in the materials distribution sector. These operate from Gutu, a rural urban centre (growth point). To all intents and purposes they operate like private companies always aiming for profit. Probably the co-operative tag is for them a ruse to access some benefits associated with these institutions.

A few housing co-operatives have diversified into materials production. The KKHC and Fambidzanai Housing co-operatives in Harare and Chitungwiza are good examples of co-operatives that have expanded their focus to materials production. The Intermediate Technology Development Group (IT Zimbabwe) helps some co-operatives in the materials production industry. Cone Textiles Housing Co-operative has even gone on to build a demonstration house with the help of IT Zimbabwe, using new innovative technologies. In fact, all IT Zimbabwe assisted projects for co-operatives are geared towards the development of alternative building materials.

Two co-operatives in the construction and/or construction sector were identified in Bulawayo. One of these is Bulawayo Instant Muscle, formed in 1984. The co-operative is in the building materials and construction business sector. It is captured in box 2. The second co-operative identified is See Light Construction Co-operative, which is in the construction sector. It was formed in 1989 and has to date built 860 houses for clients in high-density areas. It reminds one of building brigades but is by no means a pseudo-co-operative, having no known patronage links with local or central government. The membership of See Light is entirely male. Six of them are in the 30 to 40 year age group. One is below 30. Members get a monthly income of Z$ 1,500. Like the other co-operatives whose aim is not to house members, See Light Housing Co-operative is not specifically geared towards housing, but is in the general construction business.

Building brigades were a brave attempt to inaugurate construction-orientated co-operatives in the housing sector. These are what can be labelled as pseudo-co-operatives since they are buoyed up by the party, central and local government and rely on these for business. The rolling back of the public sector from direct housing construction is affecting them. Building Brigades are discussed in more detail in box 3.

In Harare there are a number of transport co-operatives that sometimes get involved in the transportation of building materials. None of these was ever formed specifically for the building industry, let alone housing. Their involvement in housing is purely coincidental and happens in the course of their normal transport business.

Table 10 provides an overview of the other relevant co-operatives in the housing sector. Apart from building brigades which are specifically designed towards the provision of housing, the other types of co-operatives are incidental, only getting involved in housing as part of their wider business operations. Most of these are mistaken for private companies. Some of them are indeed private companies but continue to use the co-operatives tag for tax and political purposes.

Finally there are some peripheral pre-co-operatives and co-operatives that engage in normal vending business. These get involved in the petty commodity production and distribution sector. Again they enter the shelter sector in the course of their normal business. Some of these sell building materials like windowpanes, door frames and tiles to builders. Their line of business is building materials in general. Most of these call themselves co-operatives but have no intention of ever getting registered. The same applies to hordes of self-employed workers in the sand extraction business. They are not registered co-operatives although quite a number call themselves co-operatives. Their activities are mainly underground and are normally on the wrong side of the law. These are hard to enumerate and identify since they are clandestine and never consistent in terms of operational sphere and membership.

It can be seen that co-operatives in the shelter sector are predominantly those that take member contributions for the purposes of building houses for their members. The others do not have housing as their specific operational sector, only getting involved, as it were by accident. It is for this reason that the study will concentrate mainly on "housing” co-operatives.
The following section will discuss the sizes of the various housing co-operatives in the main urban centres of Zimbabwe. Almost all these co-operatives have started in the main centres and this is where most of the activities of housing co-operatives are concentrated. The concept of housing co-operative has of late been spreading to the smaller urban centres. It is in the larger towns and cities that the contributions of housing co-operatives in shelter development are most evident.

Table 11 gives an indication of the number of housing co-operatives and their contributions to the housing sector.

The houses constructed in Harare by the housing co-operatives are exclusively for rental to co-operative members. The bulk of the houses are usually the standard four-roomed core houses. Members do not individually own the housing units they may have been allocated until three conditions are met, namely -

- all members have been housed;
- the loan is fully paid; and
- the co-operative is dismantled or changes focus.

Most of the urban local authorities studied do not have up to date information on housing delivery in their areas. As a result it was difficult to make a final assessment of the contribution of co-operatives to housing delivery in general. Towns like Harare and Bulawayo have had a head start over other urban areas in the development of housing co-operatives. As noted above, the first co-operative after independence was formed in Bulawayo in 1984. The largest co-operative in the country is the KKHC community-based housing co-operative that was formed in the high-density suburb of Mabvuku in Harare in 1986.

KKHC, which has a membership of about 2,000, has to date completed the construction of 713 houses. Cotton Printers Housing Co-operative in Bulawayo has completed the construction of 170 units. In small centres like Masvingo, Chinhoyi, Kadoma and Gweru very few houses or none have been built by housing co-operatives. One reason for this is that most of the co-operatives in these areas were formed recently. Most of them are post 1997 creations that have just recently managed to get registration. They have not yet started putting up housing units, as they have not raised enough money to make deposits for reasonable loans or to purchase reasonable amount of land (see table 15). The issue of money raised by housing co-operatives is very important as it enables them to start building houses or servicing land. Some of the co-operatives levy very low monthly subscriptions. In fact some subscriptions are as low as ZS 40 per member per month. This amount is rightly considered to be too low to make meaningful contributions for a deposit for house construction purposes.

The other reason for the dormancy of most housing co-operatives in the smaller centres is the ready availability of rented accommodation. Small towns like Masvingo responded to the call to form housing co-operatives with a lot of enthusiasm. Initially 38 co-operatives were formed but not all of them registered as they suffered a high drop out rate. Most people secure relatively cheap rental accommodation easily thereby making the need to own a house low on their priority list. See also box 4.

The work-based co-operatives seem to have done very much better than their community-based counterparts in terms of the delivery of housing. This seems to stem from the fact that work-based co-operatives get assistance from their employers in terms of administration and also sourcing for extra funds. Employers normally act as guarantors for funds sourced from the formal money market to supplement funds raised from members' contributions. The other factor contributing to the success of the work-based co-operatives relates to the monthly subscriptions. Most work-based co-operatives monthly contributions are quite high compared to what community-based co-operatives can afford. In the case of Munyati Housing Co-operative for the Zimbabwe Electricity Supply Authority workers subscriptions are a whopping ZS 2,000 per month per person. This is a huge contribution when compared with contributions from most community-based co-operatives of around ZS 150-250 per month per person. On average members of work-based co-operatives pay about ZS 500 per month per person in subscriptions.

Defaulting by members has been on the increase, particularly under the current macro-economic conditions (see table 6 and section IIJ). These macro-economic adversities have negatively affected membership and contributions particularly in work-based co-operatives. A significant proportion of these co-operatives has lost their membership due to retrenchments. This point is soundly illustrated by two co-operatives in Bulawayo and Chinhoyi.
The Radiator and Trimming Housing Co-operative in Bulawayo started with about 89 members in 1993 when it was formed. At the time of the study over 40 per cent had dropped out due to retrenchments, retiring and financial difficulties. The Rojamunhu Housing Co-operative in Chinhoyi also suffered from the same fate. The co-operative started with 204 members but now only has 28 members. This translates into gigantic loss of 86 per cent of its membership. Those co-operatives studied claim that it is usually the older members who are more likely to withdraw membership after loosing any hope of getting houses.

The rate of dropouts and defaulting from community based co-operatives is not as high as that noted in work-based ones. KKHC has suffered a defaulting and dropout rate of about 5 per cent since its formation in 1986. Most of these dropouts and defaults occurred at the beginning of the co-operative. The co-operative was then having problems of registration. However, with demonstrated results, the dropout and defaulting rate has gone down. In fact, at one time KKHC had a membership of well over 3,000. The management committee had to drop other members in order for the housing co-operative to remain manageable.

Delays in the registration of housing co-operatives have been the major contributory factor towards the dropping out of members. Some older members feel disillusioned quickly and give up. Other contributory factors are the mismanagement and embezzlement of funds. This issue will be picked up discussed under governance.
People who are formally employed have formed the bulk of the housing co-operatives in urban centres. In some instances the informally employed like vendors have formed their own co-operatives. This has been the case in Masvingo, Gweru and Harare. Domestic workers, who are among some of the lowest paid workers in the country, have formed their own housing co-operatives. The materials and building brigades were formed in most cases by people retrenched from the construction industry. To date total contributions from subscriptions vary from about ZS 20,000 to some ZS 1,000,000 as is shown in Table 12. At the extreme end, total contributions by members of KKHC to date exceed ZS 6,000,000.

The amount of money accumulated from savings is usually a function of, among other things, the date of formation of the co-operative, membership structure, and the stage of construction. Most of those with the lowest amounts are in the process of constructing their houses and have sunk most of their savings into construction or have just started collecting subscriptions and have not yet accumulated a lot of money.

