

UN-HABITAT, ICA, UNECE, HDA Turkey, TURKONUT
**Colloquium on Contribution of the co-operative sector to
housing development**

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Keynote Address

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1. Introduction

We are living in a time of rapid change which effects all spheres of life and forces individuals and groups, private and public groupings, communities, regions and states and the international community to adjust to a changing environment.

The strongest impact results from globalisation, meaning not only mobility of capital and labour around the globe and concentration of power in the hands of a relatively small group of global players, but also mobility of

- **ideas** like individualism in terms of emancipation of the individual from conventional roles and ties in family, clan and gender structures and the growing role of civil society,
- **values** like democracy, equality and equity for which it is worthwhile to struggle and
- **norms** like human rights, international labour standards, health and safety regulations, to mention only a few.

Globalisation also refers to the world-wide spreading of new technologies like information, electronic data processing, transport and labour saving technologies.

Another global trend affecting the environment of socio-economic organisations like co-operatives is the growing gap between the rich and the poor resulting from extremely uneven distribution of wealth, and from uneven chances of access to resources including knowledge, markets and power.

In a very general way it is possible to distinguish legal, financial and institutional environment, as the topic of this colloquium implies. To this list of elements of the environment or framework within which co-operatives in general and housing co-operatives in particular operate, other areas can be added: Political, social, demographic environment on the one hand, economic, technological and ecological environment on the other. However, all these elements of the environment are closely interrelated, overlapping and influencing one another.

In times of rapid change, organised self-help in co-operatives plays an important role, because weak individuals are forced to join forces and to co-operate with others to cope with new challenges and to acquire new knowledge if they want to compete with others who are stronger, richer, better equipped and more powerful and if they want to survive in the new environment.

This fact is recognised by the United Nations and by the International Labour Organisation. Both demonstrate their interest in co-operatives and their role in development as shown by

- **UN General Assembly** Resolution 54/123 and views of Governments on the draft guidelines and the ways to render support to Member States¹ and the
- arguments raised during the debates on the revision of ILO Recommendation 127 concerning the role of co-operatives in the economic and social development of the developing countries (1966) from 1993 to 2001², currently discussed at the **International Labour Conference 2002**.
- Already in 1995 after a long and world-wide debate, the members of the **International Co-operative Alliance (ICA)** agreed on a Statement on Co-operative Identity which contains a list of global co-operative values, a definition and a revised list of co-operative principles to serve as guidelines for good co-operative practice.

In this way, international standards have been set, to determine what co-operatives are, which role they can play in socio-economic development and how a supportive environment for co-operative development can be created.

2. Realistic concepts regarding the nature and role of co-operatives in development

After decades of perceiving co-operatives as instruments which could be used by the state or development planners of technical aid organisations for the implementation of their policies, programmes and projects (e.g. to help the poor, to fight against poverty, to increase production of food crops, to provide housing), it is finally agreed that co-operatives are “autonomous associations of persons who voluntarily join together to meet their economic, social and cultural

¹ UN General Assembly, Economic and Social Committee, Co-operatives in Social Development, Report of the Secretary General, A/56/73-E/2001/68, General Assembly, Fifty-Sixth Session, Item 121 of the preliminary list, 01-37539 (E) 280501; United Nations, Resolution adopted by the General Assembly Fifty-sixth session, Agenda item 108 (on the Report of the Third Committee (A/56/572)), 18 January 2002; A/RES/56/14 “Guidelines aimed at creating a supportive environment for the development of co-operatives, December 2001, <http://www.un.org/documents/ecosoc/docs/2001/e2001-68.pfd>

² ILO: Final Report, Meeting of Experts on Co-operatives, Geneva, 29 March to 2 April 1993, Geneva 1993; ILO: Structural changes in co-operative movements and consequences for co-operative legislation in different regions of the world; Report of a Colloquium held at Marburg, 2-3 July 1993, edited by Ashish Shah, Geneva 1993; ILO: Final Report, Meeting of Experts on Co-operative Law, Geneva, 22-26 May 1995, Geneva 1996; ILO, International Labour Conference 89th Session 2001, Promotion of Co-operatives, Reports IV (1), V (1) and (2), Geneva, 2001 and Report IV (2 B), Geneva, 2002.

needs and aspirations through the formation of a jointly owned enterprise, contributing equitably to the capital required, accepting a fair share of the risks and benefits, and participating actively in its management and democratic control”³.

