

The background of the slide is a photograph of a residential area. In the foreground, there is a dirt road. To the left, a large, leafy tree stands next to a utility pole. Behind the tree, there are several small, single-story houses. One house is light green with a red roof, and another is orange with a red roof. The sky is clear and blue.

Housing Co-operatives

**Lessons from Afesis-corplan's
Co-operative Housing Experience**

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ABBREVIATIONS

- CBO – Community Based Organisation
- CLO – Co-operative Like Organisation
- EL Sacco – East London Savings and Credit Co-operative
- H(CSO)C – Housing (Common Space Owning) co-operative
- H(D)C – Housing (Development) Co-operative
- H(PM)C – Housing (Property Management) Co-operative
- H(PO)C – Housing (Property Owning) Co-operative
- NGO – Non Government Organisation
- Sacco – Savings and Credit Co-operative
- Saccol – Savings and Credit Co-operative League of South Africa
- SCC – Swedish Co-operative Centre
- SH – Social Housing
- SHF – Social Housing Foundation
- VA – Voluntary Association

EXECUTIVE SUMMARY

A. Model

A co-operative is where a group of people (homeless, consumers, unemployed) come together to address a common need (houses, cheap food, jobs) through a jointly owned and democratically controlled organisation (housing co-op, consumer co-op, worker co-op) that follows the co-operative principles (voluntary, democratic, econ participation, independent, training, cooperation between co-ops, concern for community).

Co-operatives are found in many sectors ranging from user co-operatives where members are users of the products and services provided by the co-op (e.g. consumers, households, etc.); to worker co-operatives where members are workers in the co-op.

Co-operatives can have elements of both for profit organisations (sole trader, partnership, close corporation); and not for profit organisations (voluntary association, trust, section 21 company). For example, housing co-operatives can insist that any surplus generated is re-invested in the housing co-op.

There are different types housing co-operatives, ranging from:

- Housing (Development) Co-operatives - H(D)C's - where homeless people come together to get a house (that can be either group owned or individually owned);
- Housing (Property Owning) Co-operatives - H(PO)C – where households come together to own their houses as a group;
- Housing (Property Management) Co-operatives - H(PM)C's – where (usually) H(PO)C's come together to arrange property management services for the H(PO)C's; and
- Housing (Common Space Owning) Co-operatives - H(CSO)C – where households come together so share common space and facilities.

For each type of co-operative there are also different types of “co-operative-like” variants. “Co-op like” organisations are community based organisations that are not registered as a co-operative but incorporate all (or most of) the co-operative principles.

H(D)C, as part of community driven housing, where people come together as a group to arrange for housing for the members of the group, can be compared to:

- Individual driven housing, where individual households arrange to get their own houses;
- Municipal driven housing, where a municipality arranges to build houses for people on a municipal waiting lists and/or living in informal settlements;
- Non profit driven housing, where a non profit company arranges to build houses and then allocates these houses to identified people, and where any “profit” made by the company is re-invested into the company; and
- For profit driven housing where a for-profit company arranges to build houses and then allocates them to identified people, and the company can distribute any profits made by the company to its owners.

H(PO)C, with their unique form of co-operative ownership, needs to be compared to:

- Individual ownership, where when an occupant vacates a house they can get a market price for the house;
- Rental, where when a person leaves the house they get nothing back; and

- Mixed ownership where, for example, when an individual owns a plot and a group owns the common space (e.g. sectional title), and where when a person leaves the house the person can get a market price for the plot they own and a share of the common space.

Where, for H(PO)C's, co-operative ownership can be defined as either:

- No equity, where an occupant gets no money back when they leave;
- Restricted equity, where an occupant gets back what they put into the house as determined by a pre agreed formula: or
- Full equity, where an occupant gets money back, as determined by the market for their share, when they leave.

Internationally housing co-operatives draw from a long history of “intentional communities”, while locally (in South Africa), housing co-operatives draw on the traditional African concept of “ubuntu”, which is roughly translated as “humanity towards others”.

B. Lessons

B1. Broad lessons

1. There is a need to promote a better understating of the different types of HC's amongst all role-players.
2. HC's need to be built on peoples existing experiences.
3. Co-operatives need to clearly define their membership base and need they are addressing in order to avoid any confusion.
4. HC's (of different types) are not suitable for all situations and people should only get involved if they really want to work together to benefit from cooperation.
5. H(D)C have lots of potential as an organisational form that can help landless/ homeless people get houses (that are then either individually or co-operatively owned).
6. H(PO)C have limited potential, in a few unique situations where people want to own land collectively, to allow groups to make land affordable for now and into the future (using restricted equity co-operative ownership). More piloting of H(PO)C's projects is needed to test the effectiveness of restricted equity co-op ownership in making land/ houses affordable.
7. H(CSO)C's may be more appropriate then H(PO)C's in many instances as they can combine the advantages of both individual ownership of houses with group ownership of the common space.
8. As a general rule, it is usually better to start group approaches to housing development and ownership with “co-op like” organisations, so that participants can get used to cooperating with each other and it is also easier to change to other forms of delivery or ownership if the group wants.

B2. Internal organisation lessons

9. HC's must focus a lot on how they manage internal communication within the co-operative. Many problems that emerge when people cooperate are the result of poor communication.
10. HC's need to emphasise the importance of financial savings as an element of cooperation.
11. H(D)C must have clear housing allocation procedures right from the start that are properly administered and consistently implemented.

B3. Government policy

12. The 1 subsidy to 1 savings ratio in the Institutional Subsidy needs to be changed if H(PO)C's are to be used by the poor.

13. The present government policy where members of H(PO)C's can not access indigent discounts needs to be changed if H(PO)C's are to be an option for the poor.
14. The Social Housing (SH) sector, as defined by the new Social housing Act, is to 'advanced' for most H(PO)C's, who are generally unable to adhere to the very stringent organisational guidelines for social housing institutions.
15. The present interpretation by government that people must provide voluntary labour in Peoples' Housing Process (PHP) projects needs to be changed to allow people to decide how they want to build there houses, if the PHP is to be used by H(D)C's.
16. H(D)C's and organisations supporting them must engage government to build a strong PHP sector.

B4. Housing lessons

17. Cluster type housing arrangements, where houses are arranged around a common space, have many positive attributes that need to be built on (e.g. helping to create a more social environment and improving physical security).
18. Low cost environmental features, such as orientating the house to the sub, need to be incorporated into all housing projects.
19. More H(PO)C pilot projects are needed to determine the most appropriate approach to servicing H(PO)'s (e.g. should water meters be located at each house or on boundaries of blocks.)
20. H(D)C's require lots of support during the construction phase, but with more experience, it is likely that H(D)C's will be able to take on many development functions themselves, without having to rely on external role-players.

B5. Affordability and sustainability

21. All types of co-operatives require some form of member economic participation, so members of HC's need to have some form of financial income if they want to participate in and benefit from the co-operative.
22. More pilot projects need to be developed by HC's to explore innovative ways to make housing more affordable for the poorer sectors of society (e.g. provide basic and not full services).
23. H(D)C's will rely on continued government support (that compliments and does not substitute for peoples initiatives), if they plan to become sustainable. Members of H(D)C's that target the poorer sectors of society, will not be able to continually finance the on going operation of H(D)C's by themselves.
24. H(PO)C's will have to finance their future operations from their members as it is highly unlikely that government will subsidise their operations. As a minimum, government needs to allow qualifying members of H(PO)C's to benefit from indigent discounts.
25. NGO's supporting HC's need to be more strategic in how they intervene in housing development processes. For example, they should focus more on capacity building, and facilitating land access, and less on construction management.

A. INTRODUCTION

“Amalinda comes from the Xhosa clan name Amantinde. Europeans could not pronounce amantinde so called it Amalinda. In history you learn about the 1818 battle of Amalinda. This was a war fought between Xhosas and British Settlers. The war happened in the area between the Fish River and Kei River. The people in this area were the Amantinde Clan.” Mthetheleli Pobana (personal communication)

“If you want to be quick – do it yourself. If you want to go far, do it together.” (African proverb)

A. 1. Housing act 1998

The housing act number 107 of 1997 states as one of its general principles applicable to housing development (section 2.1), that

“ National, provincial and local spheres of government must:

d) encourage and support individuals and communities, including, but not limited to, co-operatives, associations and other bodies which are community-based, in their efforts to fulfil their own housing needs by assisting them in accessing land, services and technical assistance in a way that leads to the transfer of skills to, and empowerment of, the community; . . .

k) use public money available for housing development in a manner which stimulates private investment in, and the contributions of individuals to, housing development.”

It is hoped that the experiences and lessons outlined in this report will go a long way to assisting communities and government in the achievement of this principle.

A. 2. Terminology

This document refers to many different types of housing co-operatives. When it is necessary to be more specific in noting which type of housing co-operative is being referred to, descriptive words like housing (development) co-operative or housing (property owning) co-operative are inserted to describe which type of housing co-operative is being referred to.

- HC: Housing Co-operative: Refers to any and all the different types of housing co-operatives.
- H(D)C: Housing (Development) Co-operative: Arranges the building of houses for its members.
- H(PO)C: Housing (Property Owning) Co-operative: Owns housing property on behalf of its members.
- H(PM)C: Housing (Property Management) Co-operative: Provides a property management service to H(PO)C's and others.
- H(CSO)C: Housing (Common Space Owning) Co-operative: Owns common space on behalf of its members.

You can find much more information on these co-operative housing models in the section on housing co-operative models.

Different models can be combined, so for example, you can get a housing (development and property owning) co-operative or H(D&PO)C.

Using this terminology and these definitions the East London Housing Management Co-operative (ELHMC) is actually a Housing (Development) Co-operative or H(D)C and not a housing (Property Management) co-operative as the name would suggest. Originally the ELHMC was conceptualised as a Housing (Development and Property Management) Co-operative or, H(D&PM)C, but in reality it never developed its property management functions and rather left property management to each of the 9 Housing (Property Owning) Co-operatives it helped establish. For the sake of consistency and to prevent any confusion, this document will refer to the ELHMC as the East London Housing (Development) Co-operative or H(D)C.

The 9 housing co-operatives in the Amalinda Co-operative Settlement project (Vuyu Gardens Housing Co-operative (HC), Eco home HC, Khanya Gardens HC, Ronaldton Park HC, Balindlela HC, Stela Sigcawu HC, Winnie Nomzamo HC, Mahanyele HC, Silver View HC) are actually Housing (Property Owning) Co-operatives. Again for the sake of consistency in terminology these 9 co-operatives will be referred to as H(PO)C's.

A.3. Definition of model

For the purposes of this document a housing co-operative model is defined as a co-operative which has a set of features unique to one type of housing co-operative (or set of co-operatives) that allows that co-operative (or set of co-operatives) to be compared to other housing co-operatives (or sets of co-operatives)

The advantages of using models is that it allows a person to compare one 'model' to another model; it also allows models to be refined and modified by adapting or changing features of the model.

B. THE AMALINDA MODEL

B1. Summary of model

The following summarises the housing co-operative model that was developed for the Amalinda co-operative settlement project. This section describes the model as it emerged from experience. The next section identifies areas where the model changed over time.

Planning and preparation

- People in need of houses join a Housing (Development) Co-operative or H(D)C.
- The H(D)C looks for land and negotiates for government housing subsidies on behalf of its members.
- At the same time these people join a Savings and Credit Co-operative that manages a savings waiting list on behalf of the H(D)C.
- The H(D)C enters into a development agreement with the local authority where it is agreed that the local authority will receive and administer housing subsidy funds received from the Provincial Department of Housing and the H(D)C will appoint various consultants and builders to build the houses and monitor performance.
- The H(D)C appoints planners, engineers and other consultants to prepare draft layout plans and engineering designs and budgets for the services and houses.
- The consultants assist the H(D)C and local authority to apply for Institutional Housing Subsidies following the Peoples Housing Process from the Provincial Department of Housing.
- On approval of subsidies by the Provincial Department of Housing, the local authority enters into a subsidy agreement with the provincial government to develop the houses.
- People from the H(D)C that have saved an agreed target amount (e.g. R2 070 in the Amalinda case) and have saved consistently and accumulated savings points for saving R30 every month are then allocated to the available land. Those members with the most points are given first preference. Those that have not saved the required target amount or do not have sufficient savings points have to wait for subsequent housing projects.
- The H(D)C sets up Housing (Property Owning) Co-operatives or H(PO)C's to take over ownership of the land. Each H(PO)C takes ownership of a block of land, with the same number of houses as there are members of the H(PO)C. In the Amalinda case each block had about 24 houses.
- The H(D)C enters into development agreements with the H(PO)C's to manage the development of the houses on their behalf.
- The H(D)C decides on behalf of the H(PO)C's what the houses will look like and how the houses will be built.
- The H(D)C looks for more land for its members who are not accommodated in the first project and plans for more housing projects. In this way more people in need of housing continue to join the H(D)C.

Construction

- The Provincial Department of Housing transfers funds to the account administrator (the local authority).
- The H(D)C approaches local builders for quotes to build the houses and appoints the identified builder. The builder is appointed on a labour only contract and agrees to use local labour.
- People from H(PO)C are trained in construction skills.

- The H(D)C arranges with material suppliers to provide material to the project.
- The technical certifier appointed by the H(D)C certifies that material has been delivered and/or progress has been made on construction (e.g. foundations of houses have been built) and the account administrator (the local authority) pays the material suppliers and/or builders.
- Member savings are transferred to the account administrator (the local authority) to be added to the housing subsidy so that a better house can be built.

On going management

- A person allocated to a H(PO)C by the H(D)C becomes a shareholder in the H(PO)C and signs a use agreement with the H(PO)C. The share and use agreement allows the member to occupy a specific personal space within the H(PO)C and share in the use of the common space for as long as she/ he pays the monthly fees and abides by the rules of the H(PO)C.
- Once houses are constructed people move into houses and sign a 'happy' letter that they are satisfied with the house that has been built using government subsidies and their savings.
- The H(PO)C is responsible for collecting monthly fees from each member which is used to pay the local authority for rates and services and to pay for maintenance.
- The individual is responsible for the maintenance of their own personal space and the H(PO)C is responsible for the maintenance of the common space .
- The H(PO)C has to follow up with defaulters of monthly fees and legal action is taken against those that do not pay monthly fees, which can lead to eviction.
- If a person wants to leave a H(PO)C they can transfer their share to an incoming person, identified using the H(D)C's savings waiting list. The incoming person must pay the outgoing member the value of any approved improvements made by the outgoing member.
- After 4 years from occupation of the houses by the first occupants, the H(PO)C can decide, if two thirds of all members of the H(PO)C agree, to transfer the ownership of the personal space to individuals or to stay as a H(PO)C. The members have to pay all fees associated with this transfer.
- If the members agree to transfer personal space to individual ownership the H(PO)C then becomes a Housing (Common Space Owning) Co-operative or H(CSO)C; or 'co-operative like' organisation (e.g. a home owners association). The H(CSO)C will continue to maintain the common space and look to address other needs of the H(CSO)C.

B2. Modifications to model

The following points were originally planned for the model but for the reasons given, were changed in the model.

- The first people who decided to set up a housing co-operative started by setting up a housing development voluntary organisation. After they had received a little more training on housing co-operatives they registered as the first housing co-operative in South Africa. It was registered as a housing management co-operative. As explained above it should have been registered as a H(D)C. Cope Housing Association subsequently assisted in the registration of the first Housing (Property Owning) co-operative.
- It was originally planned that the H(D)C would enter into the subsidy agreement with the provincial government and not involve the local authority in the model. The provincial government however insisted that the municipality had to be the support organisation so the model was amended to satisfy this requirement.
- The original plan was for each H(PO)C to decide what the houses would look like and how they would be built within each block, but the H(D)C decided to rather build the same houses and follow the same construction approach for all houses in all the H(PO)C's. Note that one H(PO)C, the Eco Home H(PO)C decided to build slightly different houses as this H(PO)C

was built in partnership with Afesis-corplan to demonstrate environmentally sustainable design solutions.

- The original plan was to use some form of mutual help arrangement where households would contribute some voluntary labour so as to save labour costs and have more funds for material, but the H(D)C decided to rather employ a local builder to build the houses and employ local labour so they could get some income.
- The original plan was to only allocate people to H(PO)C's once they had saved the required target amount but this was changed when the provincial government insisted that beneficiary names had to be provided before any subsidies could be transferred. Beneficiary names had to be submitted to provincial government before these people had satisfied the H(D)C allocation savings requirements.
- The original plan was for members savings to be immediately transferred to the municipality to add to the subsidy but this transfer was delayed as some members of the H(D)C had been incorrectly told by provincial government housing officials that they did not have to save as this was a PHP project and therefore refused to sign the necessary forms allowing their savings to be transferred.
- The original plan was for members to formally join the H(PO)C once they moved into the houses, but this was also disrupted when there was a dispute over who was allocated to certain houses, with rumours being spread that people were being allocated to the wrong house (dummy house numbers were confused with actual house numbers) and occupying houses without government approval. The H(D)C asked government to remove certain names from the originally approved subsidy list of people who had not saved the member contribution of R2 070 by the cut of date of 15 January 2004. The Department of Housing did not do this as they were under the incorrect impression that as this was a PHP project people did not have to save. People still have not yet officially joined H(PO)C's due to continued delays in reaching agreement on who should be occupying which house. The signing of 'happy' letters was also disrupted by the allocation dispute.
- The original plan was for the H(D)C to also provide a property management service to H(PO)C's once the people were living in the H(PO)C's, but once the people started moving into H(PO)C's it became clear that the members of H(PO)C's were not in a position to pay the H(D)C to provide this service, so effectively it was left up to H(PO)C's to administer their own affairs. The reality has been that the H(D)C has not developed any property management competencies.
- H(PO)C's have not gained experience in collecting monthly fees from their members to pay rates and services, as the municipality has only issued H(PO)C's with rates accounts and has not issued any services accounts. Some of the H(PO)C's have not been able to collect these rates from their members due to the allocation dispute. In other words they have had limited experience for H(PO)C's to actually deal with property management issues like fee collection, arrears management, common space maintenance and share transfer.
- The original plan was for the H(D)C to identify more land and apply for more subsidies to accommodate its other members who joined the H(D)C, but this planning was discontinued when the H(D)C and Afesis-corplan disagreed on the way the H(D)C was holding (or not) annual general meetings and were generally administering the organisations finances and membership records. It was agreed that only after the H(D)C made progress with an AGM would Afesis-corplan support the H(D)C again in its plans to identify more land and plan for more housing development.
- The model as described above has the H(D)C responsible for accessing land and government subsidies and a separate savings and credit co-operative responsible for members savings. During the course of the project this changed a number of times. At the beginning there was no Savings and Credit Co-operative (Sacco) and the H(D)C managed members savings. The

members of the H(D)C then set up a separate Sacco (the East London Savings and Credit Co-operative – EL Sacco) and members saved with this organisation. During the development process the members of the H(D)C stopped saving at the Sacco and once again the H(D)C managed its own savings.

B3. Amalinda Project – The facts

1. Number of housing (development) co-operatives = 1 (ELHMC)
2. Number of members of the ELHMC = more than 1000 members
3. Number of projects being implemented by the ELHMC = 1 (the Amalinda co-operative settlement project)
4. Number of houses in the Amalinda Co-operative settlement project = 216 houses
5. Number of blocks / housing (property owning) co-operatives in Amalinda co-operative settlement project = 9 blocks or H(PO)C's
6. Erf numbers and names of housing (property owning) co-operatives = see table below

H(PO)C name	Erf number	Block number	Block size m ²	Number units per block
Ronaldton park	50579	2	8888	32
Silver View	50580	3	6298	21
Balindlela	50578	5	7712	25
Stela Sigcawu	50577	6	7640	24
Vuyo Gardens	50581	7	8123	29
Winnie Nomzamo	50576	8	5475	18
Khanya Gardens	50574	10	7156	25
Mahanyele	50573	12	5850	22
Eco-home	50572	13	5796	20

7. Average housing (property owning) co-operative block size = about 7000 m² (or 0.7HA)
8. Average size of personal spaces = about 200 m²
9. Average membership size of H(PO)C = 24 members
10. Level of internal services: gravel unlined roads; waterborne toilets; individual household credit water meters at block boundary; two taps per house. (Electricity = separately funded pre-payment meter per house and street lighting.)
11. Size of house = 45 m²
12. House plan = open plan kitchen and lunge/dinning; bathroom and toilet; two bedrooms.
13. House features = cement floor, cement block walls (un-plastered); metal windows; wooden doors, cement roofing tiles; sink in kitchen; basin and toilet in bathroom.
14. Subsidy type = Peoples Housing Process using Institutional Subsidies
15. Subsidy amount = R20 300/ site
16. Geo-technical allowance = R3 420/ site
17. Establishment grant = R570/ site
18. Facilitation grant = R0
19. Member contribution towards house = R2 020/ site
20. Share and joining fee to Housing (Property Owning) Co-operative = R50
21. Share and joining fee to Housing (Development) Co-operative – the East London Housing Management Co-operative = R70
22. Share and joining fee to East London Savings and Credit Co-operative = R70
23. Support organisation = Buffalo City Municipality
24. Development partner = East London Housing Management Co-operative
25. Account administrator = Buffalo City Municipality
26. Certifier = Afesis-corplan

C. BACKGROUND TO CO-OPERATIVES

C.1. Co-operative types

According to the International Co-operative Alliance:

“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.

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.”

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

1. Voluntary and open membership: Members of the co-operative are free to participate or leave.
2. Democratic member control: The co-operative is run on democratic principles where each member has one vote.
3. Member economic participation: Members of the co-operative are required to contribute to and share fairly in the economic affairs of the co-operative.
4. Autonomy and independence: The co-operative is free from outside interference in its internal affairs.
5. Education, training and information: The co-operative builds the understanding and skills base of its members.
6. Cooperation among co-operatives: Co-operatives work together with other co-operatives promoting the co-operative principles in their work.
7. Concern for community: The co-operative is concerned about the well being and quality of life of non members and future generations.

The main features of a co-operative are:

- Member benefit - where the co-operative addresses the members need. This usually involves an economic advantage (like cheaper housing) but not always.
- Member ownership - where each member is an owner of the co-operative in that they own a share in the co-operative.
- Member control - where decisions are made by members through elected directors and/or through general meetings.

There are two basic types of co-operatives, “user” co-operatives and “worker” co-operatives.

- A user or service co-operative provides a service to its members (who are users of that service) like access to cheap food, quality and affordable housing, accessible finance, etc.
- A worker co-operative creates employment for its members in brick making businesses, construction, bakeries, sewing projects, etc.

Co-operatives are found in almost all sectors of the economy. The following table provides, as an illustration, a short list of different types of co-operatives that can be found.