On the other hand some of those with more money in their accounts have been collecting subscriptions for over two or more years but have not yet sunk any money into housing projects. The number of members has also been influential in determining the amount of savings. At one time the community-based co-operative of KKHC had over ZS 2 million in their account just before registration. Subscriptions had been collected for a period of over a year from its 2,000 plus membership. Since they started construction they rarely have managed to maintain around ZS 200,000 in their account. At the time of writing they had about ZS 174,000 in their account.

Some housing co-operatives have very little money in their accounts. These are mostly those that have managed completed their house building projects. Their monthly contributions have gone been reduced and most of the money in the accounts is used for management of the houses and also for bailing out members of the co-operative who may be in financial problems.

Whilst some of the co-operatives could have been formed some time back, most of them only managed to get registered in the period 1994 to 1996. In the case of the work-based co-operatives, membership is limited to those who are in the employ of the relevant company. In most cases most of them have less than 25 members. Limited membership tends to limit their contributions. In other cases like in Mutare, the co-operatives have just acquired either land or houses and this has depleted their resources. On the other hand, housing co-operatives in Harare - which are community based - tend to raise more money because of the sheer numbers. An example is Kambuzuma Housing Co-operative in a Harare high-density suburb of that name. The co-operative has a membership of over 200 contributing ZS 300 per month per person.

Co-operative whose basic function is the manufacturing of construction materials and the construction of houses for a fee (such as building brigades) have average savings of around ZS 200,000 in their accounts. The money is used for the purchase of required inputs such as building materials and tools materials as well as the regular monthly payment to members. Trends generally indicate that most of these of types of co-operatives are viable, operating as they do in the business sector. However, there are less than 20 cases of co-operatives involved in manufacturing and construction activities. Savings from these co-operatives accrue from proceeds received from charges for construction of houses or the sale of building materials. Most of these co-operatives are found in Harare.

Some co-operatives have in the past managed to supplement their savings with loans from conventional financiers in the private sector. These may be banks or building societies. The construction and manufacturing co-operatives mentioned above can also borrow from various venture capital companies as well as the Small Business Development Company (SEDCO), a parastatal. They have to satisfy the basic requirement of the financiers. These may include sufficient collateral and good credit track record.

Co-operatives whose aim is to house members (housing co-operatives) can only borrow from building societies who, according to Zimbabwe's fragmented and specialised banking system and its attendant legislation, are the only finance institutions authorised to advance mortgages for house building or house buying. However, mortgages can only be accessed if the co-operative in successful in satisfying building societies that they have collateral for the loans applied for. The Mabvuku based KKHC used the initial batch of houses they had constructed as collateral for securing loans from building societies. In contrast to community-based co-operatives, work-based co-operatives find it much easier to secure loans as their employers guarantee their loans. One co-operative observed in the study, Capri Housing Co-operative, a work-based co-operative in Harare, had its loans from building societies guaranteed against the mother company's assets. As a result there was no need for the Capri Housing Co-operative to have look around.
for collateral for the loan, as was the case with KKHC.

Some of the co-operatives like Torwood in Redcliff have successfully applied for a loan of over US$ 300,000 under the USAID low-income funds with Founders Building Society. Others like ZRP in Gweru are still awaiting the approval of their loan under the same funding arrangement. However, the bulk of the membership has to be earning ZS 2,996 to qualify for this funding. Co-operative are treated more favourably than individual borrowers because as much as one in ten of the members can earn above the stipulated maximum income, but the co-operative in question would still qualify for USAID funding. It should be noted that USAID funds in the Private Sector Housing Program are not specifically set aside for housing co-operatives. They are intended for low-income housing in general.

Some of the housing co-operatives have put their funds directly on the money market. Two co-operatives have invested with the Lease Company of Zimbabwe. Although the returns on the money invested are high, the funds are not exempted from the taxes payable on interest. Despite the 30 per cent withholding tax, earnings from the money market are still seen by these co-operatives as a move to quickly increase their savings. This in a way enables them not to rely on the conventional sources of finance where interest rates are now too high. For more details see section II.E and table 6, as well as section II.I and section II.J.
Chapter II. Co-operatives in shelter development in Zimbabwe

D. Structure of organisations

1. Gender and age composition

There is a clear distinction in terms of participating women between the work-based co-operatives and the community-based ones. The community-based ones tend to have more women than the former. The reason for this is the fact that some of the jobs are still viewed as being the domain of men. Some good examples of such professions are foundry and engineering. As a result of this perception and (artificial) division of labour, co-operatives formed by such companies are inevitably 100 per cent male. This is the case with the Radiator and Trimming Housing Co-operative in Bulawayo. Community-based co-operatives tend to have more women members. The single largest co-operative in the country, KKHC, has 45 per cent female membership whilst Kambuzuma, Mufakose and other similar community-based housing co-operatives show similar trends with 30-40 per cent of their membership being female.

The age composition tends to be varied. However, in the majority of cases studied the average age for the co-operators is 40-50 years of age. This is the most frequent age group for both male and female co-operators. As indicated in chapter 4 older people (especially those above the 60 years) may have given up hope of ever owning houses.
The structure of an organisation is very important for the smooth functioning and success of the organisation. This is also true for housing co-operatives. For most of the housing co-operatives in Zimbabwe, the leadership started as a small informal group of core organisers whose leadership roles were ultimately formalised through elections. Due to the nature of their evolution, housing co-operatives in the country have been fairly independent in terms of their ownership and decision making. They are owned by the members who in turn are responsible for selecting their own leaders to run the organisations.
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3. Leadership composition

The structure for the management of the co-operatives resolves around the management committee. The committee is a requirement for registration and MNAECC requires that this committee must have agreed to abide by the provisions of the Co-operative Societies Act. Where there is no management committee, an interim management team is usually put in place pending the election of a management committee. Generally work based co-operatives are chaired by current or former chairpersons of worker's committees. This was the case in about 90 per cent of cases studied. Most community-based co-operatives are chaired by people who hold posts in ZANU (PF) the ruling party. The selection of leaders is done by the co-operators and it would appear that the experience in running workers committee or working for the party is an important consideration. Only about 10 per cent of the co-operatives are headed by women, that is, meaning they have women as chairpersons. The rest of the management structure is shown in table 13.

It is clear from the above that the majority of women are secretaries or treasurers (32 per cent and 28 per cent, respectively). The committee members are almost evenly balanced. This situation probably reflects the membership of most of the housing co-operatives where men are in the majority.

There have been some attempts at redressing the gender balance of housing co-operatives. Workshops have been held, notably by the Civic Forum on Housing (CFH), to sensitisise co-operative members on equal participation opportunities. One such workshop was organised in 1997 at Adelaide Acres in Harare. This workshop was significant in that it brought both rural and urban based women with an interest in housing issues. However, it is still clear from the housing co-operatives that women are largely regarded as good secretaries - a perception seemingly originating from (mis)conceptions about jobs. Women are also entrusted with the custody of most co-operatives' money. Interviews carried out tended to point to the existence of the belief - based on some experience - that male post-holders have a tendency to embezzle funds.

The reason given for limited participation by women is their traditional role in homes. For most women, their husbands are the paying members and they therefore let them do the talking. Regulations relating to land ownership in the urban areas have recently been repealed and women are now allowed to own houses a situation that previously had been almost non-existent in the urban low-income areas. This definition of roles and lack of experience may also explain the timid approach by female members of co-operatives. The other reason advanced is that most female-headed households cannot afford the monthly subscriptions for the co-operatives. However, for most community-based co-operatives, women are usually in the majority at meetings. This is because they will be standing in for their husbands who may be at work.

The management committee typically consists of the chairperson, deputy chairperson, the treasurer, and the secretary and deputy secretary. Other members for leadership positions are elected onto the management committee. Numbers for these committees vary from co-operative to co-operative. The research revealed that most of the chairpersons are about 40-50 years of age. It would appear that experience is seen as a prerequisite, hence electing people who have had some experience in leading organisations trade unions and party structures to positions of responsibility. The experience gained running workers' committees or serving the party seems to play a crucial role in the selection of leaders.