After collapse of the centrally planned and highly politicised co-operative structures in the former socialist countries, the nature of co-operatives as autonomous self-help organisations serving mainly or exclusively their members is generally recognised. Accordingly, the relationship between the state and co-operatives has been reconsidered.

The role of co-operatives is to mobilise their members’ own resources for their own benefit. Direct financial assistance to co-operatives in form of subsidies, grants, tax exemptions and soft loans from government or other external sources often does not strengthen but rather weaken co-operative development.

This view is expressed in the new ICA co-operative principle on Autonomy and Independence. Laidlaw formulated this opinion in a drastic manner: “Government money is the kiss of death to co-operatives”.

This new awareness of the concept and role of co-operatives in development is also reflected in the joint declaration of the Fifth Asia-Pacific Co-operative Ministers’ Conference in Beijing in 1999, where it was stated that “*co-operatives contribute best to society when they are true to their nature as autonomous, member controlled institutions and when they remain true to their values and principles (autonomy and independence)*”⁴.

Other important issues on which agreement has been reached are that

- Co-operatives have to focus their activities on meeting their members’ needs,
- co-operatives have to be officially recognised by government with full legal status and
- co-operatives have to be offered an equal level playing field, which means that they should neither be discriminated nor be given undue privileges but treated according to their special features, which does not necessarily mean equal but equitable treatment.

3. Changing environment for co-operative development in transition countries with special reference to housing development

Global trends regarding the changing role of government are decentralisation, deregulation and withdrawal of the state from economic and social activities by

³ ILO, International Labour Conference 90th Session 2002, Promotion of Co-operatives, Report IV (2 B), Geneva, 2002, para. 2.

⁴ ICA ROAP: Joint Declaration, Fifth Asia-Pacific Co-operative Ministers’ Conference, Beijing, China, 11-16 October 1999, New Delhi, 1999, p. 6.

privatisation of state property and collective property and the recognition of individual liberties, freedom of association and a broader role of civil society.

In transition countries special problems resulted from an abrupt change of the political system together with difficulties of building an effective, transparent and democratically controlled public administration. Incomplete structural adjustment with half-hearted and/or half completed reforms had negative effects among other things because old structures were destroyed without building new structures to replace them and efforts were made elect new leaders while many of the “old-boys’-networks” remained in place.

In the legal system, many quick and radical reforms needed frequent amendments. After the socialist system had collapsed, reliance on foreign advisors and import of legal norms led to the creation of hybrid legal systems, with problems of knowledge of the new laws among citizens and of law enforcement. In fact the entire concept of law had changed from a law to control citizens to a law protecting citizens’ rights against the state. This inevitably led to tensions between the partly preserved old administration and new civil rights.

The rapid change from a centrally planned economy to a liberal market economy created serious problems for all but especially for co-operatives which were perceived by the state and by citizens to be remnants of the past and therefore had to be destroyed. Terms like property, co-operative society and management had to be reinterpreted in line with the new system of market economy. New skills had to be acquired to meet the challenges of global competition after decades of operation according to plans. Former state enterprises and socialist co-operatives transformed into private enterprises or market oriented co-operatives had to cope with old debts dating back from the times of planned economy. This led among other things to laying off workers or excluding members and closing down social facilities and services.