Group of people	Need being addressed	Method of addressing need	Type of co-operative
Homeless	Affordable houses	Negotiate for land and subsidies. Arrange builders. Monitor construction.	Housing Development Co-operative (user coop).
Unemployed builders	Jobs in the construction business	Contracting for construction jobs.	Builders co-operative (worker coop).
Existing builders	Better contracts	Arrange training for builders. Assist builders to cooperate to quote for contracts. Builders share machinery.	Builders support co-operative (user coop).
“Un-bankable” savers	Accessible savings and loans products	Collecting savings deposits. Issuing loans.	Savings and credit Co-operative (user coop).
Consumers	Cheap food	Buying food in bulk. Selling food at discount.	Consumer co-operative (user coop).
Gardeners/ farmers	Cheaper gardening inputs and effective marketing of produce	Buying seeds and sharing equipment. Marketing produce.	Agricultural supply and marketing co-operative (user coop).
Commuters	Accessible transport	Arrange finance to buy a taxi. Provide lifts to members at discounts.	Taxi users co-operative (user coop).
Taxi owners	Cheap taxi management	Discounts on taxi maintenance. Marketing of taxi service.	Taxi owners co-operative (user coop).
Parents	Child care	Organise space and teachers for child care.	Crèche co-operative (user coop).
Unemployed with sewing skills	Jobs in sewing	Buy equipment and stock. Arrange production of clothes. Arrange selling of clothes.	Sewing co-operative (worker coop)
Households	Cheaper and sustainable energy	Buy a wind turbine to generate electricity Sell energy to the electricity network.	Wind turbine co-operative (user coop).
Existing and potential small business owners	Support in setting up and running the business	Access to cheap premises. Access to cheap bookkeeping service. Arrange training for small businesses.	Managed workspace co-operative (user coop).

Table: co-operative types

C.2. Housing co-operatives

The International co-operative Alliance (ICA) defines a housing co-operative as:

“A housing co-operative is a legal association formed for the purpose of providing housing to its members on a continuing basis. It is owned and controlled by its members. A co-operative is distinguished from other housing associations by its ownership structure and its commitment to co-operative principles.”

“Housing co-operatives exist for their members' mutual benefit. They share with other co-operatives the values of: individual responsibility, mutual help, democracy, equality, equity, and solidarity. They should conduct themselves honestly and openly.”

Housing co-operatives as defined by the ICA have an 8th principle over and above the 7 co-operative principles mentioned earlier:

8. Commitment to service: The co-operative aims at providing to its members housing and related services that are of quality and at a fair price.

It is noted that this definition of a housing co-operative refers to a housing (property owning) co-operative. As is explained elsewhere in this document, this is only one form of co-operative that needs to be considered when discussing housing co-operatives in South Africa. Housing (development) co-operatives are another significant type of housing co-operative that have a crucial role to play in the housing sector.

C.3. Co-operatives and registration

All co-operatives have to be registered with the registrar of co-operatives which falls under the Department of Trade and Industry.

Five (5) people are needed to set up a co-operative (it used to be 11 people). All co-operatives must have statutes (like a constitution) as per the Co-operatives Act and the statutes must specify if the co-operative is limited liability (i.e. members can not be sued for the debts of the co-operative).

A person buys a share to become a member in the co-operative and becomes a shareholder. Only a limited amount of surplus (after debts are paid off) may be used to pay dividends on each share in a co-operative. Any surplus money generated by a co-operative must be used to develop the co-op; be shared fairly amongst the members of the co-operative (in proportion to how much they contributed to the surplus); paid out as additional bonus shares to members, and/or be used to support community development activities. Further, any surplus must balance the co-operatives short and long term needs. So for example, a co-operative must keep at least 20% of any surplus as investment capital or bonus shares with the remaining 80% that can then be distributed to members.

Co-operatives must keep the registrar of co-ops updated of financial and membership affairs and the registrar of co-operatives can intervene in the co-operative if s/he is not happy with how the co-operative is running.

When a person leaves the co-operative they get their shares back (after a period of time as stipulated in the statutes).

There are three levels of co-operatives (as defined in the new Co-operative Act of 2005):

- Primary co-operatives are where people (natural persons and not juristic persons) come together to address a common need. Juristic persons are organisations like companies, trusts of co-operatives. According to the registrar of co-operatives the number of members of a primary co-operative must be at least 5 (natural) persons.
- Secondary co-operatives are where 2 or more primary co-operatives come together (with other juristic persons if necessary) and register as a secondary co-operative. An example of this would be when 2 or more H(PO)C's come together and set up a Housing (Property Management) Co-operative - H(PM)C. Another example would be when a number of H(D)C's in a province come together to form a secondary co-operative to engage government with a common voice and work together to benefit from material discounts they can negotiate with material suppliers as a larger group.
- Tertiary co-operatives are where 2 or more secondary co-operatives come together to address a common need. An example of this would be where secondary co-operatives made up of Housing (Development) Co-operatives in different provinces come together and form a tertiary co-operative at a national level to engage national government in policy discussions. Another example is where secondary co-operatives from different sectors (e.g. housing, savings, agriculture, etc) come together at a national level. The National Co-operative Association of South Africa (NCASA) is an example of a tertiary co-operative.

Most of the information in this document relates to primary co-operatives. This document does not go into much detail on secondary and tertiary co-operatives.

Legally an organisation can not call itself a co-operative unless it is registered as such. For the purposes of this document co-operatives are defined as registered co-operatives. Organisations that subscribe to the co-operative principles but are not registered as co-operatives are referred to (in this document) as “co-operative-like” organisations. Co-operative-like organisations include:

- Organisations that plan to become registered co-operatives in future (pre- co-operatives); as well as
- Organisations that never intend to become a registered co-operative (such as organisations that plan to stay as voluntary associations, but subscribe to the co-operative principles).

In housing co-operatives you find both open ended membership and fixed membership co-ops:

- Open ended member co-operatives are where the number of members of the co-operative can be any number greater than 5 people. A H(D)C is usually an example of a H(D)C where new people continue to join the H(D)C if they want a house and once they get a house they leave the H(D)C. The number of members therefore changes over time.
- Fixed member co-operatives are where there is a fixed number of members that must be members of the co-operative at all times. H(PO)C's are usually examples of this type of co-operative where the number of members of the H(PO)C must equal the number of housing units that the H(PO)C owns. If a person leaves the H(PO)C, a new person must be found to fill the space vacated.

There are two ways of looking at the length of stay of a member in a housing co-operative depending on the type of housing co-operative it is.

- In a H(D)C's a person usually stays a member until such time as their need has been satisfied. For example once they get a house their membership of the H(D)C is cancelled.
- In a H(PO)C's a person usually stays a member of the co-operative for a long time (as long as the co-operative exists). The member can voluntarily leave the H(PO)C' or could be evicted from the H(PO)C. If the co-operative decides to close down and convert to individual ownership a persons membership is also cancelled.

C.4. Co-operatives and profit

In co-operatives people generally talk about surplus rather than profit but it is really the same thing. The difference is what happens to this profit or surplus after it is generated

For profit business

Its main business is to make profit for its shareholders. Those people with the most shares (i.e. who have invested most of their own money in the business) get most of the profit.

Co-operative

A co-operative is not set up to primarily make a surplus. Co-operatives aim to service their members by providing them with cheap services or with employment. If the co-operative makes a large profit it must mean that the members are exploiting themselves.

Surplus in a co-operative is mainly used to invest in the business, keep as a reserve for hard times, or invest in the broader community. If there is still any surplus then it is usually distributed to its members according to how much the member contributed to the surplus.

- User co-operative: e.g. In a consumer co-operative, if a user member buys more from the consumer shop then s/he gets more of the surplus.
- Worker co-operative: e.g. In a sewing worker co-operative, if a worker member sews more school uniforms then s/he gets more of the surplus.

Co-operatives are not excluded from making a profit/ surplus so they fall under the category of for profit organisations. Some co-operatives have clauses that restrict what the co-operative can do with its surplus. For example H(PO)C's could require surpluses to be re-invested in the co-operative, thereby the co-operative is more like a non profit organisation.

C.5. Cooperation versus other forms of organisation

The advantages and disadvantages of using co-operatives also needs to be compared to other forms of organisations like setting up non profit organisations (voluntary associations; trusts, and section 21 companies) and for profit organisations like (sole proprietors, partnerships, closed corporations, companies).

The following section summarises the difference between housing co-operatives and other forms of organisation that can be used for development.

C.5.1. Non profit organisations.

The characteristics of non profit organisations are:

- Have some public benefit that goes beyond serving the personal needs of the members.
- Can make profit (surplus) but must reinvest this in the organisation.
- Often have to fundraise to cover operating shortfalls.
- On dissolution, assets given to organisation with similar objectives.

Nature of organisation	Advantages	Disadvantages
<u>Voluntary association:</u> Set up by 3 or more people under common law. Not required to register with any public entity. Guided by constitution. Managed by committee.	Quick, cheap and easy to set up.	Some funders not like them as they don't have sufficient government oversight (although some accept registration under non profit act). If constitution not well written, it may not adequately protect the members.
<u>Trust:</u> Founder(s) of trust hand over property/ funds to group of people (trustees) to administer the assets on behalf of other people (beneficiaries) for a stated objective. Regulated by common law and trust property control act 57 of 1988. Required to register with and report to the master of the high court. Guided by trust deed. Managed by trustees.	Flexible and can suit many situations. Requirements of public disclosure of affairs of trust very limited (unless included in trust deeds). This could also be a disadvantage.	Need professional assistance to set it up. Trust does not have a separate legal personality (except in special circumstances), but trust property is protected and a trustee is not liable for trust debts (unless grossly negligent or fraudulent).
<u>Section 21 company</u> Set up under section 21 of the companies act 61 of 1973 which stipulates that company can not distribute profits to members. Required to register with and report to the registrar of companies. Guided by the article and memorandum of association. Needs to comply with ongoing reporting requirements of the companies act to remain a company (e.g. submit audited financial reports, keep proper records, etc.).	Well understood in the business world. Independent legal persona. Have freedom in how its operated on a day to day basis.	Requires extensive reporting to government (this can be seen as an advantage by some as public oversight of the affairs of the company are high). Will have to get professional assistance to set up.

Table: Non profit organisations

C.5.2. For profit organisations

The characteristics of for profit organisations are:

- Operate for purposes of making profit.
- Often have to borrow money and pay it back from future profits.
- On dissolution assets are distributed to members.

Nature of organisation	Advantages	Disadvantages
<u>Sole trader</u> Set up by one person. Business stops when proprietor (owner) stops working. Used when one person owns small and uncomplicated business.	Cheap and easy to set up and run.	Assets and debts of sole proprietor and business not separated.
<u>Partnership</u> Set up by 2 to 20 people. If partners change, partners must sign new partnership. Partnership ends when partners agree or courts decide. Used when a few people do not want the expenses of the closed corporation.	Cheaper than closed corporation or company to run (as don't have to pay accountant to check books)	Assets and debts of partners not separated from assets and debts of business.
<u>Close corporation (CC)</u> Set up by 1 to 10 people. The CC continues to exist even if members change. Need to get a lawyer to help close the CC. Used when a group of people want the protection of closed corporation (e.g. don't want the company to be liable for personal debts).	Assets and debts of CC separate from those of the members.	Needs lawyer to set up (costing money). Bookkeeper and accountant needs to be employed to give registrar of companies statements showing how money of business works.
<u>Company</u> Set up by 1 to 50 people. Company continues even when the shareholders/directors change. Need a lawyer to help close the company. Used if more than 20 people, and also want when owners of company want protection from debts of the company.	Assets and debts of company separate from those of the members.	Expensive and complicated to run a company.

Table: For profit organisations

The previous section draws heavily on information from the web site www.etu.org.za

Co-operatives generally fall under the category of for profit organisations. The following table summarises some of the differences between a co-operative and these other forms of organisations:

Organisational type	Comparison with Co-operative
Company • One share one vote; • Does business with public; • Purpose is to make profit for its shareholders • Usually requires legal advice to register with registrar of companies	Co-operative • One member one vote • Service co-op does most of its business with its members. The purpose is to provide benefit to members • Purpose is to address a need of the members • Can be registered easily with the registrar of co-operatives
Partnership • Decisions made by consensus • Does business with the public • Set up to make a profit for partners	Co-operative • Decisions made by one member one vote • User co-operative does business generally with its members • Set up to address a need of its members
Close corporation • Designed to manage business relationships between a small group of people • Number of votes of member equal to number of shares the member has in the business • Set up to make a profit.	Co-operative • Can be used for small or large group of people • One member one vote. • Set up to address its members needs
Non-profit company • Often set up to do charity work • Profit that it generates must be used to further objectives of the section 21 company • Profits can not be shared among members	Co-operative • Set up to benefit the members • Some profits can be used to reinvest in the co-operative • Surplus can be shared amongst members in a fair way
Trust • Trustees, who do not benefit from the trust, make decisions on behalf of the trust • Less supervision and assistance from the high court	Co-operative • People who benefit from the group make decisions on behalf of the group • Easy to get assistance from registrar of co-operatives.
Voluntary association • Can not provide direct financial benefit to its members • Don't have to register with anyone (but can register as non profit organisation) • Not necessary to get assistance from government • Harder to get loans and grants for the association	Co-operative • Set up to provide a benefit to its members • Have to register with the register of co-operatives • Can get assistance from registrar of co-operatives • Can get loans and grants in name of co-operative.

Table: Co-operatives compared to other forms of organisation

D. CO-OPERATIVES AND HOUSING POLICY

Before summarising different housing co-op models it is useful to unpack a few more concepts related to co-operative housing.

D.1. Subsidy types

The following table summarises the different types of housing subsidies available.

Subsidy type	Developer built	PHP	Ultimate tenure obtained
Project linked subsidies	A developer (municipality, non profit company, etc) decides what the houses will look like and how they will be built. The beneficiaries are expected to save R2479 (not to be confuse with the R2070 involved in the Amalinda coop project) to get a house. The developer sells the houses to the beneficiary at R0 if the house costs the same as the subsidy amount. This is the most common form of subsidy type used to date in South Africa.	The people, through their representative body decide what the houses will look like. The people are expected to provide some form of beneficiary contribution (usually interpreted by government to mean sweat equity, but this is challenged by others in the housing sector). A support organisation is used to help the people arrange for the building of the houses. Many developers changed to this type to get away from the R2479 savings requirement but did not allow the people to decide on what houses look like – this is referred to as “managed” PHP.	Individual ownership
Institutional subsidies	The developer decides what the houses or apartments will look like. The developer arranges for additional funds to add to the government subsidy. The developer rents or allocates houses to beneficiaries. This is the most common form of Institutional subsidy used to date.	Similar for the PHP using project linked subsidies, except that the property is owned by an institution and not sold to individuals. This approach has been used the least to date. This is the route that was used by the Amalinda co-op settlement project.	Institutional (e.g. non profit rental, co-operative tenure)
Ultimate decision making authority	Developer decides what houses will look like and they will be built.	People decide what the houses will look like and how they will be built.	

Table: subsidy types

The Amalinda co-operative settlement project is the only project in the Eastern Cape and one of only a handful of projects in the country that used the institutional subsidy following the PHP. Many of the challenges and delays that that were faced by the project were as a result of this uniqueness. All role-players involved had to learn and adapt to the uniqueness of the model.

D.2. Housing sectors

Different types of housing co-operatives fit within both of the following housing sectors as defined by the National Department of Housing.

- Social housing which deals with issues of tenure and makes use of the Institutional Subsidy. This relates more to H(PO)C's.
- Peoples Housing Process (PHP) which deals with decision making authority and construction methods. This relates more to H(D)C's.

D.2.1 Social housing

The most recent definition of Social Housing is:

“A rental or co-operative housing (Note: of the property owning variety) option for low income persons at a level of scale and built form which requires institutionalised management, and which is provided by accredited social housing institutions or in accredited social housing projects in designated restructuring zones”.

Social housing is basically anything that is not individual ownership. The social housing sector has tended to be dominated by housing associations that are predominantly involved in inner city projects and so most people associate social housing with rental and high density housing. Technically however suburban and even rural housing can also be defined as social housing as long as it is institutionally owned.

There are broadly two types of social housing institutions being used and promoted at the moment in South Africa.

	Housing Associations	Housing (Property owning) Co-operatives
Type of institution	Registered as section 21 company under the companies act.	Registered as a primary trading co-operative under the co-operatives act of 1985. When the new act of 2005 is implemented it would be registered as a primary housing co-operative.
Source of directors	The board of directors of the company are drawn from outsiders like prominent business leaders, municipal councillors, representatives of funding institutions contributing to the project, etc.	The board of directors of the co-operative are drawn from members of the co-operative.
Tenure used	Rental (or rent to buy/ own)	Co-operative ownership
Equity take out if a beneficiary leaves	None	The H(PO)C decides.

Table: Social Housing Types

The 9 Housing (Property Owning) Co-operatives in the Amalinda co-operative settlement project are examples of housing co-operatives within social housing.

This is a simplification of social housing types as other types of organisations can also be defined as social housing like public rental stock and Communal Property Associations. However, when most people talk about social housing they refer to housing associations and to a limited extent to housing (property owning) co-operatives.

Government is in the process of redeveloping its social housing policy. The latest additions to the social housing policy are:

- The subsidy amount that can be accessed by social housing institutions are much larger for an accredited social housing project (up to for example R80 000/ site). This amount is provided as a capital subsidy for a whole project so it can be used to build apartments with lifts, passages and other common facilities. The amount needs to take into account the costs of setting up the institution to manage and maintain the property.
- The housing project has to be within an approved designated restructuring zone identified by the municipality. These zones are areas where the municipality would like to see higher density accommodation constructed.
- The institution is able to access facilitation and other capacity building grants from government set up as part of the social housing policy to help build the capacity of the institution in the initial phases of the project, with the long term aim being an organisation being able to sustain itself financially without additional government support.

This new social housing policy is not yet being implemented although there are attempts to get it piloted in various areas. As this new social housing policy is recent and was not in place during the planning and implementation of the Amalinda project it is not investigated further at this stage. Additional studies would need to be done to explore the implications of the new social housing policy on housing co-operatives (especially H(PO)C's).

The following table summarise the tenure options for the two main types of social housing.

Housing Associations - (HA)

Housing associations usually use one of three types of tenure arrangement.

	Rent to rent	Rent to own	Rent to buy
What rent used for	To maintain the HA	To maintain the property; and Part of rent goes towards paying back the loan taken out by the HA to build the houses.	To maintain the property. Only when tenant take up option to buy does some of the rent go towards buying the unit.
When person starts to pay towards ownership of house	Never	When they join and start to pay rent.	After an agreed period (e.g. after 4 years)
When person can take ownership of property	Never	Needs to be confirmed.	Needs to be confirmed.

Table: Housing Association tenure options

Housing (Property Owning) co-operatives – H(PO)C's

H(PO)C usually use one of three types of co-operative ownership.

	No equity	Restricted equity	Full equity
What outgoing person gets out	Only share	Share plus value of improvements	Market price (less admin/ transfer fees)
Who can move in	Usually someone or from a waiting list	Person from waiting list	Usually anyone prepared to pay incoming amount
What incoming person has to pay	Only share	Share plus value of improvements (including or excluding inflation and/or depreciation)	Market price

Table: H(PO)C tenure options

For more information on share transfer value for H(PO)C's look at SHF document:

http://ftp.shf.org.za/coop_transfervalue.pdf

However, this document does not address the important issue of “value added” by a member to the property once they occupy the house.

D.2.2 People's Housing Process

The Peoples' Housing Process (PHP) sector in South Africa is much weaker than the Social Housing Sector. The Peoples Housing Partnership Trust that was set up by government to promote PHP has been less than successful in doing this and is actually being closed down. This paper does not go into the reasons for this.

The PHP is presently defined in the housing code as a government programme that *“aims to support households who wish to enhance their subsidies by building or organising the building of their homes themselves”*.

The PHP can be used while either following the project linked individual subsidy route of the institutional subsidy route (amongst others like the consolidation subsidy, etc). These two routes are very similar expect that in institutional subsidies the ultimate tenure is some form of institutional tenure (like co-operative ownership). The PHP is generally an incremental approach to housing where people have to contribute their own resources to add to government subsidy. For this reason rental ownership is not usually associated with PHP as there would be little incentive for renters to add their own resources to the house if they can not get anything back when they leave.

Note that there is some ‘confusion’ over the issue of voluntary or beneficiary contribution in the PHP. Some people – mostly government bureaucrats - claim that people have to provide voluntary labour in PHP, while others – mainly communities and organisations that support them - claim that the people can decide how they want to build the houses (e.g. they can decide to pay a local builder to build the houses for them). This comes about due to the lack of clarity over the phrase: *“... by building or organising the building of their homes themselves”* found in the housing code.

The Amalinda Co-operative settlement project has used the PHP in the context of Institutional Subsidies.

The government's new housing policy "Breaking New Ground: a comprehensive plan for the development of sustainable human settlements," developed by the National Department of Housing, in 2004 has the following to say about PHP:

"Redirecting the People's Housing Process - Housing authorities at all levels are moving in the direction of increased use of the People's Housing Process (PHP). The thinking behind this expansion is however contradictory. On the one hand, PHP is promoted as it provides residents a greater choice over the use of their subsidy. This generates positive housing outcomes, increased beneficiary input, and greatly enhances beneficiary commitment to those outcomes.*

**Footnote: The main benefits of the PHP arise from allowing beneficiaries to make choices about and exercise control over the housing process. This ensures that the subsidy is converted into maximum output, and that housing 'citizenship' is cemented from inclusion in human settlement development decision-making.*

Thus, the PHP achieves its two main goals of 'more for less' and improved beneficiary commitment to housing outcomes by increased productivity through 'intellectual equity' (not primarily cost reduction through 'sweat equity'), and by increasing beneficiary 'ownership' through the exercise of considered choice (not by forcing beneficiaries to provide free labour).

Other participants view PHP as primarily a vehicle for the mobilization of sweat equity as an alternative to existing beneficiary contributions. This 'sweat equity' approach to the PHP tends to undermine the key benefits of the approach. The current approach towards PHP is thus inherently contradictory. The new plan introduces the following interventions:

- Redefining the People's Housing Process – There is a need to redefine the nature, focus and content of PHP in order to build greater consensus and understanding between all stakeholders of the focus and intention of PHP. This is intended to address the emerging programmatic contradictions.*
- New funding mechanism for PHP – There is a need to establishing a new funding mechanism for PHP, adopting an area-wide or community [approach], as opposed to [an] individual approach. In particular, this revision should ensure that resources and support for beneficiary-level capacity building and organization building are made available to beneficiaries from local government via CBOs and NGOs in accordance with locally-constructed social compacts.*
- Institution building – The existing framework for the development of institutional support for the PHP is insufficient. This aspect is to be addressed during the redefinition phase and consideration will also be given to establishing accreditation and institutional support mechanisms whilst expanding and enhancing the existing facilitation grant in support of PHP."*

These points from the Breaking New Ground strategy have however not yet been completed. There is still no agreed revised definition of PHP. A proposed revised definition of PHP that was developed in 2006 after extensive consultation with people involved in the PHP is:

*"PHP is a **people centred process** in which groups and individuals exercise **direct control** over delivery in a way that promotes **choice** over location, tenure, housing, services and amenities. Through PHP, people design and manage their developmental resources to build **sustainable human settlements**." [original emphasis]*

Government still needs to confirm this updated PHP definition.