At work-based co-operatives, management plays a crucial role in helping the co-operatives get off the ground. For example at Cotton Printers and Capri, the personnel managers were heavily involved in the formation of the co-operatives and resolving disputes within the co-operative. This has been instrumental in minimising internal squabbles and conflicts, a situation that contrasts sharply with that obtaining in most community based co-operatives. At Takura Housing Co-operative, formed by employees of National Breweries, the personnel manager played an important role in ensuring that an imminent split of the co-operative did not materialise. Whilst the executive may be running the show, they relate very closely to the company and rely on it for all sorts of facilities. At times co-operators are tied to the mother company as a result of the loans they will have taken out using the company as the guarantor.
Ownership housing co-operatives is in the membership. However, the day to day running of the co-operative is left in the hands of the management committee. Decisions are normally discussed at the general meetings that are held once every month during the time when monthly subscriptions are being paid. Work-based co-operatives normally hold meetings more frequently as they meet daily at work. They even meet during their lunch hour break if there are urgent matters to be resolved. This helps clear issues and members are always informed compared to the community-based co-operatives. Table 14 indicates the general levels of participation by housing co-operative members.
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D. Structure of organisations

5. Decision-making

In the majority of cases (90 per cent) decision-making is done by every member through the general meetings. Emergency meetings may be scheduled so that everyone participates before crucial decisions are taken. In some cases, an advisory committee of the management committee takes decisions. These are passed onto the management committee for decision making during the general meetings.

Attendance at meetings is very erratic for work-based co-operatives. Meetings for these are normally held during working hours. Those who are not on the shift during which the meeting is held (mainly during the day) have been reported to have missed some meetings. In other cases if the meetings are held after normal working hours or on weekends those co-operative members on shift will not be able to attend. It is also often that those who attend keep moving in and out of the meetings, as they have to attend to their work duties. This tends to disrupt the meetings.

With community-based co-operatives attendance is normally around 70 per cent of the membership. Men who cannot attend because of work commitments normally send their wives to attend on their behalf. Decisions are arrived at through consensus. There seems to be an adherence to some democratic principles in terms of allowing members to voice their concerns.

There is a variety of patterns observed in terms of participation in the various activities of co-operatives. In some cases the whole membership of the co-operatives discusses issues and leaves the ultimate decision to the management committee. In some cases the committee takes a decision that they bring back to the general meeting for ratification. The whole process of meetings, consultations and report backs and further meeting was reported to be cumbersome and time-consuming. At the end members lose interest and stay away. In some cases they quickly pass and endorse decisions to "save time, preserve the peace," "to get it done with," or "for the sake of progress."

Minutes are very important records of decisions taken. However, the study found out that 14 per cent of the housing co-operatives could not produce minutes of the previous 5 consecutive meetings. This makes it difficult to check on decisions taken and how they are being implemented. The flow of information is at times not very smooth. There is also an evident lack of continuity due to erratic and unsystematic attendance. This is usually the case when two different people attend different meetings where the same issue is discussed. It was observed by the study that at times co-operative members may send their wives or relatives to attend meetings on their behalf. Problems may arise when unpopular decisions are taken. Most problems result from lack of proper communication between the management committee and the other members of the co-operative. In most cases this involves monetary loans to other members of the committee without prior approval and endorsement by the general membership of the co-operative in question.
The planning of activities for the co-operatives are generally left to the management committee, which then tables these at full co-operative meetings. It is difficult for everyone to be involved, particularly for the larger housing co-operatives. In a number of cases (5 per cent) all members are involved in the planning of co-operative activities. This phenomenon is apparent where co-operatives are small, in particular those co-operatives with 10-20 members. The area of planning is still a major problematic zone for most co-operatives studied. This becomes clearer when one considers the fact that 78 per cent of the co-operatives rush to construct when they have not raised even enough money for the construction of more than five houses. This phenomenon has given Zimbabwean urban housing co-operatives a typical pyramid structure, as only the first ones to come in (or to be allocated houses) get their housing aspirations satisfied (see in particular box 11).
The implementation of decisions taken by co-operative members is entrusted to the management committee. In about 12 per cent of cases task forces (or committees) are created for implementing some of the decisions in areas such as the clearing of land, building the houses and supervision. In most cases the implementation of projects usually involves the hiring of contractors. The management committee hires the contractors on behalf of the co-operative.

The negotiation of contracts was a problem area until HPZ came in with help. Dishonesty and breach of contracts in the form of delays, costs and quality are the key problems raised. There basically three types of contracts observed. The first one is where the builder provides the labour as well as the material. This was reported in 80 per cent of the cases in one recent survey (Humbles, 1999:19). The second one is where the co-operative buys its materials and hires the builder. The survey cited above noted this practice in a fifth of the cases (ibid.). The last one is where the co-operative opts to hire different contractors for different stages of development using a mixture of the buying and supplying strategies mentioned above. The allocation of stands is done by the co-operative as a whole. The allocation takes into account the date of joining the co-operative, and ones subscription records (see Kamete, 1998). The adherence of allocation procedures to set criteria is very critical, as it is this stage that has proved to lead to acrimony, hostilities and in-fighting among co-operative members. Some disgruntled members have often cited procedural inequities and lack of transparency in the allocation of co-operative housing to qualifying members (ibid.).
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8. Management

The day-to-day management of a typical housing co-operative is done by the management committee. Most members of the executive and management committee view the task of managing the co-operatives as demanding. The community-based co-operatives are the ones that are mainly affected in this regard. In about 19 per cent of the co-operatives, some members of the executive had to resign as their work commitments could not allow them to set aside the requisite time to attend to co-operative business. Management is done on a voluntary basis. There is no payment for this. Some huge co-operatives have decided to hire full-time employees to do the management tasks. KKHC has, for example, a full-time manager, a full-time secretary, a bookkeeper and a security guard to perform the day-to-day routine tasks of the co-operative. Box 6 peers into the itchy issues arising out of employment and payment in KKHC.
The chairperson of the co-operative and the treasurer normally approve co-operative expenditure. At times the whole management committee approves expenditure. However, any such expenditure has to be ratified by the full membership of the co-operative. There have been cases of fraud or unauthorised use of funds in some of the co-operatives. Fraud cases have been reported for some co-operatives in Chinhoyi, Harare, Mutare and Bindura. In one case in Chinhoyi Z$ 25,000 was reportedly embezzled. The money was never recovered. There are also problems with the use of funds. In some cases it was reported that members were borrowing money from the co-operatives at no interest rates. In some cases the money was never returned to the co-operative. However, such cases are in the minority. This points to some of the inherent problems with community-based co-operatives.
Housing co-operative are run in accordance with their by-laws. All co-operative members agree to abide by the by-laws that they would have drafted and/or approved. The by-laws stipulate issues relating to defaulting in the payment of subscriptions, offences or misdemeanours against the co-operative and the fines which can be levied for the various offences. These co-operative by-laws have to be approved by the general membership. HPZ has had a tremendous input in providing training for co-operators, particularly the management committees, on the by-laws.
In terms of organisation, the co-operatives are autonomous entities. MNAECC come on aspects like registration (or deregistration) and auditing. Apart from the MNAECC there are no legal umbrella organisations for co-operative movement in the housing sector. Plans for the formation of an umbrella apex organisation have been tabled and discussions have been going on with the relevant authorities as is discussed in Chapter III.

The diagram (figure 1) shows relationships in the management of housing co-operatives in Zimbabwe. The co-operatives manage themselves under their conditions of registration from the MNAECC with advice from HPZ and the local authorities. co-operatives govern themselves in accordance with their by-laws. The ministry approves the management rules of housing co-operatives when they register. It should be stressed that HPZ is a voluntary organisation and affiliation to it is not compulsory. Not all housing co-operatives in Zimbabwe are affiliated to the NGO, nor are the affiliates under any obligation to abide by its principles or to take its advice. Some important housing co-operatives have since parted ways with HPZ following irreconcilable differences. KKHC is the most notable among the lot (see box 6). This amplifies the need for an apex organisation that wields the power of law.

The MNAECC was initially formed to mainly mobilise people for the cause of the socialist state and subsequently with the promotion of the socialist mode of production. With the virtual demise of socialism, the ministry has concerned itself with the promotion of the various types of co-operatives. Its focus is largely on income generating projects. co-operatives in the housing sector have become the focus of the ministry in the last seven years. Prior to that they were viewed as non-income generating and therefore with very little contributions to make to employment creation, an area which has become the ministry's major pre-occupation.

Local authorities advise and assist housing co-operatives. However there is no uniformity in the response and attitudes of local authorities to local authorities. Each local authority has its own regulations governing the operations of housing co-operatives. Some of the local authority regulations and requirement have helped or frustrated housing co-operatives operating in their area. For example in what it probably sees as an efforts to enhance the viability of housing co-operatives Harare City Council has requirements for minimum contributions by co-operative members. As of 1999 these were set at ZS 300 per month per member. This may make it difficult for co-operatives whose membership cannot afford this stipulated minimum subscription to operate in Harare. It is Harare City Council also that pioneered the first by-laws that allow legal ownership of property to housing co-operatives rather than individuals (see box7).
As noted above most of the financial resources for housing co-operatives are obtained through member subscriptions. In fact, member subscriptions invariably form the essential initial capital base for all known housing co-operatives in Zimbabwe. A recent survey indicates that 53 housing co-operatives interviewed had on average raised an average of just over ZS 197,700 per co-operative (Humble, 1999:12). One giant co-operative, KKHC in Harare raises over ZS 2 million a month from its 2,000 strong membership (Mapedza, 1996; Kamete, 1998). Once the initial base is established other sources of financial and capital resources become available. Table 15 discusses some of these resources.

