

**MASTER'S PROGRAMME IN URBAN MANAGEMENT
AND DEVELOPMENT**

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**The Potential of Mutual-aid Housing
Cooperatives to meet the Housing
need of Urban Poor in Nepal**

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List of Acronyms used in the Report

AAN	Action Aid Nepal
ACHR	Asian Cooperatives for Housing Rights
BHU	Banco Hipotecario del Uruguay (Mortgage Bank of Uruguay)
CBOs	Community Based Organisations
CCH	Confederation of Cooperative Housing
CCU	Uruguay Cooperative Centre
DHUD	Department of Housing and Urban Development
DOC	Department of Cooperatives
EWS	Economically Weaker Section
FECOVI	Housing Co-operatives Federation
FUCVAM	Unifying Federation of Mutual Aid Housing Cooperatives of Uruguay
HMGN	His Majesty's Government of Nepal
HUDCO	Housing and Urban Development Corporation of India
ICA	International Cooperative Alliance
ILO	International Labour Organisation
KMC	Kathmandu Metropolitan City
LIC	Life Insurance Company of India
LIG	Low Income Group
NCHF	National Cooperative Housing Federation of India
NGO	Non Government Organisation
NHDF	Nepal Housing Development Finance
SDI	Slum Dwellers International
TSO	Technical Service Organisation
UCSF	Urban Community Support Fund
VLR	Vishnumati Link Road
WAN	Water Aid Nepal

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Summary

The focus of the research is to explore the potential of the housing cooperatives through mutual-aid in Kathmandu, in order to tackle the growing need of affordable housing to the urban poor.

In the history of Nepal, government has played a marginal role in the housing sector; not recognising housing as one of the priority sectors of development. Private sectors have recently played an important role in the housing delivery but their target is only middle and high income group. Thus lower income groups are always left out. Though housing is one of the basic needs according to the constitution of Nepal, lower income people are not able to enjoy the opportunity to have a quality house. The present situation of Kathmandu and other urban areas of Nepal demands to find out some alternative solutions of housing targeted to the urban poor. There are various other mechanisms like social housing, low-cost housing etc. dedicated to the lower income population of the society. Among the various alternatives, the research aims to further explore in the sector of housing cooperatives considering that the concept of cooperatives in housing has been used in many other developing countries as one of the effective tools. With this background along with the research question, methodology and aims in the Chapter 1, the research proceeds to the Chapter 2, the theoretical framework. This chapter presents the history, relevance, contribution, necessity and benefits of housing cooperatives for the provision of housing to the lower income groups, with the help of literature.

In order to enhance an in depth understanding of the process and well functioning of housing cooperatives; chapter 3 discusses three different case studies conducted in the fieldwork. The first case study is about Mutual-aid Housing Cooperatives of Uruguay and the second is the discussion of Housing Cooperatives in India. As Uruguay has one of the pioneer and successful history in housing cooperatives, the research used this as case study to identify the pre-conditions necessary for the development of housing cooperatives and the elements that are imperative for its good performance. The study of Indian cooperatives provided information on the functioning of housing cooperatives in a similar cultural context and societal norms with Nepal. Furthermore, the effort towards the establishment of the cooperative model in housing by the NGO Lumanti in Kathmandu, Nepal was studied as third case. The basic issues raised are in the roles of housing policy/ legal framework/ institutional structure; financial mechanism and the organisational aspect.

After the case studies, chapter 4 includes the analysis part. In the first section, the analysis of the first two case studies is done. The next section has analysed the condition of Nepal with the above mentioned basic elements housing policy/ legal framework/ institutional structure; financial mechanism and the organisational aspect. It has found out some potentials and hindrances for the development of housing cooperatives in Nepal.

Finally the last chapter discusses the conclusion about the potentiality of developing housing cooperatives in Kathmandu, Nepal. Then it finally recommends future strategies for the establishment of housing cooperatives in Nepal. At last, the research ends with suggestions for further research to be done in the precise study of housing policy, housing cooperative law etc. It might be instrumental in formulating a comprehensive understanding of some detailed issues related to the housing cooperatives as an instrument to ameliorate the housing challenges faced by the low income groups in urban areas of Nepal including Kathmandu.

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Chapter 1 Introduction

1.1 Description of the Research Area:

Studies in the housing situation of Nepal, shows that there were three million dwelling units in the country in the year 1992, of which 10% were in the urban areas. It was estimated that by 2006 about 2.5 million dwelling units will be required in the urban areas but the annual production was almost to the level of 50%. The tendency is towards a widening gap between housing demand and supply.

Kathmandu is under a rapid urbanization, with a current population growth of 6%. It has an area of 50.67 sq. Km, and it accommodates a population of 1.5 million within its boundary. Housing is a growing problem for urban poor. At present there are about 63 informal settlements, known as *Sukumbasi Basti*. These settlements have been developed in an unplanned manner responsible for degrading the aesthetic value of the city and with a very low-quality of housing. Over ten years, the city has experienced remarkable growth in its informal settlements. These settlements provide housing to about 3000 families. In the 1970s, there were only 17 informal settlements in the valley. This means that in the last 17 years the number of informal settlements have been increased 4 fold (an increase on nearly 25% per year). The growing deficit of housing is not only in quantitative but also in qualitative terms.

The growing housing deficit in Kathmandu can be attributed to two main causes. On one hand, the increasing number of rural migrants are characterised by the low income groups¹ who are unable to afford a house in urban areas like Kathmandu. On the other hand, the rapid rate of urbanization with a high demand of housing is leading to the rising prices of land and housing. The outcome is the increasingly widening gap between the affordability² level of the low income groups and the cost of housing in the market. The weakest section of the society, which requires maximum support, is the one that has been completely neglected. Housing or access to land is one of the basic needs. By law anybody interested to purchase a land can do so. However poor families are not in a position to benefit this legal and democratic provision.

Throughout the world, the inability of governments to provide housing and the acceptance of the "enabling" approach has increased the potential of the co-operative approach in many developing countries UNCHS (1989) describes the relevance of Housing Co-operatives as "First, it enables the users to participate in providing their own housing. In a wider sense it provides opportunity for marginalised groups to have experience of participating in wider decisions making and to take control of their own lives. Secondly it mobilises the skills of the community and its financial resources, however small. Thirdly it can help mobilize additional resources into the housing delivery system"

1.2 Background of the Study:

The development of settlements give a shape to the city and the shape of the settlements is highly influenced by the culture of the people. The traditional planning of Kathmandu is a courtyard planning. The houses are generally placed around a central courtyard. At least 8-10 households share the court. The dwellings are individual properties, whereas every body bears equal rights to this court, in other words it is common to all. People adopted this type of planning for the benefit of all households. This court provides them sunlight, ventilation, a

¹ Low income group: Earning less than US\$1 per day per capita as defined by World Bank

² The concept of affordability measures the capacity of a family to purchase a housing unit. A rough measure of this concept is the 'price to income' ratio. The ratio generally varies from 2.5 to 5

place to dry their grains, security and a safer playing area for their children. Accommodating everything individually without sharing would have been almost impossible. Hence Nepalese culture and settlements pattern shows that there is a culture of sharing and collective use. But this type of culture is not only reflected to the buildings or in planning patterns, they can be seen clearly in the everyday work. In rural areas, during the time of planting crops, at least one member of a family from each house of the village participates in the plantation in his neighbour's field. This process repeats for the whole villages. This type of social behaviour shows that people have understood the importance and benefits of mutual help. In other words, it can be said that Nepalese people have a long tradition in co-operation in many forms like labour sharing in villages, informal mutual aid groups and rotating savings and credit associations.

With this type of culture, people established co-operatives in agricultural sector for the first time. The aim of this co-operative was to provide services which are common to all the farmers. Accordingly the main common problems that farmers are facing in Nepal and which could possibly be solved by working together the co-operative ways are:

- Poor supply and frequent shortages of essential agricultural inputs,
- Unreliable and insufficient supply of water,
- Irregular and thinly distributed extension services,
- Limited access to credit facilities,
- Lack of markets and price guarantees for their produce and erratic provision of minimum support price to the farmers and
- Lack of insurance services for animals and crops.

Furthermore co-operatives would be the most appropriate organization of farmers to pool their resources, their demand and a market for their produce and to represent their interest's with regard to the government and commercial firms.

This approach of jointly acting against the common problem to reach a common goal made the Ministry of Agriculture to promote and assist development of co-operatives, and it established Department of Co-operative (DOC) in 1954. Since that time, the concept of co-operatives have been reformed and made it more advanced and more autonomous in the agriculture and related fields.

Apart from this, we can see some examples of cooperatives in Nepal, which has been serving as a platform, a forum for the people in need. The most common cooperatives formed are the cooperative for milk collection and distribution (helps the farmers by collecting milk from them and searching the proper market for their products), the cooperative for use of forest (these types of co operatives have been functional in the recent years to stop deforestation and make a sustainable livelihood through the woods by regulating the use of wood as daily requirement for fuel), the cooperative savings (these help to promote a habit of saving for unseen future, to invest in micro or cottage industries, sending relatives abroad for work, etc). People have made great changes in the agriculture, health and education through co-operative schemes. Numerous organizations, specially, NGOs are directly linked with the grass root level people. The main theme or the reason behind the formation of these cooperatives is to uplift the level of poor people or the people associated with it and to use the optimum use of the limited resources. Their unity could help their voices to reach respective ears and help them to get access to the bank loans for agriculture, fertilizer or housing.

This type of tendency showed that there may be possibility of utilizing the concept of co-operatives in the housing sector also. This could be a newer practice and a change in the roles of different urban actors would be necessary. If all levels of actors, like government, private sector, NGOs, CBOs, community and people work together, housing co-operatives could be one of the alternative solutions to tackle the growing need of affordable quality housing³ especially to the urban poor.

1.3 Research Problem:

The constitution of Nepal (1990) states that “Shelter is a basic necessity for all, and the Government will work toward setting the conditions so that, over time, this need is satisfied”. However in reality, considering the growing housing deficit each year and the rapid increase in informal settlements, this goal seems to be far from being realized. The need of such housing is generally for the poor. So there is a tremendous need of affordable housing.

More specifically the core problems of the research are:

- Widening gap of housing cost and affordability of people is leading to the formation of informal settlements creating negative effects in the overall planning of Kathmandu
- Supply of affordable housing for low-income people is very less in respect to the demand
- A large number of poor people are living in settlements without basic urban amenities like sanitation, water-supply, electricity and ventilation and large number of slum areas within and outskirt of Kathmandu is responsible for the aesthetic and environmental degradation, so there is a need of some alternative solution of housing with a special target to the urban poor
- Many countries solved the housing problem of low-income people with various schemes like social housing, self-help housing and organizing people in co-operatives. Though the country has a good cooperative history and culture of sharing and mutual aid, this scheme has not been used in the housing sector.
- As land is considered to be one of the rare resources, a joint approach for its collective use is necessary hence the research will analyze the role of housing co-operatives to tackle the housing needs through the mutual aid.

In such a scenario, a question comes “Can co-operatives play a role in the case of Kathmandu as well?”

1.4 Research Questions:

Based on the co-operatives movement of Nepal and the traditional Nepalese culture of mutual-aid and self-help, it could be seen that a lot of issues in various sectors have been tackled by a joint effort. However the cooperative scheme was not used in the housing sector, hence the research focuses on the limitations which made our government unable to establish housing cooperatives though Nepalese people have a strong history in cooperatives. In various other sectors, when people organised themselves, the concerned body not only heard the voice, but forced to change some policies for the development plan.

³ Quality housing: housing that meets the minimum standards for habitation: habitable space per person, healthy, hygienic, with basic services, physical protection, security of tenancy, access to community facilities and to work places

Hence the main question of the research question of the thesis is:

Is there a potential of developing Housing Co-operatives in Kathmandu through mutual-aid?

The sub- questions are:

- What are the pre-requisite conditions for the development of housing co-operatives?
- How housing policy/legal framework/ institutional structure play a role in the development of co-operatives?
- What type of financial mechanism is necessary?
- What type of organisational aspects are necessary?

1.5 Aim:

The study aims to:

- Find out alternative solutions of housing with a special target to the low-income people of urban areas, considering the possibility of developing mutual- aid housing co-operatives. Based upon the co-operative history of Nepal in the various development fields, the research seeks to explore the possibility to use the cooperative model in housing
- Understand how housing co-operative schemes function in other countries and to analyze its potentiality in the case of Kathmandu to meet the housing need of urban poor
- Formulate recommendation for developing housing co-operatives and the role of the major urban actors

1.6 Scope of the study

The scope of the research is to explore whether the cooperative scheme of housing through mutual aid could be developed in the case of Kathmandu. To identify the potentiality, the research discusses about the basic elements that act as foundation for the development of housing cooperatives with examples from the other countries such as Uruguay and India. Though there are many factors for the well functioning of housing cooperatives, the fundamental elements lying within the scope of this research are: housing policy/ legal framework/ institutional structure; financial mechanism and the organisational aspects. The research analyses these basic elements in the case of Uruguay and India and further explores the situation of these elements in the case of Kathmandu Nepal. Finally it comes up with some general recommendations in the above mentioned elements in order to create a favourable institutional environment for the establishment of housing cooperatives in Nepal.

Although the urban areas of Nepal are facing same housing problem regarding the provision of affordable houses to urban poor, the case of Kathmandu is taken as a model in understanding the phenomenon. Being the capital city, it acts as the urban center of the country with the concentration of all activities. So problems like housing need and growth of informal settlements are more acute here than other cities. Hence by exploring the potential of housing cooperatives in Kathmandu and formulating recommendations, it can be hoped that the knowledge gained can be applied to the other cities as well.

1.7 Research Methodology:

This is a qualitative case study research. “Case studies are the preferred strategy when ‘how’ and ‘why’ questions are being posed, when the investigation has little control over the events, and when the focus is on a contemporary phenomenon within some real life context”, hence

research adopted this approach to identify the various conditions which made people become organised and tackle the situation collectively.