E. HOUSING CO-OPERATIVE MODELS

E.1. Introduction to models

The following table (see next page), provides a detailed breakdown of 4 housing co-operative types or models:

- Housing (development) co-operative – H(D)C
- Housing (property owning) co-operative – H(PO)C
- Housing (property management) co-operative – H(PM)C
- Housing (common space owning) co-operative – H(CSO)C

The next table (after the following table) outlines 3 other types of co-operative models that are linked in one way or another to housing co-operatives:

- Housing (construction or material manufacturing worker) co-operative
- Housing (support organisation worker) co-operative
- Savings and Credit Co-operative

These other types of co-operatives are presented so as to provide a comparison with the 4 main types of housing co-operatives. In different circumstances many other forms of co-operatives could be considered that would also relate to housing co-operatives in some way, but these are not explored further due to lack of space. Examples of such alternative co-operatives include:

- A group of households that own and rent out rooms and/or back yard accommodation come together and set up an entrepreneurial landlord co-operative to lobby for legislation changes for entrepreneurial landlords, negotiate for cheaper building materials, develop standard landlord tenant agreements, and market the accommodation they provide.
- A group of households living in informal conditions could arrange to build a communal toilet in their informal settlement and set up a communal ablution facility co-operative that is only available for the members, who keep it tidy and maintained (similar to a H(CSO)C).
- A group of households living in individually owned subsidised housing could arrange to buy construction material and maintenance services (e.g. plumbing) in bulk so they can make it cheaper for themselves to upgrade and maintain their houses. This would be a bulk buying housing material co-operative.

From these examples it can be seen that co-operatives can be used in many creative ways to address members 'housing' needs.

E.2. Housing co-operative models

E.2.1 Basic Models

Co-op type, Group and need	Functions of co-operative	Advantages	Disadvantages	Notes	Coop like organisation
1. Housing (development) co-op. Group: Homeless. Need: land, services and houses.	Find land and subsidies. Train members in housing development. Arrange for members savings. Employ developers, consultants, builders, etc. Do allocation to houses.	Can negotiate with the municipality to get land and subsidies cheaply. Establishes an organisation through which people can save and add funds to government subsidy. Enables people to take responsibility for their own development. People can gain skills through training, experience and exposure.	Requires certain levels of skills to manage. Requires some capacity building for the leadership and members and this costs money to get. The process of getting a house can be long and complicated leading to frustrations from members. Can have 'bad' elements in the community who disrupt the process. If the group is not properly organised group dynamics can lead to tensions and conflicts.	The ELHMC is an example of a H(D)C. The ELHMC should actual be called the EL housing Development and Management co-operative as one of its main functions is to arrange for the development of houses. The houses built can be transferred to individuals or to housing property owning co-operatives.	An example of a "development" co-operative like organisation (CLO) is a voluntary association; or Section 21 Company (e.g. Cope Housing association).
2. Housing (property owning) co-op. Group: People living in block. Need: Secure and well managed neighbourhood.	Maintain property. Keep property clean. Give approvals for people to make improvements to their houses. Collect fees from members for rates services, maintenance etc. Deal with defaulters. Make house rules of what can happen on the property. Manage transfer of shares from old member to a new member. There are three broad categories of housing ownership co-operatives. 1) No equity where the unit is transferred without any monies changing hands	People work together to create better living environments and share common facilities (e.g. planting trees, building crèches etc on their property). Group can start to address other issues like child play areas, common braai areas, and security. Rates payment can be less when averaged across all the members. The co-operative has total control of who can come onto the co-operatives property. Co-operative can set rules for what happens on its property, including deciding what activities can take place (e.g. stop people setting up shebeens). Co-op can set design rules like having all houses painted a certain	Members do not qualify for indigent discounts on rates and services from municipality if they are poor as they are not the property owners. People understand and generally seem to like title deeds rather than ownership shares as proof of 'ownership'. Collection of rates and services can take up time and resources. The co-operative has to spend time and resources to get defaulters to pay. If some people don't pay their rates and services contribution then the municipality can take the whole co-operative to court and everyone could loose their property. Members who qualify for indigent discount can't get it as the owner of	The 9 HC's in Amalinda are each examples of H(PO)C's. Most of the issues identified under advantages can also be undertaken by a Housing (common space owning) coop; except perhaps control what price sell house in future.	An example of a CLO is a share block company. If get government housing subsidy the CLO can not be a voluntary association (needs to be a section 21 company or share block company, or communal property association).

Co-op type, Group and need	Functions of co-operative	Advantages	Disadvantages	Notes	Coop like organisation
	(except for basic shares and joining fees). 2) Full equity where the unit is transferred at market price; and 3) Restricted equity where there are restrictions on the transfer value of the unit.	colour, or outlawing fencing that blocks views. The co-operative can have a say in who can take over a house if a space becomes available. If a person leaves the co-operative (that was built using housing subsidy money) they can get another subsidy somewhere else. The price that the incoming person must pay can be restricted making it cheaper for incoming people to get a house.	the land is the co-op. If a person leaves the property (that was built using housing subsidy money), the incoming person has to satisfy government subsidy criteria. This creates problems for inheritance of units by people who don't qualify for subsidies (e.g. younger than 21). The price that the outgoing person gets may be less than what they could get if they sold the property on the open market.		
3. Housing (property management) co-op – H(PM)C. Group: People living in housing (property owning) co-ops. Need: Support in maintaining the property.	Through agreement with the housing property owning co-operatives administer and manage: - Collection of monthly fees - Maintain and fix property - Share transfer procedures.	The H(PM)C can arrange discounts with maintenance and other service providers. Property administration can be 'centralised' so lots of housing property owning co-operatives can share administration systems (e.g. centralised bookkeeping system to administer monthly fee collections).	Costs money to organise an office and manage the housing (property management) co-operative, and this money has to come from members. Has to be proper agreement between H(PM)C and H(PO)C so that the H(PM)C is able to do its job. This is particularly true of the H(PM)C does arrears management.	The ELHMC was originally set up to also perform as a H(PM)C. Note: another way to structure H(PM)C's would for it to be a secondary co-operative with H(PO)C's as members.	An example of a CLO is a section 21 company (e.g. Cope Housing association).
4. Housing (common space owning) co-op. Group: People owning houses but living in same neighbourhood. Need: Secure and well managed common space.	Maintain and fix property in the common space. Collect monthly fee from members to manage common space. Control who can come onto property. Keep common space clean. Set rules for what people can do in their personal space (e.g. all houses to paint walls white and roof green, no pets allowed, etc.).	Group has control over what happens in common space. Group can have "some" rules on what happens in the neighbourhood (e.g. noise levels). Individual can decide what to do in the house (within broad rules set by group). Group can start to address other issues like child play areas and security.	Group can not stop people selling houses to 'outsiders'. Restrictions in title deeds. Group responsible for fixing 'some' pipes etc. (e.g. in the common space). Group needs 'some' money and skills to run the group organisation.	There are no examples of H(CSO)C's in Amalinda. The Home Owners Associations that may be established to manage the common space if housing co-operatives decide to convert to individual ownership would be an example of a co-operative like H(SO)C.	An example of a CLO is a Home Owners Association in a cluster housing arrangement.

Table: Housing Co-operative basic models

E.2.2 Other models

The following table provides examples of other types of co-operatives that are linked in one way or another to housing co-operatives.

Co-op type, group and need	Features of the model	Advantages	Disadvantages	Notes	Co-op like organisation
Housing (construction or material manufacturing worker) co-op. Also referred to as a construction workers co-op. Group: Unemployed construction workers or manufacturers. Need: employment in the construction industry.	Build houses (e.g. brick layers, masons, carpenters, plumbers, painters, electricians, security guards, etc). Or manufacture material (e.g. blocks and roof trusses, etc.).	People can rely on each other for assistance and give each other mutual support (especially in early stages when people may lack confidence to do something on their own). People are able to learn from each other and share experiences.	Requires normal business management skills plus skills to manage a group. Group has to keep on generating similar income or it faces situation of either reducing all members benefits or removing some members.	There are no examples of this in the Amalinda project. The Group 5 security collective was an attempt to start a security guard worker co-operative in Amalinda. This type of co-operative is normally referred to as construction (or manufacturing) workers co-operative.	An example of a CLO would be a partnership between a group of builders. An alternative variation on this model would be for a group of builders to come together and set up a housing contractors worker co-operatives, where contractors work together to share experiences and bid for contracts but the contractors still employ their own labour.
Housing (support organisation worker) co-op. Group: Unemployed with skills in managing PHP projects. Need: Employment on the PHP construction sector.	Provide following type of services: - Storeman . - Account administrators. - Sales administrators (for housing and subsidy transfer). - Allocation management. - Manage data base of beneficiaries. - Manage/ oversee building teams. - Employ developers/ builders. - Organise brick making. - Training division.	If the members where involved in previous housing projects, this experience can be put to use in future housing projects. The people involved understand the situation of the poor as they often come from this sector themselves. Members can help each other and give each other encouragement when they have to deal with difficult issues.	The democratic management style of the organisation places an extra 'burden' on the members to deal with over and above trying to just keep the organisation running.	Masisizane housing co-operative in Gauteng has changed to become this type of co-operative. It started out as a development co-operative but once the first people got houses they decided to carry on and help other people get houses, but these other people do not become members of he co-operative. An example in the Amalinda case would be if some of the board of	There are no examples of this type of co-operative like organisation. If unemployed workers decided to set up a Project management partnership, this may be similar to a coop like organisation.

Co-op type, group and need	Features of the model	Advantages	Disadvantages	Notes	Co-op like organisation
	Etc.			directors and members of the ELHMC decided to use their experience they have gained to set up a worker co-operative to help other communities get houses. This has created confusion in the past about what is a housing co-operative.	
Savings and credit co-operative. Group: “Un-bankable”. Need: Access to savings and loans.	Collect savings. Issue out loans at good interest rates. Recover loans and deal with defaulters. Savings and loans for small business development and consumption (like housing saving). Train members in managing home finances.	Provide opportunity for people who normally can't/ don't use a bank to save money and get loans. Members can get cheaper loans from the organisation that from 'loan sharks'. Can develop products that better suit the needs of members (e.g. back to school loans). Can get support from organisation like Saccol.	Requires lots of work from leadership and members to keep it going. Needs strong trust of members that leadership will manage the coop. Can lead to conflict if not managed well; as it deals with the very sensitive issue of people's money. Not many established Sacco's around so usually have to start from the beginning. May add 'complexity' to situations (e.g. legal requirements) where people are happy just with a more informal arrangement.	The East London Savings and Credit Co-operative is an example of a Sacco.	Examples of CLO's would be rotating savings and credit schemes like Umgalelo's, and stokvels, and burial societies.

Table: Other housing models related to housing

E.3. Comments on housing co-operative models

Forming co-operatives or co-operative-like organisations is not the solution to every problem and is not appropriate in every situation. When making a decision on whether to form a co-operative or not the advantages of cooperation need to outweigh the disadvantages.

There can be combinations of these different models in one housing co-operative. For example a common combination would be for a group of people to come together to build houses through a housing (development) co-operative and then once the houses are built they are owned by a housing (property owning) co-operative. Every effort is made to keep these combinations separate when discussing housing co-operatives in this document so that the uniqueness of the different models can be unpacked.

One person can be a member of a number of different user co-operatives. For example they can be a member of a H(D)C (because they want a house) and at the same time be a member of a saving and credit co-operative (because they want access to savings and loan services). A person can also be a member of a worker co-operative and a user co-operative. For example, they could be members of a block making worker co-operative (because they want a job in the block making business) as well as being members of a housing development co-operative (because they want a house). It is harder for one person to be a member of more than one worker co-operative as they usually would only have time to work at one place at a time. For example, if they work at a block making worker co-operative they will find it difficult to also work at a sewing worker co-operative.

Note: In a research report prepared by SHF they came up with the following 2 types of housing co-operatives (see annexure):

- Development co-operatives. This is the same as the H(D)C; and the
- Continues housing co-operative. This is similar to the H(PO)C, but may also be a combination of a H(D)C and H(PO)C and H(PM)C.

F. COMPARISON - HOUSING COOP MODELS TO OTHER MODELS

F.1. Comparison of delivery approaches

This section compares H(D)C's to 3 other forms of housing delivery approaches. The different approaches are defined by who drives the development approach.

1. **Individual:** The individual decides to buy land and build a house. Individuals may have to work through an estate agent or financial institution to negotiate the land purchase. If the person would like to get a government subsidy they would need to apply for an individual subsidy, which has been discontinued at the moment in this country.
2. **Municipality:** The municipality uses its own land or buys land and obtains housing subsidies to develop housing. The municipality usually arranges for professional consultants and building contractors to plan and build the houses. The municipality usually draws people from its waiting list on a first come first serve basis (or in some instances people are drawn from specific communities).
3. **Private developer:** A private developer (for profit or not for profit) arranges to get land, and subsidies. The developer enters into a services agreement with the municipality for the services to be handed over to the municipality when they are completed. The developer may use the municipal waiting list or it may have its own allocation procedure for identifying beneficiaries. For profit developers usually (just about always) would aim for individual ownership as they do not want to have the responsibility of managing the property once it is built. Some developers may be non profit institutions like a Housing Association and they normally provide rental accommodation.
4. **Housing (development) co-operative:** A H(D)C arranges land and subsidies on behalf of its members. The houses are allocated to members only as per the allocation policy of the H(D)C. The H(D)C often uses the PHP subsidy, but does not have too. The members decide if the houses will be owned individually or as a group (e.g. a H(PO)C).

The following table compares the advantages and disadvantages of a housing (development) co-operatives to other forms of housing delivery.

Driver	Advantage	Disadvantage
1. Individual	Can decide where to get land/houses (e.g. use estate agent).	- Have to do everything yourself. - Usually have to have money to buy land or buy house (market forces push up prices – many people trying to buy few houses). - At moment (need to confirm if/when this may change) not possible to get individual subsidy if not linked to project.
2. Municipality	- Easy to join waiting list. - Not have to do much work in arranging for the houses (wait for municipality to do all the work).	- Many others are also on waiting list, may have to wait many years. - Have to wait for municipality to organise new projects. - Not have much control over what projects municipality develops.

Driver	Advantage	Disadvantage
3. Developer (profit or not for profit)	- Developers may be more 'realistic' and 'professional' in how they approach development as they have to operate within strict market realities. - Developers do all the work, beneficiary just has to 'buy' the house.	- Developer includes a profit which can increase the price. - Beneficiaries have little say in what the developer does.
4. H(D)C	- Members can have a say in what projects the group gets involved in. - Can negotiate with municipality for good land. - Can negotiate with government for subsidy funds. - Can negotiate with financial institutions for cheaper savings and loan products. - Can learn new skills.	- Have to pay some fees to organise the group (e.g. pay office running costs and development facilitators salary). - Have to spend time participating in meetings and on committees if want group to be a success. - Need to spend time learning new skills.

Table: Delivery approach options

F.2. Criteria for choosing appropriate delivery option

Taking just two of the options listed above, the municipality driven and the H(D)C driven, a comparisons is made between the two options against a set of criteria.

Criteria	Municipality as developer	H(D)C as developer
Understanding of option by people	More understood by community and government	Less understood by community and government
Use of local labour	Less likely to use significant local labour	More likely to use significant local labour
Households decision making	Households have much less control/ decision making power over how the houses will be developed.	Household through their leadership have much more control over how the development will take place
Required to contribute	Less likely to have to provide household contribution	More likely to have to provide household contribution
Skills transfer (construction and organisational)	Less likely to have construction and organisational skills transfer	More likely to have construction and organisational skills transfer
Time work/ involved in managing project	Less time involved by the community in the project	More time involved in the project by the community
Risk involved for community (e.g. theft of material)	Less risk for households	More risk for households
Ability to establish appropriate community facilities (e.g. hall)	Less likely to set up appropriate community facility during development	More likely to set up appropriate community facility during development
Community able to decide location	Less likely community able to decide where houses built	More likely community able to decide where houses built

Table: Criteria for choosing delivery option

The items in bold indicate examples of how a community might rate the criteria, with those in bold indicating that the community prefers this option (sees it as positive). Some positive criteria also have a negative side; for example, one way at looking at household contribution is that the less contribution required from household the better for households as poor people who can't contribute can then also get a house. However, another way to look at it is that poor people would like to contribute at least something (e.g. some voluntary labour, or employing someone they know at good rate to help them build parts of the house) so they can build a better house with the government funds available. Contributions also demonstrate commitment from members that they are part of the project.

It can be seen that there are advantages and disadvantages of each development approach, and each community needs to make a decision on which development approach to follow taking their own unique circumstances into account.

F.3. Tenure comparison

The following table compares co-operative tenure to other forms of tenure, such as individual ownership or rental. Tribal or communal ownership has also been shown just to give another perspective.

	Individual ownership	Rent	Restricted co-operative ownership	Tribal/ communal ownership
Owner of the land	Household	Landlord	H(PO)C	The government
Who makes decisions on what to do on property	household	Landlord	H(PO)C	Tribal chief as advised by community elders.
Who can live on land (at start)	Person who pays purchase price.	Any lessee	Person from waiting list who pays member contribution.	Anyone from the community as approved by the chief.
Who can live on land (in future)	Any person who willing to pay the most in a willing seller willing buyer situation.	Any Lessee	Person from top of waiting list who pays member contribution plus value of improvements.	Anyone from the community as approved by the chief.
What money involved in transfer (at start) from beneficiary point of view	Nothing (house usually paid with by subsidy) – could be R2479 savings contribution required by government .	Deposit and first monthly rent	Member contribution as agreed by the H(PO)C.	None
What money involved (in future transfers) from beneficiary point of view	Selling price based on willing seller willing buyer arrangement.	Deposit and monthly rent	Member contribution plus value of improvements.	None. Housing is seen for its use value and not its commercial value so it is very rare for property to be transferred out of a families 'ownership'.

Table: tenure options

F.4. Comparison of selected tenure options

Tenure type	Advantages	Disadvantages
Individual ownership	• Can do what you want (legally) on your property • Can sell at market price. • Have incentive to expand/improve the house • Not have to contribute to management of collective organisations • Can get indigent discount on rates and services if qualify	• Difficult for neighbours to influence what you do on your property • Can't control what happens in immediate environment (street)
Restricted equity cooperative ownership	• Cheaper for incoming people to "buy" the house. • Outgoing person gets out what they put in • Able to work together to maintain the property • Can restrict who comes onto the common space	• Can lead to conflict of group not cooperating well • Costs money to manage collective organisation • Can't get indigent discount, even if qualify as property owned by co-op
Rental	• Don't have to pay lots of money to start • Occupant not responsible for maintenance costs	• Not get anything when leave • Not appropriate for incremental housing

Table: Advantages and disadvantages of selected tenure options

F.5. Criteria for choosing appropriate tenure options

The following table lists a set of criteria that could be used when deciding between different tenure options. In this case, just two of the tenure options are compared, not all.

Criteria	Individual ownership	Restricted equity co-operative ownership
1. Understanding of option by people	Most understood option by people in community	Less understood option by people in community
2. Community control of what happens in neighbourhood	Less control group has over neighbourhood	Most control group has over neighbourhood
3. Time involved in organising the group	Less time members have to be involved in organising group	Most time members have to be involved in organisation of group
4. Cost of running the group organisation	Less cost to members for running the organisation	Most cost to members for running organisation
5. Ability of community to take on other projects	Less able for group to do other projects	Most able for group to take on other projects
6. Freedom of household to do its own things in the house	Most freedom for households to do their own thing in house	Less freedom for households to do things in house
7. Potential to have to evict non paying neighbours	Less potential group has to evict non paying neighbours	Most potential for group to evict neighbours
8. Ability to negotiate bulk discounts	Lowest ability to negotiate bulk discounts	Highest ability to negotiate bulk discounts

Table: criteria for choosing tenure options

Bold sections indicate examples of positive criteria people may choose when using the criteria to compare the tenure options.

There are advantages and disadvantages to using group ownership. The choice of option depends on how a community would compare/balance these advantages and disadvantages. Many negative criteria also have corresponding positive criteria. So for example, the more time people have to spend running an organisation has a positive side in that people learn more skills through participation, but it also has a negative side in that it requires high commitment from the leadership of the organisation.

G. CO-OPERATIVE HOUSING EXPERIENCES

G1. International experience

There are a variety of international experiences that housing co-operatives can build on from both the first world (e.g. Sweden and the United States) as well as third world countries (e.g. Zimbabwe and India). The housing co-operative sector under the International Co-operative Alliance has brought together many housing co-operative organisations around the world, mainly drawn from the housing (property owning) co-operative form of co-operatives and mainly from the first world.

The “intentional community” sector provides a broader range of models for how people from around the world are cooperating and working together to develop better living environments. This includes various forms of organisations (with a bias to organisations from the north) such as housing co-operatives, co-housing and eco-villages.

Co-housing projects are ones where the following minimum characteristics are found:

- The people who live in the co-housing project participate in the planning of the houses and continue to participate in deciding how to maintain and develop the co-housing project once they have moved in. It has many lessons to teach H(M)C's and well as H(PO)C's.
- Each household is allocated a house to occupy, and this house can be owned in a variety of ways in different co-housing projects, ranging from individual ownership to co-operative ownership.
- There is a facility that is shared by all members of the co-housing project like a common house and/ or child play area, etc.

Eco- villages are similar to co-housing projects but with a much stronger emphasis on developing the local environment in a manner that is more environmentally sustainable than other forms of housing development. Eco- villages include elements of using building material that is more locally sourced (reducing energy costs of transporting material long distances), and installing alternative energy, composting and other services into the neighbourhood.

G.2. Local experience

When the co-operative housing programme was started within Afesis-corplan it was originally thought that African culture would lend itself very well to co-operative housing. This is still the case, however the challenges of promoting cooperation within the housing sector where underestimated. These challenges include things like:

- The financial and human time costs involved in organising people;
- The expectation that now that apartheid is gone people can own their own houses;
- The expectations people have that government will provide them with a free house and they don't have to contribute/or save.

There is a significant culture of cooperation within African culture. One of the more well known concepts that epitomise and demonstrate this culture is the concept of Ubuntu which is loosely translated as “humanity towards others”, “I am because we are”, or “a person becomes a person because of other persons”. Co-operatives and the various co-operative housing models need to build on this tradition of cooperation. Another example is the concept of “Ilima”, which within Xhosa culture in South Africa, relates to people coming together, usually in rural areas, to assist

each other to plant and harvest the crops. As much as each household has its own plot and receives the harvest from that plot, each household (together with the other households) is expected to take responsibility for ensuring households who are suffering and do not have adequate resources are supported.