After collapse of dogmatic socialism, people are in search of a new value system other than pure individualism, egoism and shareholder value. High unemployment, arrears in payment of salaries and low pensions have widened the gap between the masses of the poor and the few rich winners of the transition process. Substandard housing, weak social security networks and collapse of social services and structures dating back from socialist times leave a social vacuum which urgently needs to be filled. As a whole, the mental problems caused by rapid change of the political, economic and social system were seriously underestimated.

For housing co-operatives this meant:

- to develop **new concepts** of joint and individual property and use rights, and of voluntary, democratic forms of co-operation;
- to find a **new relationship** between government and co-operatives from master and servant to equal partners in efforts to transform socialist

state/collective property into private group property in order to avoid a privatisation by selling housing estates to private investors to the detriment of the tenants living in these estates but unable to buy their flats. A better solution proved to be to allow newly created co-operatives of tenants to acquire property of the estate and to offer their members long term protected use-rights which are transferable to new members or heirs and which can be turned into members' private property once their savings equal the price of the flat;

- to develop **new forms of collaboration** between the different public authorities and agencies dealing with housing problems on the one hand and co-operatives of tenants or prospective owners on the other. Such collaboration is essential for co-ordinating activities and applying participatory methods of planning, decision-making and control, which are the only way to motivate members to mobilise their own resources and to co-operate for their own advantage and for the benefit of the community.

In transition countries, **new housing policies** have to be focused on integrated urban development. This means that sectoral policies have to be abandoned and replaced by policies aiming at urban development as a whole, including measures to improve the economic and social conditions of the inhabitants (access to information on self-help opportunities, education and acquisition of new skills, development of income generating activities and employment opportunities, improvement of medical and social services and of an ecologically safe environment).

New housing policies have to define the role of co-operatives, non governmental organisations (NGOs) and local development agencies in the implementation of integrated urban development programmes in the new climate of decentralisation, self-regulation and a more positive attitude of government towards private initiatives and civil society. Special measures will have to be taken to protect these new approaches against opposition from vested interest and old boys' networks, e.g. in the new Polish co-operative law, democratic elections are only valid, if there is a choice of two or more candidates.

4. New trends, approaches and models of co-operation in housing development

New trends

In transformation countries, the attitude towards property of means of production has changed. While during socialist times private ownership of means of production was considered to be the root cause of exploitation, injustice and poverty, it is now recognised that the sense of private property is the main motivating force in economic development, but has to be combined with social obligations in order to avoid misuse of power. While during socialist times, co-operatives were used as instruments to transform private property into

collective co-operative property as a transitory stage to state property (according to the motto: what we cannot nationalise, we co-operatise) housing co-operatives are now used as “transmission-belts” for transforming state and collective property into private group or individual property. As a middle way, socialist property can be privatised by transferring it to trust funds or foundations which could sell or lease such assets to co-operatives, which in turn could offer their members long term secure use rights or ownership, paid for by instalments. There is increasing awareness that various forms of ownership and use rights can be combined even in one housing co-operative.

After decades of compulsory membership or quasi-compulsion for lack of alternatives, the character of co-operatives as voluntary, people centred organisations and their dependence on the motivation and satisfaction of their members, the importance of human resources development (HRD) is increasingly recognised. The need to develop self-help capacity among persons belonging to low income groups and persons with special needs (the unemployed, handicapped, aged or otherwise excluded), is identified as a problem area which deserves attention. Rather than devising programmes for helping such persons by top-down transfer of resources assuming the role of a trustee “for” such people, there is a growing awareness that only aided self-help in terms of encouragement of bottom-up development “of” the people with active member participation gives lasting results (building the person before building the house).

Where government has decided to phase out by abandoning economic and social activities, there has to be someone to phase in, if a vacuum is to be avoided. Co-operatives, NGOs, local development agencies and other groupings of civil society can phase in and take over, but need a supportive environment to do so.