The thesis started with a question. Among various concepts for the provision of housing to urban poor, ‘Can Housing Cooperatives be one of them?’ Upon this question, the literature review was done. On the literature review, materials which highlighted the research area were studied. On the basis of the literature review, interview guidelines were formulated. It was followed by the field work for the collection of data. Figure1 provides a general idea of the whole research process.

Basically following steps belong to the methodological approach:

A. Pre field work/ Preparation:

Literature Review:

The research looked at available literature which could provide a broader knowledge on the cooperative movement and its application in the housing. The study helped in identifying the historical development of housing cooperatives, its need and importance, its contribution in the society and the general requirements for its development. The main issues evolving from the literature has formed the basis of discussion of the case study. The desk study provided some important aspects of the housing cooperatives study on the basis of literature review provides some important aspect of the housing cooperatives that were further explored in the literature review. In order to explore the potential of housing cooperatives, for Nepal, it was essential to know the basic understanding of this scheme. Hence two case studies were done. After the study of two successful countries for the housing cooperatives, the case study of Kathmandu, Nepal was done. The objective of this study was to identify the present scenario in the field of possibilities for the housing cooperatives.

In order to analyse the different data and information collected, a study on the qualitative method was also done.

Preparation of interview questionnaires

By the help of the literature review, the questionnaires for the interviews were prepared. While making questionnaires, great care was taken to obtain the required information from the interviewee, as the interviews were conducted with the experts in the housing field.

B. Fieldwork:

The fieldwork was conducted from first week of July to the first week of August. The first case study was based on the desk study and materials available from books and internet. As the second case study was based on Indian cooperatives, then the fieldwork started from India. The remaining part of the fieldwork was executed in the research area-Kathmandu, Nepal.

First case study: ‘Mutual-aid Housing Co-operatives in Uruguay’

The desk study of the development process of housing co-operatives in Uruguay provided the clear concept and understanding of its role, contribution and relevance on providing houses to urban poor. The different issues the research identified from this case are:

- The reasons behind the adoption of Co-operative approach to provide housing to the poor people.

- The change in the Housing Policy of the country for the development of co-operatives
- The other institutions or organizations required for the development of Housing Co-operatives
- The financial mechanism adopted for the housing cooperatives

Second case study: Housing Cooperatives in India

The case study of Indian cooperatives provided a more in depth understanding of pre-conditions and development requirements of cooperative scheme through their highly matured and advanced system. As the Indian cultural values and societal norms are similar with Nepal, this study would provide the knowledge on development of housing co-operatives in a similar context. In order to enhance the further knowledge, an interview with the professional working in this field from Housing and Urban Development Corporation, (HUDCO) was conducted. The semi-structured interview with Dr. H. S. Gill aimed to understand his views and opinions. The issues identified from this interview are:

- The various circumstances which led the development of housing co-operatives to provide shelter for the urban poor
- If there is a need of some change in housing policy
- The institutional frameworks required for the implementation of the scheme
- The financial mechanism adopted
- The constraints for the development of housing co-operatives

Third case: Efforts of NGO, Lumanti and the view of Department of Housing and Urban Development, DHUD

Lumanti is working towards creating better housing condition for urban poor people. It has promoted co-operation among poor people to act against a common need of housing. It is working to form co-operatives and has stimulated the saving schemes in order to tackle various housing problems. In this regard, a semi-structured interview with the director of the NGO was conducted. The interview with the intellectual was more of a discussion on the topic so that much could be learnt from their experience. The following information were gathered from the interviews with professionals of the NGO:

- The awareness of co-operative approach in the sector of the housing for the urban poor people
- The legal base of co-operative approach in Nepal
- The issues which are limiting the establishment of housing co-operatives as a means to provide affordable housing to the people
- The reforms necessary for the institutional framework
- The Housing Policy of Kathmandu and its role in promoting co-operatives

During the fieldwork, a professional working at DHUD was also interviewed. The interview provided a basic understanding of the policies regarding the housing to the urban poor from the government level. The interview was of semistructured nature so that more discussion on the subject was possible. The information collected from this interview include:

- The various policies for the provision of housing to the urban poor
- Housing policy and its role for the housing cooperatives
- Hindrances which are lying behind for not having cooperatives in housing yet

- His Majesty’s Governments role if people demand special law
- The potential of cooperative scheme in their view

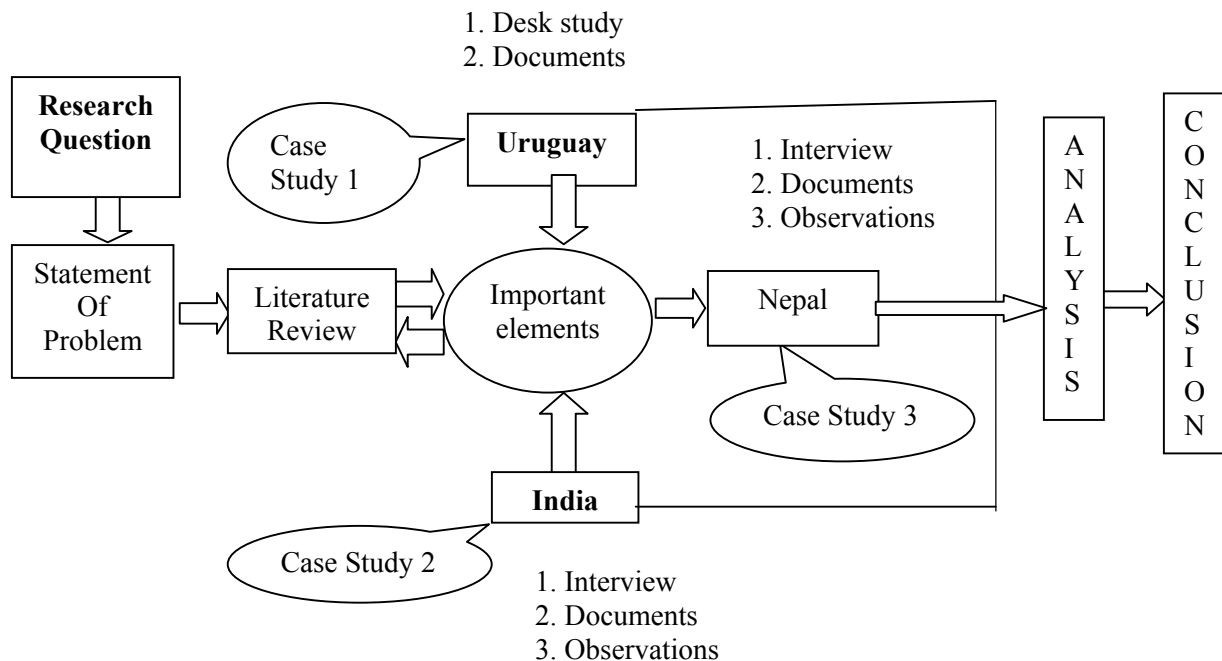
C. Analysis:

On the basis of the collected information on the fieldwork, the analysis was done. The analysis was done with the reflection of the case studies and the theoretical framework on the background. It was focussed on the fundamental factors: housing policy/ legal framework/ institutional structure; financial mechanism and organisational aspects of the housing cooperatives. Firstly, the data from the first two case studies of Uruguay and India were analysed and then the case of Kathmandu was analysed to identify its present scenario.

D. Writing of the thesis:

The analysis further enhanced to conclusions and recommendaions which could help in developing future strategies for for housing cooperatives in kathmandu, Nepal.

Figure 1: The Methodology Applied



Chapter 2: The Theoretical and Conceptual Framework

“Cooperatives **empower** people by enabling even the poorest segments of the population to participate in economic progress; they create job **opportunities** for those who have skills but little or no capital; and they provide **protection** by organizing mutual help in communities”

Juan Somavía, ILO Director-General, June 2002

2.1 Historical Background of the Co-operatives:

Cooperation, economic and otherwise, is a concept which has been around for most of history. People learned ages ago that by working together they can accomplish more than the sum of each individual's efforts. Early cultures recognized the advantage of collective strength and the potential of cooperation by hunting, living, worshipping, cooking and providing shelter together in groups. The history of human economic cooperation is perhaps older than the history of competition. Even before agriculture had become the basis of human economy, cooperation was a necessity.

CDS⁴ (2002) describes that the idea behind the cooperatives can be traced back to as long as 2067 BC when king Humm introduced a cooperative form of tenant farming. Other early forms of cooperatives include credit union crafts person's guilds in Rome, and funeral benefit societies in early Greece.

While cooperatives have a long history, it was the industrial revolution, which is generally considered as the heralded in the modern form of cooperatives. The cooperative movement began in England, in the second half of the industrial revolution. With the loss of the common use of land, workers had nothing to sell but their labour. With no controls or right, labour was plenty and cheap. It was an age of child labour, exploitation and poverty. Those who failed to find a work in the new factories were forced to rely on meagre parish relief for the poor to starve. By the early 1800's, food prices were high and wages are being reduced. Much of the population suffered extreme poverty and deprivation.

NAHC⁵ (2000), further says that during the early part of the century, the early 1800's, Robert Owen, a Welshman who made his fortune in cotton, tried to establish cooperative communities. While experimenting in creating mini communities, Owen identified some of the profound underlying values of cooperation as a means of organising economic activity. He is still seen as the intellectual founder of the cooperative ideals. In 1827, these ideas were taken-up by Dr. William King who started publishing a monthly periodical 'The Cooperator'. He urged the formation of small local cooperatives to tackle poverty and distress and improve the situation of working families. The modern cooperative movement dates to a group of twenty-eight textile workers who organized the *Rochdale Society of Equitable Pioneers*. In 1844, these weavers pooled 140 British pounds to open a small dry goods store stocked with oatmeal, sugar, butter and flour. Their effort was rooted in poverty and desperation. The previous year they had been fired and blacklisted by employers after an unsuccessful weavers' strike.

International Labour Office (1964) states that the first cooperative was organized in 1844 in Rochdale, England, as a self-help consumer group of urban workers. Rochdale Pioneers

⁴ Cooperative Development Society

⁵ National Association of Housing Cooperatives, USA,

incorporated several important features of democratic organization previously tried by earlier cooperatives. Most importantly, they codified their features and rules into what is commonly known as the Rochdale Principles. These principles helped strengthen the organization and formed the basis of a growth-oriented movement.

2.2 “Co-operatives”: Definition and Concept

In the world Co-operatives have been conceived as a device to bring together similar minded people of limited means, on a common platform to solve their financial needs. The “Cooperatives” is a concept wherein persons of humble origin voluntarily associate together on the basis of equality for the solution of their economic problems. The basic principle of cooperative movement is thrift and self-help through cooperation between the members keeping in view the needs of individual members as well as the solution of problems in a collective way. Co-operatives aim at bringing about more equitable institution of distribution and optimum utilization of the resources of human as well as financial resources. “One for all, all for one” is the basic principle of Co-operatives.

The International Labour Organisation (ILO), in its Recommendation 127, defines a cooperative as "an association of persons, usually of limited means, who have voluntarily joined together, to achieve a common economic end through the formation of a democratically controlled business organization, making equitable contributions to the capital.

International Co-operative Alliance (ICA 1980) has defined a co-operative as a legally incorporated group of people, generally of limited means, pursuing an economic purpose, in which membership is voluntary and control is democratic. Members make an approximately equal contribution to the capital required, and any profit is distributed among them in proportion to the business they have done with the co-operatives.

Confederation of Cooperative Housing (CCH 2002) defines cooperative as 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. Cooperatives are based on the values of responsibility, democracy, equality, equity and solidarity.

Each country has its own particular context which influences the nature of cooperative, still the essential element of the bond in any type of co-operative is the recognition of a common need, whether it to include the middle-man in agricultural marketing, to obtain a cheaper consumer’s goods or to obtain access to cheaper and better housing.

Lewin (1981) explained the Professor H. H. Munkner’s, “cooperative principles and co operative law” which defines the characteristics of the co operatives as follows:

- A cooperative society is a group of persons with at least one economic interest in common
- The aim of group is to meet a common need by joint action based on mutual assistance
- The means to achieve this aim is to establish a common enterprise
- The main objective of the enterprise is to perform services for the promotion of the economic situation of the members of the group.

Co-operatives are built on principles of equity and fairness. Risk and benefits are shared equally by all members of the co-operative. Co-operatives are an excellent way to ensure that

the poor are engaged in the economic development process, and support to co-operative development is an excellent way to ensure equitable private sector development. 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.

Cooperatives serve their members, and not the interests of speculative capital. By establishing limits on the return of investment and on share holdings, cooperatives discourage profit-seeking investments. Instead co-operatives encourage local control and investments by the people who use the business.

The cooperative principle defined by ICA

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

1st Principle: Voluntary and Open Membership

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

2nd Principle: Democratic Member Control

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

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative.

4th Principle: Autonomy and Independence

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

5th Principle: Education, Training and Information

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

6th Principle: Co-operation among Co-operatives

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

7th Principle: Concern for Community

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

2.3 Development of Housing Co-operatives

The early housing co-operatives grew out of the global cooperative movement. The Rochdale Cooperative Principles emphasized democratic control of capital through the principle of one member one vote. By the early twentieth century, working class organizations had sponsored

housing cooperatives throughout Europe, but predominantly in Germany and the Scandinavian countries (International Labor Office, 1964).

Sazama (1996) describes that in the United States, housing cooperatives did not become well established until after the First World War. The first affordable housing cooperative organized in the United States under the Rochdale Principles was developed in Brooklyn, New York, in 1918. Circumstances and methods of the affordable housing cooperative movement vary decade by decade, but the objective of this movement is constant: to obtain for low- and moderate-income families decent housing, at an affordable price, with effective resident control. This movement started with ethnic and union groups developing self-help cooperatives in the twenties.