However, many of the concepts related to co-operatives, such as common space within the concept of H(PO)C's do not have a direct correlation with traditional culture. For example common space in Xhosa culture is used for grazing of cattle but not so much for people to come together and socialise. Many of the social activities and ceremonies in Xhosa culture occur within a plot that is allocated to a particular household and not within the common space.

In township areas, people also do not make use of the public space as much as they could. The municipality often does not properly maintain it so it is not very inviting for people to use and it is often not properly secured. However, the amount of activity found on the street in township areas (e.g. people walking around, children socialising and hawkers selling their wares), compared to higher income, former white suburban areas, does show some indication that in township areas there is a tradition of using the public space for common activities.

Examples of other experiences where people in South Africa are co-operating around housing include:

- Migrant hostels, where more than one family cooperates to share a single room (sleeping in rotation);
- Informal shack areas, where neighbouring shack dwellers cooperate to determine who else can move in and build shacks and cooperate to determine how wastes will be disposed of.
- More recently, the department of land affairs has used the Communal Property Association form of organisation to own and manage certain land in rural areas. This form of organisation has lots of similarities to housing (property owning) co-operatives.

In 1995 when the new democratic government came to power all role-players in the housing sector signed a historic national housing accord in Botshabela in the Free State province. One of the main thrusts of this agreement was that "government would provide a contribution to help people house themselves". In practice however this noble intention has been modified by many role-players to be interpreted as "government will give you a house". This has had the result of discouraging people to take their own initiative to find ways to house themselves. Almost all communities have 'waited' for the new government to give them a house.

By the late 1990's, when the co-operative housing programme of Afesis-corplan started, it was felt that some communities had started to realise that if they do not take the initiative to find their own housing solutions, it would take a long time for government to get to them and give them a house. Unfortunately however, there were mixed signals coming from government, with many people (especially local politicians prior to elections) continuing to perpetuate the story that government would provide people with houses. The voices of those within government that were promoting more of a partnership arrangement between communities and government were drowned out.

These two interpretations of governments housing policy intent (a 'gift' versus a 'contribution') where the basis for the main allocation dispute in the Amalinda co-operative housing demonstration project in East London. The East London Housing Management Co-operative insisted that people needed to save so as to add to governments housing subsidy, while certain government politicians and officials incorrectly claimed that people did not have to save.

South Africa has inherited a “hand out” mentality, where during the apartheid government period, the government actively discouraged black people from taking any initiative. So for example, white farmers did not want black farmers as competition and white urban areas did not want black urban areas near them. The apartheid government built houses for blacks in certain areas so as to ‘force’ the blacks to live in these areas.

It could be argued that the new democratic South African government has continued to promote this hand out mentality by promising to give people houses. People are expected to sit back and wait for the governments housing machinery to role by and deliver houses to everyone.

In about 2000 the government introduced a new housing programme called the Peoples Housing Process. This was an attempt by government to move back to more of a “government contribution to people housing themselves” approach. However, the success of this initiative has not been promising, with government not adequately interpreting and resourcing its implementation. The “real” Peoples Housing Process can be found in the continued development of informal settlements around the country.

H. LESSONS FROM EXPERIENCE

This section provides a detailed breakdown of many of the lessons from the development of the Amalinda co-operative settlement project.

H.1. BROAD LESSONS

H.1.1. Potential for co-operatives

The co-operative housing model that has been developed by Afesis-corplan and other organisations Afesis-corplan works with, like the East London Housing Management Co-operative (ELHMC), the Social Housing Foundation (SHF), and the Swedish Co-operative Centre (SCC), is unique in South Africa and possibly the world. Afesis-corplan and other organisations involved in co-op housing (e.g. COPE and SHF) started with the idea that co-operative housing may be a model that could contribute towards the housing challenge in South Africa (SA). The concept of co-operative housing had to be first ‘sold’ to the communities for them to agree to get involved. If Afesis-corplan went to a community and said, “here we are, how can we help you get houses?”, the approach adapted by Afesis-corplan and the community, more than likely, would have been very different, and would not have involved the establishment of housing co-operatives

If you want to try something new, like setting up housing co-operatives, a few people need to take risks. This is what Afesis-corplan did. Now that there is some experience with co-operative housing, the future debate around co-operative housing will no longer be introduced by external agents like Afesis-corplan. Community groups themselves will be exposed to housing co-operative experiences and will be able to make their own decisions on if and how they would like to get involved in housing co-operatives. This can only be better for the co-operative housing sector where people themselves make decisions on if and how they would like to use the various co-operative housing models to address their housing needs.

Co-operatives can build on the culture of cooperation found within African culture. Although some of this culture is being eroded in modern society, there is still sufficient knowledge about these cooperation heritages. Housing co-operatives (and co-operatives in general) need to use this cultural tradition as a spring board to develop housing co-operatives more suited to the local context. For example, the concept of ilima, where people each have their own agricultural plot and come together to help each other plant and harvest the crops, could be compared to the concept of Housing (development) coops where people each have their own property/ house (individually owned) but come together to help each other build houses on this property.

All forms of co-operatives, including housing co-operatives, are a valuable tool that can be used to get people to start doing things for themselves and not wait for government to do things for them. Housing co-operatives need to engage government and demonstrate that they are a credible partner that can work with government to address the housing challenges facing this country.

Consideration should be given to developing a uniquely African (Xhosa) term for housing co-operatives, that reflects that this concept of co-operative housing builds on peoples cultural experiences. Such a term needs to come from the people themselves so no attempt is made in this document to suggest any such names.

H.1.2. Potential for various housing co-operative types

Housing co-operatives are still very new in South Africa. Although the first housing co-operatives were registered in about 1999, the housing co-operatives that have been established have not developed much experience. It is only now that lessons are being drawn from the experience of these first ‘pioneer’ housing co-operatives in South Africa. It is hoped that this report will be a useful summary of the lessons that have been learnt so that the potential for housing co-operatives can be further developed.

Housing (development) co-operatives have lots of potential to help homeless peoples get houses, especially individually owned houses. Examples of where housing (development) co-ops could be established include:

- where existing people have new land they want to develop;
- where people want to upgrade an existing area; or
- where people don’t have land but want to negotiate to get land.

Housing (development) co-operatives should start with smaller projects and as they gain experience they can increase the size of the projects.

Housing (property owning) co-operatives only have potential in a few unique situations where the people living together (e.g. within an informal settlement or in a cluster house development) fully understand how the co-operative works and are prepared to deal with issues relating to monthly fee collection. Examples of where housing (property owning) co-operatives could be established include:

- where people fully understand the implication of and want to own land collectively;
- where people want to own land collectively in higher density situations where it is harder to sub divide the property;
- where people want the flexibility of having their name removed from the national housing beneficiary data base in future so they can get another housing subsidy; or
- where people want to use their own money to buy land now before they get a housing subsidy, and leave the option open to still apply for a subsidy in future. (Remember that property owners can’t get a subsidy).

The disadvantages of H(PO)C were underestimated in the Amalinda co-operative settlement project. In reality it appears to be very difficult for H(PO)C to enforce and manage the monthly fee collection. However, due to the allocation dispute, this may not be a true reflection of what the situation would be like under ‘normal’ circumstances. The cost of managing and administering the group was higher than anticipated. (This includes costs to keep records, pay for bookkeeper etc.). It also proved difficult for the H(PO)C to achieve benefits of cooperation. (e.g. negotiate a discount on refuse removal collection fees and negotiate discounts on plaster and paint costs for H(PO)C). It is also noted that many of these advantages can still be achieved by people working together even if they still own their houses individually (e.g. negotiate with material suppliers for discounts on plaster and paint for maintenance of property).

There are many other unique situations where the co-operative concept, used innovatively, could be considered as a method of addressing a communities housing needs. Two examples include:

- Private rental landlord co-operative: A group of home owners that want to establish and rent out backyard space/ shelter to people who are prepared to pay rent. In this way these private landlords can cooperate to access government housing subsidies and share marketing and administration services.

- Housing support organisation worker co-operative: A group of people who have gained experience in implementing a Peoples Housing Process project could come together to combine their skills and create employment for themselves.

There is some confusion within the co-operative sector as to the non profit status of housing co-operatives and co-operatives in general. Some people promote co-operatives as an example of a non profit organisation but according to the non profit organisation act 71 of 1997 co-ops are not classified as non profit. Many forms of co-operatives are specifically designed to distribute surpluses amongst their members. (e.g. in a sewing worker co-operative the workers who make the most clothes get more of the surplus from the co-operative). However, many co-operatives do operate like non profit organisations in that they reinvest any surplus they make into the co-operative. For example:

- a housing (development) co-operative may have a rule that if they make money (e.g. if they get more facilitation and establishment grant funds from government than they spend on planning and implementing a project), they could reinvest this money into more feasibility studies to identify more land for future members; or
- in a H(PO)C, if the monthly fees collected are more than what the H(PO)C spends than this can be put into a reserve account to reduce the monthly fees in subsequent months. Another example would be if a H(PO)C rents out some of its property to a small business. If this income is used to maintain the common space of the H(PO)C it could be seen as a “not for profit” co-operative.

Co-operatives can not benefit from tax breaks and other benefits government provides to registered non profit organisations that have received tax exemption status. The housing co-operative sector should engage other co-operative sectors and government and explore the possibility of modifying government policy so that there is more clarity on the difference between “for profit” co-operatives and “not for profit” co-operatives. Some co-operatives may benefit from having tax exempt status.

Within the co-operative housing model developed in Amalinda there is some misunderstanding within some quarters as to the type of co-operative that the East London Housing Management Co-operative is, with some people thinking it is a secondary co-operative with H(PO)C’s being its members. It is actually a primary co-operative with individuals in need of housing as its members. As a rule it is recommended that it is generally better for:

- H(PO)C’s to be primary co-operatives;
- H(D)C’s to also be primary co-operatives; and
- H(PM)C’s to be secondary co-operatives with H(PO)C’s as its members.

If H(D)C and H(PM)C are combined (as was the original intention of the ELHMC) than there needs to be much more clarity on how membership and directorship is structured so that it reflects both the needs of the un-housed people (who want the H(D&PM)C to organise the building of houses for them), as well as needs of people living in H(PO)C’s who want the H(D& PM)C to provide a property management service to the H(PO)C’s. It is proposed that it is actually better to separate out the development and property management functions into separate co-operatives, the H(D)C being a primary co-operative and the H(PM)C being a secondary co-operative.

The H(D)C and H(PO)C provide a good example of two types of co-operative models that can be combined, where the development function will only exist for as long as the houses are being built and then once the houses are built the property owning function will take over.

H.1.1.3. 'Co-operative like' organisations

In most situations it is probably better to start with a co-operative-like organisation (e.g. a voluntary association) so that people can gain experience in working in a co-operative-like way before they commit to becoming a registered co-operative.

- In the H(D)C situation, the coop-like organisation can enter into a partnership with other organisations to help it develop the house and build its capacity. As the organisation gains experiences it can take over many functions that it would normally get others to help it implement.
- In the H(PO)C situation, a separate organisation like a voluntary association (VA) could take ownership of the land. Note that if the organisation intends to get institutional subsidies it would not be able to be a VA as VA's are not able to access subsidies. The organisation would need to be a trust, section 21 company or Communal Property Association. It is debatable as to the extent to which some of these other organisations (e.g. section 21 company) could be structured as a coop-like organisations, with democratic member control.

A neighbourhood association is another example of a co-operative-like organisation. Such organisations could have as members households living in a particular neighbourhood (owning houses individually or collectively), who cooperate to ensure that the neighbourhood is kept clean and safe. If the neighbourhood association owns some common space (e.g. a children's play ground) it would be a housing (common space owning) co-operative-like organisation.

More research and piloting is needed before a clear understanding of co-operative like organisations can be developed. However, for now a working definition of a co-operative like organisation would be one that satisfies the same definition and principles of a co-operative but is not registered with the registrar of co-operatives. A group of people can still come together to address a common need through a jointly owned and democratically controlled organisation that is not registered with the registrar of co-operatives. The co-operative-like organisations would also need to subscribe to all or most of the co-operative principles.

An organisation can not call itself a co-operative if it is not registered with the registrar of co-operatives. "Co-operative like" organisations therefore need to be called collectives, groups, organisations, associations, or something else. Consideration needs to be given to consistently, in many contexts, use one term (e.g. collective) to describe a "co-operative like" organisation so that this helps people see that an organisation is a co-operative like organisation. However, this carries the risk that others who are not really coop-like organisations will also use this term and create confusion.

It may be preferable, so as not to confuse people, not to refer to co-operative-like organisations but rather refer to, for example, voluntary associations that subscribe to the co-operative principles. There is no clear definition of what is a coop-like organisation so it may be better to be more specific about what type of organisation is being referred too. In certain instances however, some voluntary associations that subscribe to the co-operative principles may not be able, due to the legal structure of voluntary associations, practice all the co-operative principles. For example the principle of economic participation may not be as easy to implement in full in a voluntary association. VA's are not able to distribute any surplus to their members so they will not be able to use the concept of patronage refund, where those that contribute most towards the surplus of the co-operative receive most the surplus. This may not however be a problem in some co-operatives where surpluses are not returned to members but are used to further the aims of the co-operative.

H.1.4. Motivation and purpose of co-operatives

Housing co-operatives (or any form of co-operative for that matter) need to be clear about who its members are and what need it is addressing. There is often confusion within the membership of the co-operative (especially at the start) about what need the co-op is actually addressing. If there are different expectations about what the co-operative aims to do, this will lead to a failed co-operative. Basically the people involved in the co-operative need to define very clearly, up front, who they are and what they are doing. This vision needs to be shared by all members of the co-operative.

For co-operatives to work the group that comes together to cooperate must be well defined and the need that they are addressing needs to be carefully unpacked and articulated. In most instances when discussing housing co-operatives with people, what need they really want is the need to get a house. It is anticipated that most people do not join housing (development) co-operatives because they want to share property through a housing (property owning) co-operative. How the house is owned is of secondary importance for the person at the start. In the Amalinda example, people joined the co-operative because they wanted a house. The people (members) that started the co-operative project agreed to work towards co-operative ownership, as this was what Afesis-corplan was promoting as co-operative housing at the time. For people who joined the H(D)C afterwards the decision was already made for them that they would own the property collectively. They accepted this because they wanted a house not necessary because they understood co-operative ownership and wanted to own property collectively. The H(D)C approach took people beyond their immediate need to get a house and into the need for owning property together.

For a co-operative to work, the economic and social advantages of coming together as a group must out-way the disadvantages of cooperation. See the model section for more on the advantages and disadvantages of cooperation. In general, if the economic disadvantages out way the advantages (e.g. it costs more to keep an office running than the members are able to benefit from cheaper land costs in a H(D)C), then the co-operative will fail. Only in a few unique situations where the social and/or other advantages of cooperation are high will a co-operative work even if the economic costs are high. An example of such a situation may be where people would have to wait a very long time to get a house through government means, and only through cooperation can they 'jump the queue' to get a house. Another situation may be where there is a high level of crime in an area and people find it advantages to participate in a housing (property owning) co-operative as they can control who comes onto co-operative property, even if the costs of maintaining the common property are high. Although this may also have an economic advantage as the risks of loosing property to theft are lowered.

Collective actions works best where the people in the group:

- have single common identity/ vision (e.g. a housing development co-operative to arrange for the development of houses for its members);
- have strong communication linkages within the organisation;
- have some experience of successfully running an organisation that involves cooperation; and
- are able to keep the coordination, monitoring and sanctioning (e.g. dealing with defaulters in H(PO)C) costs as low as possible.

H.1.5. Multi purpose co-operatives

There is a tension between communities wanting to set up a co-operative that can address many development needs at once and a co-operative that can address a few needs well. It is recommended that communities first make sure that the co-operative is focused on what it is set up to do (e.g. help people get houses) before looking at how the co-operative can address other community needs (e.g. create jobs through block making).

If some people want to address some other need (e.g. create jobs through block making) it is proposed that this is addressed through a separate initiative. These people can set up a separate block making co-operative that is independent of the housing development co-operative.

There is some international experience where multi purpose co-operatives have been successful, so this 'focused' approach to developing co-operatives may not be appropriate in all instances. There may be certain circumstances, in special situations, where a multi purpose co-operative could be successful. It is suggested however that these situations are very unique and more research will be needed to determine in which situations multi- purpose co-operatives could be successful.

Housing co-operatives should look at how they can establish and maintain a data base of various professional service providers, builders and material suppliers and keep a record of how these organisations and people perform. Housing co-operatives can share this information amongst each other so that over time a data base is developed of the better service providers and suppliers. The data base needs to be developed from the bottom up with people themselves contributing information to the data base and share knowledge about the performance of these builders/designs etc.

Once sufficient scale is reached with many housing co-operatives operating, these co-ops can start to cooperate with each other and other forms of co-operatives. For example, with modern technology, smart card membership cards can be provided to members, which can be linked to discount schemes with other co-operatives and other organisations like material suppliers. Such preferential purchase agreements with suppliers can be used as a method for housing co-operatives to receive a fee for encouraging their members to use certain suppliers.

The experience of Masisizane co-operative in Gauteng is interesting as to how they have dealt with the issue of dealing with multiple community needs. Masisizane started out as a housing (development) co-operative and once it had provided individual ownership accommodation to the initial members, some of these members had gained experience in participating in a PHP housing development process. These people then decided to "convert" the co-operative to more of a worker co-operative, providing housing support services to other communities that needed houses. In this way the initial members used the co-operative model to get a house for themselves and then subsequently used the co-op model to get a job for themselves in the housing construction sector.

The issue of youth in relation to housing co-operatives has not been explored much in the housing co-operative sector. The leadership of the East London Housing Management Co-operative workshopped and developed a diversity policy, that looked at how the needs of youth, women, the aged and people with disabilities could be accommodated in a housing co-operative, but this policy was never followed up. The priority for members at the time was to get houses for themselves and not so much to see how they can help other people to also address their own

needs. H(D)C's provide a unique opportunity for people to look at how the housing development needs of all peoples can be addressed.

Housing co-operatives need to engage with organisations like the Msombovu Youth Fund who have shown an interest in using co-operatives for youth development.

The issue of HIV/aids and housing was also not explored much in the Amalinda co-operative housing project. More discussion is needed within the housing co-operative sector to discuss issues relating to HIV/aids. Housing co-operatives provide an opportunity for people themselves to confront issues relating to HIV/aids and how it relates to housing. Masisizane co-operative in Gauteng started this process by conduction workshops with their members from which it emerged, in that instance, that people (especially men) were reluctant to talk about HIV/ aids. Issues that emerged from this workshop were:

- What does the neighbourhood environment looks like? Make sure people have access to clinics, public transport, neighbours and friends.
- What do the houses look like? Make sure that people have access to basic sanitation services and shelter where HIV infected people can live in dignity.
- How is the property maintained? Make sure that people have access to indigent discounts and are supported in times of need.
- How is inheritance dealt with? Make sure that proper inheritance procedures are put in place and understood by people allocated to the houses.
- How are child headed households accommodated? Make sure that the young are adequately accommodated.

H(PO)C's can provide an unique 'extended' household type environment where households infected and affected by HIV/aids can be supported by other members of the H(PO)C in their time of need. A major issue relating to H(PO)C's is how to deal with child headed households. In institutional subsidies the institution has to inform the government every time a new person becomes a member, even if this new member is a family member. (Although this requirement is less clear when, at the start, both the member and his/her spouse or co-habitor are shown on original subsidy form.) If the child is younger than 21 years of age they will not able to qualify for the subsidy and stay in the house, unless alternative arrangements are put in place like guardians becoming members of the co-op until the child qualifies for the subsidy.

H.1.6. Innovation

The Amalinda Co-operative Settlement project incorporated many innovative features. An attached annexure provides a table listing many of the innovative features that were considered. There is also a table that lists some innovative features that were considered but not implemented.

Examples of innovative features that were incorporated include (amongst others):

- Co-operative ownership
- Savings driven allocation
- Linking Institutional subsidy and Peoples Housing process
- Clustering houses around common space.

Features that were considered but not implemented included (amongst others):

- Higher density row housing accommodation
- Self and mutual help housing construction
- Incorporating end user loans through the savings and credit co-operative.

The number of different innovative features used in the project put pressure on the project team to keep all these new ideas on track. The community and government was not familiar with many of the concepts which meant that Afesis-corplan had to spend more time developing the innovative features, unpacking the implications of the innovation, as well as explaining to other role-players how the project works.

In future, it may be better, when testing new ideas, to consider including fewer innovative features into one demonstration project so that more effort can be placed on making sure all aspects of the innovation are considered.

Co-operative housing was a new concept when it was introduced to various role-players by Afesis-corplan and SCC in 1998. It was acknowledged upfront that Afesis-corplan was introducing something from outside (the idea of a co-operative) that does not necessarily come from the bottom up. People in communities were not coming to Afesis-corplan and saying they wanted to set up a housing co-operative. It was felt however, that the concept of cooperation was not new to the communities on the ground. People were already working together in savings schemes, for example, to save towards their future housing needs. People had grown up living in communal areas where many elements of cooperation were already being practiced. (see discussion on Ilima and ubuntu elsewhere in this document). In informal settlements people had to cooperate and organise if they were to resist eviction and removal.

The concept of co-operatives was explained to different communities in need of housing and one group of people decided to test the co-operative housing project. They felt that they were already cooperating and the concept of formal co-operatives sounded like a good idea. Further workshops were held where the concept was explained and developed further. In hindsight the members probably agreed to this as they felt that this was one way to get a house, and not really because they understood and necessarily wanted a housing co-operative.

The strategy adopted by Afesis-corplan was to build a demonstration project, so that it could be shown what a housing co-operative project could look like. This would assist in the promotion of the co-operative housing concept and the lessons from this experience could be used to modify future co-operative housing projects.

In relation to developing a co-operative housing model, the approach adopted could be defined as one of 'evolutionary' model building.

- The project started with Afesis-corplan having a broad concept of co-operative housing. It was recognised that the details of what the model would look like would emerge as the project/ model was developed. There was no pre determined fixed concept of what would emerge (besides the broad commitment to developing a co-operative housing model).
- Negotiations then occurred, during the housing development process, with the community, government and other role-players, to define in more detail what was meant by the co-operative housing model for this particular context.
- Certain features of the original broad model were expanded (e.g. savings driven housing), and other features of the broad model were dropped or de-emphasised (e.g. mutual help construction). The model emerged in an evolutionary fashion from the process.