As noted in table 15 as well as in table 12, internal sources are dominated by member contributions in the form of contributions, shares and savings. The significance of these depends on membership levels as well as the economic status of the members. The highest known contribution per member in a co-operative is ZS 2,000 per month (survey data) paid by a work-based co-operative in the city of Kwe Kwe. This is the exception rather than the norm. A recent study put the average contribution at ZS 550 per member for the 53 co-operatives surveyed (Humbles, 1999:12).

It is mainly the performance of these internal sources of finance that determine the flow of external funding in the form of local loans, bilateral funding and grants. As indicated in table 15, the amount of USAID and building society loans accessed by qualifying housing co-operatives is proportional to amount of that co-operative's savings. Normally these loans make up to 75 per cent of the applying co-operative's total deposits. In addition these financiers as well as local authorities are interested in the financial performance of these co-operatives. Harare City Council has seconded a member of staff to co-operatives specifically to monitor performance.

The study discovered that key problem areas in terms of the mobilisation of resources and performance are of several types, namely, management, legislation and regulation, the economy and the socio-economic status of members.

It is the management of a co-operative that ensures that contributions are pegged at a realistic level and arrears minimised. One study mentioned indicates that arrears in the 53 co-operatives studied amounted to slightly over ZS 1.8 million per month with an average of about ZS 32,300 per co-operative per month (Humbles, 1999). Just over 45 per cent of the co-operatives - the majority of them in community based housing co-operatives - had contribution arrears. Debt control and arrears management are thus critical areas in the mobilisation of finance by a co-operative. This becomes critical if the co-operative is to beat the inflationary pressures by housing its members in a reasonably short time.

Macro-economic factors that impinge on the mobilisation of resources have been outlined in table 15. Increasing poverty levels increase the incidence of arrears, as does unemployment and the rising cost of living. In addition, rising inflation is continuously eroding the value of co-operatives by reducing what a given amount can do in terms of house building. Whereas it would need just over ZS 30,000 to build a four-roomed house in the early 1990s, by 1999 this figure had jumped to well over ZS 100,000 (NHTF, 1999; cf. Humbles, 1999:19).

The effect of the economic status of members on a co-operative's financial resources are well illustrated by the situation of BNC housing co-operative in the town of Bindura, some 90 km north of Harare. The co-operators are mineworkers employed by the Bindura Nickel Corporation. The co-operative cited as its key problem the low member subscriptions which in June 1999 were pegged at ZS 150 per month. Blamed for this situation was "the escalating cost of living" (interview, 1999). Retrenchments and resignations - triggered by the company's viability problems have further compounded the problem of the co-operative. Into this picture should be put the volatile inflation that is constantly gnawing at the value of the savings.

Legal and regulatory factors affecting the mobilisation of financial resources revolve around some by-laws or regulations passed by the parent ministry (MNAECC) or local authorities. For example, MNAECC now requires no less than ZS 200 as the minimum monthly membership contributions for each co-operative. Harare City Council pegged the minimum contribution requirement at ZS 300. If a co-operative cannot meet this requirement, Harare City Council will not allocate land to it.

As noted above, most external sources start flowing in after the co-operative has raised a given per centage of their total financial requirement. Building societies require a deposit of 25 per cent before they can lend to a co-operative. This seems to be the case where the building society is using its own money. However there is an interesting case in Harare where Paradise Housing Co-operative was given some ZS 10 million as loans by the Zimbabwe Building Society after raising about ZS 2 million in deposits. No explanation could be obtained on the exact criteria used in this case.
Apart from loans, interest from savings forms another source of funding. In 1986 the government sanctioned a special kind of tax-free shares (called Class “C” PUPs) to attract savings into housing. Four in five housing co-operatives deposit their savings in these accounts which currently earn tax-free interests of 23 per cent per annum. A few co-operatives prefer commercial bank savings accounts that earn slightly higher (about 25 per cent per annum on a sliding scale) with the usual 30 per cent withholding tax. Of late HPZ has set up the HCTF to take advantage of the very high rates on the money market (see box 8).

The flow of external funding is also evident in the subsidised loans given by USAID through its private sector housing guarantee fund. These are lent through building societies with the usual requirements. In the early 1990s when mortgage rates were 17.5 per cent, these funds were being lent at 14 per cent. The 1999 rate is 20 per cent, compared to the market rate of no less than 25 per cent (RBZ, various dates). These funds are specifically earmarked for the low-income groups, whose members should be earning no more than a stipulated maximum income per month. The ceiling was ZS 1,200 for most of the 1990s. It is now about ZS 3,000 (ZS 2996). However, this source of funding is not going to be available as the USAID Private Sector Housing Programme (PSHP) is set to wind up in the year 2000.

Some employers do help co-operatives set up by their employees. They come with loans or grants to help increase the savings of their employees in order for the co-operative to qualify for funding or to increase its savings. The Bindura Nickel Corporation cited above advanced a loan to BNC housing Co-operative and is also assisting the co-operative financially in various aspects of its operations.

Of late the National Social Security Authority (NSSA) has indicated its intentions to join the low-income housing delivery arena. The authority has made funds available through a Founders Building Society. Already by September, one housing co-operative in Mabvuku, Harare had sent its proposal approved in principle by the building society. However indications are that the agency is more interested in the more lucrative middle income housing market. NSSA is currently engaged in its first major housing development project at Glaudina in Harare. It appears the low-income housing finance initiative by the pension fund is a palliative to quell widespread complaints about its reluctance to address the housing plight of most of its contributors.

Indirectly, co-operatives benefit from external sources in the form of serviced stands. The servicing is done by local authorities using funds provided by USAID or the World Bank, through the NHF. It should be noted that the funds from USAID and the World Bank are not specifically earmarked for housing co-operatives. They are instead targeted to given income groups, mainly the low-income, that is, those earning no more than ZS 2996 per month. Co-operatives can only access these funds if they meet the general requirements of the intermediates agencies (building societies and local authorities) and the financiers. These include among other things, sufficient deposits, belonging to the right income groups, impeccable credit records and properly registering on the housing waiting lists maintained by the local authority.
Since their formation, housing co-operatives in the country have suffered from many setbacks from both local authorities and central government. In the first instance, some of the minimum housing standards in the country have been blamed for being too rigid and high. They are thus not conducive to the gradual approach that was adopted by most housing co-operatives. The following section will detail some of the issues regarding the operational environment of housing co-operatives in Zimbabwe.
All local authorities require that all actors in the housing sector including the low-income sub-sector comply with minimum housing standards and building standards as stipulated by the model building by-laws. Some of these standards make the houses expensive for home seekers, house buyers and house-builders. Whilst the safety considerations in insisting on standards are noble, some of the standards are superfluously high, an example being road accesses. The current standards are reviewed in box 5.

The effect of some of these standards is to make the houses expensive or delay the activities of the co-operatives as they wait for the various approvals that are necessary to ensure that the minimum standards are met. For example insisting on 8.5 metre-wide roads increases the infrastructure costs.

There have been efforts made in relaxing housing standards, particularly minimum plot sizes to make housing affordable. Minimum plot sizes were reduced to 200 square metres in 1992 and further reduced to 150 metres in 1997. The minimum plinth size of the house to be constructed has also been reduced from 50 square metres to 40 square metres. There has also been relaxation of standards on the building lines. It is now possible to have zero building lines on one side of the plot.
Besides the housing standards, there are also complications as local authorities insist that they allocate residential stands to individuals. This had the effect of almost breaking up some of the earliest co-operatives in the urban areas. At Takura Housing Co-operative in Harare some of the workers wanted to opt out when they realised that the plots had been granted by the local authority in the names of individuals rather than the co-operative. Since this rule has been waived, local authorities now allocate land to co-operatives rather than individual members. However, another problem still remains. The number of plots allocated to the co-operatives is usually not enough for the number of members. This may entail splitting the areas where co-operative members will ultimately be staying, something that housing co-operatives everywhere have had to deal with, leading to sophisticated systems as in Scandinavia.