Hays (1993), says the history of affordable housing cooperatives is relevant for today's affordable housing movement because, in a world that is increasingly market driven, cooperative housing provides contemporary housing advocates with an alternative that reinforces joint ownership of property. Birchall, (1988) further explains that affordable housing cooperatives empower low- and moderate-income families, since under the cooperative structure they own and control their own housing

Lewin (1981: 18) defines that in the case of developing worlds also, the concept of housing co-operatives is not new. Although the most distinct development began only after the Second World War, some of the housing societies have a history of half a century or more. With 16,330 housing co-operatives and 1.11 million members, the Indian movement is among one of the largest in the world. In Chile, housing co-operatives built nearly 10% of the total houses constructed between 1963 and 1970. In the African countries (with exception of North Africa), housing co-operatives are of more recent origin.

It can be said that wherever in the world the evolvement of housing co-operatives took place when low-income people could not afford a quality affordable living space individually. People formed these co-operatives in order to act against or in favor of a common need of "housing "in collective way, so that they could utilize optimum use of limited resources. When many people have the same individual need, they acted collectively and this is the starting point of any housing cooperatives.

What is a Housing Cooperative?

NCHF⁶ (2005) describes, "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."

In other words, housing cooperative is a legal mechanism for ownership of housing where residents either own shares (share capital co-op) or have membership and occupancy rights in a not-for-profit basis. Distinct features of housing cooperatives are as follows:

- i) A housing cooperative involves itself in collective ownership of houses together with common facilities and services.

⁶ National Cooperative Housing Federation of India

- ii) It is an organization for collecting capital, building houses and encouraging members to save.
- iii) It acquires immovable property consisting of houses, roads, drains, water supply equipment.
- iv) It provides common facilities and allied services.

Why Housing Cooperatives are needed?

Housing cooperative has long been practiced even if it has provided only a small proportion of the housing required in rapidly growing urban areas in developing countries. In many industrialized countries it provides a substantial share of housing. Developing countries have taken many years to organize cooperative housing at the local level, to organize regional and national supporting institutions and to promote and set in place a supporting policy and institutional framework. In many developing countries this process is just beginning.

UN- Habitat (1989) describes that the increase in mutual aid and self-help in many developing countries has come about partly because of the failure of other systems of housing delivery to provide sufficient housing to an adequate standard in urban areas. Also there is a tradition of collective support in rural areas which, although often diminished in towns, still a lot of influence is seen.

Governments are unable to provide more than a fraction of housing required. Slowly the changing role of government from provider to the facilitator has not enabled the provision of affordable houses to the poor people. In many countries, private landlords are able to provide housing, though in many cases they are unsanitary, overcrowded, and usually occupants exercise little control over their housing and expensive. In many cases, initiatives have been taken by community-based organizations, foundations and NGOs, as well as by governments to support and organize housing projects and programs. This approach appears to have many advantages:

It enables even people with low income to have an access to a house. Similarly, the users can participate in providing their own housing. In a direct way it provides them the opportunity to take a measure of control over where they live and what they live in. In a wider sense it provides opportunities for marginalized groups to have experience of participating in wider decision-making and to take control of their own lives.

Secondly, it mobilizes the skill of the community and its financial resources, however small.

Thirdly, it can help mobilize additional resources into the housing delivery system.

The nature of these cases varies widely from country to country and even within the same country. In some cases the initiative has been from the “grass-roots” and has been carried out with very little support. In other cases, there has been support from the variety of institutions. Too often, projects are begun without a full appreciation of the difficulty, for example, in organizing the people, managing construction, acquiring land, obtaining permits and licenses, obtaining finance and obtaining building materials.

Smith (2000), states that the success of initiatives lies in the mutual aid and self-help, but it demands good organization, careful planning and commitment. Within this framework, advantages and pitfalls of the housing cooperatives need to be discussed.

What type of cooperatives are Housing Cooperatives?

Pollet and Develtere (2001), argue that housing cooperatives are not as similar as the business cooperatives. Business cooperatives are similar to a commercial enterprise run for the benefit of its owners. They are oriented towards the profit. Whereas Housing cooperatives are an association formed and operated for the benefit of those using it.

Housing co-operative is non-profit, by definition, since usually most of its income comes from the money paid by its residents, who are invariably its members. There is no point in creating a deliberate surplus; the money is needed for service charges of water, electricity and tax. Their target is to provide benefits and opportunities to the users. UN-Habitat (1989), further clarifies that, housing cooperatives help people to purchase and build land collectively with a legal protection. When there is possibility of threatening of eviction, cooperatives helps to provide a secure tenure. It helps to transform individual weakness into collective power. So they are entirely different from the business cooperatives.

Types of Housing Cooperatives:

There are different types of housing cooperatives. In some cases, tenants own the building with the common ownership of the land. In other types, tenants bear only the share of the property. In the same time, some cooperatives hire architects and construction companies to construct the buildings whereas in some cases, people themselves take part in construction process. This demands a continuous education and training with the concept of capacity building. This type of cooperative is termed as mutual-aid housing cooperatives. Still, the practice of self-management, participation of people from the design stage, implementation stage and maintenance is practiced in all types of cooperatives. Moreover, the use of finance through a common pool of money and participation of citizens in every type of decision making is also a common approach of all cooperatives.

Kennedy and Jermolowicz (2001), describe that many housing cooperatives are set up as common ownership organizations. No individual can sell "their bit" because it is indivisible; they each own it all in common with everybody else. That is why it is likely to stay there as an asset for the use of all. While any member in a common ownership organization wishes their assets to continue in the use of the business other members cannot take them away. Only where all agree that this is no longer appropriate can it be changed. The majority of cooperatives are common ownership. A clear commitment to common ownership can be a powerful argument for support from non-commercial investors such as Local Authorities and government departments. This is because common ownership cooperatives are proof against asset stripping both from the outside and inside.

The different types of housing cooperatives can be described as follows in an elaborate way:

i) **Tenant Ownership Housing Cooperatives:**

Under this category, the land is held either on leasehold or freehold basis by the cooperatives, and the houses are owned by the members.

ii) **Tenant Co-partnership Housing Cooperatives:**

In this case, cooperatives hold both land and building either on leasehold or freehold basis and allot the same to their members

iii) **House Mortgage Societies:** such societies lend money to their members for construction of houses. The members have to make their own arrangements for building their houses. These types of societies are really credit societies and distinguished from

other societies as per the objects for which they lend, the duration of the loan and the security they demand.

iv) House Construction or House Building Societies:

Societies of this type spend money on behalf of the members for building the houses, and the houses are handed over to the members when ready and the money spent is recovered

v) Mutual-aid Housing Cooperatives:

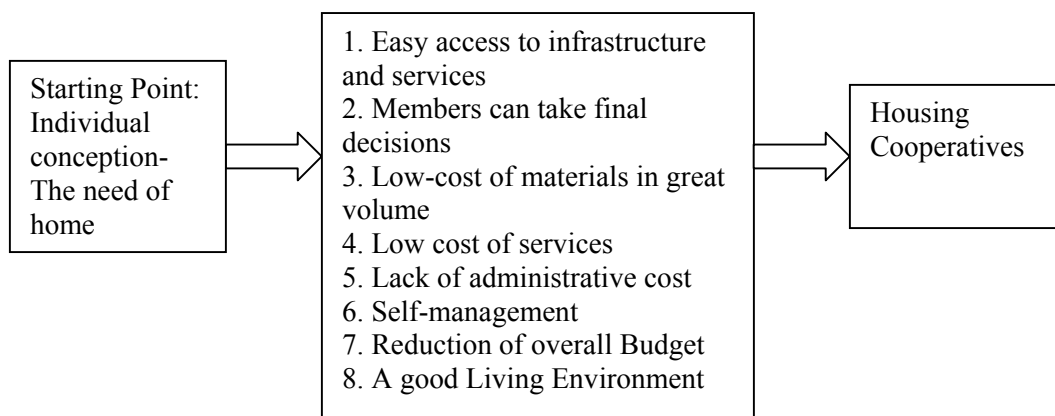
In this type of cooperatives, people participate in the construction process with a concept of 'sweat equity'. People have right to habitation and the property belongs to the cooperative.

Which are the benefits of Housing cooperatives?

UN-Habitat (2002a) argues that throughout the world, housing through cooperative has a very satisfying experience. First of all, it enables people, especially the low income population to have a home. It also affords on opportunity to channelize human initiatives, enterprise, supervisory capabilities and facilitate flow of personnel/ household savings for the objective of acquiring the housing unit. The resultant housing unit emerges as a durable house at economical cost with best functional utility and with a real sense of home.

Houses through cooperatives have a positive experience in terms of affordability, durability, utility and reliability. Collateral benefits which accrue to people thorough housing cooperatives are multifarious- better living environment through better accessibility to household services and basic amenities of drinking water, drainage, sewerage and waste disposal, improved physical infrastructure support of internal roads, and electricity. As described in the Figure 2, housing cooperatives allow members to easy access to urban services which is comparatively cheaper than individual effort. Housing cooperatives enables people in decision making according to their need. As many houses are constructed together, it reduces the overall cost of housing. It encourages people to participate self-management ensuring a better living area as a whole.

Fig 2: Benefits of Housing Cooperative



The other advantages defined by ICA can be described as follows:

- Democratic Control and Participatory Decision-making
Housing co-ops are run by the people who live in them, providing members the opportunity to participate in decisions that affect their home lives. Because

cooperatives operate on a one-member, one-vote basis, all members have the same amount of control.

- Predictable Monthly Costs
Since members collectively set the monthly housing costs, those costs cannot be changed without warning; nor is there any reason to alter them unless taxes or other costs change.
- Tax Advantages
In most cases, members of housing co-ops are considered homeowners for income tax purposes, and therefore receive the same tax benefits that homeowners receive.
- Social and Cultural Advantages
Cooperatives often provide opportunities for social contact with a variety of people from different backgrounds. In addition, because residents know one another and screen prospective members, housing co-ops statistically have lower crime rates than many other types of housing.

How Housing Cooperatives are organized and developed?

UN-Habitat (1989) gives a detail and most important elements for the development of housing cooperatives. These details can be relevant to most of the cases as it argues; the most successful co-operatives have a number of elements in common even though the precise nature and weighting of these elements varies case to case. These elements are interdependent and each serves to reinforce the other. They are good management, the common bond, and human resource development. Nevertheless, all types of cooperatives including mutual-aid cooperatives can have the following elements in order to achieve success in their goals.

Good Management

The management of Housing Co-operative is critical to co-operative reaching its goals. Interacting management elements must be considered: **Strategy, structure, systems, staff and skills and leadership.**

Strategy is the plan of action to be followed in reaching the set goals hence a clear strategy needs to be established.

The structure of an organization should confirm the tasks that it is required to perform. Co-operative is not the same a government ministry or a private company. There is no one uniform structure; co-operatives must evolve on a structure that suits their need.

Systems concern the various mechanisms installed to assist managers in their tasks, co-operative managers as much as any other type. These are critical in providing information. In co-operatives systems must reflect the continuing participatory process.

Staff and skills are another important element of Housing co-operatives. A good balance between four departments, technical, finance/audit, training and co-operative organization is required, but it is difficult to achieve. For this qualified and experienced staff in each sector is important. Cooperative can hire a group of trained professionals for this matter.

Each co-operative must have a good leadership, individuals or groups who have the vision to conceive the project, to organise the membership and to carry it through.

The Common Bond

Success in reaching goals requires that all the members of a community agree on those goals and are committed to them. While all members may perceive a common need it takes more to ensure this commitment. The leadership needs the style to engender participation. The structure must also facilitate participation. A common bond is fundamental for a successful co-operative. All the members or potential members have something in common which binds them together in pursuit of an agreed goal. In order to identify the potentiality, the answers to the following questions play a major role:

What binds the potential members together? Is there a common need such as threat of eviction, bad housing conditions, and residents of the same neighbourhood?

Are there any negative factors to be taken into account, such as a lack of social cohesion, division caused by different ethnic groups?

Human Resource Development

It is a common experience of all housing co-operatives that success depends, to a great extent, on the understanding and skills of the membership. If the ordinary member is not equipped to participate, many problems can arise. To enable the members to participate, there is a need of suitable structure which should be underpinned by the development of members' skills through training and education. In many cases like Uruguay, human resource was developed from continuous training from construction to management. All other cooperatives also provide education to their members for the self-management and for creating a coherent society through participating in the meeting, taking decisions and in maintenance.

Finance

Finance is the key to the type of shelter which a co-operative will construct for members and the way it goes about constructing it. The co-operative will need to take decisions on what the members can afford to pay from their savings and what they can afford to borrow. In many countries institutional sources of finance are undeveloped so that the supply of loan capital is limited and long-term loans are difficult to find.

The financing of co-operative housing does not follow any single pattern. Naturally it can vary according to the country, the income group making up the co-operative and the goals of a particular co-operative. Some co-operative initiatives such as upgrading or incremental building, might suit members better if there is no commitment to a long-term loan and they use informal sources of finance. Others will benefit from institutional finance which caters specifically to the needs of co-operatives.

The various financial issues that can promote people to participate in co-operative housing are mainly two. 1. Funds contributed by members 2. Loans

2.4 Mutual-aid Housing Cooperatives

In mutual-aid housing cooperatives, the participatory effort affords an opportunity to contribute self-help labor for the construction and management of houses. This is the crucial point where mutual-aid housing cooperatives differ from the rest of the housing cooperatives. In mutual-aid housing cooperatives, people of any group, age and gender can participate. Every body can use their labor and time through out the construction process. But it is not required in all other types of cooperatives. One of the basic reasons for building through mutual-aid is to reduce costs by eliminating the wages paid to skilled artisans and laborers or to contractors. Houses which get constructed through such intense personal supervision and

labor participation tend to get designed to satisfying the functional needs of the person/household. It also ensures application of cost-effective technologies, better quality materials and aesthetic design.