The development of the co-operative housing model, linked ideas and experience. In other words there were broad ideas at the start that helped define the elements of the model (e.g. following a democratic process of housing development; and incorporating co-operative ownership), while other elements of the model developed out of practice through negotiation. (e.g. the partnership

between the municipality and the co-operative, and linking institutional subsidies with PHP). The co-operative housing model was developed through a combination of two approaches: one where the model emerges from ideas, and the other where the model emerges from practice.

The whole model building process is also an on-going process. The original (and still existing) intention was to:

- Develop a co-operative housing ‘emerging’ model (as described above in terms of evolutionary model building);
- Test the ‘emerging’ model and learn from the experience of this implementation to modify the emerging model; and
- Promote the modified model in other areas, using the completed demonstration project to show government and others what a housing co-operative could look like.

The model building approach used in the Amalinda co-operative settlement case can also be described as an “experience based” approach to model building. In experience based model building:

- ‘Outsiders’ come forward with a broad general idea for coop housing,
- The ‘outsiders’ present this broad general idea to a community and say “lets work together to develop the details of turning this idea into a more detailed model through a real life demonstration project.”
- Once the demonstration project is complete this model is used to show others what co-operative housing looks like.

Another way that could be used to develop a model, could be called the “awareness based” model building approach. In awareness based model building:

- ‘Outsiders’ come forward with a broad general idea for co-op housing,
- The outsiders present this broad general idea to a community and say “let us explain to you what the broad general idea is so you fully understand it. If you don’t like it you can leave and we will find someone else who does like it. If you like it we will help you build the houses using the model.”

In future more consideration needs to be given to the awareness raising stage when introducing something new. As much as it is important to have a real life example of what you want to introduce, it is probably more important that the people involved in the demonstration fully understand what they are getting into. This may mean that far more time needs to be spent in the awareness raising stage.

Developmental NGO’s (like Afesis-corplan), and international donor organisations (like SCC) have a role to play in developing innovative models; in turning ideas into models. If organisations only do what communities want and what has been done in the past, no new and potentially improved models will emerge. With changes to the external environment (e.g. the way government funds projects), old ways of doing things may not work anymore.

Someone needs to take the risk of trying something new. This does run the risk that the new approach may not work successfully. However, without this risk taking, development will stagnate. The new model/ approach may not work, but elements or parts of the model may be successful and lead to changes in the way development occurs in future. It would be very interesting to conduct a research project on the impact of innovation in demonstration projects on subsequent more traditional approaches to development.

H.2. ORGANISATIONAL LESSONS

H.2.1. Savings and loans

Savings are an important part of any housing co-operative initiative. Savings and Credit Co-operatives (Sacco's) can play an important role in managing members savings and providing loans for housing development. The relationship between housing co-operatives and savings and credit co-operatives needs to be explored further to see how these two forms of co-operatives can compliment each other in their work.

It is a good idea to link savings to housing. People involved in housing co-operatives need to be encouraged to save and supported in their savings endeavours. Linking savings to allocation provides a good example of how this savings can be encouraged. More attention needs to be given to how this can be done. Examples of how savings can be encouraged include, for example:

- Providing allocation points for regular saving of a fixed amount each month (or other period).
- Setting target savings amounts people must save to be considered for allocation to new housing projects.
- Linking savings to some form of physical benefit (e.g. if a person saves a certain amount they can get a door for their house or the money will allow for indoor plumbing to be purchased). In other words people must not just save: they should save towards something. Consideration can be given to when this savings gets used. For example if the savings is used for foundations it means that no construction takes place until the savings is made available. It may however be better to use savings for things that happen at the end like putting in the plumbing, erecting the roof or plaster and painting. It needs to be remembered that if the member uses savings to pay for plumbing directly (for example), the member will not benefit from the 0% vat on low income houses. They would only benefit from this if the savings is transferred through the developer or support organisation.
- Linking savings to bridging finance for the housing development co-operative. A persons' savings can be used by the co-operative to cover labour and material costs during the period when it waits for government housing subsidies to be processed and paid out.
- Linking the savings amount per month to the future on-going running costs of living in a house. If a person can not save while they are waiting to get a house, they will probably find it difficult to afford the on-going costs of living in the completed house. This also gets people used to regular savings. It must be remembered however, that some people may already be paying rent (and other living costs) where they presently live, so you don't want to put a double financial burden on them.

If a savings and credit co-operative is involved in the housing development process it is important that the members of the co-operative understand how the Sacco works by taking in savings and issuing them out as loans, and using the interest received by the co-operative to sustain the running of the co-operative. In the Amalinda case one of the problems experienced was that most the people who were members of the Sacco only wanted to save for their house and not take out loans. When loans were taken out some people did not fully understand, despite awareness raising efforts, why their savings had to be given out as loans.

It is unlikely that housing co-operatives will want to explore, in the short to medium term, the concept of obtaining blanket loans for their members. This is where, for example, the co-operative gets a loan from a financial institution and uses the loan to build all the houses. The co-operative then is responsible for recovering the loan from its members and paying in bulk the loan

back to the financial institution. In other part so the world (e.g. Zimbabwe), people come together and set up a H(D&PO)C so they can access a blanket (larger loan) for their members and take over the responsibility of collecting the loan repayments from their members. The H(D&PO)C's in Zimbabwe continued to own the property, renting it out to its members, until all members have repaid the loan. Once the loan is repaid the individual members take ownership of their units. The housing co-operatives promoted by COPE in Gauteng also explored this approach of blanket loans but this did not appear to be very successful. In the lower income sectors of society, it is unlikely that people will want to use co-operatives to take out blanket loans as the housing subsidy provided by government is generally sufficient to at least provide a basic form of house. People also realise the risks of loosing their property (or the property of the co-operative) if they are not able to pay back the loan.

An independent evaluation of the COPE housing co-operative experience, which appears to have failed, is needed so as to learn the lessons from this approach. It is unclear however if these failures are the result of the nature of the co-operative model used or a result of other factors, like weak management.

The savings scheme approach to managing the collection of savings deposits, that was used in the early stages of the Amalinda co-operative demonstration project, appears to have many advantages that need to be built on. It allows people to come together on a regular basis to save money in the scheme. Other members in the scheme can see who is saving and participating. Face to face bonds of trust develop between the scheme members. It also provides an opportunity for outsiders to use schemes as a channel of communicating with scheme members. The members of the H(D)C in the Amalinda case joined savings schemes made up of between 20 to 50 households from a particular area. The member gave their savings deposit to an 'agent' or facilitator of the savings scheme. This approach was also used when the savings and credit co-operative was later established. Later, in an attempt to streamline the collection of deposits and remove any "middle men" or agents, people were encouraged to deposit savings directly into the savings and credit co-operative bank account. The opportunities for more face to face connections between different members at savings scheme meetings was therefore reduced. It may be no coincidence that much of the mistrust within the savings and credit co-operative emerged at about the same time that the role of the savings schemes was reduced. More research is needed to see how the advantages of savings schemes can be built on while at the same time protecting members from potential corruption from other savings scheme members.

The insurance requirements of housing co-operatives have not been adequately explored.

- For H(D)C, insurance issues include issues like workmen's compensation for injury during construction, public indemnity against a member of the public being injured on the site, insurance of building material during construction, and construction warranties provided by the National Home Builders Registration Council for fixing defects after the house is completed.
- For H(PO)C, insurance needs to look at issues like fire and the default on monthly fees. The social housing rental sector has, and is continuing to look at this. H(PO)C's can learn from this while accommodating for the difference between rental and co-op ownership. The experiences of burial societies should be explored with the view to looking at how this experience could be expanded to look at household insurance for group and privately owned houses.

The administration systems for the savings and allocation procedures needs to be sound. This is very important for Sacco's as they are dealing with peoples money.

At the moment the member contribution, in the form of savings and loans, is always seen as an 'add on' to be used to add onto the house that is built using the government subsidy. However, another way to look at member contribution is to look at the contribution (savings and loan) being used to buy and prepare the land for the housing subsidy. H(D)C's should explore how they can use member savings to purchase land as a first step towards housing. The subsidy can then be used to put in the services and build the house. This approach would shift the impetus for starting the housing process from government (who must use its subsidy to buy the land, put in services and build the house with the beneficiary using its money to add to the house), to communities (who can use their savings to buy the land, with government then putting in services and houses).

Savings and credit co-operatives provide a useful organisational tool to channel end user finance to low income communities. The intention in Amalinda was that once people were allocated, they would continue to save in the Sacco. The members savings track record would be used as a basis to issue out loans on a 1 savings to 3 loan ratio basis (e.g. if a person saves R1000 they can get a R3000 loan). Housing co-operatives should work with Sacco's to explore further loan products for housing co-operative members. For example housing co-operative members who have demonstrated commitment to the co-operative concept could be provided with loans on a 1 savings to 5 loan ratio basis paid back over a longer period of time.

Most people in South Africa have some understanding of how stokvels (or rotating savings and credit associations) work. Stokvels can also be used by people who live together to address their maintenance and home improvement needs. For example, a group of 11 people could come together and establish a stokvel. Each month they each save and one month one of the 11 people receives all the savings. This person can then use this money to improve their house by buying a new door, painting the outside, putting in a ceiling or any other maintenance and upgrade.

Savings and Credit Co-operatives provide a good start for introducing housing co-operatives into a new area. Other forms of co-operatives (including housing co-operatives) can develop as a "spin off" from the people who are exposed to the Savings and Credit Co-operative.

H.2.2. Allocation

The policy for allocation for people to houses in a housing co-operative should be agreed and written down right from the start. A copy of the approved allocation policy needs to be given to all members so as to avoid any confusion. Any changes to the allocation policy needs to be approved and a written update circulated to all members.

The allocation policy needs to be very carefully developed and proper records kept of how this policy was approved. The policy needs to be strictly adhered to in all circumstances and if there is any uncertainty, this needs to be taken up with membership and a mandate obtained on how to deal with it. The policy needs to take into account all scenarios like:

- Inheritance of units;
- Donation of unit to relatives; and
- Transfer of units to new members.

The issue of inheritance, donation and transfer of savings points also needs to be discussed, agreed and written down as policy.

Allocation of members of H(D)C's to housing projects needs to take into account the understanding, affordability and commitment, of the members. People must NOT be allocated to a housing project if they:

- do not understand what type of housing project is to be developed. For example, if they are allocated to a H(PO)C they need to understand how tenure works in co-operative ownership and understand the implications for monthly fee collection. They also need to understand what is expected of them in the construction process, for example, if they are expected to provide voluntary labour in construction.
- are unable to afford the type of service or house developed for them. For example, they need to be aware of the rates and services implications and on going costs associated with living in that project.
- are not committed to the housing project. This commitment should preferably be written commitment, in which, after they have been informed of how the project will work, they commit in writing to the project (e.g. commit to provide voluntary labour and/or commit to live in a co-operatively owned property).

To be considered for allocation a person should sign a form stating they understand how the co-operative works and agree to the allocation policy. If they are allocated to a H(PO)C by a H(D)C they should agree that they will only become a member of the H(PO)C when they sign the H(PO)C membership forms and they are approved as members.

In H(PO)C's it may be advisable to set up 'caretaker' membership and board of directors at the initial stages of the H(PO)C development. In situations where there is a H(D)C involved, the caretaker/ interim members of the H(PO)C could be people from the H(D)C who have experience of running a co-operative. The people allocated to the units of the H(PO)C would then agree that the "caretaker"/ interim members of the H(PO)C will run the H(PO)C at the start. When they are allocated to the H(PO)C they do not immediately become a member of the H(PO)C. They only become member of H(PO)C when they sign H(PO)C membership forms and the caretaker members approve them as members. It has been suggested by organisations like the SHF that when a person is allocated to a house in a housing property owning co-operative that they should start off by renting from the H(PO)C. Only after the person demonstrates an ability to pay monthly fees and manage the affairs of the H(PO)C do they become members of the H(PO)C and take over from caretaker members. If there is a phased process of handing over membership to people in H(PO)C's it is obviously very important that people understand and sign that they understand how this phased process works. There needs to be a formal procedure of handing over from caretaker members to the full members so that all role-players know when one group hands over to the other.

In some provinces (e.g. Western Cape and Gauteng), where institutional subsidies have been used, the provincial department of housing was able to provide 70% of the subsidy to the institution before the institution had to give the names of the beneficiaries. The remaining 30% of the subsidy was given after the provincial dept of housing screened and approved the beneficiaries. This allowed the institutions to make sure that the people allocated to the units satisfied the allocation criteria of the institution (e.g. pay a deposit and attend training events) before their names were submitted to government for approval. Many institutions also undertook pre screening exercises early on in the process to check that people who attended training events and who paid deposits were all eligible for housing subsidies. In the Amalinda case, for the Eastern Cape province, the names of future occupants had to be given by the ELHMC before any funds were disbursed by the province. This created problems for the H(D)C, in that many of these people had not yet saved their member contributions.

In situations where people are allocated to H(PO)C's it is also advisable that the people who are going to live together are encouraged to meet and start cooperating as soon as possible, even before they move into the houses. This may mean that special events need to be organised where people allocated to H(PO)C's are encouraged to meet each other and learn to get to know each other.

When people move into houses allocated to them they need to sign an agreement (often called the 'happy letter') accepting that they are happy with the house allocated to them. If there are still outstanding construction issues to be dealt with these should be listed in the 'happy letter' so there can be no dispute over who is responsible for maintaining what in the house.

Generally people should only take ownership of the land (individual or group ownership) when they are ready to move into the land. Once a person or H(PO)C takes ownership of the land they are responsible for paying rates on the property even if no one is occupying the land.

Allocation administration systems need to be developed that are based on what people are able to maintain. In the Amalinda case, there was an attempt to establish a computer based (excel spread sheet and Access) data base, but it was difficult for the H(D)C to maintain this system without adequate income and resources. More attention needs to be given to improving and maintaining the paper based allocation system. Saccol were approached to determine if their savings and loans computer package could be used to assist in the maintenance of a savings allocation points system but this proved more difficult than envisaged to set up and maintain. With improvements in the computer programme and experience gained by housing co-operatives and Sacco's it may now be possible to set up a better savings allocation point system within Sacco's.

More consideration needs to be given to how consistent savings can be encouraged after people have been allocated to a house. It is a good idea for people to be encouraged to continue to save for house maintenance and upgrading.

The experience with having separate savings categories (e.g. R30, R60 and R120) in Amalinda was not very successful. The intention was that people who saved more would be allocated to separate blocks so that they could look towards doing more in the housing co-operative (e.g. putting more resources into the common space). This would result in higher monthly fees being charged for these 'richer' H(PO)C's. Relatively "poorer" people would not then be 'forced' to pay higher fees than they can afford. In reality, however, the difference in affordability between savings categories was not that large. It would be more beneficial to use the target savings amount as the variable that gets used to allocate people with different savings capacities to be allocated to different areas. It is proposed that, at least at the start, if any savings allocation points system is used, the minimum savings amount per month to qualify for a point should be a standard savings amount. Over time as experience is gained, consideration can be given to re-looking at having separate savings categories.

One of the original ideas that was considered but rejected by the housing co-operative members, was for people to save within savings schemes and then the whole saving scheme would be allocated to a project area. This approach should be reconsidered in certain instances. The advantages of this are that the group of people can start working together long before they actually move into the houses. People that want to be together (e.g. people from the same extended family or existing neighbourhood) could arrange that they continue to stay together in future, thereby maintaining the social relations that have developed over time.

Another idea that was not implemented was to consider providing more than one membership per household. When a household is allocated to a house they are provided with two memberships to the housing co-operative. The thinking behind this is to make it easier for spouses or co-inhabitants within housing co-operatives to both have a say in how the co-operative is run. Such considerations need to be re-considered in future housing co-operative projects.

Most the members and directors of the East London Housing Management Co-operative are women. The reasons for this have not been unpacked. It could be, for example, that within households women are seen to be responsible for the house while the men are more traditionally seen to be out working. Many women may also be available during the day when many of the meetings of the co-operative happen. It is unclear how much this women membership actually translates into the women making the decisions around housing matters, or if actually the women is more of a 'front' for the household in relation to housing matters but that when it comes time to actually make housing related decision the man steps forward. Further research is needed to unpack gender relationships within households that are members of housing co-operatives.

Savings based allocation systems can also be used to encourage young people to save towards their future houses. For example, parents of future potential homeowners can start to save and generate points on behalf of their children, years before they actually need to move into their own house.

One of the advantages of institutional subsidies and H(PO)C's was that people who earned between R1 501 and R3 500 were able to benefit from the full subsidy amount. If they used other subsidy options there was a sliding scale as to the amount of subsidy that a beneficiary could get, with the higher income beneficiaries getting lower subsidies. In 2005 this rule was done away with so this benefit of Institutional Subsidies or using H(PO)C no longer applies. Anyone earning below R3 500/ month now gets the same subsidy amount.

Serious consideration should again be given to drawing Union members into housing co-operative projects so as to broaden the target group of who is involved. Union members were not very interested in the co-operative model when it was first introduced to them, as their members wanted to own houses individually. The housing development co-operative model leading to individual ownership may be more suitable for the needs of the working class. National union federations have committed themselves to encouraging their members to set up and join co-operatives. Union members have a strong organisational culture and they are able to save and pay the necessary fees associated with running a co-operative.

H.2.3. Internal organisation

One of the most important elements for successful co-operatives is communication. In the estate agent sector they say the three most important aspects of property are "location, location and location." "Communication, communication and communication" could be referred to as the three most important elements of a co-operative. This includes communication between all the members of the co-operative, communication between the directors of the co-operative and the membership, and communication between the co-op and outsiders. Failure to give sufficient attention to communication will lead to problems.

More attention needs to be given on the various techniques that can be used to encourage communication amongst members and between the board of directors and members. This includes, but is not limited to:

- General Meetings
- Group meetings
- Notice boards
- House to house visits
- Smaller meetings

A useful technique for encouraging interaction and communication is the use of the savings scheme approach. This was what was initially used in the Amalinda case and facilitated communication between the scheme leaders and the members. The event of coming together to collect and count savings can also be used for people to actually communicate and talk about a range of other things not necessary linked to the savings.

It is important to establish a network of communication routes within a group. In other words there should be multiple ways that a person can get to hear about an issue and contribute to a discussion. Reliance on very hierarchical methods of communication (e.g. from directors, to neighbourhood representatives, to block representatives, to general members) break down when there is a blockage within one of the levels.

Another important element for successful co-operatives is to have proper administration within the co-operative. This includes, for example, following proper procedures for calling meetings, and keeping records of members, finances and minutes of meetings, etc. Co-operatives need to keep proper paper trails of all their decisions and processes leading up to these decisions. The housing co-operative, and organisations that work with housing co-operatives, need to place a great emphasis on building the capacity of the housing co-operative to have proper administration policies, procedures and systems in place.

It is very important for housing co-operatives to do basic organisation administration and management well for the housing co-operative to be a success. If basic administration systems are not being undertaken effectively it is advisable not to proceed with other areas of work until this basic administration is improved. Examples of basic administration include:

- Keep proper records, including membership, financial records and minutes of meetings; and
- Call and conduct proper meetings following the correct procedures and keep members updated and get feedback from members on their concerns and views.

Housing co-operatives also need to follow their own and governments legal requirements properly. The housing co-operative needs to adhere to its co-operative statutes and to the co-operative act. For example, if elections for directors are needed every year, these elections must be held following the correct procedures for calling elections. The co-operative needs to understand that it is accountable both to its members as well as to government. The co-operative can not decide to ignore or bypass its own rules or government legislation.

Much of the legal preparation work around housing co-operatives has been done within the framework of the social housing sector, which implies an emphasis on H(PO)C's. The model statutes for housing co-operatives from the registrar of co-operatives basically refer to H(PO)C's. The present model statutes from the registrar of co-operatives for housing management co-operatives include both a reference to a role for the co-operative in the development phase as well as property management phase. The registrar of co-operatives however does not have any model statutes for any organisation that just wants to be a housing development co-operative. Further work is needed to develop model H(D)C statutes. The SHF was successful in developing examples of 1) H(PO)C that are independent; and 2) and H(PO)C that are linked to H(D&PM)C.

Statutes similar to these are the type that are being promoted as model statutes for housing co-operatives by the registrar of co-operatives. If, as anticipated, H(D)C have a large potential, it is important that proper statutes be developed and used for these types of housing co-operatives, and they not be confused with the H(PO)C statutes that are presently being used by the registrar of co-operatives as model statutes for housing co-operatives.

It is recommended that the development of statutes for housing (development) co-operatives is prioritised, as it is likely that many of the future housing co-operatives that will be registered will be housing (development) co-operatives.

H.2.4. Co-operative ownership

In relation to housing (property owning) co-operatives, it must be remembered that there are at least three types of housing (property owning co-operatives): 1) full equity, 2) restricted equity, and 3) no equity housing (property owning) co-operatives. See the section on models for more information on these options. At this stage in South Africa, the restricted equity co-operative model provides the most potential. The not for profit rental housing sector is well established and generally fills the gap for no equity housing (property owning) co-operatives. Sectional title housing is also very well established in South Africa and this sector fills the gap for full equity housing (property owning) co-operatives. South African legislation allows for a person to own a piece of space in the sky (e.g. an apartment in a multi story block of flats) through sectional title legislation. It is understood that this is not the situation in countries like Sweden, where the property the person owns has to be on the ground. It could be suggested that most of the full equity housing (property owning) co-operatives in Sweden would be sectional title accommodation if they were in South Africa.

In many instances it may be better to have some other organisation owning the property at the start. This could be, for example, a section 21 company that is set up specifically for this initial property owning function. The people who want to own the property collectively would initially rent their unit from this other special organisation. Once the occupants demonstrate that they will be able to manage the property as a H(PO)C, the property can be transferred to the occupants. There would need to be a very good agreement in place between the special organisation originally owning the property and the future potential members of the future H(PO)C that clearly outlines how this hand over procedure would work.

The option of housing (common space property owning) co-operatives needs to be explored further as an option for low income housing in South Africa. It is likely however that coop-like organisations may be better placed to address the needs that would be addressed by Housing (common space property owning) co-operatives. An example of such a coop-like organisation is the Home Owners Association that is governed by section 29 of the land use planning ordinance number 15 of 1985 of the former Cape Province. Nationally, sectional title legislation, where common space is owned by a body corporate is another example of a coop-like housing (common space property owning) co-operative, that is governed by the sectional title act no 95 of 1986. Communal Property Associations and Share Block Companies are two other examples of coop-like organisations from which lessons can be drawn.

Awareness raising is needed to draw peoples attention to the opportunities of using common space for collective and common functions and activities. Public space in townships areas is not very conducive to being used by locals for community activities, and in rural areas people are more used to doing activities on their own larger plots and not within the collective space.

For groups of people who pursue the H(PO)C route, serious attention needs to be given to how they calculate the transfer value of co-operatively owned property. One of the only studies looking into this issue in South Africa was done by the Social Housing Foundation (see web site http://ftp.shf.org.za/coop_transfervalue.pdf), in which it was recommended that the member contribution paid by the member joining a housing co-operative should be treated as a loan. When the person leaves the co-operative the person is paid back this loan with simple interest (as apposed to compound interest) by the incoming person.