The urban local authorities also have regulations, which govern access to land. These are based on the age, and number of children. This tends to discriminate against the older and younger members of the co-operatives. However, some of these have been relaxed to allow co-operatives to participate more effectively.
Some urban local authorities like Harare have also come up with regulations that may eventually inhibit the smooth setting up of housing co-operatives. This relates to the minimum amount of money which members have to contribute for the co-operative to be recognised by the local authority. A minimum contribution of Z$ 300 per month per member is the minimum that the local authority will recognise. This has the effect of denying equal opportunities to co-operatives whose members contribute less.
Local authorities have also assisted co-operatives. Several local authorities have donated land to some of the co-operatives. KKHC got a donation of 32 ha from the state president when it was officially launched. This land donation translates to 3143 residential plots for 2,000 members and a saving of about Z$ 4.6 million in the cost of the purchase of land. However, it is now imperative that housing co-operatives purchase their land. About 35 per cent of the co-operatives surveyed cited delays in the servicing of land by the local authorities as a problem that is affecting their progress. Those that have purchased unserviced land have been facing different problems of failing to service the land.

Local authorities have also provided house designs to co-operatives for very minimal fees. This has enabled co-operatives to make savings. In most local authorities there is now an officer assigned to assist housing co-operatives in various technical matters.

The central government through the MNAECC has assisted housing co-operatives through registration and training. As stated above it is MNAECC that is responsible for registering all the co-operatives. However, the process is unnecessarily long and involving. The local authority requirements are incorporated into the MNAECC requirements making the registration requirements “double”. The pre-registration training takes time because the MNAECC staff are increasingly becoming overstretched as an increasing number of co-operative keep sprouting up in all sectors. It has taken some of the co-operatives over 4 years to get registered. Under such circumstances some of the members have become disenchanted leading to a significant number opting out of the co-operatives. There is need to streamline the registration process. Whilst on paper it says that the process takes a few months, the experience of some of the co-operatives indicates that it can take more than a year to get registered. As is indicated in table 12 some of the housing co-operatives only got registered this year (1999) after having been formed two or more years previously. Examples from table 12 are Unity is Power Housing Co-operative in Harare, Jit Housing Co-operative in Kwe Kwe, and the ZRP Housing Co-operative in Gweru.

Some of these co-operatives (54 per cent of those who took two years to register) have put the blame on the lack of adequate registration information from both the ministry and the local authorities. There are also problems relating to some of the co-operatives not making efforts to meet the requirements for registration and lack of adequate follow-up on registration documents.

It should be said that an HPZ study on housing co-operatives recognises the official position that efforts have been made through lobbying to have the registration time reduced (see Humble, 1999). Officially registration should not take more than six month. However, this study still questions the real situation on the ground with regard to registration and the delays in registration. More work still has to be done in this regard.

The MNAECC also offers assistance to co-operatives in the form of training. They organise training for co-operatives to help them improve their management style and effectively take minutes for their meetings. They also help with auditing of the books for the co-operatives. This is due to the realisation that most housing co-operatives do not have funds to hire private auditors.

A variety of training is offered to co-operatives. As a start, it is a requirement that all prospective housing co-operatives get pre-registration training to help them understand the concept of co-operatives. This is a requirement for registration. A study by HPZ indicates that the majority of housing co-operatives have received training in management, accounts, bookkeeping, leadership, and co-operative principles (HPZ, 1999a). There is still very little training in gender and women. There have so far been three gender workshops were held for the co-operatives. Other training received include income generating projects and brick-making and construction.

There are still a number of issues that need to be streamlined in order to create a conducive atmosphere for co-operatives to operate. Restrictions on access to land based on stipulated minimum member contributions are the major obstacle. The remaining obstacles on the registration process still need to be streamlined to ensure that there are no inordinate delays in the registration of co-operatives. However, it should be stressed that the assistance being given to co-operatives by both central government and local authorities has been helpful.

HPZ has rendered some very useful assistance to housing co-operatives. They have assisted in various forms of training. They have trained the co-operators in aspects of general management and financial management. They have also been instrumental in carrying out various studies to assist in the understanding of co-operative issues and in promoting better managing co-operative affairs. It is HPZ that has been trendsetter in assisting co-operatives set up
a fund to help as collateral for loans (see boxes 8 and 9). HPZ has also been instrumental in assisting with the assessment of members with no salaries for the USAID loans from building societies. Presently they have been assisting with the setting up of an apex organisation for housing co-operatives. They have drafted model by-laws for the apex organisation to be formed.
There are advantages and disadvantages of using co-operatives for the provision of housing in Zimbabwe. Advantages may vary from co-operative to co-operative depending on circumstances. Some of these emanate from the registration of co-operatives.
Advantages of housing co-operatives compared to the other conventional means of providing low-income housing observed in Zimbabwe are similar to those raised by Lewin (1980). These are chronicled below.

- The self-help approach enables the collective savings accumulation as well as procurement, disbursement and repayment of loans, land and servicing costs at minimal loan administration costs. In contrast the individual servicing of loans is expensive. The HCTF set up by HPZ for co-operatives helps all the co-operatives to pull their financial resources together and participate in the lucrative money market. Participating co-operatives can also use the fund as collateral.

- Mutual security through collective repayment of loans eliminates the danger of defaulting. When other members of the co-operative default, they are covered by payments by others. For co-operatives in Zimbabwe that have loans individual members do not need collateral as the co-operative provides this.

- Management costs can be reduced through members of the co-operative assuming some of the management tasks on behalf of the housing co-operative. In Zimbabwe, management is on a voluntary basis and therefore at no cost to the co-operative at all. With work-based co-operatives, assistance by the company is also rendered for free. Management of the HCTF is on the basis of 2 per cent per annum to cover transaction costs. The 2 per cent is on the interest earned and not on the principal.

- Members who have been trained can participate in the process of site planning and house designs and shape their own environment. Co-operatives in Zimbabwe are now being trained to produce simple layouts and this helps reduce costs.

- Apart from answering the accommodation question, housing co-operatives have the potential to create job opportunities. Jobs are created by hiring and training members to construct the buildings or by starting other projects such as manufacturing building materials. Income from projects can then be used to repay loans. Most co-operatives in Zimbabwe have hired contractors to do the job for them.

- Co-operatives have also made it easy for low-income families to have access to residential plots. In a situation where local authorities have increasingly failed to produce serviced plots at the required rate, housing co-operatives have played a critical role in delivering the much needed plots and houses. Most of the new residential schemes in Harare involve the 122 or so housing co-operatives who have been able to service their own land and construct houses.

- Co-operatives have made it possible for low-income families to get land for free or at a significantly subsidised cost. Some urban local authorities have offered free land to some co-operatives as a way of encouraging them to get started on land servicing and construction of houses.
Some problems do occur which can result in negative perceptions of housing co-operatives, particularly where they are not properly run and people lose their money. Most of the disadvantages are however frivolous.

- Standardisation of house designs may create a dull residential environment. Most co-operatives have opted for the same type of design. For instance KKHC in Mabvuku in Harare. It should be admitted that this problem of monotony is not restricted to co-operative projects.

- Conflicts can arise resulting in leadership wrangles. Team efforts may create problems where a group of people with diverse interests and backgrounds comes together. This will ultimately affect the efficient functioning of co-operatives. At one time there was political interference in the running of the affairs of KKHC.

- Rumours on embezzlement of funds can result in low morale. At Takura Housing Co-operative non-members started spreading rumours about the existing leadership. This almost split the co-operative (see also box 7).

- Poor management may result in embezzlement of funds, creating problems for the co-operative. This was the case with the Rojamunhu Housing Co-operative in Chinhoyi.
Shelter Co-operatives in Zimbabwe  
Prepared by Takawira Muvumi and Amin Kamete for UNCHS (Habitat) and ICA

Chapter II. Co-operatives in shelter development in Zimbabwe

G. Comparative advantages and disadvantages

3.a. Registration: Advantages

Registration has been required by law in most countries where co-operatives of various types operate. The registration of housing co-operatives has some inherent advantages. These are provided below.

- Registration provides an important legal framework for the management of co-operatives. This creates credibility for the organisation. They can sue and be sued.

- It allows the registered body to enjoy services offered by MNAECC and other bodies like HPZ in aspects like financial management and bookkeeping. Presently, the ministry and local authorities are rendering this assistance because they recognise the entities they are dealing with because they are registered. It would be difficult to deal with a little known amorphous grouping at such an official level.

- Registration ensures legalisation of the co-operative entity and the creation of a body corporate. This allows legal recourse in the event of disputes. In addition, this has been instrumental in ensuring accountability as grievances can be dealt with legally.

- Registration allows better control and improvement of the housing environment. It is easy to control a registered group, as this will have a proper structure. Houses constructed in Mabvuku by KKHC conform to a particular type of house type and the co-operative members who are proud to belong to this group oversee the maintenance of the area.