Lewin (1981) describes that a subsidiary motive of mutual-aid has been a desire to foster community cohesion through co-operation in reaching a common goal with common effort. The concept of mutual-aid leads to the promotion of the common interests of its members through:

- The facilitation of collaborative activity in the provision of services, resources and funding essential for the housing;
- With a view to provide a forum for all people of co-operatives to help themselves and each other.

Clark (2005) argues that the practice of mutual-aid in the housing sector promotes the physical, emotional, mental and spiritual well-being of the community, especially those who participate in the activities. It will support, foster and promote the principles and practice of common ownership and co-operation in its own affairs and in society generally.

Housing co-operatives are rooted in and held accountable to the communities that they serve. In this respect they provide a unique approach to the problems of social and economic exclusion - requiring unique forms of promotion and support. Mutual aid among the people within the co-operatives is the attempt to establish a process whereby each member contributes its effort and energy from the designing stage to the implementation phase. It ensures common benefit to all the members.

Un-habitat (2002b) explains that the meaning of mutual-aid basically is the necessity of the co-operative spirit among the participants, the participation of women, the time to be spent on work during the weekends, the efforts of learning a technology and acquiring experience for those who never worked in construction etc. Mutual-aid cooperative housing is inseparably linked to self-organisation and grass-roots participation, as well as to the application of fundamental cooperative principles - in the organizational structure, in the building process and in the proposal of community-oriented social development.

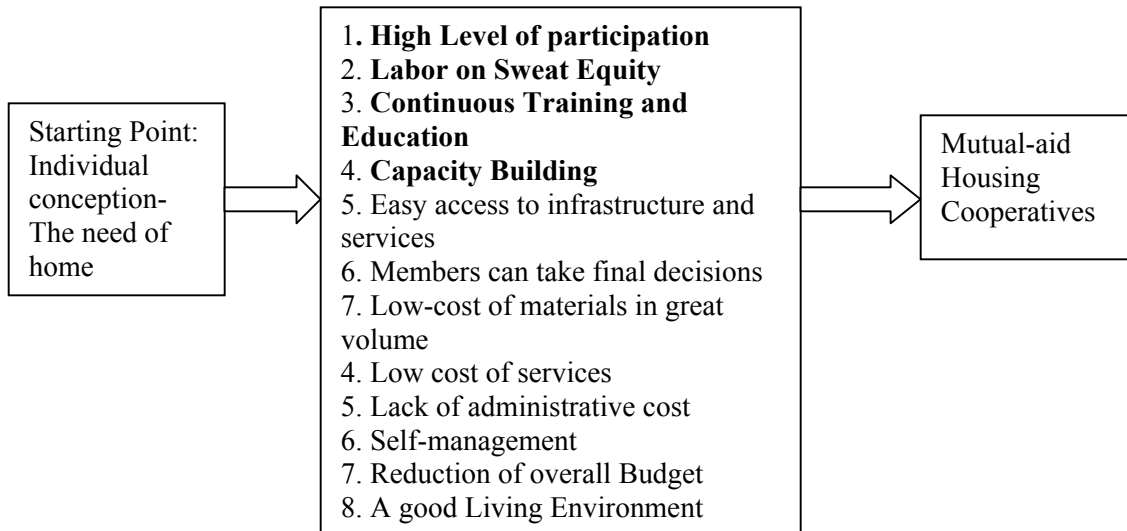
It promotes values such as solidarity, democracy, and mutual respect, which are different and even opposed to those of individualism and competition, currently prevailing in modern societies. Mutual aid, which implies the joint effort of every beneficiary family, not only of those acting as leaders of the group, is a fundamental factor for the consolidation of those values. That is why even if it were possible to omit mutual aid as an economic necessity in order to reduce housing costs, it is important to retain it as a way to strengthen these values. Furthermore the benefits of collective construction with mutual-aid as opposed to individual construction are:

- i) Scarce skills can be used to benefit all
- ii) Old, disabled or sick members can be assisted and given non-manual responsibility
- iii) The process of working together promotes a sense of community which will continue into the post-occupancy phase and for example, may provide a basis for income-generating activities.

Figure 3 further defines the benefits of mutual-aid housing cooperatives. People get a wonderful opportunity for the capacity building opportunity through the training program of the cooperative scheme. They can utilise the knowledge they gain from the training in their

future life as well. This scheme also provide opportunity to practice self-management, people obtain quality housing constructed from their own sweat equity with a good living environment.

Fig 3: Benefits of Mutual-aid Housing Cooperative



Particular Aspects of Mutual-aid Housing Cooperatives

Lewin (1981) argues that most of the problems which face the promotion of housing cooperatives through mutual-aid for low income households in developing countries can only be solved within the framework of viable, integrated and self-administered urban communities. In the absence of such a framework, mutual aid housing in developing countries may give impetus to – rather than prevent – the process of social disintegration, and destroy existing organizations and valuations.

He further explains that the promotion of integrated and self administered communities implies mobilizations of self help potential and resources not only for the purpose of construction, but also for the organization, administration and education of the group. Housing cooperative also offers a variety of economic activities, including vocational and functional education, improvement of hygiene standards, promotion of employment opportunities and others which may raise the standards of living of the members.

The organization of a co-operative implies that if self-help construction is undertaken it will be organised in a mutual basis. The various important issues related to make members contribute labour work during construction process are as follows:

Members' Time (Opportunity cost)

The time that the group can devote to construction is important. If most members are employed, they will have only limited time and so construction will be slow. If the co-operatives has a number of unemployed or underemployed members, they could build and possibly be paid for doing this. The opportunity cost of self-help construction may be too high for some members-i.e. it is more economical for them to pay others to do the work than to do it themselves.

Skills in the group

The skill of the members is an important resource. If a group has skilled masons, carpenters, electricians etc. others can assist as labourers. If there are no skills, then there will be a need to employ skilled workers in some way. So in some cases the training program seems to be essential for the members.

Division of tasks

Construction begins from the initial clearing of the site, followed by the installation of infrastructure and then construction of buildings. Some of these tasks may be carried out by the co-operative members more easily than others. For example site clearance can be done by largely unskilled labour as can the manual labour in preparing roads, digging storm-water drains and digging trenches for water and sewer.

Technology to be used

The technology used has a considerable influence on the organization of self-help construction. Simple technologies can be more easily learned and those with a high labour input can provide employment for members. A participatory form of organization could use the technology in an easy way.

Administration

The organization of construction requires careful administration in terms of the structure established to manage construction and the internal rules and regulations which govern the conduct of member-builders. Normally there is a general committee which oversees all the activities of a co-operative. It can be known as the management committee. The organisation of self-help construction at the construction level is normally undertaken by work groups themselves, with the guidance if necessary. It is a part of a participatory process and of engendering a sense of community.

Training

Training of members in construction skills can be undertaken in three principal ways:

- skills can be transferred on the job by the skilled workers whether they are members or are employed by the co-operative
- Members can be trained at formal courses.
- A support organisation can provide training through continuing supervision

2.5 The three Essential elements for Housing Cooperatives

Housing Policy/ Legal Framework/ Institutional Structure

Housing Policy of any country must identify the housing needs and develop policies to meet those needs, considering all level of citizens. Un-Habitat, in housing policy and Programs states that, improved housing policies and programs are a major component of achieving the goal of adequate shelter for all. In the mean time, housing policy must provide the guidelines for the provision of housing to the people.

Paragraph 65 of the Habitat Agenda notes that shelter policies in general, and housing policies in particular, play an important role in addressing this situation. In fact, it affirms that the *"formulation and periodic evaluation and revision... of enabling shelter policies... are the cornerstone for the provision of adequate shelter for all."* More specifically, it states that the objective of shelter policies should be to create frameworks for efficient and effective shelter delivery systems, while emphasizing *"the increased use and maintenance of existing stock through ownership, rental and other tenure options, responding to the diversity of needs."*

This statement makes clear that housing policy plays a very important role for the delivery of housing units with variety of alternatives. In particular, it notes that housing policies should pay attention to the role of the informal sector to housing policies: *"policies should also encourage and support the people who, in many countries, particularly developing countries, individually or collectively act as important producers of housing."*

Finally, and very importantly, it stresses that policies *"should respond to the diverse needs of those belonging to disadvantaged and vulnerable groups."*

It can be said that the statement of UN-Habitat urges to look for different kinds solutions in order to include disadvantaged and vulnerable groups. It also takes the possibility of collective act for housing, where cooperatives can lead a role. Still for development of any type of housing solutions, Housing policies are the starting point which provides guidelines.

The development of any system of housing can flourish only when it is strongly backed up by the legal framework. The development of a legal framework for housing could act as a key component to bring changes in the housing sector.

For the concern of cooperatives, Un-Habitat describes that 'Legislation and other rules and regulations governing cooperative societies has to be started as international conventions and standards, in national constitutions and laws, in subsidiary legislation and in by-laws.'

Lewin (1981:151) explains that housing cooperatives are often considered as 'step-children' of the cooperative movement in many developing countries, because of the low priority given to housing and urban development compared with agricultural-rural projects. Hence in most cases it has been found that housing cooperatives are not supported by the appropriate legal base. Cooperative laws in most developing countries provide for the specific requirements of agricultural, marketing, producer and consumer cooperatives. But these cooperative laws merely prove inadequate for answering the particular needs of housing cooperatives. Nevertheless, the legal framework is vital to the operation of the housing cooperative and essential for the collective acquisition of land, procurement of construction funds, and the determination of rights, duties, and liabilities of the members and the cooperatives. If the housing cooperative is not legally recognized as a corporate body, it is neither able to perform its obligations towards the members, nor are the members bound by any agreement with the cooperative.

The provision of housing to all level of people demands active roles from various levels of the country; otherwise the implementation of any projects would be almost impossible. A good institutional support helps to create implementation strategies for all level of actors and make able to reach the goal of the housing policy. In sector of cooperatives institutional structure must ensure roles, responsibilities and communication of different levels of institutions to facilitate high quality of service. This is clearly seen in the case of Indian housing cooperatives. The structure itself provides the roles of Central Government, State Government, Financial Institutions, NGOs and CBOs in order the sound functioning of the cooperatives.

Financial Mechanism

Kennedy and Jermolowicz (2001:12), describe that housing Cooperative functions on the financing provided by outside sources such as banks, government loan programs, and other grants and assistance, as well as the internal sources of funds from membership fees or stock purchases and monthly carrying charges each member pays to occupy his or her home. Whatever the source, a cooperative's financial well-being will only continue if a budgeting

program is in place that accounts for probable revenues and expenses that will occur during the cooperative's fiscal year.

Finding outside funds: Sources of this external financing come from banks, savings and loans, and Government programs at the State and Federal level. A lack of funds from commercial banks has been an obstacle for housing cooperatives. Banks, especially those outside areas where cooperative housing is common, are often reluctant to finance cooperative housing because they are not familiar with the cooperative form of business or the blanket mortgages typically used to finance cooperatives. The sponsor helping the cooperative often plays an important role as an advocate and facilitator in applying for financing.

Internal Cooperative Finances: Internal financing refers to members saving budget and charges to cover the cooperative's operating expenses once it is operational. Member purchases of ownership shares are the cooperative's initial source of internal funds. However, its primary source of internal financing is the monthly carrying or occupancy charge paid by each member. This monthly fee covers the cooperative's operating costs, including mortgage payments, taxes, maintenance, utilities, and insurance as well as contributions to the reserve fund. This fund is saved for various contingencies such as an unexpected building repairs or a default by a member.

Organizational Aspect:

Housing cooperatives demand a unique set of organizational aspect, as housing through cooperatives is not as same as constructing individual houses. The different components necessary for the proper functioning of housing cooperatives are:

- The members
- The Management Committee;
- Subcommittees
- Technical Body
- Administration
- Continuous Education

Only in the proper organizational bodies created in harmony with each other can implement the strategies for its development in the ground reality. For this process, a strong commitment from the people is necessary.

2.5 Housing Cooperatives: A Global Perspective

The global perspective for housing cooperatives has been set out by the memorandum of understanding (MoU) signed by International Cooperative Alliance (ICA) with UN-Habitat in February 2001. The MoU has outlined a series of activities that may be undertaken by ICA and its member cooperatives in housing sector to implement habitat agenda and global plan of action to promote sustainable human development. In nutshell it has been recognised at global level that habitat agenda gives a global perspective to find practical solutions to the problems of housing and in materialising this perspective and cooperatives to play a very significant role. In this context, therefore, it would be important to understand habitat agenda.

Housing Cooperative in Habitat II Agenda⁷

Habitat Agenda (1996) specifically acknowledged the importance of cooperatives and cooperative like organisations. The Agenda recognises cooperatives as stakeholders at local

⁷ Taken from: Social and Economical Benefits of Cooperative Housing, NCHF, HUDCO (2005)

level that complement and supplement the governmental efforts in meeting the housing needs of the people. It states,

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

(Habitat Agenda 1996; Paragraph 56).

The Agenda makes specific recommendations on housing co-operatives. It particularly focuses on co-operatives role in mobilising financial resources for providing housing for the poor. The paragraph 82 of the Agenda states as under:

Create new housing finance mechanisms, as necessary, governments at appropriate levels should:

- Harness the potential of non traditional financing arrangements by encouraging communities to form housing and multipurpose community development co-operatives, especially for the provision of low cost housing.
- Review and strengthen the legal and regulatory framework and institutional base for mobilising non traditional lenders.
- Encourage, in particular, by removing legal and administrative obstacles, the expansion of savings and credit co-operatives, credit unions, co-operative banks, co-operative insurance enterprises and other non bank financial institutions and establish saving mechanisms in the informal sector, particularly for women.
- Support partnership between such co-operative institutions and public and other financing institutions as an effective means of mobilising local capital and applying it to local entrepreneurial and community activity for housing and infrastructure development.
- Facilitate the efforts of trade unions, farmers, women and consumer organisations, organisations of people of disabilities and other associations of populations concerned to setup their own co-operatively organised or local financial institutions and mechanisms.
- Promote the exchange of information on innovations in housing finance.
- Support NGOs and their capacity to foster the development, where appropriate, of small saving co-operatives”

Housing Cooperatives: An approach towards the goal

In the context of above enunciation on global perspective regarding housing co-operatives, promotion of sustainable human development becomes the core issue for these co-operatives. Important dimensions of perspective may be summarised as follows:

- i) Co-operatives as partners of government.
- ii) Removal of legal and other hurdles to enable the people of limited means, particularly the poor and disadvantaged sections of the population to form their co-operatives and to have

equal and equitable access to land and other infrastructure facilities for their housing co-operatives.

iii) Creation of effective co-operative housing finance mechanisms so as to remove resource constraints for members of housing co-operatives.