New approaches

After long experience with state-sponsored and externally supported co-operatives, the following approaches appear to reflect best practice:

- It must be avoided to use co-operatives as instruments for implementing programmes and projects or as conduits for development aid, soft loans or scarce commodities, because this usually destroys co-operative self-help,
- special methods have to be developed to reach the marginalised households and to integrate persons excluded from mainstream socio-economic life,
- Institutions like trust funds or development funds are better suited to promote long term development than budget votes or project funds, which by definition are (relatively) short term. This refers especially to creation and funding of research, training and education facilities, needed to provide the contents and to serve as promoters for HRD programmes.

New models

Instead of concentrating on a limited number of conventional models like building construction co-operatives, housing co-operatives for the administration of housing stock and land development co-operatives, the full range of self-help organisations from small informal self-help groups (self-construction, savings and credit) to professionally managed large scale housing foundations have to be considered.

For integrated urban development, **multi-purpose co-operatives** (including employment creation, organisation of income generating activities for members, provision of health and social services, savings and credit as well as housing) may be best suited, although they are more difficult to operate than single purpose societies.

Another suitable model is the “**multi-stakeholder co-operative society**” being self-help organisations mainly at community level with different partners (persons with limited means, volunteers, employees of the society, enterprises and NGOs interested in the objects of the society and the community as a legal body interested to mobilise local resources for local development). Such multi-stakeholder co-operatives are suitable for the rehabilitation of slum areas with active participation of the slum dwellers, renovation of run-down quarters and integration of excluded persons into communities. New legislation for such multi-stakeholder co-operatives was promulgated in Quebec/Canada in 1997, in Portugal in 1998 and in France in 2001.

Integration of the excluded is also the mission of **co-operatives for social solidarity** (e.g. in Italy, law of 1991), where such co-operatives have to consist of at least 30 % of persons with special needs to be officially recognised and to qualify for special tax treatment.

A model widely practised in Scandinavia is known as the **mother-daughter society model**, meaning that local saving for housing groups or housing co-operatives are affiliated to a national co-operative organisation with dual affiliation of individual members to a primary and the secondary level organisation and a division of work between the two tiers.

Finally, a model to cope with the problems of growing mobility of persons while dealing with houses and sites, which by their nature are immobile, is a special form of **horizontal co-operation** among housing co-operatives, the Ring (Germany), where members of one housing co-operative who have to move to another city can join the housing co-operative at that location with equal rights as all other members, provided this is done on the basis of reciprocity.

5. Conclusion

In conclusion, it can be stated, that today there is a better understanding of the role and potentials of co-operatives not only in transition countries but also world wide.

The ICA Statement on Co-operative Identity of 1995, the UN Guidelines aimed at creating a supportive environment for the development of co-operatives of 2002 and the ongoing discussion of the Revision of ILO Recommendation 127 concerning the role of co-operatives in economic and social development have contributed to this positive effect.

A clear concept, realistic assessment of potentials and the political volition to implement what has been recognised as desirable and feasible are preconditions for sound policy concerning the development of housing co-operatives.

The next concrete steps to be taken are:

- to formulate a vision and a mission for housing policies at government level and for programmes and projects at regional and local levels,
- to promote applied research in fields related to housing development,
- to disseminate knowledge, to train promoters and to provide advice on best practice.

International standards have been set and agreed upon. The task ahead is to design and apply national policies in line with these international standards, to avoid known mistakes and to follow best practice.

The message, this colloquium intends to spread among government officials, community leaders, decision-makers NGOs and the general public is that in view of the huge problems faced in the housing sector, organised self-help of people directly concerned is the only way in which sustainable housing development can be brought about with the limited means that are available.

Active involvement of all actors at local level interested in solving the housing problems of low income households can be generated by promoting housing co-operatives. Guidelines how to design the right policy, who to choose the right approach and model and how to make best use of the experience gained by others have been set and wait for being applied in practice.

During this colloquium, cases demonstrating best practice in several countries will be presented and discussed and will offer participants a good opportunity to learn from each other and to broaden their knowledge on the contributions people can make to housing development by organising themselves in housing co-operatives.