- Registration allows the co-operatives to access the formal financial market as they will have become legal entities. The co-operatives in Zimbabwe are able to borrow money from building societies because they are registered entities. There are minimum conditions to be fulfilled for building society loans. Several co-operatives have qualified for loans offered by building societies that are involved in the administration of USAID low-income housing funds under the PSHP. One of the conditions is that they have to be a registered entity.
Below are some of the disadvantages of the registration of co-operatives.

- Registration results in a co-operative being tied to too many rules and regulations. This may ultimately hamper the efficient functioning of the co-operative. Harare City Council, for example, demands that co-operative members make minimum contributions of Z$ 300 per month for them to be entitled to land and other benefits.

- There are frustrating delays associated with registration. As discussed above in Zimbabwe it can take up to 4 years for a housing co-operative to be registered. This results in delays in the operation of co-operatives in the housing arena.
Co-operatives in the housing sector in Zimbabwe have over the years experienced problems that are of an economic, management, operational, legal, financial and demographic nature. Table 16 summarises the main issues and key problem areas in relating to these co-operatives. The table demonstrates that most of these problems cannot be traced to one single source. They have diverse origins, which explain why they are being tackled by different agencies at several levels using various strategies. Among the solutions adopted are those that are of a legal, technical, training, institutional, economic and administrative nature. Solutions have come from (or have been attempted by) local authorities, NGOs, central government as well as local and national politicians. The co-operators themselves have also taken some steps to address the issues.

Management problems are mainly a result of ignorance and misplaced confidence (Kamete, 1998). They crop up in the early years of a co-operative's life and slowly wane as they come down to earth through corrective measures by the Registrar of Co-operative and for those who are affiliated to HPZ, through the thorough training in management, financial and technical issues provided by the NGO. HPZ has to date provided valuable training in aspects like co-operative principles, by-laws, gender, leadership, income-generating projects and book-keeping (cf. Humbles, 1999:15). To ensure management capacity and to improve management systems in co-operative, the Registrar of Co-operatives now requires all co-operatives to undergo training before and after management. In addition the MNAECC provides free services such as training and auditing to legally registered co-operatives.

Some of these problems in operational and legal aspects are entrenched in the laws and politics of the land (e.g. political manipulation and ownership of land) or the regulations of institutions like local authorities (such as the allocation of land). Some can be traced to the general socio-economic conditions in the country (see above).

What table 16 depicts is a landscape that is littered with a host of problems. However this should not be unduly exaggerated. The effect of these has been to affect the delivery of housing by the co-operatives and the satisfaction of members. The fact that co-operatives continue to flourish demonstrates that life goes on in co-operatives and that they still have something to offer. That they have managed to stay out of the news (in terms of bad publicity) is evidence that the steps being taken by the Registrar of Co-operatives and other actors like local authorities, HPZ and CFH are working in favour of better management for the co-operatives.

The technical problems are being addressed by three key actors, namely, the Registrar of Co-operatives, HPZ, and the CFH. HPZ has a vibrant training team that has moved around the country training co-operators whose co-operatives are affiliated to the organisation. Training in book-keeping, by-laws, management and accounts have been given to management committees of HPZ's affiliates.

The CFH is a key player in the area of policy and advocacy, interchange of ideas through community workshops and information dissemination. As shown in box 10 the Forum brings together professionals and lay-people of diverse backgrounds in terms of training, professions and specialisation. The effect of this grouping has been to make available powerful media in the form of brochures, booklets and posters dealing with land, building, finance and legislation. The CFH also actively campaigns for policy changes and the redressing of impediments to housing. These impediments include planning, land-surveying and building regulations. The survey carried out by the team indicated that it is only CFH that has attempted the incorporation of rural housing in the mainstream housing debates in Zimbabwe. The Forum was the first to convene a workshop on Women and Rural Housing in late 1997.

The Registrar of Co-operatives in the MNAECC, has made it mandatory for co-operatives to be trained before they are registered. The areas covered include management and auditing. Co-operators have to prove that they have sufficient competence in key management areas before they are registered. The services offered are for free.

Some local authorities have made brave attempts at addressing the key problem areas of co-operatives. Harare is specially noted as the first local authority to attach a full-time member of staff to co-operatives. An officer in the Department of Housing and Community Services sits in the meetings of co-operatives is the secretary. It is Harare also that pioneered the selling of virgin land to co-operatives that had the capacity to service the land. It is not uncommon in Harare to find co-operatives servicing their own land. Of note in this respect are co-operatives like Paradise, Perseverance and Determination.

Paradise is an interesting case. It was given unserviced land that had lots of huge boulders. This demanded a lot of blasting. The co-operative managed to hire expertise to do the blasting, the servicing and the construction.

Harare City Council because of its closeness to the movement realised some operational problems faced by
co-operatives. Among these problems was one of low subscriptions and large numbers. The local authority has put in place regulations which require co-operative subscriptions to be no less than ZS 300. At the time of writing Harare was setting up maximum limits to membership. Only co-operatives that meet the council's requirements are allowed access to land belonging to the city. Of all the urban centres only Harare has passed a by-law that addresses the problem of ownership. Box 7 sheds light on this issue. This action was very critical to the survival of co-operatives. No member can prematurely opt out of a co-operative and successfully argue in court that the property in question does not belong to the co-operative. This used to be the case before this important by-law was passed.
External support given to co-operatives comes in various forms through various fora and agencies. A full picture is provided in table 17. Some key external support comes from central government and a NGO, HPZ. These render a whole range of services as depicted in the table. HPZ offers its development services for free (see box 9). Technical, financial and legal services are on a negotiable sliding scale (CFH, 1999: 17).

See also boxes 10 and 11.
The economic situation in Zimbabwe has not left co-operatives untouched. At independence the macro-economic situation was stable albeit very uneven. The lifting of racist restrictions and segregatory measures resulted in a flooding of urban centres and workplaces with rural migrants with the result that formal employment and standard accommodation became scarce. The adoption of Marxist economic principles made possible the sprouting of co-operatives under the banner of self-reliance. This saw, as outlined above, the growth of work-based and community co-operatives. Economic stability, low inflation and interest rates helped the first co-operative like Cotton Printers and KKHC make strides in putting up high-quality standard housing (Kamete, 1998).

Macro-economic instability in the latter half of the eighties contributed to a wave of dwindling real incomes and shrinking employment. By the time economic reforms were adopted in 1991 the economy was practically in a mess. The first phase of the Economic Structural Adjustment Programme (better known as ESAP 1) made things worse in terms of employment opportunities, incomes, inflation and the cost of living. The reduction in formal employment reduced the potential for work-based co-operatives. Those co-operatives whose members had been retrenched through "rationalisation" (characterised by mass retrenchments and the freezing of posts) were adversely affected. There was a rise in defaults (in terms of subscriptions and rentals) (see above) and member resignations.

By far the greatest single malady that came with the macro-economic chaos was inflation and the successive devaluation of the local currency following the adoption of the economic reforms in 1991. Between 1998 and 1999 the local currency was devalued by over 70 per cent (RBZ, 1999). In November 1998 the Zimbabwean dollar crashed, further worsening the country's economic problems. Within a short three years construction costs increased more than three-fold. As indicated above a basic four-roomed core house cost around ZS 30,000 before 1995. By 1999 this same unit was demanding well over ZS 100,000.

This instability put the design and planning of projects by co-operatives in disarray. The amount budgeted for land acquisition, servicing and construction was thus no longer sufficient for the purposes. As a result some co-operatives were unable to keep up with their earlier projections. For example, one of the most dominant co-operatives (KKHC) will only be able to house its 2,000-plus members in about half a century.

At the same time the cost of borrowing was continuously spiraling. The current mortgage interest rate at over 20 per cent is way too expensive for borrowers. Only two years ago this rate unsubsidised was at 17.5 per cent (RBZ, 1997). Housing loans from international finance are affordable (about 15 per cent in 1997, now around 20 per cent rate) but qualifying for them is very difficult for co-operatives whose membership is regarded as middle income, that is earning above ZS 1,200 before 1997, now earning above ZS 2,996. The paradox is that those co-operatives whose members are disqualified for being "too rich" cannot accumulate enough deposits to qualify for a meaningful unsubsidised private sector housing finance loan that can enable the building of the required number of houses in a given period.

The economic situation has also made mortgages very unattractive with the result that building societies prefer to invest their money on the high-yielding money markets. These money markets offer interest rates of over 40 per cent on short term investments (30, 60 and 90 days) compared to mortgage rates of just over 20 per cent for 25 years. At the time of writing there had not been mortgage loans in Zimbabwe for more than two years. The prospects for the resumption of mortgage lending in the foreseeable future are very grim.