Analysis of the HABITAT Agenda reveals that there is a great harmony between its goals and principles and those of co-operatives as articulated by ICA. The following table shows such harmony and proximity between the two:

Table1: Habitat Agenda Goals through Housing Cooperatives

S.N.	HABITAT Agenda goals	Goals and principles of co-operatives
1	Equitable Human Settlement	The principle of Open and Voluntary Membership and Equality of access to services
2	Poverty Alleviation	Cooperative Education and Organisational Solidarity
3	Stewardship in sustainable Human Development	Concern for Community- conservation of local natural resources
4	Improvement in quality of life	Members' socio-economic needs as the basis for activity portfolio of housing cooperatives
5	Focus on development of family	'Member of a Co-operative' implies families.
6	Democracy, Equity and Social Responsibility	Enshrined in Cooperatives values and principles
7	Partnership in Development	Partnerships without compromising Autonomy and Independence
8	Solidarity	Co-operation among co-operatives

Source: Social and Economic Benefits of Housing Cooperatives; HUDCO, (2005) page 109

A question may arise that “must building construction be carried out by only private investors?” Or can the state or cooperatives do it just as well? There is probably not one simple answer to this question. As a matter of fact, it would be wrong to think that cooperatives are the only system for the construction of publicly financed low-income housing, rejecting every other alternative. There are various other alternatives as well, but literatures show that housing cooperatives are also one of the best solutions as it enables people’s participation, self-management and household savings. Many developing countries have adopted this approach for providing housing to lower income group of people.

From an international level to a local level, cooperatives are playing a more significant role for the development. Many countries have already used this concept in the housing and solved the housing need of poor people in a great extent. Some countries are taking initiatives on it. From the countries, which are successful in this regards, some important lessons can be learned. These examples can provide the basic elements for the development of housing cooperative, if new countries could use those lessons, it would provide a good direction to them.

2.6 Requirements and Potentials of Mutual-aid Housing Cooperatives in Developing Countries.

The problem of housing in developing countries has reached worrying proportions, due to the current global process of urbanization. Conflicts and natural calamities also push thousands

of people to move towards urban areas, where they live in inhuman conditions. Mr. Leonardo Nhanala, consultant in the High Technology and New Materials Area of ICS-UNIDO (2003), says that most of the people moving to urban areas cannot address the problem of housing themselves - they need external support. On the basis of experience, the best way to help is to enable people to produce their own building materials from local resources and build the houses themselves.

Rapid urban growth has outpaced the capacity of urban authorities to provide and maintain basic amenities. The result is a lowering of the quality of life, reduced urban productivity, and increased burden of health care and unmitigated environmental pollution

Global Strategy for Shelter to the Year 2000 (adopted by the UN General Assembly in 1988) was focused on the mobilization of “the full potential and resources of all the actors in the shelter production and improvement process”, so that “the people concerned will be given the opportunity to improve their housing conditions according to the needs and priorities that they themselves will define”.

From an international level, for the proper housing condition, priority has been given to the participation of the people themselves. Housing cooperatives is one of the means which enhances active involvement of the people. It believes in democracy and solidarity. Furthermore, in today’s world the term ‘Housing’ does not only indicate a single house, rather it incorporates all the basic services and a healthy living environment. Housing cooperatives provide a technically sound building for all its members in a reduced cost with all basic facilities.

Catalina Hinchey Trujillo (2001), from UN-Habitat describes some of the priorities which have been resolved through the work in cooperative housing as:

- The real housing deficit has been lowered significantly because of collective loans and self-help housing schemes (with technical assistance from committed NGOs).
- New social services have been created such as, training/employment centre, optometrist office, cultural centre (dance and music), sports centre, etc.
- An inexpensive, conveniently located fruit and vegetable shop has been created in the community.
- Contagious illnesses have been drastically reduced and various clean-up campaigns have been carried out.
- Garbage collective has become collective and continuous, and the sewage situation has been improved.

With this view, housing cooperatives could play an important role in many developing countries, not only providing a shelter but also a good living environment. However, there are already a number of countries, which solve the housing need of people through the cooperatives.

The next chapter presents the results of the field study and desk study of three cases related to the housing cooperative schemes. The successful experiences of Uruguay and India are first discussed with a close perspective in the three essential aspects of housing cooperatives, Housing Policy/ Legal Framework/ Institutional Structure, Financial Mechanism and Organisational Aspects. Secondly, it discusses the case of Nepal, efforts made by the NGO Lumanti and smaller initiatives made by people so far in order to tackle the common need of housing by a collective way.

Chapter 3: The Case Studies

The chapter explores about the potential of housing cooperatives in Kathmandu through three case studies:

1. Mutual-aid Housing Cooperatives in Uruguay,
2. Housing Cooperatives in New Delhi, India and,
3. The case of Lumanti in Kathmandu, Nepal

The study of the development process of housing co-operatives in Uruguay provides the concept and understanding of the role, contribution and relevance on providing houses to urban poor through housing cooperatives. At the same time, the experience of mutual-aid and its contribution to reduce the cost of the houses is highly developed in this case.

The cooperatives in India are of highly matured and advanced in nature. The cooperative approach has been recognized by the constitution and passed by the parliament. They have been using this approach effectively and efficiently to provide housing to the lower level of population. The study of Indian case gives the clear understanding of development of the housing cooperatives in a similar context of culture and society as in Nepal.

The third case is the case study of Nepal. It explores the possibilities to implement Housing Cooperatives in Nepal, as there are efforts towards this, but not really an implemented experience.

The study of the Uruguayan and Indian cases helps to understand “why” the cooperative came into practice and “how” they can be implemented successfully. Moreover they also help to identify the most important issues for the development of housing cooperatives without which it is almost impossible to bring this concept into reality. After the identifications of some important issues from the two cases, the study goes forward to determine the potentiality of housing cooperatives in Kathmandu.

As the study seeks to explore the potential of housing cooperatives in Kathmandu, where there are not a single cooperative in housing till now, it tries to perform a comparative study in the various important issues of the Uruguayan and Indian cases and utilise these factors in order to identify the present scenario of Kathmandu.

The development of any system such as housing cooperatives are not an immediate or instant results, rather they have a long history over time. The process requires awareness, participation, education, training and a strong commitment, both from the government and the people who are in real need. In order to determine whether certain system has a potential or not, it is imperative to understand the various factors responsible for its development. In the case of housing cooperatives, the various factors which play an important role are: social structure, financial mechanism, organisational or institutional framework, technical capability, culture and housing policies (legal bases). Among them, this study will discuss the issues of housing policy/legal framework and institutional framework, financial mechanism and the organisational development required for it. These three aspects are the foundations for the development of housing cooperatives and without proper development of them, the functioning of cooperatives is almost impossible.

3.1 Case Study: Uruguay

Background

Mutual-aid housing cooperatives in Uruguay are one of the pioneer cooperatives in the sector of housing. UN-Habitat (2002a) says that “The most successful co-operatives have a number of elements in common even though the precise nature and weighting of these elements varies case to case. The needs of these elements are universal even though the context is different. These elements are interdependent and each serves to reinforce the other.”

The necessity of cooperatives was felt in Uruguay after the economic crisis in the 60s. In this period of 1963, home-building had dropped to half the 1956 figure. Housing loans from the State-owned mortgage bank (Banco Hipotecario del Uruguay - **BHU**) had dropped from 10 billion pesos in 1955-58 to only 350 million in 1968. There was an estimated shortage of over 100,000 houses, in a country of less than three million inhabitants.

In such a situation, people organised and housing cooperatives become as an alternative solution for housing. The process of housing cooperatives was made easier by the culture of the people. The initiative was based on previous Uruguayan tradition of self-building with the help of family and friends. Later, strong sympathies were given for the libertarian ideas and solidarity of the Italian and Spanish immigrants. This strong social behaviour of helping each other took a movement as cooperative scheme which got strong political support. The addition of housing unit in the agrarian cooperative society made the concept of cooperatives possible in housing as well.

Housing Policy /Legal Framework and Institutional Structure

The starting point for the promotion of housing cooperatives is the housing policy of the country. The policy provides a clear direction or guideline for achieving a certain system. In the same manner for the development of housing cooperatives also, policy must provide a separate articles for its development.

In the case of Uruguay, The National Housing Law (No.13, 728) was approved in 1968, through the efforts of deputy architect Juan Pablo Terra, who worked in the cooperatives for a long period. Furthermore, the law was formulated and modified under the advice and suggestion of Uruguay Cooperative Centre (CCU). Thus it has included clauses and articles for the development of cooperatives. Legal modes and mechanisms have been created for the promotion and encouragement of the cooperatives. The law contains a separate chapter in housing cooperatives. When this law was passed, a boom of cooperatives was seen. Some of the precise norms for the housing cooperatives are:

1. The housing co-operatives are companies ruled by the co-operative principles. Their main objective is to provide suitable and stable housing to the associates, through their own efforts, mutual aid, and direct administration or through contracts with third parties, along with offering complementary services to housing.
2. The bodies ruling over them are the General Assembly, the Fiscal Commission and the Co-operatives Development Commission.
3. The Co-operative Housing Units are groups of homes which can have between 10 and 200 partners. The Parent Co-operatives, meanwhile, can have between 20 and 1,000 members without housing awarded, having affiliates whose character is that of the co-operative units, being ruled by the same dispositions as them.

4. Installation of new mechanisms and legal practices for access to housing such as co-operatives, social funds and private promotion
5. Initiation of the Technical Assistance Institutes, made up of non-profit making multidisciplinary teams whose commitment was to providing cooperative education and technical assistance to the co-operatives and social funds.
6. Creation of the National Housing Fund through the imposition of a 2% income tax (1 % contributed by the employer and 1% by the Social Security Entities) aiming to subsidise housing for the lower-income bracket;
7. The co-operatives contribute in the form of prior savings and with work during construction.

This type of housing law made important achievements which contributed to the expansion of the co-operative movement. The greater and speedier availability of land and the acceleration of administrative procedures within the legal status, brought many cooperatives from 1970-76.

Financial Mechanism

The financial mechanism has a great responsibility in order to implement any strategy. In the same concept, development of housing cooperatives demands a separate financial mechanism. In the case of Uruguay, in mid-1974, more than 70% of investments in the Housing Plan had been aimed towards the public system of which 57% corresponded to cooperatives, a little over 20% to mutual aid co-operatives and the rest to the savings and loans mode.

The financial mechanism was also backed by the legal frameworks. In 1977, under law No. 4,666, the BHU's role in relation to housing was widened. From then on, till now its financial role was exclusively expanded. It encompasses administration, recovery, building, and selling, planning, executing, evaluating and even social education. Through legislation, the social criteria guiding the National Housing Plan were substituted by banking profitability criteria. In fact, during this period, the BHU had to take charge of the design of the housing programmes, and of operational regulation of the various mechanisms along with reception, evaluation, approval and financial supervision of the projects. Furthermore, it had to advise the Executive Power on issues relating to the provision of co-operative and social education to the housing group.

From 1979 onwards, BHU started to provide loans to the registered cooperatives. According to that 85-90% of the amount could be taken as loans, with an interest rate of 2-4%. The remaining 15% would be financed by previous savings (5%) and a minimum contribution of mutual aid labour equal to 10%, with possibilities of this reaching 12%. In order to participate in the mutual-aid, it was obligatory for every household to work 21 hours per week. By the end of 1979, almost 40% of the total households were built by the cooperatives.

Later on in 1994, the Ministry of Housing, Territorial Ordering and the Environment was created and was given exclusive responsibility for the planning, execution, supervision and control of housing policy. At the same time, the National Housing Law was modified. All articles referring to subsidies were repealed, and this area would in future be defined by the Five-Year Plan and executed by the Ministry of Housing and not by the BHU.

Organisational Aspects

“The development of a housing project by a cooperative is a complex process. Many skills are required: to organise the cooperative; to comply with legal requirements; to manage construction; to train and educate members; to undertake technical construction responsibilities and to deal with finance”; a statement by the UN-Habitat clearly describes the importance of good organisational setup for the development of housing cooperatives.

In the Uruguayan example, housing cooperatives were developed when an organisation called CCU (the Uruguayan Co-operative Centre), an institution promoting the development of agrarian and credit cooperatives since 1961) decided to create a housing section within the organisation. From 1965, the CCU created an interdisciplinary team to research, draw up and develop co-operative housing programmes aimed at satisfying the housing needs of low-income brackets of the population, although not exclusively for them, and facilitating access to social credits.

Later on, in 1970, in the inauguration of their first housing through cooperatives, a single Federation of Housing by Mutual Aid (FUCVAM)⁸, was established. FUCVAM stimulated the creation of the Housing Co-operatives Federation (FECOVI), which draws together users of the savings and loans mode. By 1989 alone, it had handled loans worth \$90 million with the BHU.

The foundation of FUCVAM was a fundamental factor in the consolidation of the mutual aid co-operatives as a social force, rapidly being transformed into one of the most powerful social movements in contemporary national history. From the beginning, the federation made important achievements which contributed to the expansion of the co-operative movement.

In active participation of CCU and FUCVAM, a separate “Technical Team” was established. The objective of this team was to make the technicians aware that their priority function is to effect the active participation of the co-operative group not only towards satisfying its basic needs but also to consolidate self-management and efficient organisation.