This study did not explore how to calculate the value of improvement made by the outgoing person but it can be assumed that the researches would claim that this should be treated in a similar manner to initial member contributions. In other words, any improvements made on a property by the member allocated to the unit needs to be seen as a loan given by the member to the housing (property owning) co-operative, which will be paid back when the member leaves the H(PO)C.

In summary, a person involved in a H(PO)C would pay 1) an initial nominal share, 2) a first loan to the co-operative as a member contribution; and 3) a second, third etc, loan to the co-operative for any subsequent improvements made by the member on the house . If a person leaves the H(PO)C they would receive the member contribution plus improvements to house plus simple interest calculated from when the contribution and improvements where made (less any administration fees).

This formula approach to calculating the transfer values of co-operative property is probably too complex for many communities to understand, implement and manage. It is therefore proposed that for housing property owning co-operatives that are starting off, people are paid back what they put in (loaned) the co-operative. The issue of adding an amount for interest to this amount can be included by the housing co-operative at a later stage after they are more familiar with how the share transfer procedure and formula works. Consideration can then also be given to how to deal with depreciation of property.

Attention needs to be given to situations where the property market is such that new incoming members would not be prepared to pay outgoing members the requested amount. In these situations the H(PO)C should include a clause in their statutes claiming that the amount to be repaid to outgoing members is a maximum amount, but if the H(PO)C can not find an incoming person prepared to pay this amount the amount could be reduced.

The increasing prices of well located land in South Africa is a serious problem for the affordability of poor to access well located land. Restricted equity H(PO)C's can be used to reduce the price of well located land for incoming people. Restricted equity co-operative ownership in effect takes out the speculation value of the land and only acknowledges the value of the improvements. Further demonstration projects are needed to demonstrate how the advantages of restricted equity co-operative ownership can be used to keep housing affordable for people into the future. This is particularly true in well located areas, as in normal RDP type areas the existing property resale market is very low with houses being sold below their construction costs (e.g. sold for R5000 where the subsidy is closer to R25 000). There needs to be far more attention given to awareness raising of how restricted equity co-operative ownership works. The members involved in restricted equity H(PO)C's need to be involved in such an ownership model because they understand and want restricted equity ownership and not because they just want a house.

The costs associated with the conversion from co-operative ownership to individual ownership needs further analysis. Some land surveying and conveyancing costs can be saved by transferring larger blocks of land to H(PO)C's, but this needs to be weighed against the subsequent costs of transferring from the H(PO)C to individuals in situations where members decide to go this route (e.g. after 4 years as allowed for in the Institutional subsidy). Preliminary indications seem to indicate that the conveyancing costs of changing from co-operative ownership to individual ownership would be based on the value of the land and the house at this stage and would therefore be much higher than is normally associated with the conveyancing costs for new government subsidised housing. This could make it too expensive for many people in H(PO)C's to afford this subsequent transfer to individual ownership.

H(PO)C and the organisations that support them need to engage with and share experiences with Communal Property Associations. Communal Property Associations are very similar to H(PO)C's that have generally been used in more rural contexts to own land collectively by the poor.

H.3. GOVERNMENT POLICY LESSONS

H.3.1. Social housing

Housing Co-operatives should not align themselves too closely with the social housing sector, as it is only restricted or no equity housing (property owning) co-operatives that fall under the definition of Social Housing. As mentioned previously housing (property owning) co-operatives are only appropriate in a few unique contexts. Further, the various rules and regulations governing and planned to govern social housing will probably be too onerous for emerging housing (property owning) co-operatives to adhere too.

The institutional subsidy policy states that the institution must provide a one to one matching financial contribution to the subsidy amount in order to qualify for a subsidy (see section 6.2.1.3.b of part 3 of the National Housing Code). In 1999 and 2000 when the co-operative model for Amalinda was being developed this clause stated that the institution needed to add additional finance to the subsidy amount but did not indicate how much this needed to be. This 'one subsidy to one member' contribution ratio clause was inserted by national government later and not picked up by Afesis-corplan, provincial government nor anyone else. If this clause was adhered too people in the Amalinda co-op project would have had to save R20 300 and not just only about R2000. For projects that want to use the H(PO)C route now the requirement that they match the subsidy amount on a 1 : 1 ratio needs to be reviewed by government. Poor households would not be able to access savings or loans to the value of R32000 (the value of the housing subsidy in 2006 and which is escalated annually).

H.3.2. People's Housing Process

H(D)C's are best placed within the People's Housing Process (PHP) sector. Unfortunately the PHP policy and legislation is not as developed as the Social Housing sector. The PHP legislation needs to be reviewed but government does not, at this stage, have a clear strategy in place to review and update its PHP policy and legislation. If and when Housing (Development) Co-operatives are established and more organised they will be in a better position to engage government as a housing consumer representative body to lobby for the necessary support for housing (development) co-operatives. The Social Housing sector was fairly successful in lobbying for policy changes for social housing. The small housing contractor sector and material suppliers are other examples of sectors that are successfully lobbying government.

The Co-operatives Act of 2005 also tends to interpret housing co-operatives primarily as H(PO)C's. Many of the issues included in the schedule of the co-operative act 2005 relating to housing co-operatives, such as use agreements and termination of membership for housing co-operatives, applies mainly to H(PO)C's and not H(D)C's. The registrar of co-operatives needs to be approached to look into the needs of H(D)C's and develop model statutes for both H(D)C's and H(PO)C's

H(D)C's must motivate for an increase in the amounts for and make more use of the facilitation grants and establishment grants available within the PHP. Unfortunately the Eastern Cape province does not have clear guidelines for what the facilitation grant can be used for and how it can be accessed. Almost none of the PHP projects in the Eastern Cape have had access to facilitation grants. The recent precedent set in the new Social Housing policy, in providing for capacity building grants to social housing institutions, needs to be incorporated into the PHP policy.

H(D)C's and organisations that support them need to engage with government in the debate over the definition and future of the peoples housing process. For housing co-operatives the PHP is about government support to the peoples' housing process, rather than peoples' contribution to the governments housing process. In general terms government tends to have a narrow interpretation of the PHP as a construction approach where beneficiaries provide free labour in the construction of the houses. NGO's, and CBO's involved in the PHP sector have a broader interpretation of PHP as a process where beneficiaries have decision making control over what type of development they would like to see. This includes, for example, people deciding to use a local builder to build their houses. This debate is nowhere near complete, and has serious implications for housing (development) co-operatives that would naturally fall into the camp that believes that PHP is about beneficiary choice.

It needs to be recognised by all role-players that the process of PHP can actually take a long time to achieve results (e.g. build houses and build capacitated organisations). Investment in the PHP is an investment into the long term. It is not a quick fix solution. Experience with government PHP programme is fairly new. There is a need for much more piloting and experimentation with various alternative PHP approaches before more appropriate PHP approaches will emerge.

The whole housing subsidy mechanism should be restructured to allow for small project allowances. Many role-players are not interested in smaller infill type projects because the professional fees are not large enough when multiplied by the number of housing units. A subsidy for project feasibility studies should also be made available. At the moment subsidy funding is only available once the project is approved. However, often much work is required during the pre project phase to get the project ready. Potential beneficiaries also need to be aware what subsidy options are available and they need to make an informed choice as to which type of subsidy they want to apply for.

It is also very important that local politics is kept out of housing as much as possible and/or ways are found to manage how local politics is accommodated within the project. H(D)C's by their nature are independent organisations and provide an example of how people themselves, independent of any local political forces, can take the lead in housing development. There is the danger however that political forces may try to use co-operatives to their advantage. It is important, in these situations to emphasise the importance of communication and member control.

The PHP, as it is presently framed, does not adequately recognise the centrality of community based organisations (like H(D)C's) in the process. Community based development organisations, like H(D)C's, need to be supported by government so that they can perform their role as representative of the community. Investments in community based development organisations needs to be seen as investment into the social capital of communities. The organisational capacity developed by organisations like H(D)C's, can be used to help communities incrementally address their broader housing and development needs.

At the moment, one of the most serious weaknesses of the PHP is the weak conceptualisation within the PHP of how the people can work together as a group with government and support organisations to organise the building of the houses. The PHP makes provision for housing support committees but the role of these committees is not given a central role in the PHP to guide the PHP. The H(D)C model provides a very good example for how people in need of housing can cooperate to get houses. This H(D)C can engage and contract with government and outside organisations (e.g. for profit and/or non profit organisations) to provide support organisation functions to the people. The H(D)C, as an organisation representing the people, can

make decisions on behalf of the people. The H(D)C needs to enter into clear contracts where its role and function relative to other role-players (like the support organisation) is clearly outlined. The extent to which the support organisation that is helping the H(D)C can veto decisions of H(D)C (or pull out of the project if the SO feels the H(D)C is making a wrong decision) needs to be outlined in these agreements.

People involved in the housing co-operative sector (especially H(D)C's) need to do more to work with government to change the mentality of certain groupings within government and within communities that government will give them a free house. The whole concept of member contribution needs to be much more systematically unpacked. Present debates on PHP are far too simplistic, where member contribution is equated with voluntary labour/ sweat equity. Member contribution is a combination of one, some or all of the following:

- Savings and loans
- Material
- Labour
- Knowledge.

Savings, in turn, can either be used as cash (e.g. transferred to housing projects to be used to build better houses); or used by the household to:

- Buy their own labour
- Buy their own material

Other things that people can do as their contribution towards housing themselves includes:

- getting land
- joining membership based organisations
- participating in learning events
- erecting temporary accommodation on identified sites with the house coming later.

Far more research is needed (drawing on the experiences of organisations involved in the PHP) on how people can house themselves (and how government can support this and not substitute for this).

It is recommended that the provincial government set up a working group of organisations interested in PHP, including NGO's, housing co-operatives, community groups, developers, builders, etc. to address how the PHP sector can be supported.

H.3.3. Land access

One of the main issues for low income households in need of housing is access to land. In the Amalinda case, the local municipality was pro-active in making land available in Amalinda for a number of housing projects, so this was not such an issue up front. However, the East London H(D&PM)C in its role as a H(D)C found it difficult to identify additional land for future projects. The H(D)C had to draw on the support and resources of a local NGO (Afesis-corplan) to help it identify potential new land for development.

Local authorities need to place far more emphasis on identifying land for low income housing in advance of need. The municipality needs to use its own resources to do all the necessary bulk services, environmental, flood line, storm water, geo-technical, traffic impact, and other studies that are needed to prepare land for development. It is difficult for H(D)C members themselves to find the money to undertake these studies themselves. Consideration can be given by H(D)C

to using members savings for the purpose of land availability investigation (see section on savings for more on this).

Government also needs to review the mechanisms by which it makes land available for low income housing. If government insists on open tender procedures for selling and allocating land, well located land is generally going to be too expensive for low income households. Government should consider arranging for private treaty arrangements with H(D)C's where it is able to negotiate the sale of land to low income inhabitants.

The national governments Department of Housing, in conjunction with the Department of Land Affairs, needs to consider providing special funds for land access. Such funds should be independent of housing funds. At the moment, the temptation for 'developers' is to find cheap land, often not in well located areas, so that more money is available for the house. Government should also consider making available a small projects allowance, so that smaller pieces of land within the built up area can be identified and made available for housing. At the moment developers and consultants involved in housing prefer to work on larger projects where their fees and profits can be spread across a larger number of housing units.

Governments "Breaking New Ground" strategy sees land (and housing) as part of an asset accumulation strategy. In the H(D)C approach, people can work together to get land and a house, and then over time they can use their savings and other resources to incrementally improve this asset base they are developing by investing in maintenance and upgrading of the house.

The restricted equity nature of H(PO)C's makes it possible for people to invest their own resources into their home and then when they leave they are able to still get back what they have invested. This is different to other forms of social housing (e.g. rental accommodation) where there is no incentive for the household to invest in the house they are renting.

The secondary market for houses in the low income sector is not well understood. Banks have been very reluctant to get involved in the low income housing market. They feel that it is risky to lend to a poor person in a particular neighbourhood when it may prove difficult to foreclose on a loan to such a person if other members of the community support that household. Far more research is needed nationally to understand how this market works and how housing co-operative options can fit within the secondary housing market.

H.4. HUMAN RESOURCE LESSONS

H.4.1. Capacity building

Capacity building is very important for successful housing co-operatives. Capacity building should differentiate between capacity building to:

- Plan for, build and/or manage houses (development processes, subsidy options, land access, choosing a builder, tenure, share transfer, monthly fee collections, maintenance, etc.); and
- Build organisation and the organisational development issues (leadership, conflict resolution, etc).

Housing Co-operatives need to engage with the National Department of Trade and Industry that has recently taken over the co-operative regulation and support function from the Department of Agriculture. The Department of Trade and Industry are exploring ways to support all forms of co-operatives.

Government needs to develop a more co-ordinated approach to capacity building for housing co-operatives. Existing subsidies and grants for housing development provided by the Dept. of Housing do not sufficiently take capacity building into account. When capacity building within the Department of Housing is considered it generally refers to the first type of capacity building, namely capacity building to build houses, and not to building the organisation. The Construction Sector Education and Training Authority (seta) is unfortunately not well developed, but in future, once this SETA is better organised, it will also play an important role in skills development for the construction of houses. The Department of Trade and Industry is only now starting to look at how they can support co-operatives (including housing co-operatives), and capacity building provided as a result of this intervention will more than likely be the second type of capacity building (to build organisations).

Universities and other further education and training institutions have not been involved, especially in the Eastern Cape, in the development of the housing co-operative sector. Opportunities for collaboration with organisations like Fort Hare University and Buffalo City College needs to be explored.

Capacity building needs to be provided at the right stage in the housing development process. For example, for H(D)C's, people trained in construction skills need to be able to utilise their skills immediately after the training is provided or they stand the risk of losing the knowledge gained. There must be general capacity building about co-operative ownership from an early stage but detailed training of H(PO)C members in how co-operative ownership works needs to be provided just before and while people move into H(PO)C's.

Co-operatives are an unfamiliar organisational form within all spheres and levels of government. The information provided by government officials and politicians is treated, by community and other role-players, as true. These people therefore need to understand how co-operatives work before they make misleading statements about how housing co-operatives work and start contradicting the leadership of co-operatives. Misinformation by certain provincial Department of Housing officials in the Amalinda case (e.g. stating that, because the Amalinda co-operative housing project as a PHP project, members did not have to save, and that once your name is recorded on the data base you must get a house), was one of the main causes of much of the allocation dispute within the Amalinda co-operative settlement project. Government officials, who will be exposed to co-operatives, need to be made more aware of what a housing co-operative is and the different types of housing co-operatives that are found. Such awareness

raising needs to be an on-going process as it is often found that there is a high turn over of people within government positions who need to understand co-operatives.

Participation in some form of training should be a prerequisite for a member of a housing co-operative to become/ remain a member of that co-operative. For example one of the criteria for a person to be considered for allocation to a house by a housing (development) co-operative could be that they participate in a minimum number of training events.

Capacity building initiatives need to be more targeted in their approach. This includes targeting:

- The right people to be trained (eg. specific portfolio holders in the board, the whole board of directors, the membership, the general public, potential housing co-op members, government, consultants, etc.);
- With the right type of training (eg. for building organisations, or for housing development/ management);
- On the right topics (eg. for H(PO)C's the topics would be on maintenance, fee collection and arrears management, share transfer, etc; while for H(D)C's the topics would be on identifying land; obtaining finances, drawing in the right people to help, etc.);
- Using the appropriate technique (eg. class room, story telling, study circle, mentoring, etc); and
- At the right level (for Xhosa or English, understandable to people with grade 6, 10 or grade 12 education qualification, etc.)

One of the annexures provides an outline of the type of training that is recommended.

Capacity building needs to build on peoples existing experiences and cultural traditions. For example the concepts of ubuntu, communal grazing land, and Ilima as explained elsewhere in this document can be used as a basis for explaining many of the co-operative concepts.

Study circles have potential as a technique for improving participants knowledge on certain topics. The following issues need to be addressed before study circles can play a meaningful role in housing co-operatives:

- Ensure that the people want to learn, and understand the importance of learning. Study circles will not work if people are forced to participate. In situations where participation in a study circles is required for a member to be considered for allocation to a house within a housing (development) co-operative the members participation is still voluntary because they don't have to participate, but if they don't they will just not be considered for a house.
- Ensure that it is easy for people to come together to participate. If people live far apart from each other it is more difficult for them to travel to meet.
- Younger people who are still used to learning and gaining new knowledge need to be encouraged to participate and use study circles.

Study circles need to be understood as a learning tool and not a project implementation method. People must not try and use study circles to achieve something for which they are not designed. Study circles must not be confused with project organising or steering committees. If a group want to start a small project they should set up a project organising committee rather than a study circle. However, if some people within an organisation want to learn more about a topic like communication skills, they can form a study circle for this purpose, or if some people in a housing (property owning) co-operative want to learn gardening skills they can set up a gardening study circle.

Study circles can be short lived to learn a particular topic (e.g. how to work a computer) and then the participants break up and do other things or join other study circles; or they can be longer lived, where the same people come together to learn more than one topic. H(PO)C's, where people are living together provide an opportunity for study circle groups to stay together for a longer period. In this way the study circle can be used to improve the social relationships within the group.

Members of co-operatives need to learn how to cooperate. The best place to learn is from people who are already cooperating. Study visits (and exchange programmes) are one of the best ways for people to learn more about housing co-operatives and organisational development. However, such study visits need to be planned so that the maximum benefit can be gained from the experience. The participants in study visits need to develop a set of issues they want to explore prior to the study visit and that they need to report back to their members after their study visit. Peer to peer training needs to be promoted, where 'newer' housing co-operative members learn from people from more experienced housing co-operatives. Experiences of organisations like the Federation of the Urban Poor need to be drawn on in this regard.

People who understand how a co-operative works (eg. people that have lived in a H(PO)C) should be encouraged to provide a mentoring service to new people that join the H(PO)C. Even people who have already received houses through a H(D)C should be encouraged to support and mentor new people who join H(D)C's. This may however be difficult in situations where once a person gets a house they leave the co-operative. Learning from people that have been through the experience is an excellent way for new people to learn about co-operatives.

Training in a housing co-operative context is an on-going issue. Participation in the various forms of housing co-operatives provides a good opportunity for people to develop a culture of learning. People can never know too much. There is always scope for more learning. The housing co-operative needs to see its commitment to learning as not just teaching people about aspects relating to housing but also as a commitment to develop this learning culture.

The housing development process is a long process so people need to be kept informed of what progress is being made and they need to be kept involved. This is obviously very relevant for housing (development) co-operatives. The members of the housing (development) co-operative need to understand what the housing development process is so they can see how they are slowly making progress. Any 'small' achievement and success for the housing co-operative needs to be celebrated so that the housing co-operative members can feel that progress is being made. For example, in housing (development) co-operatives, approval of the town plan by the municipality, the approval of the survey diagramme by the surveyor general, the approval of building plans, the appointment of builders, the instillation of services, the completion of the house, the transfer of title deeds to end users etc. all need to be recognised and celebrated as a specific achievements.

Members of housing co-operatives need to be kept involved in the housing co-operative. Co-operatives are different from other forms of housing development in that the members need to participate in the co-operative and not just put their name down at the start and get the key at the end of the housing development process. The following provides examples of how people can participate in a housing (development) co-operative:

- Members save regularly towards a target amount;
- Members attend study circles to learn more about housing and organisation development;
- Members attend planning exercises where future housing development plans are discussed and decisions are made on things like what the houses will look like, how the houses will be built, etc.

- Members plant trees on land that has been sold to housing co-operative members prior to construction taking place.

One of the problems experienced in housing co-operatives is that people who are involved often claim not to understand how the co-operative works. People should be ‘forced’ to attend training and capacity building if they wish to benefit from the services provided by the co-operative. For example, in housing (development) co-operatives, people could be required to attend pre-training where they are given an attendance certificate and an attendance record is kept of who attended. Other forms of proof that people attended training should be considered like taking photographs (signed and dated) of people who attend various training.

Housing co-operatives need to establish monitoring and evaluation (M&E) systems that make it easier for members and directors of housing co-operatives to learn from their own and other people experience. Members themselves need to be more involved in M&E, by attending review meetings, developing and filling out survey forms, writing comments in complaints books, setting up an open door office policy where people are encouraged to visit directors and staff (if there are any) to discuss issues of concern or just to find out what is going on.

Housing co-operatives need to find ways to dedicate funding to M&E so that projects can learn from each other. Housing co-operatives need to lobby for government to set up a larger monitoring and evaluation system where the lessons that they learn through experience can be shared with and contribute to a more detailed learning process.

H.4.2. Leadership

Finding the right leadership for housing co-operatives is one of the most important decisions that any group of members of a housing co-operative will make. Outsiders are often tempted to impose their thoughts on who should be on the leadership of a housing co-operative.

Housing co-operatives need to be encouraged to elect the right type of people to the leadership of the housing co-operative. For example the secretary should be able to write; the treasurer should be able to do basic arithmetic, and at least some of the leadership should be able to communicate in English, as many of the people they will have to engage with may be English speaking. However, the most important feature of a good leader is passion and commitment. Sometimes this is found in someone who may not have a high level of education. The people themselves are best placed to know their members, so if they choose, as a chairperson, someone who only has a grade 4 and does not speak English, this is their decision and more than likely his person may have other characteristics that make them a good choice for leader (eg. they have passion and energy for the job and are good at delegating other people to do the work.)

External agents supporting co-operative housing must not impose any leadership criteria and force the housing co-operative to elect, in their opinion, the “right” people to leadership positions. All that external agents can do is to provide training and capacity building and draw peoples attention to problems associated with having the “wrong” people in the leadership of the organisation.

The issue of gender has not been systematically explored in the co-operative housing sector in South Africa to date. It can be observed that women tend to take a prominent role when it comes to leadership positions in housing co-operatives. Most members of the existing H(D)C’s and H(PO)C’s are women. It is not known if this is a conscious decision by household for the women to be the member. This precedent set by housing co-operative members needs to be

explored further, as usually men tend to take ownership of housing property. It is unclear what the gender relationships are like at a household level. It could be that in many instances the men go to work and leave women to go to housing co-operative meetings and even sign membership forms, but when men come back from work in the evening they actually make the decisions.

Gender is not just about dealing with women's issues it is about a balance between dealing with the needs of women and men. Both men and women need to get more involved in housing co-operative affairs. Housing co-operatives provides an opportunity for both women and men to get involved.

H.4.3. Accessing skills

There are three broad categories for how housing co-operatives can access people with skills to help them:

- Use volunteers;
- Employ staff; and/or
- Contract service providers.