Up to the end of 1998, government adversely disposable incomes on all workers in the country by levying a development levy. The levy was charged at 5 per cent of total income tax paid. Originally called the "drought levy", this additional tax was intended to help government feed the rural masses in times of drought. After the end of droughts government renamed the tax the "development levy" pointing out that the funds would now be used to finance (infrastructural) development in rural areas. After protracted confrontations between government and the labour movement the development levy was removed, but not before it had affected the incomes of all workers including members of co-operatives.

The economic changes have prompted government to take certain actions that have had major impacts on personal incomes. Table 18 chronicles some of the regular central government actions on personal income. There are other one-off requirement that eat into personal incomes, an example being the registration of title which demands over 6 per cent of the total cost of the property in question. Of late government has been wrangling with estate agents and lawyers in the courts over the instruction that capital gains tax has to deducted at source and that the reconciliation can only be done after two years with no interest accruing. All these actions have undermined the operations of housing co-operatives. In fact, economists maintain that in a five-day week, Zimbabweans work three of these for
various government taxes. It should be pointed out that government has been giving in to some of the outcries. For example, there have been successive reductions in income tax over the years with the non-taxable band being increased from Z$ 400 before 1990 to about Z$ 600 at present. There was a short-lived increase in sales tax to by 2.5 per cent (which increased the tax to 17.5 per cent) at the end of 1997, but government hastily abandoned the increase after an acrimonious showdown with the labour movement.

All in all, unemployment, poverty and general macro-economic adversities have made co-operatives either unattractive or ineffective. Paradoxically, co-operatives still remain the only way (albeit tortuously slow) for most home-seekers to acquire a house. Their prime advantage is that co-operatives make access to loans and land comparatively easy compared to individual efforts. As a result co-operators are willing to face repeated disappointments with an enduring optimism. As outlined above, it is easier to "jump the queue" in housing waiting lists if one belongs to a registered housing co-operative. Some political help has helped co-operatives like KKHC to access land, sometimes at no cost. Access to funds is facilitated by HPZ that draws up project proposals for presentation to building society. These impressive project proposals are then competently defended by HPZ's project personnel before building societies.
Shelter Co-operatives in Zimbabwe
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Chapter III. Future role of co-operatives in shelter development in Zimbabwe

A. Some recent developments

There are many policy changes in the shelter sector in Zimbabwe. These will impact on the functioning of housing co-operatives. Housing co-operatives are a comparatively recent development in the country. The majority of them are less than 10 years old, having been formed in the 1990s. There is still potential for increasing the role of housing co-operatives in urban areas as a vehicle for delivering low-income housing. Several recent policy changes have helped smoothen the way for the co-operatives to play an increasing role in the delivery of housing.

One of the most important changes has been the passing of by-laws that allow co-operatives as entities to be allocated land in the urban areas. Harare City Council has passed such by-laws. There is an indication that other local authorities are following slowly. Previously, the problems of accessibility to land related to the refusal by local authorities to allocate land to housing co-operatives. As noted above instead land is allocated to individual members of the co-operative. This has sometimes resulted in animosity and friction as some members threaten to withdraw from co-operatives once they have been allocated land. The new changes currently being implemented will strengthen the bargaining position of co-operatives as mutual entities.

There is also a policy change that is going to boost work-based co-operatives. This involves the new policy by government to employers who help their employees construct houses. They will be given increased tax relief. This has been increased from ZS 10,000 to ZS 45,000 per house. Most work-based co-operatives get some financial help from respective employers and it would appear that this entitles them to some tax relief. It is our perception that they will be an increase in work-based co-operatives as employers encourage their employees to form co-operatives so that they can help them.
Chapter III. Future role of co-operatives in shelter development in Zimbabwe

B. Improving efficiency - roles and responsibilities

1. Role of the Ministry of National Affairs, Employment Creation and Co-operatives (MNAECC)

There is need to streamline the role of the MNAECC. The ministry is not very efficient in its duties of registering co-operatives. The result is that it has taken some of the housing co-operatives a very long time to get registered. This has been to the detriment of some of the co-operatives as they have lost some of their members as a result of the delays. In future it will be desirable to ensure that the ministry restricts itself to just monitoring co-operatives rather than be involved in the training and registration of co-operatives. This should be the work of some other organisations. The monitoring should be elevated to the national level.

While one does not expect a de facto one party state to be receptive of independent developmental activities by co-operatives, this is largely the case in Zimbabwe. Housing co-operatives and other forms of co-operatives are recognised entities and there is now general acknowledgement about the role they play. The severity of the housing crisis, which is also a result of the government's capacity, is an important factor. Besides, this favourable attitude is largely the result of the efforts of HPZ. This may imply that the relationship pattern is strongly influenced by donor agencies. Moreover, the success of HPZ's policy advocacy can be attributed to its strong bargaining position, which implies that the structural autonomy the Zimbabwean state enjoys is not attended by situational autonomy.
Local authorities' relationship with the co-operatives presently is largely the result of their own incapacity to solve the housing problem, which has cast serious doubt in their capacity in provision of housing. Secondly, the financial capacity of the co-operatives and their proved viability are important to government and local authorities. Furthermore, the size of the co-operative movement in various local authorities has encouraged the local authorities to take up a monitoring role. The local authorities should continue monitoring at the local level. They should monitor activities of co-operatives to ensure that they are utilising the land allocated to them.

The transactions involving movement of membership and its replacement by new ones should also be monitored to ensure that the co-operatives are not infiltrated by the rich and people who already own other properties.

The local authorities should also ensure that they make serviced land readily available in good time. Partnerships in this regard can redress the financial constraints that are faced by the local authorities. The case of Tynwald South noted above is a good example of the effectiveness of partnership in delivering serviced land. This will absolve some of these responsibilities from the co-operatives so that they get on with the business of constructing their houses. Servicing of land has always been the responsibility of local authorities and not co-operatives. Some of the smaller co-operatives are not capable of servicing land on their own and the availability of serviced land will be an important development to them. Due to the operational nature of their business local authorities tend to service larger areas. They thus benefit from economies of scale. This ultimately results in the cost of the serviced land coming down. This is in stark contrast to the incremental approach adopted by co-operatives.
Organisations like HPZ should be dealing with national organisations representing all housing co-operatives, rather than the individual co-operatives at the local level. It should be the responsibility of such national level umbrella organisations to help their members with advice and register them. Unfortunately such an organisation is not in existence and they are forced to deal with individual co-operatives.

The need for an apex organisation for housing co-operatives has long been noted. Other types of co-operatives like fishing, transport and agriculture already have apex organisations. HPZ has already helped draft the model by-laws for such an organisation and these have been endorsed by MNAECC. However, there have been disagreements on the preferred structure linking the co-operatives to the apex organisation. This has delayed the formation of the apex organisation for the past three years. MNAECC prefers a structure whereby there are co-operative unions between the grassroots co-operatives and the apex organisation as is indicated in figure 2.

The feeling of most of the housing co-operatives is that the union layer is not necessary. This will increase costs. They prefer a situation whereby the various types of housing co-operatives deal directly with the apex organisation. This disagreement with the parent ministry has resulted in delays in forming the apex organisation.

Finally, the Global Strategy for Shelter to the Year 2000 was a stimulating factor to the establishment and operations of housing co-operatives. It made the Government of Zimbabwe adopt enabling strategies as noted above. These strategies stimulated urban low-income populations to form housing co-operatives.

Some co-operatives provide central government with an opportunity to incorporate them into the state system and to mobilise them for potential political reasons. In Zimbabwe, almost all the community based housing co-operatives have been formed by people who are staunch supporters of the ruling party. They have also been put on the agenda of political meetings and some of the people running the co-operatives also hold party positions, hence the blurred boundary between the co-operatives and the party. In most cases political slogans are recited first before co-operative meetings. KKHC, the largest community based housing co-operative in the country, initially had problems with the ruling party. The co-operative was seen as a threat by politicians and their activities were severely crippled by political interference until they related to the party structures. The service NGOs like HPZ and CFH on the other hand, are less prone to such incorporating tendencies. See also box 12.
Housing co-operatives are increasingly becoming an important vehicle for delivering houses. There are still some problems which still have to be sorted out before the co-operatives can effectively play their role fully. Some of the problems are not of the co-operatives’ own making and relate to the macro-economic conditions prevailing in the country. These relate to the very high inflationary rates which make it very difficult for the co-operatives to borrow money on the formal housing finance market. There are also some external factors like the policy of local authorities in land distributions and conditions set to register co-operatives which militate against the proper participation of co-operatives in the effective delivery of housing.
Co-operatives are playing an increasing role in making low-income housing available. This is seen from the numbers that have recently registered. In Harare co-operatives have accounted for over 5 per cent of the total number of housing units produced since 1980. Indications are that they will continue to produce more as the number of co-operatives increases and the environment under which they operate improves.