A separate ‘Accounting and Leal’ section was also established. This department trained people in the management of large sums of money for purchases, payment of salaries, contracting of personnel, balances, set deadlines and current accounts. Members of the Legal Department accompany the management in acquisition of the land.

Within the organisation, a team of social workers make up the CCU Socio-educational Area, previously known as the Housing Promotion Sector. The social workers play the multiple roles of promoters, educators and technical advisors. Their professional action is built on three basic pillars, which are the active protagonism of the end users, the resolution of the basic need through interdisciplinary technical support and self-management. They helped people to identify the need of resources and visualise the socio-political context in which it is inserted. It is also important to stimulate the group’s capacity to set objectives and find suitable solutions for any problems which may crop up in future. In order to make people ready for the self-management, it was very important for the group’s capacity building through continuous training and education programmes.

⁸ Federacion Uruguaya de Cooperativas de Vivienda por Ayuda Mutua in Spanish and Unifying Federation of Mutual Aid Housing Cooperatives in English

3.2 Case Study: India

Background

In India, housing cooperatives have come to be recognised as viable institutional mechanism for delivering large number of housing units throughout the country, especially for the Economically Weaker Section (EWS)⁹ and Low Income Groups (LIG)¹⁰. They have shown the potential of harnessing human resources, channelizing household savings for acquiring housing units. Starting from a humble beginning in 1909 when the first housing cooperative was set up in Bangalore, the housing cooperative movement has a glorious path of progress and achievement. Today there are about 92000 housing cooperatives with a membership of over 6.5 million people. They have so far constructed over 2 million housing units throughout the country and disbursed loans of IRP 2 crores (\$457,090.62).

Generally, the members of housing cooperatives belong to the lower strata of income. About 42% of them have monthly family income from IRP. 5000-10,000, (\$ 114-228), 40% has income from IRP 10,000-15,000, (\$ 228-342). For a highly populous country with more and more people living in urban areas, the tremendous shortage of housing units brought the concept of cooperatives in practice. There was rapid population growth and high demand of housing. The cost of land, building materials, and construction cost were beyond the reach of people, which made them to end up in informal settlements without basic amenities. Even if people construct houses individually, the provision of infrastructure was expensive and the house built in that way were technically low in quality. On the one hand this type of system promoted urban sprawl, on the other hand built houses were not a quality place to live in. In such a situation, group housing was promoted and slowly cooperatives were developed. Later on cooperatives also made people with less financial resources to utilise land and finance. So in Indian case, housing cooperatives are seen prominent in the bigger cities like New Delhi, Mumbai, Calcutta and Bangalore.

The cooperative approach is strongly supported by the Indian culture. Indian society is also based on strong social cohesion. The culture of collective use of various available resources and helping each other in household to construction sector is in practice. A solidarity attitude of tackling various problems is the identity of Indian social behaviour. The development of many housing cooperatives and their sound functioning through self-management and mutual-aid is the witness of this culture. Later on, in this case also, a strong political support made the housing cooperatives as one of the means to provide housing to the poor people.

Cooperatives have been identified as one of the basic institutions for providing housing. There are basically three types of institutions:

- i) Public Institutions : House construction agencies like
 1. Housing Boards
 2. Development Authorities
 3. Improvement Trusts
- ii) Private Institutions :
 1. Industrial, manufacturing offices
 2. Research, management institutions
 3. Rental housing facilities to the workers

⁹ EWS- People with an income up to IRP 1,250 (\$28.5) per month

¹⁰ LIG-People with an income up to IRP 5,500 (\$ 125) per month

iii) Cooperatives Housing Cooperatives provide houses to their members through self-help and collective efforts

As the government is changing its role from the direct provider to the facilitator, more and more emphasis is being given to the cooperatives.

Housing Policy /Legal Framework and Institutional Structure

Housing policy serves as the facilitator of housing cooperatives in India. It provides important guidelines and steps to develop cooperatives in housing. It promotes cooperative approach rather than individual effort in house construction to provide basic infrastructures as well. The various articles responsible to promote the cooperatives are as follows:

1. Empowering the *panchayati raj* institutions and village co-operatives to mobilise credit for adding to the housing stock and also the basic amenities
2. Forging strong partnership between private, public and co-operative sectors to enhance the capacity of construction industry to participate in every sphere of housing and habitat
3. Promote private sector and co-operatives in undertaking housing construction
4. Devise schemes to lend at affordable rates to those who are in dire need of housing finance support
5. The corporate, private and co-operative sectors are to take the lead role in terms of land assembly, construction of houses and development of amenities within the project
6. Co-operative sector is to be given preference in allotment of land and house sites to encourage group housing to the poor people

Beside these guidelines, the policy provides a clear roles and responsibility in the various levels in order to develop cooperatives.

1. Central Government: it is responsible to make legal reforms, facilitate flow of resources and promote research and technology transfer. Its other roles will be to establish a secondary mortgage market.
2. State Government: State Level government is accountable for the land use and planning. So the number of houses to be constructed per year is determined in the state level. In India, land is a private property. In order to provide land for the co-operatives, government acquires land and sells it to co-operatives. Before selling the land, the function of the land has to be changed from the agriculture use to the non-agriculture use; only then settlements can be developed. In this area, the state government plays a main role.
3. Public/ Private Finance Companies: Their responsibility is to develop required skills to mobilise domestic savings and devise schemes to extend housing finance to the poorer segments. For this, Housing Boards and Development authorities have to redefine their role as a facilitator for housing inputs, and promote public and private financial institutions to give priority to private and cooperative sectors.

Financial Mechanism

In India, Apex Housing Cooperative acts as the principal institutions channelizing the fund. Life Insurance Company of India (LIC) is the major housing financing institution in the country, which is at the second place by providing direct borrowings facilities to the primary housing cooperatives. Housing and Urban Development Corporation of India (HUDCO), lends money to the apex cooperative housing federations at the State level who subsequently provide loans to the primary cooperatives. The various financial institutions and their percentage in total loans are as follows:

Table 2: The institutions providing loans to the housing cooperatives

Financial Institutions	Percentage of loans provided
1. Life Insurance Company of India	44.6
2. National Housing Bank	8.1
3. Housing and Urban Development Corporation	21.7
4. State Government	0.7
5. Commercial and Cooperative Bank	16.9
6. Others	8

Source: Social and Economic Benefits of Housing Cooperatives, HUDCO (2005)

In India, both Public and Private financial institutions provide loans to the cooperatives and there is a sort of competition between them. These institutions provide up to 80-90% of the total cost. Remaining 10-20% must be collected by the members. In order to borrow the money, the cooperative should provide the original land certificate in the name of the respective cooperative to the bank. As soon as members pay the loan on the monthly basis, the land-owner certificate would be returned to the cooperatives.

Organisational Aspects

The history of cooperative housing in India shows that although the movement started in the beginning of 20th century, it could not take a proper shape until late 1960S. When National Cooperative Housing Federation of India (NCHF) was established in 1969, then the pace of housing cooperatives was highly accelerated. Today there is a highly matured type of organisational hierarchy. They can be summarised as follows:

Primary Level:

1. When organised group of people desire to develop their houses with collective efforts, they have to register with the Registrar of Cooperative Societies under the concerned State Cooperative society Act
2. Then it attains a legal status as an autonomous institution on behalf of the for housing development
3. It is an organisation for collecting capital, building houses and encouraging members to save
4. It provides for an economic self administration of houses and ensures hat the estate is kept in good condition.
5. It is an active partner in a general housing policy of the State.

District Level Federations:

1. They assist primary housing cooperatives
2. Formulate registration proposals of housing cooperatives
3. Guide in the matters relating the provisions of cooperative act, rules and bye-laws
4. Supply various forms and model bye-laws required for formation of housing cooperatives
5. Formulate proposals for raising loans from the apex cooperatives
6. it deals with common problems affecting majority of housing cooperatives and take up matters with authorities of the Central Government, State Government, the Municipal corporation, Municipal Councils and local authorities with a view to secure maximum advantages for housing cooperatives.

State Level Federations:

1. They are also known as apex housing cooperative which plays a significant role in financing

2. To arrange for supply of developed land to housing cooperatives at affordable prices and assist them in proper planning of layouts of buildings.
3. Other function is in advancing loans for the construction
4. In the supply of developed land to the housing cooperatives
5. To offer technical advice to member cooperatives
6. To serve as an information bureau of raw materials and finished articles relating to house-building industry
7. To secure from Government exemption of taxes, stamp duty, registration fees, etc.

National Cooperative Housing Federation of India:

1. To provide a common forum for dealing with technical, financial, and practical problems relating to housing cooperatives and to devise ways and means of solving these problems
2. Grant loans or advances to members
3. Help in the flow of funds
4. Provide training
5. Supervision and technical assistance
6. Publications which examine policies and programmes, identify problems and look for solutions

The NCHF has made good headway in promoting and strengthening housing cooperatives. It has made a number of initiatives for augmenting the flow of funds including the Planning Commission to make a provision of IRP 3000 crores (\$ 683,994,560) in the 9th Five Year Plan and IRP 5000 crores (\$ 1,139,990,912) in the 10th Five Year Plan. It has also set up a Technical Services Organisation (TSO), for providing technical guidance to housing cooperatives in respect of planning and designing of layouts, preparation of estimates and structural designs, supervision of construction work, use of new methods and techniques. NCHF has also opened a training centre in its premises which could accommodate a batch of 25-30 participants at a time.

3.3 Case Study: Kathmandu, Nepal

Background

In the case of Nepal, the concept of cooperatives is not new. This concept has been already realised and utilised in the various sectors of development like agriculture, dairy products, health and education. First of all the concept of cooperative was felt when most of the farmers were suffered from the same type of problems in the agricultural sectors. When many farmers made an attempt to solve common problems of good fertiliser, seeds and market place of their product, they became organised and tackled the problem collectively. This was the first incident of cooperatives in the history of Nepal. Later on in 1954, Department of Co-operatives (DOC) was established within the Ministry of Agriculture to promote and assist development of co-operatives.

During the Seventh Five-Year Plan (1985/86-1989/90) efforts were made to reshape the co-operative movement. It was planned to extend co-operative services to the people through newly established service centres. Existing co-operatives were placed at service centres and where no co-operatives existed. A total of 144 new societies were formed mainly in the remote parts of the country.

Later on, in 1992, cooperative act was formed. In the preamble to the Act, it is stated that co-operative societies and unions shall be formed “for the social and economic development of

the country's farmers, artisans, people possessing inadequate capital and low-income groups, workers, landless and unemployed people or social workers or general consumers on the basis of mutual co-operation and co-operative principles.”

The number of cooperative in sectors of health and education are also expanding. But this concept has been neglected in the case of housing till now as no housing cooperatives are till now. Yet, some smaller initiatives have already been started.

Culturally speaking, a strong social cohesion in the neighbourhood is found in Kathmandu. The solving of issues of sewerage, water-pipe lines and pitched road in most the neighbourhoods has been achieved through the organised effort of the residents. The trend of helping each other from household works, in fields while planting crops and constructing a house shows immense evidences of Nepalese culture of collective use and mutual-aid. In this respect, what can be said is that culture will not act against the development of housing cooperatives rather; it will support to foster its development.

Housing Policy /Legal Framework and Institutional Structure

The National Shelter policy was designed in conjunction with the Eight Five Year Plan (1991-1996) and was the first such effort of its kind in Nepal to specifically address shelter concerns. The policy aimed to help identify the right course of action in relation to housing programmes in the short term (until 2000), mid term (until 2006) and long term.

Some of the objectives of the National Shelter Policy are:

1. orienting the housing sector on financial self-reliance and how to mobilize and effectively utilize financial resources
2. clarifying the role of government, non-government and private sectors in the fulfilment of shelter needs and improving
3. organisational structures through institutional and legal frameworks (this involves the creation of a legal framework)
4. continuing activities that support, mobilize, develop and expand the land and housing market, while considering the welfare of the majority of households (the low-income group, shelter less and affected people in rural and urban areas) and launching other activities to improve the provision of ensuring rights and security of land

Some of the strategies of the National Shelter Policy are:

1. providing grants on behalf of the government for the provision of houses
2. ensuring the construction and wide distribution of infrastructural services
3. construction of cost-effective structures for low-income people, the shelter less and disadvantaged groups
4. expanding credit facilities for housing by integrating community-based credit schemes with income-generating activities
5. Establishing and clarifying the roles of HMGN and local authorities in relation to the National Shelter Policy and shelter targets.

For the development of housing cooperatives, one of the articles of the policy states that “Introduce legislation and regulations concerning condominium, co-operatives and leasehold tenures.” for this a separate act called “Apartment Act” was introduced in 2000 when private developers start constructing and selling the apartments. For the case of leaseholds, there are limited users. But for the cooperatives, no implementation strategies have been developed so far.

The housing policy has not paid much attention for the provision of housing to the urban poor. The answer by one of the government official regarding effectiveness of policy for the provision of housing to urban poor is

.....“Nepal is introducing some policies directed to the urban poor. Nowadays, land pooling for providing basic infrastructure is common. So, government is about to introduce policies that in every land pooling project, certain plots to be left to the urban poor. Now, the problem in housing is due to internally displaced people who migrate to urban areas and end up in squatter/ slum areas.”¹¹ (Mr. K. Thapa, 14th Jul 05)

He further argues that,

..... “Housing policy raises some issues for providing housing to poor, but in implementation due to low financial condition of our government. In budgeting ‘HOUSING’ is not a priority sector, as Security, Health and Education are the priority sectors. So budget for housing is very low”. (Mr. K. Thapa, 14th Jul 05)

This makes clear that Nepal is just introducing policies targeted to the urban poor.