Housing co-operatives should not rely totally on external grant funding to employ staff, as once this funding is stopped the staff are lost. If the co-operative was very reliant on the staff to keep the organisation running this could lead to the failure/ closure of the co-operative.

For H(PO)C's, if staff are employed they should be funded from member fees. For H(D)C's, it may be necessary for the co-operative to access grant funding to undertake some of the necessary project management and facilitation work. H(D)C's need to work with other organisations to lobby government to take more responsibility for funding this type of work.

Many of the community based organisation that have been developed in the past in South Africa (including co-operatives) have relied heavily on external grant funding from foreign donors. Government needs to realise that in order for communities to be supported, government needs to contribute funds towards the work of NGO's that have supported housing co-operatives.

All forms of housing co-operatives need external support to establish and gain experience. The role of NGO's can play an important role in this support. An example of two types of support NGO's can provide include:

- Build the organisation so people are able to manage the internal affairs of the co-operative; and access external resources; and
- Facilitate land access for H(D)C's, so that the housing co-operatives can then engage other role-players to help them develop this land.

If staff are employed, the housing co-operative leadership needs to be trained in how to manage the staff. The leadership also needs to be trained in how to manage volunteers.

H.5. PHYSICAL PRODUCT LESSONS

H.5.1. Layout and design

More detailed studies need to be done comparing the layout and house designs of the Amalinda demonstration project to the layout and house designs of other projects. The following comments on layout and design are therefore based more on observation.

Plot sizes of 200m² appear to be adequate for most households. The linkage between personal and common space appears to make the personal space 'feel' bigger than it actually is. This demonstrates that the minimum plot size of 300 m² promoted by government is an unnecessary imposition. The Amalinda project demonstrates that quality environments can be created at higher densities.

In hindsight it appears that the common space provided in some instances was larger than necessary. The common space could have been made smaller and more houses could have been fitted into the area. This would contribute towards the creation of a better sense of 'enclosure' within common space.

The concept of having smaller sized blocks with housing located around a common space appears to have potential, but people need to live in the houses more so that a more in-depth study can be done on how people relate to and make use of the common space. It would appear that the orientation of houses onto this common space does contribute towards the concept of "defensible space". People are able to see what happens in their block and through traffic is minimised by the use of 'cul de sac' common spaces.

Generally the common space is not presently being managed as a collective by H(PO)C's. It is either left alone and the grass allowed to grow, or some individual has taken over some of the space to grow vegetables or undertake some other business (eg. park cars). It is assumed that the lack of proper management practices regarding the use of common space is not so much due to the failure of the concept of common space, but rather due to the uncertainty H(PO)C members feel as a result of the allocation dispute. It is anticipated that once the allocation dispute is addressed the housing (property owning) co-operatives will start to take 'ownership' of these common spaces by controlling more of what happens in them and maintaining the common space.

Generally the house design that was used in the Amalinda Co-operative Settlement project seems to have been successful. Two observations that can be made include:

- The front and side doors are very close together, so in many instances one of the two is not used a lot. The original idea was to locate the second door on the back of the house, providing opportunities for expansion of the house in this direction. The leadership however felt that a 'kitchen' door was needed as a second alternative to the 'front' door.
- It appears that the open plan approach for the kitchen and lounge has been accepted by most households and those that prefer a separate kitchen have been able to build a wall between the two.

The orientation of the house with the bathroom towards the south side of the house has proved to be an easy way of orientating the house to maximize exposure of common rooms to the northern sun and light. Initial observations indicate that it has contributed to improving the light in the living areas of the house but this needs to be verified through more scientific analysis. In the Eco-home Housing (property owning) Co-operative however, the benefits of locating the larger

windows on the northern side of the house were lost when the members decided, at a late stage in the design process, to rather locate the large living room window on the front of the house, which is on the east or the west of the house. It would be useful to encourage one of the households in this co-operative to move the large window to the north side of the house so that a comparison could be made on the impact of location of windows for lighting and heating of the house.

The H(PO)C approach lends itself to a group of houses fencing themselves off in the form of a “gated community”. One of the H(PO)C’s has put a fence around the perimeter of the H(PO)C’s property. This was done from a security point of view to make it harder for intruders to access the property. It would appear that this could be a popular approach that is unique in the low income housing sector. It means that households themselves do not have to spend resources on fencing their own personal spaces, although a few households have also fenced their personal spaces. At this stage wire fencing has been used which facilitates views through the fences and does not cut off too much from a visual perspective what happens within the neighbourhood. Initial observations are that more solid fencing would detract from the advantages of a more open neighbourhood.

The experience of gated communities in other generally ‘richer’ neighbourhoods, where the residents have cut themselves off from the surrounding areas (except through a central gate), would probably not be suitable for lower income areas because in these areas most people do not have cars to access opportunities from further away.

The layout used in Amalinda attempted to balance orientating the houses inwards and outwards in relation to the neighbourhood:

- Inwards many of the houses are orientated into the common space within the blocks; and
 - Outwards the houses along the main access road are facing the public access road, and a small access road is built between many of the neighbouring H(PO)C’s where possible.
- More research is needed to learn lessons about outward and internal orientation of houses and blocks.

The environment appears to be operating well from a pedestrian point of view. The fenceless nature of the neighbourhood contributes to this, and it will be interesting to see how this could be changed if fences are built around blocks.

The main access road within the project was specifically aligned with ‘bends’ in it, in an attempt to slow down traffic in the neighbourhood and to make it safer for pedestrians. It appears that the bends are too “shallow” for this to have made any difference in the traffic speeds, and may have actually increased danger for pedestrians as cars cut corners.

It is too early to make any significant comment on the inclusion of community spaces within the broader neighbourhood. The site office was located on one of the spaces and has been used a lot by the East London Housing (Development) Co-operative as an office and place people can go to meet the directors and get information. A multi purpose hall is being constructed on another of these spaces but this is not complete. The site office has been closed for more than two years as a result of the allocation dispute and this has severely hampered communication within the project as people do not have a central place to go to get information.

An attempt was made to contribute towards the development of a sense of uniqueness to housing co-operative blocks by making roofing colours different for different blocks, allowing blocks to plant their own plants and trees, and erecting signboards at the entrance to blocks. Not much progress has been made with implementing many of these features due to the slow progress being

made in setting up functioning H(PO)C's committees that can manage some of these initiatives. There is nothing at the moment to indicate that these features are not important for future H(PO)C's.

Housing co-operative members seem to appreciate attempts to bring beauty into low income areas. A community art project has provided some paintings for the community art centre but these have not yet been installed.

The H(PO)C approach lends itself to more attached, row and multi-story housing type environments. Further demonstration projects are needed to see how this would work.

It would appear that more can be done to improve the quality of the public space owned and managed by the municipality as apposed to the common space owned and maintained by H(PO)C's. For example space has been set aside at the main entrance to the neighbourhood for a taxi rank and public square. Land has also been set aside for a community facility (eg. school or clinic or hall). There are no plans at the moment to develop these spaces. Once H(PO)C's are functioning they will be in a position to engage the municipality over the use of these spaces. One positive thing the municipality has done, without any request from the community, is plant a series of trees along the main road abutting the project area. H(PO)C's or even H(CSO)C's could play an important role, like that of a neighbourhood development organisation working in partnership with the municipality, in developing the local environment.

The framework approach adopted in the Amalinda co-operative settlement project appears to have been successful and should be replicated and improved in subsequent housing co-operative projects. The framework approach is one where appropriate decisions, on use of resources, are made at the appropriate scale by appropriate organisational structures.

Scale	Structure	Decision	Resources
City	Municipality	Location of the neighbourhood project	Municipal funds
Neighbourhood	H(D)C	Size and layout of the blocks, location of public/ community facilities, bulk services	Municipal infrastructure grants; Housing subsidy grant for planning
Block	H(PO)C (or H(CSO)C)	Internal layout within the block, house design, level of service, use of common space, construction approach.	Housing subsidy; H(PO)C funds (obtained from member households)
House	Household	House finishes, house upgrading, use of personal space	Household funds

Table: spatial framework

In the Amalinda project, the neighbourhood level was actually more than just the one Amalinda co-operative settlement project. The municipality sub divided the neighbourhood into about 5 different project areas. (The town planner used by the Amalinda co-operative settlement project, advised the municipality how to do this). These sub division areas at the neighbourhood level were then allocated to 5 different projects (with the housing co-operative project being just one). This approach worked well in that it allowed different project approaches to be implemented in one area and this led to a diversity of what was developed in the area.

In future the municipality needs to be encouraged to adopt and fund a similar framework approach (eg. pay planner, bulk services engineer, etc. to plan for the subdivisions) at a neighbourhood level. How this is funded needs to be given more thought but should probably form part of the broader municipal planning process, and not be the responsibility of each project to pay from its own funds. The Municipal Systems Act, with its strict rules of procurement, may create problems for implementing such a framework approach. For example, if the municipality does develop these neighbourhood subdivisions, they may have to go to tender to allocate the various portions of land to different projects (where developers bid against each other to get the land) and poorer community based organisations will probably not be able to afford the higher priced land sub divisions. More research and networking with other community based organisations is needed to see how serious these potential problems could be and how they can be overcome.

This concept of a framework approach fits well with the government breaking new ground approach where the emphasis is on creating sustainable settlements, or in other words neighbourhoods with a mixed household income and mixed land use.

There has been an attempt to include environmental considerations into the co-operative housing project. This momentum needs to be maintained and improved for future projects. The local municipality has already offered to provide solar hot water heaters to the Amalinda project as they are aware that the H(D)C is aware of the importance of environmental issues.

Environmental features are usually one of the first things that are left out of low income projects where the budget is low. For example almost no low income housing projects include gutters and roof overhangs. People generally would prefer to have a larger floor area covered by a roof than these environmental features. Housing co-operatives provide an organisational form that can engage with other government departments like:

- Department of Energy to explore alternative energy sources and energy conservation measures (eg. ceiling insulation).
- Department of Water Affairs to look at the installation of gutters and water tanks.

Housing co-operatives need to look at all aspects of sustainability when making decision about housing development. This includes:

- Environmental sustainability (which is discussed briefly above);
- Economic sustainability (which is addressed in other sections of this report); and
- Social sustainability. Social sustainability implies that the environment created matches peoples needs and expectations. The democratic nature of housing co-operatives should lead to social sustainability in that decisions and solutions are not imposed on the people involved.

H.5.2. Land surveying

There are a number of ways of dealing with land surveying for H(PO)C's:

- Survey the outer boundary and then transfer the whole property to the H(PO)C. The H(PO)C owns title to this one property that includes all the houses and common space. If people want to convert to individual ownership after a period of time they will have to pay a land surveyor to first survey each separate personal space before it can be transferred to individual ownership.
- Survey each individual plot, including the common space and then transfer each property to the H(PO)C. The H(PO)C owns as many title deeds as there are houses, plus title to the common space. If people want to convert to individual ownership the land surveying would have already been done, and it would just involve conveyancing.

It is recommended that consideration be given in future H(PO)C's to survey all the property up front. The savings in land survey costs (if only surveying the outer boundary) are not significant when compared to the overall development costs. Further, survey costs are usually covered by the capital subsidy and if people have to postpone survey to a latter stage, if they decide to convert to individual ownership they will have to pay these fees from their own funds. They would also have to pay conveyancing fees, no matter which route was taken, and these fees may be fairly high depending on the market value of the property at the time.

One of the disadvantages of surveying the outer boundary of blocks only is that the builders involved in actual house construction then have to do their own surveying of personal spaces so as to be able to locate houses within the blocks. Often these builders do not have adequate experience, skills and equipment for this. Any mistake made on each internal plot layout accumulates and can lead to significant errors when taken all together. In future, if a blocks want to subdivide, a professional surveyor will need to be brought in to do this survey work again. In certain situations, like when using H(PO)C's to upgrade informal settlements, this issue may not be so important.

If a group of people wants to have individual ownership but they are uncertain if they want to own the common space as a H(CSO)C, it may be better for the common space area to be surveyed as a property but transferred to the municipality. If after time the households do decide to take the responsibility of owning and managing the common space it would be easier to transfer this space from the municipality to the H(CSO)C. This may be preferable to first putting the common space in the name of H(CSO)C and then, if people decide they do not want the responsibility of managing this space, trying to transfer it into the name of the municipality who may not be willing at this stage to take over this space.

H(PO)C's should consider setting aside land for future community facilities. However, if these facilities are to be used by more than one H(PO)C, the issue of who takes ownership of the facility needs to be carefully unpacked. In the Amalinda settlement example, the community facility was located on land owned by one the H(PO)C's. The H(D)C then had to enter into a lease agreement with this H(PO)C to make use of the common facility.

The issue of zoning for community facilities also needs further investigation. For example, at the start, if a property is zoned as residential and then if the H(PO)C builds a community hall or facility to rent out to small businesses on this property this may not be accepted by the municipality as residential zoning does not accommodate such facilities.

Land on which facilities that will be used by more than one H(PO)C, should ideally be owned the H(D)C (or a H(PM)C). This land can, in this way, be zoned as institutional, business or some other appropriate zoning. In such instances the H(D)C should have systems in place for the management and maintenance of the property it owns. For example, if it has a community hall, this can be leased out for community events and the income used to maintain and upgrade it.

H.5.3. Engineering services

There are a number of ways for dealing with engineering services like roads, sewerage and water in H(PO)C's. Taking water as an example, water meters could be located at the entrance to the block or near each house. Usually the municipality would state that water meters should be located on the boundary of the block as this is where their responsibility ends, and it is up to the H(PO)C to develop the water infrastructure from the boundary of the block to the house. In the Amalinda case water meters were located at the boundary. Internal pipes were then constructed from this meter to each house. As the house and internal plumbing was not yet constructed when the water pipes were completed, the underground piping was not tested. Only once the houses and plumbing were later completed could leaks in the underground piping be detected. By this time it was difficult to get the original builder for services to come back and fix the leaks. H(PO)C's need to make sure that the water pipes are tested immediately after they are installed. This may mean that the pipes have to be air pressure tested as opposed to water pressure tested as the water may not be connected when the water pipes are completed. By locating water meters at the edge of the block it means that each house has to have a separate pipe leading from the edge of the block to each individual house. This dramatically increased the length of piping needed. In order to save costs, plastic piping was used. This piping is not as durable, as for example metal piping, and is easier to damage and leak. It is recommended that the housing co-operative seriously consider placing water meters near each house and using higher quality internal piping.

The level of finish for roads, for H(PO)C's, is one area where lower level of service can be accommodated, especially in situations where the roads are only used by the occupants of the H(PO)C. The H(PO)C's can save money by constructing a standard of roads that is of a lower quality than would be accepted if the roads were municipally owned and managed. In the Amalinda case, lower level of roads worked because the internal roads were just for the few (approximately 24) households within the H(PO)C and the access road going past each H(PO)C was seen as bulk infrastructure and funded by the Municipal Infrastructure Grant Programme (at the time called the Consolidated Municipal Infrastructure Programme).

H(PO)C's need to find a balance between municipal owned property/ services and co-operative owned property/ services. The experience with some group owned projects, especially the Communal Property Associations promoted by the Department of Land Affairs for rural areas have found that the municipality stops bringing services (eg. roads and water) to the boundary of the block and leaves it up to the group to deal with the internal services. For poor communities this creates a problem as they have to pay extra to develop and maintain this common owned property. The common ownership institution could save money at the start by providing a lower level of services but in the long term the common property owning institution would be responsible for maintaining this service and for collecting fees from members. In instances where people are poor, this poses a serious challenge to the common ownership institution to follow up and address defaulters. This issue is picked up again later in this document.

H(PO)C and H(CSO)C's provide a unique opportunity for people to work together and arrange recycling and composting schemes. The H(PO)C's need to explore what recycling opportunities

are found in the local municipality and local economy. The municipality collects refuse from the edge of the H(PO)C's property so households within the property have to move refuse to this central collection point.

In H(PO)C's the municipality usually only wants one sewerage connection into the municipal sewerage system. This can potentially increase the cost of sewerage piping, depending on the local piping layout. If the pipes leak within the co-operatively owned sewerage system the H(PO)C has to pay to fix and maintain this property. This could increase the costs for maintaining common space for H(PO)C if they are still expected to pay the full sewerage fee to the municipality for sewerage.

H(PO)C's should negotiate with municipalities to reduce the charges for sewerage, roads and refuse as they are taking on some of this responsibility themselves for the property they own.

In housing projects, electricity, both public (for street lights) and domestic (for household consumption) is dealt with independently of the housing subsidy. In other words electricity infrastructure is not paid for from the housing subsidy but from other funds the municipality obtains from the Department of Energy.

The H(PO)C's should have more say in where the municipality locates street lighting. Ideally it should be located at the entrance to the block and in a central place within the common space. In the Amalinda case public street lighting was located along the main road at regular intervals. These intervals did not necessarily correspond to the entrances to the blocks.

H.6. IMPLEMENTATION LESSONS

H.6.1. Contractual relationships

The whole contractual arrangement within the Amalinda Co-operative Settlement project was a very complex arrangement and needs to be simplified for future projects. The following provides an outline of the type of contractual arrangements that were involved in constructing the houses:

- The individual allocated to a housing (property owning) co-operative works with other members of the H(PO)C to decide how the H(PO)C wants to build the houses within the block.
- The H(PO)C delegates responsibility to the H(D)C to manage the housing development process on their behalf. Different H(PO)C's could decide to use different approaches but in the Amalinda case all H(PO)C's decided to use the same house design and development approach (with the eco-home H(PO)C having a slightly modified house design, material specification list and using different builders).
- The H(D)C enters into an agreement with the municipality to jointly develop the houses, with the municipality being responsible for managing the funds and entering into a contract with the Provincial Government; and the H(D)C being responsible for appointing consultants and builders, checking and certifying that the houses have been built properly, and for allocation of houses to beneficiaries.
- The local municipality enters into an agreement with the provincial Department of Housing for the Department to transfer funds to the Municipality. It was originally planned that there would be a contract directly between the Provincial Government and the H(D)C leaving out the municipality but the provincial government insisted that funds be transferred to the municipality.
- Once funds are secured from the provincial government the H(D)C then enters into a contract with an emerging builder to build the services and houses.
- The H(D)C enters into an agreement with material suppliers to supply material to the project.
- The emerging builder then sub contracts to another emerging builder to do the internal services and contracts small building contractors to do the house construction.
- The small building contractors employ a combination of their own labour and local labour to build the houses.
- Certifiers certify that work is complete, and account administrators pay the building contractors and/or suppliers.
- Beneficiaries sign 'happy' letters indicating that they are happy with the housing product that has been built.

In instances where H(D)C's are used and individually owned houses are built the whole level of H(PO)C's will be removed from this arrangement outlined above simplifying the arrangement where the household authorises the H(D)C to develop houses on their behalf.

There are still however quite a number of contractual issues that need to be addressed even if a H(D)C route is used where in the end the houses are owned individually. This includes for example, who contracts the builder (the H(D)C or the household?), and who is responsible for material (the household, the builder or the H(D)C?).

The experiences of other organisations that have been involved in PHP projects can be drawn on to address these types of issues. For example, there has been mixed success in other projects in allocating responsibility for material storage and security to the household. The factors leading to

why this worked in certain situations and not in others needs to be unpacked. Material security has been more successful in projects where the household has been living in a shack on the land and the material is stored next to their house so they can look after it at night.

The contractual arrangements relating to the ownership of houses within H(PO)C's also have their own set of complex contractual relationships. In individual ownership it is usually quite a straightforward arrangement where the end user buys the property from the initial landowner and a conveyancer transfers the title deed from the first land owner to the new land owner. The new land owner can then (just about) do what they want on this property. This process of property transfer for individual ownership is well understood by most role-players involved.

Co-operative ownership introduces added levels of 'complexity' in to this whole contractual and transfer process:

-
- A H(PO)C is first established, with 'interim' members and directors (drawn from the H(D)C leadership).
- The land and title deeds are transferred to this H(PO)C with interim members/ directors.
- People who are allocated to the H(PO)C apply for membership to the H(PO)C, to become shareholders in the H(PO)C, and sign a use agreement which allocates them to a particular unit within the H(PO)C.
- The interim members of the H(PO)C accept the membership of these new members, and the interim members step down as members.
- The new members elect their own directors to manage the affairs of the co-operative.
- Members of the co-operative who want to make any improvements to the units that have been allocated to them fill out a home improvement form that has to be approved by the leadership of the H(PO)C.

This process of property transfer for co-operative ownership is not very well understood by most role-players involved. In future projects that use co-operative ownership, this whole process by which 'ownership' is transferred needs to be carefully unpacked. The legal forms used need to be reviewed and improved. Opportunities for streamlining the process and reducing the number of contractual agreements that are required needs to be explored. For example, it would simplify matters if the need for 'interim members' could be done away with.

It is also advisable that further legal analysis be given to how the share in a H(PO)C is linked to the members right to occupy and use a particular unit. This is particularly important when it comes to situations where a member has to be evicted from the co-operative for not paying their fees or abiding by the rules of the co-operative. The new Co-operatives Act 14 of 2005, does begin to address this issue, and for example, makes it clear that provision must be made in the statutes of the H(PO)C for the persons right to occupy a unit to be terminated when their membership is terminated. The act goes further to state that membership to a H(PO)C can be terminated without the special consent of all the members (if the member fails to pay monthly fees). In such circumstances the member may not appeal this decision. In other forms of co-operatives special consent is needed if membership is to be terminated.

H.6.2. Budgeting

H(D)C's need to make sure that they keep an adequate contingency amount in the budget. Members of H(D)C's always want to get as much 'house' out of the available resources. One of the first budget line items that gets reduced by H(D)C's is the contingency. Budgeting needs to be realistic. It is better to spend money on proper costing and budgeting up front than trying to save money by getting an inexperienced person to do the budgeting and find that the project runs into trouble later with not enough money to complete the houses.

It is recommended that H(D)C be very conservative when estimating budgets. Beneficiaries should be given the more conservative (i.e. the more expensive) estimate whenever discussing budgets. It is far better to have a situation where at the end of the project you find that you are actually able to save costs in construction (as you had been conservative in your budgeting) rather than finding that you have under budgeted and will run out of funds.

When house designs and material lists are workshopped with beneficiaries of H(D)C's, the members of the H(D)C are tempted to look only at the cost and go for the cheapest option as this means they can get a bigger house. Often however, the cheapest is not necessarily the most appropriate for the housing co-operative.

Material suppliers, builders and other construction role-players could be tempted to abuse situations where beneficiaries have control over decision making. For example they may promise certain beneficiaries employment if they are contracted to supply the material or do the construction. Proper capacity building on how the construction process works and the full involvement of all members of the H(D)C should go a long way to address these opportunities for corruption but members of the co-operative need to be very vigilant.