The number of housing co-operatives and other co-operatives producing building materials has been steadily rising. However, most of those who produce building materials have not been formally registered as most of them do not meet the criteria for registration. They operate within the framework of the informal sector. These play an important role for low income families as they produce cheap materials.
Chapter IV. Conclusions and proposals for action

A. Conclusions

2. Finance

There is some mismanagement of funds and this has tended to slow down the progress made by co-operatives. Most of the housing co-operatives have suffered some form of financial mismanagement. They have not met the requirement of having audited financial accounts. This has tended to raise suspicion to others who may have been willing to join the co-operatives. They fear losing their money.

Shelter co-operatives have benefited from building society funds after meeting the criteria for the loans. However, some of the co-operatives have started venturing into other forms of investment in an attempt to move away from conventional loans as the interest rates become increasingly steep. These include putting money into lease companies. Whilst the USAID funds have benefited some housing co-operatives, the numbers are still minimal (only 12 per cent of surveyed co-operatives).

The HCTF set up by HPZ still has not yet attracted many co-operatives. The fund is still being advertised and should play an important role in financing activities of housing co-operatives in the future.

Efforts to have housing co-operatives exempted from withholding tax have so far not yielded good results. This is largely because of the negative macro-economic environment. Indications are that should the macro-economic environment change, this exemption is likely to be granted.
Women are represented in the co-operatives but their effective participation is still hindered by cultural and other barriers. In most of the co-operatives where there are women in the management committee they tend to leave the task of decision making to the men. This has largely been influenced by their perception of their cultural roles. However, participation is total in women-only co-operatives. About 28 per cent of the various positions on co-operative management committees are taken up by women.

Housing co-operatives in Zimbabwe are fairly autonomous in decision making but are constrained by various rules and regulations introduced by local governments. They have full responsibilities of determining their activities and investing their money.

Most management committees have acquitted themselves very well in managing the affairs of housing co-operatives. There are still some basic problems in planning. This is the reason why most of the co-operatives operate as pyramid institutions. They lack the long term view.

With demonstrated results, the dropout and defaulting rate has gone down. Some members of co-operatives were skeptical but results on the ground; they were convinced that they could not achieve their goals. Dropout and defaulting rates for KKHC dropped after they had constructed their first few houses.
A. Conclusions

4. Other issues in the operating environment

- NGOs like HPZ play a very important role in assisting co-operatives. These roles need to be enhanced, particularly in the absence of an apex organisation for housing co-operatives.

- There is still very little external finance being given to co-operatives. The USAID has pumped in some money for low-income housing. This money is not specifically for co-operatives but they can access the money upon fulfilling certain conditions.

- The proposed changes to land allocation and other incentives for housing construction will improve the role of housing co-operatives.

- Registration of co-operatives still takes too long. There is need to reduce the bureaucratic procedures for registering co-operatives. Efforts have been made to reduce the time for registration but there are still problems on the ground. The problems may not be squarely those of MNAECC but also with co-operatives themselves.

- It is still necessary to continue running training courses in financial management, accounting, managing change, running meetings and managing income generating activities. This will benefit the co-operatives and improve their performance.
Chapter IV. Conclusions and proposals for action

B. Proposals for action

1. Central government

It will be essential for the central government to streamline its registration process if they continue with this task. Presently it takes too long. There is also need to continue with the current assistance to co-operatives in training and auditing. Other types of co-operatives in the shelter sector should be encouraged. Presently there are very few other actors. These include formal co-operatives making building materials or engaged in construction activities. The conditions for registration of co-operatives should be readily available from local authorities. This will reduce delays for registration. The first port of call for most homeseekers is the local authorities. If the various requirements are clearly outlined here, those wishing to form the co-operatives will ensure that they have satisfied all the requirements and minimise the chances of delays in the registration process.

It is also clear that the MNAECC does not have the capacity to train all the co-operatives and control audits. It is important therefore that they delegate these activities to other organisations. Pre-registration training is one of the requirements and due to financial constraints and other budgetary cuts, MNAECC has not been able to move to all the urban areas in order to carry out the necessary pre-registration training. This has resulted in delays in the registration of housing co-operatives. This points to the need for an apex institution which will be able to take on this function and expedite the training activities.
Chapter IV. Conclusions and proposals for action

B. Proposals for action

1. Local authorities

There should be a proper programme of action for all local authorities for co-operatives in the shelter sector in the country. Presently, most local authorities are helping co-operatives on an ad hoc basis. By-laws need to be revised so that they are more enabling for co-operatives to operate. More local authorities should be encouraged to provide land to co-operatives at subsidised rates.

There is also need for some of the local authorities to ensure that their requirements are incorporated into the registration procedures in a consolidated manner. Most local authorities have their own criteria for accepting housing co-operatives which is over and above the one required by MNAECC. For example Harare insists on minimum contributions by members to be ZS 300. Each local authority should therefore ensure that their requirements are incorporated to the MNAECC requirements so as not create confusion in registration and acceptance by the local authority for qualifying for land allocation. The confusion results in further delays as the co-operatives endeavour to meet the additional local authority criteria after registration.

The land policies of local authorities should be revisited. In most cases there is no proper policy on land. As a result land is allocated to housing co-operatives in a very fragmented fashion resulting in delays when co-operatives are ready to start construction or servicing of land. One way to alleviate the desperate situation of land shortage would be to encourage housing co-operatives to construct walk up flats. Presently all the co-operatives think in terms of constructing free standing dwellings, resulting in them demanding large chunks of land. The construction of semi-detached and terrace housing will help tame this excessive land demand. Available options will have to be discussed with co-operatives before they select a plan for their houses. The MLGNH has been constructing walk up flats and various types of semi-detached houses. These could be used as a start.
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Chapter IV. Conclusions and proposals for action
B. Proposals for action
1. International donor community

The present organisations helping co-operatives are not co-operatives themselves. The donor community can help with the setting up of a proper umbrella co-operative organisation. This organisation should then help with the registration and training of co-operatives in various aspects. Continued support in training and technical exchange will be necessary. There is also need to help with the improvement of the regulations of government. Organising exchange visits to other parts of the world where co-operatives are successful and learning how they do it will be important.

The issue of the formation of an apex organisation as mentioned at the beginning of the section is very important. The co-operative movement should be given insights into the various models for such institutions, with the merits and demerits clearly stated. This will help the divided movement to select a model for themselves.
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Chapter IV. Conclusions and proposals for action

B. Proposals for action

4. The co-operatives

They need to push for the formulation of their own umbrella organisation which will help with registration and setting up of regulations. Presently there is over-reliance on HPZ. The co-operatives also need to venture into other income generating activities. The income generating activities will help boost the funds for the construction of houses. The income generating activities should be related to house construction. In Chitungwiza, some members of the Cone Textiles Housing Co-operative have gone into the production of building blocks as a way of boosting their savings in addition to their monthly contributions. They need training in how to manage business after the completion of the construction of their houses. Only a few housing co-operatives have already received some training in income generating activities. In times of high inflation and ever-increasing interest rates, housing co-operatives will have to increasingly rely on their own money.

There is also over-reliance on HPZ for networking and partnerships. The co-operatives need to go into this on their own and start developing their own by-laws. The by-laws they use have largely been designed by HPZ. In most cases individual co-operatives will need to modify the by-laws to suit their own situations. They also need to lobby government to relax some of the regulations which inhibit their work. There is need for training their members in gender sensitivity.

They should also intensify their efforts to have an apex institution created soon. The issue of the structure of such an institution should be resolved quickly with MNAECC.
Building societies and the conventional money market should be targeted so that it is sympathetic to co-operatives. The requirements by the building societies on the USAID funds for co-operatives to prove previous track records servicing of similar loans means that only those who will have benefited from loans before will still benefit at the expense of the new co-operatives that may also require the funding.

The MLGNH should play a more important role in encouraging the development of housing co-operatives. It is important that MLGNH negotiates for land and other benefits with local authorities on behalf of the co-operatives. It is imperative that the new National Housing Policy being drafted specifically addresses the issue of housing co-operatives. MLGNH should continue negotiation through the NHTF with the Ministry of Finance to reduce holding taxes on funds for housing co-operatives.

Other actors like HPZ should continue their training efforts. Emphasis of the training should be on financial management, organising meetings, taking of minute and project planning and management. The main reason why Zimbabwe's housing co-operatives operate like pyramid structures is the lack of forward planning on the part of the co-operators. They will need to be trained in proper planning in order to ensure that all members have houses, rather than rushing into constructing only a few houses.

Other stakeholders like Intermediate Technology Development Group (IT Zimbabwe) should continue working with co-operatives to come up with cheaper construction materials. This will help co-operatives cut down the cost of the houses they produce.