On the other hand, Ms. Lajana Manandhar, director of Lumanti has a separate view. She argues that;

.....“Our housing policy was prepared in 1996 and till now it has not been renewed. From 1996 to 2005, Kathmandu and other urban areas have faced a lot of challenges in the housing sector and especially to the poor people. On the one hand more and more people migrate to the cities, every year and they are squatting in vacant lands without any basic amenities. On the other hand policies from government level do not guide anything for the housing for urban poor.” (Ms. L. Manandhar, 21st Jul 05)

Financial Mechanism

From the interview with Mr. Kishore Thapa, it was found that the Department of Housing and Urban Development (DHUD) is financially very weak as it receives very low finance through budget. So it is difficult for them to implement what they plan.

In order to provide loans for housing, Nepal Housing Development Finance (NHDF) was established in 1992. After that many financial institutions started giving loans to individual house construction, purchase, addition or renovation. However, all these financial institutions are catering to only the middle and high income groups. For them, banking the poor was not profitable since the operation costs are high and the loan amounts are too small. Issues of housing to poor are highly politicized and banks perceive these low income groups as high risk groups.

Realising this fact, NGO Lumanti is encouraging poor people to save. According to them

..... “It is promoting specially women of every house hold to save on a monthly basis. There are numerous societies for these saving schemes. Some of them have already turned into co-operatives. There is one example of co-operative bank named Gyan jyoti co-operative Bank”.... (Ms. L. Manandhar, 21st Jul 05)

¹¹ The citations on this page and onwards are from the interviews conducted in the fieldwork. The interview in the case of Kathmandu was done in Nepalese language and the author herself translates it to English.

Table 3: The main saving schemes that have been changed to cooperatives

Name of the cooperatives	No. of members	No. of groups	Total amount of money collected (in NPR)
1. Gyan Jyoti	207	13	34,56,820 (\$ 50,000)
2. Nawadeep Jyoti	229	18	19,56,402 (\$ 28,000)
3. Pragati	391	27	58,58,000 (\$ 83,500)

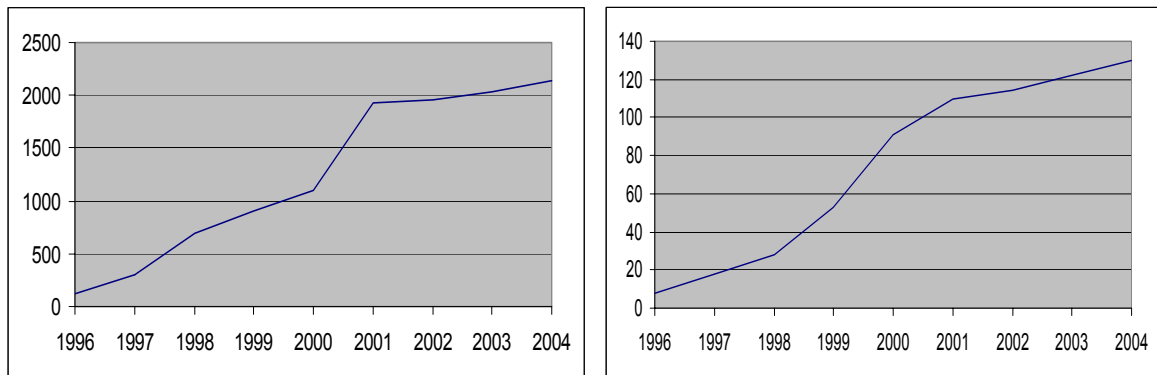
Source: Lumanti

The table3 shows the three cooperatives, formed from the saving schemes. These cooperatives are able to pool considerable amount of money as shown in the table. Beside these saving schemes and cooperatives, Lumanti also has its own special loans. Despite high growth in the number of savings and credit groups, Lumanti found the very poorest members of some communities were not joining the groups. These were the people who were too poor to save few rupees a week. As a means of helping communities explore solutions to this problem, Lumanti set up a revolving fund to extend special loan to the poorest of the poor. The idea involves community members identifying their poorest neighbours and working out a business plan or housing need with the family which is then submitted to Lumanti.

With the joint effort of this NGO and people, they have established an innovative way of finance.

.....“Nowadays 3 - 4 saving cooperatives have established a bank. This bank is attracting other people to deposit their money on this bank with an interest rate of 12% in fixed account. This is an innovative way to collect resources and utilize it into the housing need of poor people. Moreover in today’s scenario, many poor people have saved a lot of money and some of them can even buy land. Moreover, Lumanti also provides loan to the needy people from its revolving fund.” (Ms. L. Manandhar, 21st Jul 05)

Figure 4: Graphs showing the increasing number of members and saving schemes



The increasing number of members

The increasing number of saving groups

Source: Lumanti

The graphs in Figure 4 show the number of saving groups and members are continuously increasing from the 1996 till now. This is a proof that people have organised together to collect money from their individual effort. They are saving money on a monthly basis so that it could be used collectively for the housing purpose.

Recently ‘The Urban Community Support Fund’ (UCSF) has been established. It is a pool of resources which the urban poor can draw on to assist them with the development of their communities. The money will be available on low-interest loan basis and support initiatives

such as housing, income generation, water and sanitation. Because the people themselves can apply for the loans, they are empowered to identify their own needs and devise solutions which will be appropriate to their situation and sustainable in the long term. UCSF is established with the financial contributions of Kathmandu Metropolitan City (KMC), Asian Coalition of Housing Rights (ACHR), Slum Dwellers International (SDI), Action Aid Nepal (AAN) and Water Aid Nepal (WAN). Some of the objectives of this fund are:

- To provide secure owner housing ownership to the target group
- Provide financial support for purchasing land and housing
- Financial support for the housing improvement.

Organisational Aspects

For the initiative ness of housing cooperatives, Lumanti is acting as the sole organisation so far. It has already launched a housing project for the relocation of slum dwellers who have evicted in the construction of Vishnumati Link Road (VLR)¹² project. This resettlement program was possible by the active participation of Lumanti and people. This project is also somewhat in cooperative concept.

Though there is no special law or legislation regarding the housing cooperatives from the national level, still there are some initiatives on it. On the question of how are they working in this situation, their answer was

.....‘There is one cooperative law and we are working on its respect. As I told you earlier, the concept of cooperative in housing is being practiced without any special policies, guidelines and strategies from the government level. We will continue as our housing condition for urban poor is in worst condition .still we are doing homework on this matter and soon we will demand some special policies’(Ms. L. Manandhar, 21st Jul 05)

When there are enough policies, the required organisations or a special type of institutional framework will be developed.

Figure 5: The Panning of Relocation Program at Kirtipur, Nepal



Source: Lumanti (www.lumanti.com.np)

¹² The road constructed along the banks of the river Vishnumati, to provide access to the new land pooling area at Naya Bazar.

Figure 5 shows the Site Plan of the first project developed so far in the concept of housing cooperatives. 36 families evicted from the VSL project have been relocated here. They have a cooperative here and the land belongs to that cooperative. People have taken loan from the UCSF with an interest rate of 5%, which is much lower than that of the other commercial banks of 11-12%. As soon as people pay the loan, they will get the ownership of the building, whereas cooperative will be the owner of the land. The bulletin of Lumanti describes the participation of people in this project as “As the Housing Project moved forward it was the community itself that directed the path it should take. From the very start, at every level, the people who will benefit from the project have been given a voice to express what it is they want. The affected families were involved in decision-making on both the location of the land and housing design.”

It was important that the families were comfortable with the final design and willing to pay the respective cost. Affordability was a big concern and the families each examined their own ability to make repayments.”

This type of trend has started even in the lack of a good institutional framework. The houses are designed giving preference to the use of locally available materials.

Figure 6: The Plan and the Elevations of the house



Source: Lumanti (www.lumanti.com.np)

Figure 6 shows the plan and elevations of the single houses. The use of locally available materials was promoted to reduce the cost.

The chapter 3 aimed to understand the three basic elements for the development of housing cooperatives from the case study of Uruguay and India. Then it also described the current situation of Housing policy/Legal Framework and Institutional Structure, financial mechanism and the organisational aspects prevalent in the case of Nepal. It explained the recent trends and initiatives taken in order to form cooperatives.

When the government's policies were seen, they are far away from reaching the housing need of urban poor. There is an absence of national level policies and strategies that deals directly with the urban poor. On its contrast, an NGO is working with the ground level of people. With its own single effort, many possibilities have been developed in order to provide housing to poor people. In the same way, people have seen to understand the value of being organised and tackled the situation collectively.

Chapter 4: Analysis

This chapter aims to analyze the potentialities and hindrances found in the case of Nepal for the development of housing cooperatives in the country. Discussions are based on the experiences of Uruguay and India presented in chapter three; as well as on the theoretical framework exposed in the Chapter 2.

The field study work in Kathmandu and particularly the efforts made by the NGO Lumanti in taking initiatives for the development of cooperatives are the main reference for the discussion. The case study of Uruguayan and Indian cooperatives has provided a deeper understanding on the roles of three different elements of housing cooperatives: Housing Policy/ Legal Framework and Institutional Structure; Financial Mechanism; and Organizational Aspect.

4.1 Reflections of the case studies of Uruguay and India

Housing Policy/ Legal Framework and Institutional Structure

Housing Policy

As stated by the UN-Habitat and discussed in the theoretical chapter, “improved housing policies and programs are a major component of achieving the goal of adequate shelter for all.” In this sense, the housing policies of Uruguay and India have played an important role to the provision of housing including cooperatives. In both cases, housing policy provides a clear role and responsibility for the various level of government, a good direction to the financial institutions and promotes poor people to save.

In the case of India, the housing policy focuses strictly on the provision of housing to the economically weaker groups of the society. It has adopted cooperative approach, as discussed in the chapter three, for providing housing to the urban poor. It has several articles and clues regarding the promotion, establishment and continuous development of the housing cooperative. Policy has a special clue which encourages the allotment of land with a priority to the cooperatives. It has encouraged group housing for reducing the cost of infrastructure and increasing the accessibility of basic services to each level of population.

The Uruguayan experience shows that there is a separate housing law for the cooperatives. This law has clear and direct amendments for establishing housing cooperatives. It has also encouraged people to save on a household basis. It has raised the issue of financing these schemes and has provided a number of guidelines for it.

From the above discussion, it can be said that, in Uruguay and in India, housing policy is the initiator and enabler of housing cooperatives.

Legal Framework

In the case of India and Uruguay, the housing cooperative scheme has been strongly backed upon by the legal framework. They have their own legal identity. The functioning of cooperatives has been defined in the housing cooperative law. The Indian housing cooperative law has been accepted by the constitution and passed in the parliament. That is why they are now strongly flourishing as one of the institution to provide housing to the people along with the public and private sector. In the case of Uruguay, the introduction of Housing Law played a major role in the promotion of housing cooperatives.

Institutional Structure

In Uruguay, housing policy itself defines clearly about the different actors and their roles in housing cooperatives. For example, it defines that the bodies ruling over them are the General

Assembly, the Fiscal Commission and the Co-operatives Development Commission. Similarly in the Indian case, the policy itself defines the roles of Central Government, State Government, financial institutions and the people. It gives a good direction for different institutions making the implementation process easier.

Financial Mechanism

Finance is a key issue for the implementation of any project. In the same way, development of housing cooperatives also demands well developed financial mechanisms. The theoretical framework in describes that, there are two types of financial sources needed for the housing cooperatives: 1. Internal Cooperative Finances 2. Outside funds. From the case studies of Uruguay and India, it has been found out that, both funding systems are well developed.

In Uruguay, for the internal fund, two mechanisms have been applied: 1. Personal Saving, 2. Labour. As the cooperative scheme is based on mutual-aid, each household has to work 21 hours per week, which has contributed 15-20% of the finance. Moreover, it has encouraged the savings from households. Regarding the external fund, a separate bank BHU was established for providing loans to the cooperatives. The cooperatives can access to the loans with less difficulties than individual in the financial institution.

In the case of India, the internal fund is obtained by the saving of the members. The saving should cover 10-20% of the project and the remaining 80-90% fund can be taken as a loan. The process of obtaining the external fund for cooperatives is not difficult; neither is it a long process.

....as soon as group of members registers under the cooperative society under the cooperative law of that state, they become legal cooperative groups and they can apply for land in City Development of Authority. After getting the land, they can apply for loans for housing in any private or public banks.. (Dr. H. S. Gill, 8th Jul 05)

This type of system shows that highly developed and easily accessible financial system is important for the development of housing cooperatives. As there is more provision for the access to loans of every sector of people, there are more chances of the emergence of innovative solution like cooperative in housing. Furthermore, India has a mature type of financial system developed from the State Level, which incorporates many financial systems; from public banks to the insurance companies; all are the part of the loan lenders for the housing cooperatives.

Both the case of India and Uruguay proves that a sort of government intervention for the provision of finance to the cooperatives, which targets to serve the lower bracket of population, is necessary. In both cases, though only government is not the only sole and direct provider of the finance, its policy has encouraged some special provision targeted to urban poor and it has made the participation of private banks possible.

Organizational Aspects:

A well developed organizational system is another crucial element for the development of housing cooperatives. This fact has been already proved in the both cases of Uruguay and India. In India, the housing cooperative scheme took a proper shape only after the establishment of NHCF in 1969. Before that cooperatives had a negligible roles in the provision of housing though the movement started many decades ago. In the same manner, the cooperative approach took a rapid pace in Uruguay when the FUCVAM was established in 1970. The NHCF in India and FUCVAM in Uruguay acted as the engines for the

promotion of housing cooperatives. The main purpose of these organizations was to take a lead in this scheme. This type of organizational setup made people aware about the place where they could approach to find a solution for their need. People got an organization which was established in order to identify their problem and work along with them and on behalf of them. In the lack of proper organizational setup, no system can flourish and function well.

Indian case has an elaborate type of organizational hierarchy, National level, State Level, District Level and Primary Level. These all levels have their own responsibilities and implementation strategy, still they all work in harmony with each other, as their main goal is same. This is the reason behind the smooth functioning and a sound achievement in the cooperative approach.