The issue of H(D)C's having full decision making power can pose a dilemma for external support organisations to H(D)C's. For example, if it can be seen that the co-operative is choosing a builder who it is felt by the support organisation will not be able to deliver on his/her construction promise, the service provider has a number of options open to it:

- Accept the decision of the H(D)C and do its best to make the project work, as well as helping the H(D)C extract itself from a contract with a bad builder.
- Continue to draw the co-operatives attention to why it is thought they are making a wrong decision.
- Withhold further support around this particular issue until this issue is resolved.
- Completely withdraw services to the project and let the co-operative go ahead independently.

Some people have argued that service providers should have a veto vote over certain decisions if they feel the co-operative is not making the right decision. This however goes against the principle of autonomy of co-operatives.

In the Amalinda co-operative housing project this issue emerged in a number of contexts, such as, in the opinion of Afesis-corplan, the 1) H(D)C choosing the wrong builder, 2) H(D)C stopping saving at the savings and credit co-operative and taking over responsibility for managing their own savings; and 3) H(D)C not following the proper procedures for electing new directors.

In hindsight, in certain instances, Afesis-corplan perhaps should have considered the option of pulling out its support.

H.6.3. Construction management

The H(D)C needs to have goods material management systems in place before any material is purchased. The experience of other PHP projects around the country can be drawn on to find successful material management approaches.

In the Amalinda co-operative settlement project an attempt was made to save on inflationary costs of material by purchasing material up front and storing this material in a nearby warehouse. This warehouse was donated by a local block making business but when this business needed this space for their own use the material had to be moved into houses where the occupants had agreed to postpone their occupation. The H(D)C was unable to afford adequate security for this material and some of it was subsequently stolen.

In general terms it is difficult for a group (eg. a H(D)C) to manage material if they are not adequately organised. It is therefore probably better for the H(D)C to hand over the risk of material storage and management to the end use and/or the builder.

The whole issue of working capital or bridging finance for builders needs to be looked at again. The problem is that small builders do not usually have enough of their own money to pay their labour and do the work while they wait to be paid from the housing subsidy funds. Attempts are made within the PHP approach for payment to be made in stages linked to the completion of various stages of construction, like completion of foundations, walls, roofing, plumbing, etc. However, labour usually rightfully wants to be paid every fortnight for work they have done, and even just a few days in processing claims for work completed can put a strain on building contractors not having sufficient money to pay their labour on time.

One option that needs to be seriously investigated is for members savings to be used by the H(D)C as bridging finance. This option was considered in the Amalinda project but with delays and problems with getting members to save, this approach could not be pursued. Experiences from other PHP projects can be drawn on to address this issue of bridging finance.

One of the key benefits of setting up a H(D)C or a H(PO)C is that the co-operative can negotiate for cheaper prices of material and services as a result of buying these products and services in bulk. In certain instances, for example, where people who live together want to benefit from cheaper maintenance costs by buying goods (eg. paint) and services (eg. gardening) in bulk, they can set up a bulk buying co-operative to achieve this benefit rather than set up a housing (property owning) co-operative to achieve the same result. In other words, the group needs to really understand its need and see if another form of co-operative (eg. a bulk buying co-operative) could address the same need.

H.6.4. Safety and Security

During the housing development stage, security issues mainly revolve around security of the material used for construction. This is addressed briefly in the previous section.

The issue of safety of construction workers was not very well addressed in the Amalinda co-operative settlement project. The issue of safety is not well addressed in almost all PHP projects in the country. A first aid box was made available on site. The following issues were considered but not implemented in an attempt to save costs:

- Sending workers on first aid and health and safety training;
- Getting labour to sign necessary health and safety documentation;
- Fencing the construction site (with construction tape);
- Providing workers with overalls, construction boots, and hard hats; and
- Placing notices on the site warning public to stay out.

The PHP sector needs to engage with the Dept. of Labour around health and safety legislation on PHP projects. Public liability is also an issue that has not been adequately addressed in this and other PHP projects. There was an incident where a member occupied a house, with the agreement of the ELHMC, even though the house was not completely finished and a child was injured when a block fell and cut her. The housing co-operative and other organisations involved need to protect themselves against claims for damages in these types of situations.

In the housing property owning stage, security issues revolve around security to people living together and security of the property of the people or co-operative. Housing (property owning) co-operatives and housing (common space owning) co-operatives (and co-operative like organisations) both provide opportunities for the people who live together to jointly address security issues. Physical barriers (e.g. fences) can be placed around the property of the H(PO)C. However, there is debate as to the appropriateness of 'gated communities' in providing safety and security to people living in them. Gated communities have been criticised by many as discouraging interaction between people.

It would appear that there is a large demand for gated communities in more affluent neighbourhoods, by the number of new 'townhouse' type developments that are being developed. There has been very little experience of gated communities in the lower income housing market. The poor are also very susceptible to crime, and from informal discussions with some H(PO)C members they see the ability to deal with safety and security issues as a big advantage of H(PO)C's. It must be remembered however, that these security issues can generally be dealt with just as well by H(CSO)C as by H(PO)C's.

H.7. AFFORDABILITY AND SUSTAINABILITY LESSONS

H.7.1. Affordability of members

For H(D)C's this relates to the affordability of members to participate in a H(D)C and live in the houses built by the H(D)C. For H(PO)C's it relates to the affordability of the members to live in the houses. This is generally an issue of access and on-going costs.

- Access costs relate to the initial purchase price of the accommodation.
- On-going costs relate to the monthly fees involved in living in the houses.

The following provides examples of mechanisms through which the issue of affordability can be addressed:

- Allocate the right people to the right houses from the start (e.g. do not allocate poor people to houses where they will have to pay back expensive loans).
- Locate the housing in places where transport costs are reduced for occupants so people have more money for housing development and maintenance.
- Reduce the need for loan repayments by constructing cheaper houses with only the subsidy and savings funds.
- Provide an appropriate level of services to the houses, like on site sanitation that does not require paying for water that is flushed down the toilet or communal taps rather than taps per house. Communal taps tend to encourage less use of water as the household can only use water they are able to carry to their house.
- Using appropriate material in the house construction like using face brick walls and not plastered walls so that the future maintenance costs (eg. fixing peeling plaster) are reduced.
- Access discounts from government on rates and services for households. See the section below for more information on these discounts in relation to H(PO)C's.
- Increase the use of voluntary labour in the project. In a H(PO)C's this could be achieved by requiring each household to contribute a certain number of hours each month to the maintenance of the common space. Local internal bartering arrangements can also be used where one household agrees to paint another persons house if the other household agrees to look after their children for a period of time. H(PO)C's provide a unique opportunity to begin to explore these alternative systems and look to international experience with approaches like LETS (local employment trading systems).
- The housing co-operative (be it a H(D)C or a H(PO)C) can explore how to find ways of increasing the income of its members through job creation initiatives. This includes looking at 1) providing a job placement service, 2) training people in small business development, 3) providing small business start up funding, etc. The promotion of small business development however is a very difficult area of work to get involved in. It is unlikely that a housing co-operative (of whatever form) will be able to make significant in-roads into helping people get sustainable jobs. Only a very few people may make a success of starting and developing a small business. This does not mean however that housing co-operatives should not do anything to promote income generating opportunities. Every little bit helps. See the section earlier in this document on the dangers of multi purpose co-operatives.

A very significant issue that emerged during the implementation of the Amalinda co-operative settlement project revolved around indigent discounts for the poor. As of 2006 the municipality provides a discount on rates and services up to R164.83 per month to household that earn less than R1640 a month. This is referred to as an indigent discount. The municipality can obtain funds through equitable share transfers from national government to cover these subsidies. This

indigent discount is over and above the free basic services (first 50 megawatts (units) of electricity, and the first 6000 litres of water) provided by the municipality each month.

However, members of H(PO)C's are not able to access this indigent discounts as the H(PO)C is the owner of the property and accounts are sent to the property owner. The co-operative does not qualify for indigent discounts. There has not been an investigation into how this indigent discount policy is implemented in other municipalities but initial indications are that it is a national position where municipalities are saying they are bound by legislation to send accounts to property owners. For poor people that are considering setting up a H(PO)C it would not be in their interests to do so as they would not benefit from the indigent discount provided by municipalities.

The original plan negotiated with the municipality for the Amalinda project was for the municipality to send accounts (for everything except rates) to the individual households and these households could then receive this indigent discount on this account. Only the rates would be sent to the H(PO)C, who would have to collect this from its members to pay the municipality. In this scenario, only pensioners and people with disability within the H(PO)C would not benefit from the discount on rates that municipalities provided to these people. The existing H(PO)C in the Amalinda co-operative settlement project will now need to seriously consider converting to individual ownership to benefit from the indigent discounts.

The housing co-operative sector will need to take this issue up at a national level if they want to provide space for H(PO)C's in future. Failure to address this issue will probably mean the end of H(PO)C's in South Africa for the poor.

Housing development co-operatives need, in the longer term, to develop a right sizing strategy where they can assist members, who are allocated to housing they can not afford (eg. if they loose their job), to move to a housing environment that is more affordable (eg. it has communal standpipes and not water per site).

The role of housing in poverty reduction needs to be re-looked at for housing generally (not just for housing coops). Housing has a role in poverty alleviation in three ways:

- In providing construction related employment;
- In creating environments that either facilitate or discourage economic activity; and
- In providing people with an asset that they can use to access loans (by using the house a collateral for a loan)

In terms of job creation in construction, the use of local labour is one way to ensure that local people are employed and money circulates in the local economy. Housing co-operatives can also choose construction methods that encourage the use of more local labour, such as using manual labour rather than mechanical energy to dig trenches.

One of the contradictions in the debate about the use of local labour that has not been adequately addressed by the housing sector is that most housing projects insist on the use of local labour as a way to encourage local job creation. However, if all projects use local labour, this does not provide an opportunity for builders to get jobs in other projects (as these projects also only use local labour). Housing co-operatives can work with construction worker co-operatives and others involved in the construction industry to find ways to promote construction as a career.

Housing co-operatives also need to understand how the environment created either stimulates or hampers the promotion of employment opportunities. For example:

- The location of new housing projects along main roads rather than in isolated spots increases the likelihood that passing traffic will frequent local businesses.
- Housing locations that are closer to other opportunities provided by the city (eg. education, shops, etc.) means less money is spent on transport costs, thereby increasing the money that household have to spend on other goods and services.
- Higher density environments mean that more people are located closer together. This means that there are more people within a given area that are able to walk to and make use of a service or shop set up by a local household.

By participating in a housing co-operative project people are exposed to running an organisation and using the co-operative method to address their housing needs. This experience can then be used by these households to use the co-operative method to address other household needs. For example:

- Parents of children can come together to set up a child care co-operative;
- Households can come together to purchase food and other consumption goods in bulk at discounts thereby reducing their expenditure on consumption goods.

People will gain in confidence and they can use this experience of cooperation in other areas of their life such as on shop floors through getting involved in union affairs; or in schools by participating on school governing bodies.

As explained in other parts of this document, Masisizane housing co-operative in Gauteng used the experience they gained in participating in a H(D)C to set up a worker co-operative providing support organisation services to other PHP projects.

Given that poverty and job creation is such an important aspect of development in low income communities, more investigation is needed as to how both user and worker co-operatives can be used to improve income generation opportunities.

At the moment banks have not been approached by any members of H(PO)C to use the members share in the H(PO)C as collateral for a loan. It is unlikely at the moment that banks and financial institutions will consider this, while H(PO)C's are still relatively untested. H(PO)C's of the restricted equity variety are also, by their nature, designed to take the speculative nature of property out of the equation. Some people may argue that these features of co-operative ownership mitigate against housing being seen as an asset. On the other hand however, restricted equity co-operative ownership does make it cheaper for households to access a housing asset in the first instance. More research is needed on the implications for co-operative ownership on viewing housing as a wealth creation asset. This debate does not apply to H(D)C's.

Many people claim that housing co-operatives are not a solution for the very poor. This may be the case for the destitute who require significant state intervention to support their shelter needs, but as can be seen above, there are a number of activities that housing co-operatives and people working with housing co-operatives can undertake to make housing co-operatives more appropriate for the poor.

H.7.2. Sustainability of housing co-operatives

There are three aspects of sustainability that housing co-operatives need to address:

- Provide an appropriate service that addresses an appropriate need;
- Ability to access and efficiently utilise (internal as well as external) resources; and
- Ability to adapt to changing circumstances.

In relation to HC's providing an appropriate service, as explained in other sections of this report, housing co-operatives (of all types) need to be very clear as to the need they are addressing. By definition, housing co-operatives should be more suitable than many other forms of organisation in addressing people's real needs as they are member driven organisations. However, members of a co-operative may be bombarded with many development needs and they could find themselves being sidetracked and not addressing the core need of the members (e.g. sidetracked into block manufacture when the real need is access to houses).

In relation to accessing resources, the unique characteristics of H(D)C's and H(PO)C's need to be taken into account to determine what combination of resources can be accessed from within the co-operative and from external sources.

For H(D)C's it is not easy to access member resources to sustain the co-operative. Members can pay a fee to the co-operative for the co-operative to use to look for and negotiate to buy land. However, the amount of work that is required to plan for a housing project will make it too expensive for poor people to pay for this work from their own funds alone. Government needs to provide a grant for this project feasibility and pre planning work. This links with the ideas being promoted by some in the PHP sector that government needs to provide feasibility and facilitation grants for the preparation stage of housing projects.

The establishment grant provided by government in PHP projects can be used by H(D)C's for work they can carry out during the detailed planning and project implementation phase. Examples include: beneficiary subsidy form administration, construction certification, and financial account administration.

The construction costs of housing projects are generally covered by housing subsidies, with beneficiaries of housing projects contributing a small savings amount to add to the subsidy to develop a slightly better house.

H(D)C's need to explore how they can use member savings to contribute towards the organisational sustainability of H(D)C's. For example, if a H(D)C enters into an agreement with another organisation (eg. a savings and credit co-operative) to manage its members savings the H(D)C could negotiate that the financial organisation provides funds to the H(D)C. This may mean, for example, that a portion of the interest on member savings goes to the H(D)C rather than the member.

Any surplus generated by the H(D)C should be set aside in a reserve or used by the H(D)C to undertake further feasibility studies etc. to determine where additional housing could be built for existing and potential future members.

For H(PO)C's it is much easier to access member resources to run and sustain the co-operative. It is very unlikely that government will consider providing grants for the H(PO)C to sustain itself. The H(PO)C will have to use administration fees and other user charges to recover its expenses for maintaining the H(PO)C's property. The H(PO)C can clearly specify what all the fees it

collects from its members are used for, from paying rates and services to the municipality, paying for maintenance costs of keeping the H(PO)C's land and buildings in good order, paying property insurance in case of fires or floods, covering bad debts, paying for legal fees for collecting arrears, to paying for a bookkeeper to keep the membership and financial books of the H(PO)C up to date.

The indigent discount provided by municipalities to the rates and services accounts of poor could be used to reduce the monthly fee charges for H(PO)C's making it easier for the H(PO)C to add a administration fee to keep the H(PO)C office functioning. However, as explained in other sections of this document, members of H(PO)C's are not eligible for indigent grants. This means that the members of H(PO)C's will be stretched to pay all the charges and fees, and there will be pressure to reduce the administration costs. This makes it harder for the H(PO)C to be financially sustainable.

H(PO)C could also motivate for a further discount on rates and services from municipalities as they are taking responsibility for maintaining the common spaces and collecting rubbish into a central point thereby reducing the work required by the municipality to maintain the streets and collect refuse.

Any surplus generated by a H(PO)C, should be used to reinvest in the H(PO)C, by increasing the reserve or doing additional improvements to the property.

The following table summarises the expenses and potential sources of income for H(D)C and H(PO)C's.

Co-op type	Expenses (examples)	Sources of income (examples)	Use of surplus (examples)
H(D)C	Filling. Bookkeeping. Professional fees (eg. town planners, engineers). Housing construction costs.	Volunteers (eg. awareness raising, savings collection). Administration fee for maintaining waiting list (linked to savings). Feasibility grant Establishment grant. Housing development subsidy.	Undertake more feasibility studies.
H(PO)C	Filling. Bookkeeping. Rates and services. Maintenance. Insurance. Legal costs.	Volunteers (eg. maintenance). Members administration fee linked to monthly fees.	Reduce monthly expenses.

Table: income and expenditure for housing co-operatives

Housing co-operatives need to explore how they can cooperate with each other to make themselves more sustainable. For example, a number of H(D)C's can work together to negotiate discounts with planning consultants to undertake land availability studies for all the H(D)C's. It is important however that cooperation between housing co-operatives should start from the bottom up and not be imposed on housing co-operatives. Funding is inevitably required to keep a network of co-operatives functioning (eg. travel and meeting costs) and the members of the co-operatives need to way up the costs and benefits of paying for this broader co-ordination.

H.7.3. Sustainability of NGO's

Organisations like Afesis-corplan, providing a service to housing co-operatives, need to give more attention to how they can financially sustain themselves. The present arrangement, which relies on international grants from organisations like the Swedish Co-operative Centre, is not sustainable. International donors have their own pressures and priorities on where they should spend their money, and will not be willing to continue to continually subsidise NGO's and others providing services to housing co-operatives.

The first challenge is for NGO's to focus their efforts on areas of work that will be most strategic, where the most can be achieved with limited resources. For example, it is suggested that NGO's should not get involved in the 'construction phase' of housing projects. This is not an area where they have experience and skills. There are other for-profit consultancy organisations that are geared up to provide this type of service. The housing subsidy provides sufficient resources for this to be undertaken by these other organisations.

NGO's should rather focus on issue like:

- Building the internal capacity of different types of housing co-operatives to manage their internal affairs, which involves issues like awareness raising around development processes, leadership training and basic organisational administration skills.
- Facilitating participatory planning exercises for housing co-operatives and their members, such as, for H(D)C's, planning of new housing projects; and for H(PO)C's, development of on-going strategic plans.
- Helping housing co-operatives engage external agents, like, for H(D)C's, engage municipalities and engineering and other consultants, so that these organisations can assist the H(D)C plan for and implement housing development projects; and for H(PO)C's, engage local authorities and other property management organisations to get cheaper and more effective services.

At the moment this type of work is not funded adequately through conventional government housing subsidy programmes. NGO's, in conjunction with housing co-operatives, need to lobby government for sufficient resources to be made available for the necessary capacity building and project feasibility work to be done. This lobbying has already started with regard to the new Social Housing Bill and with the NGO engagement in reviewing the PHP policy and programme.

Government needs to recognise the importance of NGO work in supporting housing cooperatives, and allocate funds to NGO's. There needs to be a balance of funding channels from government to NGO's.

- The first channel is from government via the community based organisation (CBO) like a co-operative, to the NGO for work the NGO does for the CBO. This would include, for example, training and capacity building done by the NGO as well as facilitation services provided. In the initial stages of community based organisation development it may be necessary for these funds to be channelled via the NGO until such time as the CBO develops the capacity to administer these funds and then contract with the NGO.
- The second channel is from government directly to NGO's for the lobby and advocacy work of NGO's and for the important role NGO's play in piloting new approaches to development. If NGO's can only access resources from community based organisations like co-operatives, it is likely that this demonstration role of NGO's would not be adequately funded, as communities would unlikely try something they are not familiar with.

NGO's should also insist that housing co-operatives contribute in some way from their own resources for the services provided from NGO's like Afesis-corplan. This would mean, for example, that housing co-operatives should be required to pay, from members savings, at least something towards the costs of the NGO's work. Other methods of getting financial commitment from housing co-operatives for the work of NGO's needs to be explored and tested. This includes for example:

- Requiring housing co-operatives to pay a deposit for workshops conducted by the NGO, and if the workshop does not happen, due to poor attendance, then the NGO keeps the deposit, but if the workshop is a success the deposit is rolled over to the next workshop.
- Requiring housing co-operatives to arrange for the venue and other costs of workshops, and the NGO just providing for the training input.

These arrangements need to be all carefully laid out in formal agreements between the NGO and the housing co-operative concerned. Not only does this clarify the role of the two parties it also gets the housing co-operative used to the contractual environment in which they will be operating, where consultants and government all work in relation to signed agreements and contracts.

Resources from international donors needs to be used in a way that helps local NGO's develop appropriate sustainability strategies and lobby government and others for changes in their funding programmes so that the work that NGO's do, that was funded by international donors, can be funded from local South African government (and other local) sources.

NGO's need to guard against becoming 'stuck' within existing co-operative housing projects or communities. NGO's need to have a well thought out 'exit' strategies before they move into a new community. This 'exit' strategy should outline how the NGO plans to stop working in the community and make sure that the community is able to continue without the NGO's continued involvement. There will always be a new need within a community. For example, once people have addressed their housing need they start to look at other needs like employment and education. Networking and drawing in the services of other organisations to help the community address its diverse needs can not just be done as an aside. It takes time and resources to contact and establish relationships with other organisations, and proper monitoring is needed to make sure that these other relationships adequately support the community.

If things go wrong in a particular housing project NGO's need to be able to pull out of the project or community. This also relates to the point where the NGO needs to have a way of distancing itself from housing co-operatives if, in the opinion of the NGO, the housing co-operative is not making the correct decisions to the benefit of the members.

In the long term the intention should be for housing co-operatives to come together and set up secondary housing co-operatives. For example a number of H(D)C's could come together and set up a secondary co-operative with H(D)C's as members. It can be anticipated that the role of such a secondary co-operative would be to provide capacity building and other technical support, including lobbying and networking support, to its H(D)C members. This role is very similar to the role that NGO's like Afesis-corplan are playing at present.

In the short to medium term it is anticipated that there will still be a need for NGO's to support housing co-operatives. Only when housing co-operatives and their secondary housing co-operatives are stronger, will the issue of shifting resources away from the NGO to the secondary housing co-operative become an issue. The experiences of how NGO's and secondary housing

co-operatives have dealt with this in other countries like Sweden and Zimbabwe needs to be drawn on.

It is important for the few existing housing co-operatives, and organisations that are supporting housing co-operatives, to learn from and share experiences with each other. This will make it easier for these organisations to adapt to the changing environment. Some form of central data base and resource centre with case studies and where other information is stored will be useful for future housing co-operatives so that different co-operatives do not make the same mistakes that other co-operatives have made in the past. Any new advance made by one co-operative must be shared with other co-operatives.

H(D)C's will only succeed with a strong Peoples Housing Process sector and H(PO)C's will only succeed with a strong Social Housing sector. Housing co-operatives and organisations supporting housing co-operatives therefore need to continue to participate and contribute to forums where these issue are discussed.

PHOTO GALLERY





Annexures

See separate document. Available on request.

Annexure 1: Conclusions and recommendations from previous studies

Annexure 2: Report on Afesis-corplan workshop on housing co-operative experience.

Annexure 3: Example of contents page of document for managing your co-operative

Annexure 4: Social Housing Foundation housing co-operative models

Annexure 5: Innovation features - implemented

Annexure 6: Innovative features - not implemented