The organizational aspect also deals with technical support/ assistance needed when the cooperatives start working. In cooperatives, people have an opportunity to practice self-management and mutual aid. The technical team helps people to assist in gaining newer skills which they have not practiced before. In Uruguay and India, the cooperative law has been developed in such a way that, without Technical team, cooperatives cannot have a legal identity. The separate technical team in Uruguay and 'Technical Assistance' under NHCF in India, play a strong role in the functioning of cooperatives. The other main functions of technical assistance are:

- Assisting homeowners in organizing as a cooperative and establishing a board of directors and committees.
- Providing ongoing technical support and training to cooperatively owned parks.

The experience of Uruguay and India shows that for bringing poor people in organized way and make them aware of the joint effort, make them able to understand the value of participation, a role from various levels of educated citizens is necessary. In both cases; architects, lawyers, social workers and accountants are one of the crucial part of housing cooperatives. There is a separate trained body of all these professionals who are working in promoting housing cooperatives.

4.2 Reflections of the case studies: The Situation of Nepal

Housing Policy/ Legal Framework and Institutional Structure

Housing Policy

The Shelter Policy of Nepal was published in the year of 1996 and from that time till now it has not been modified. According to the UN-Habitat, the housing policy needs to be formulated and periodically re-evaluated. This is because, the evaluation of policy helps to identify issues which has not been realized in the time of making the policy. In the case of Nepal, from of 1996-2005, in period of nine years, urban areas, including Kathmandu has faced more challenges in the housing. The high number of migrants every year, especially of the lower income group, has made the rate of urbanization 6%. There is increasing number of informal settlements.

Analyzing the shelter policy of Nepal, it can be said that the policy lacks to tackle with the present urban issues. It is not able to recognize the need of quality and affordable housing of the urban poor, people who are living in extremely vulnerable situation. As discussed with Mr. Thapa and presented in chapter three, the new concept of government to provide housing plots to the poor people in every land pooling project can be taken as the positive step. Still only providing land to a limited number of people cannot be the ultimate solution, rather a strong and focused sustainable system is necessary.

The shelter policy of Nepal has stated the need of condominiums, cooperatives and leaseholds but without any guidelines. The cases of Uruguay and India show that real implementation of any system demands certain guidelines. In the absence of guidelines, implementation strategies cannot be formulated.

Legal Framework

The cooperative law of Nepal has a legal support; still the law is focused only to the agriculture, dairy products, saving and credit, health and education. There is not a special cooperative law for housing. This is exactly the situation, described by Lewin (1889). It says, 'Cooperative laws in most developing countries provide for the specific requirements of agricultural, marketing, producer and consumer cooperatives. But these cooperative laws merely prove inadequate for answering the particular needs of housing cooperatives'. The absence of a housing cooperative law in Nepal makes the less favourable environment for the development of housing cooperatives.

Institutional Structure

Furthermore the policy also lacks to define the roles and responsibilities of various actors at various stages of the development. The definite roles and responsibilities can make the implementation of any project much easier. Since the roles of different actors are not guided by the policy, there is a scenario of blaming one level to another level in the housing department.

Financial Mechanism

Finance is another key issue for the successful implementation of any project. The financial mechanism for the provision of housing in Nepal has provided benefits only to the higher income and middle income people. Till now there are no financial systems developed which can cater the low income people. There are several private banks and institutions for providing housing loans. In order to access those loans, land has to be put in collateral or a monthly income should be shown. This has made poor people always far away from the opportunity to access to the housing loans.

As poor people are deprived of access to finance from formal public and private sector, they are trying to save money in the active participation of Lumanti. The experiences of Lumanti and the increasing number of poor people who are saving money on a monthly basis, it is clear that people are being organized to tackle the need of housing through a collective approach. The increasing number of members, saving groups and the cooperatives are the witness of this fact. Unfortunately these groups as far have not been recognized by the public and private banks for the access to loans.

As the theoretical framework shows, the financial mechanism contains two basic parts: Internal source and the external source. The value of internal source is very less than the external sourcing, though it plays an effective role. In the case of Nepal, people have started slowly to pool money from household savings though the external funding is underdeveloped.

Looking into the initiatives taken by the Lumanti in the financial sector till now, it is moving forward according to the Habitat Agenda, to promote housing cooperatives. The initial point according to the Agenda is to promote community to save; to form cooperative societies and cooperative bank, and Lumanti is actively initiating and to some extent successful in this respect. The Gyan-Jyoti Cooperative Bank formed recently in Kathmandu further describes Lumanti's role. The innovative financial mechanism by attracting other people to save in this bank through this cooperative bank is also one of the achievements made so far.

Moreover, it is encouraging women to participate in saving which is also a positive step according to the Habitat Agenda for housing cooperatives. The 'City Care (2004), journal of Lumanti says that 'the saving and credit activities that started in the urban poor in 1996 has brought more than 2000 women under its umbrella, creating a financial institution of their own in the form of women's cooperative. The women who are a part of this saving and credit movement have realized since they began to network, save regularly and work together for a common cause- Housing'. Analyzing all these issues lead a question: Is the initiative of a single NGO enough?

The establishment of Urban Community Support Fund (UCFS) with the joint effort of national and international organisations as described earlier for providing loans to the urban poor is a positive aspect in the financial mechanism with the focus to these people. In a country with underdeveloped financial system, establishment of this type of institutions could give a sign of innovative initiation in this field.

Organizational Aspects

The need of a proper organizational setup is imperative for the development of housing cooperatives and it has been already proved by the Uruguayan and Indian cases. Those cases show that organizational development is a basic platform for the proper implementation of any housing cooperative project.

In the case of Kathmandu, it is a single NGO working with a focus of urban housing issues as far. The role of the government is very marginal for the housing provision for people who are living in informal settlements. The lack of initiative from the government level verifies this fact. Though the effort is made by one NGO, its achievement and initiative are worthy to discuss. Its efforts have made people aware of collaborative approach to tackle a common problem: the need of housing.

In the active participation of Lumanti, resettlement program of 36 houses was possible and it is the first case of providing houses to slum people who were evicted in a road project. In this project a sort of cooperative approach was practiced as the land belongs to the cooperative of the people and people are only the owner of their houses. In this case also people themselves took part in construction process, after the training. The technical support was provided by Lumanti and an architectural consultancy, which designed the scheme. These are some of the leading and pioneer developments for providing housing for urban poor in Kathmandu so far and can be taken as a positive step. Still the special type of organizational development for carrying out training, awareness and education has not been developed yet.

4.3 Identified Potentialities and the major hindrances

On the basis of the discussion presented previously, this section aims to identify the major hindrances and the possible opportunities identified for the development of housing cooperatives in Kathmandu.

Housing Policy/ Legal Framework and Institutional Structure

Housing Policy

The shelter policy of Nepal has raised the issue of promoting housing cooperatives in one of its articles. The tenth five-year plan of Nepal, also points out the necessity of adoption of housing cooperatives for providing houses to lower income people. This can be regarded as

one of the potentials for the housing cooperatives. Beside this, Nepal has a cooperative law, supported by a legal framework. The cooperative scheme has a long history, and is already used successfully in many development sectors. This can also act as a positive step. The effort made by NGO Lumanti so far and its vision to develop housing cooperatives is another potential aspect for the development of housing cooperatives.

There are still various issues lying as the hindrances for the development of housing cooperatives in policy level. Though the shelter policy states about the promotion of cooperatives, it doesn't provide the basic guidelines as in the housing policy of Uruguay and India for its development. It has not defined the roles and responsibilities to the various actors at various levels. Hence, it is difficult to formulate implementation strategies.

.....housing is not a priority sector as security, health and education are the most important issues for Nepal..... (Mr. K. Thapa, 14th Jul 05)

In Nepal, housing is not identified as the priority sector for the development. This is the basic reason for the marginal role of government in housing sector so far. This type of situation is also acting as a major hindrance. The shelter policy of Nepal was prepared in 1996. During the period of 1996-2005, cities including Kathmandu are facing newer challenges, and housing policy lacks to tackle with these newer urban problems created by housing. The lack of revision, evaluation and reformulation of the policy is the major cause for the less attention to urban housing issues.

Legal Framework

There is no housing cooperative law till now and the general cooperative law cannot incorporate the specific needs of housing cooperatives. The cooperative scheme adopted in the resettlement program has used the general cooperative law. In the question regarding the possibility of introducing a separate housing cooperative law, the view of government professional is:

..... We do not have any special measures as such, but if people approach us with this concept, we will encourage and support them..... (Mr. K. Thapa, 14th Jul 05)

On the one hand, it is seen that, people are organized and working towards the cooperative concept without a legal housing cooperative law. People have organised and practised it to some extent but government has yet to realise this fact.

.....the concept of cooperative in housing is being practiced without any special policies, guidelines and strategies from the government level...(Ms. L. Manandhar, 21st Jul 05)

Institutional Structure

The case studies of Uruguay and India shows that without a well developed institutional structure, the development of housing cooperatives is not possible. But in the case of Nepal these institutions are underdeveloped. Thus the underdeveloped institutional structure is also a major hindrance.

Financial Mechanism

The financial system developed so far in Kathmandu is not able to cater the lower income group. The present situation shows that some innovative solutions to tackle the financial needs are being developed. The increasing of members in saving groups is a positive aspect. Some saving schemes have turned into cooperatives and the formation of cooperative bank is another stepping stone. The cooperative bank has already started to provide loans to the poor

people for housing at an interest rate of 5%; which is much lower than the 10-12% interest rate of private banks. Furthermore, the establishment of UCSF, with the help of national and international organisations to provide loans to only lower income group is also a positive aspect. This type of current trend shows that there is potential of emergence of innovative solution for finance for the housing cooperatives.

The major hindrance for the development of housing cooperatives is the underdeveloped financial mechanism. Even if people organize and access collectively, they cannot access to loans from the formal public and private banks.

..... Good institutional development for providing loans to the poor people even if they organize has not been developed yet.....(Mr. K. Thapa, 14th Jul 05)

This shows clearly that though people are able to save and collect money, they are deprived of access to the bank loans. The cases of Uruguay and India, it has been proved that the almost 80-90% funding is through the financial institutions. So in the absence of this opportunity, cooperative scheme cannot function properly. So in the case of Nepal, improper and inadequate financial opportunities for poor people are a crucial element lying as a barrier for the establishment of the housing cooperatives.

Another major hindrance is the financially weak Housing Department of Nepal. According to Mr. Thapa, as housing is not a priority sector in Nepal, the yearly budget for the department is very low. It shows that the lack of finance is a major drawback not only for the cooperatives but for the overall housing provision.

Organizational Aspects

The well-functioning of housing cooperatives is not possible unless a proper organisational development. In Kathmandu single NGO is working in the sector of housing to urban poor but its achievements are worthy to mention. The NGO is working for the awareness campaigns to promote savings, providing financial support and technical support for the housing of poor people. Its role for the initiatives of cooperatives has a strong potential; still the presence of only one NGO is not adequate.

..... even if people are aware, they lack an organization, a place which could provide a support to them, raise their issue to the respective authorities....(Mr. K. Thapa, 14th Jul 05).....

The view of government official makes clear that, Nepal does not have a good organizational setup for the housing cooperatives. There are not special organizations established for the provision of housing cooperatives yet, neither at national level nor at the local level. The process of training, education and continuous support from the organization is very important for housing cooperatives. The recent smaller initiatives for training people are a positive side, yet it is not sufficient. People have showed that if training is provided, they can take part in designing to the implementation, but there is lack of capacity building opportunities through a proper organisation.

4.4 Other Major Issues

Beside the potentialities and hindrances lying in the above mentioned three aspects: Housing policy/ Legal framework/ Institutional structure; Financial Mechanism; and Organizational Aspect, some other important issues were identified in the field work.

Awareness

The theoretical framework describes that housing cooperatives are formed when people having a common need of housing organise themselves together and act collectively to tackle the situation. They should have a common bond which can tie them up together. In this regard, awareness plays an important role. As described in the literature, housing cooperatives are not oriented towards the profit, they are an association formed and operated for the benefit of those using it. So before being a member of this scheme, the awareness of the members who are going to be its member is important.

The present condition of Kathmandu shows that, the awareness among the poor people about the collective use of land and building is increasing.

.....I can make you sure that people, who are in greatest need of housing, are aware enough in the cooperative approach. Lumanti is also providing some awareness campaign, training programs on this matter as our vision is also to establish housing cooperatives..... (Ms. L. Manandhar, 21st Jul 05)

The efforts made by Lumanti so far in the sector of organising people, create saving schemes and cooperatives can be taken as the first step toward housing cooperatives. It gives a strong potential for the development of housing cooperatives. It has provided awareness campaigns and educational seminars to the urban poor.

The major drawback lying is that the effort of single NGO is not enough. More educational programmes through proper organisational set-up are required in order to incorporate more number of people; but these things are missing in Kathmandu.

Owner Building System

From the early time, owner built system is in practice in most of the part of the country, including Kathmandu. In order to able to afford a house in Kathmandu, even people working in public and private offices have to save money for a long time.

.....The concept of co-operative in housing is weak because of the practice of owner built housing system. People can afford land by themselves as one can buy 79.51 m² of land and construct a house in an incremental way.....(Mr. K. Thapa, 14th Jul 05)

With this type of view, a question arises: Are all level of populations able to afford a house in their individual effort? The answer is no. the affordability of people is much lower than the cost of housing. In such a scenario, the concept of cooperatives is being introduced slowly. The example of resettlement of 36 household in Kirtipur has already opened the door for the cooperative approach so far. Moreover, literature defines that cooperatives are not the only form of affordable housing to poor. Rather it is one of the alternative solutions which has already been practiced successfully in many developing countries.

The positive side for the development of cooperatives in Kathmandu is that, especially lower income people have realised about the possibilities of collective use. The government official also has a positive view in the joint effort of housing through cooperative scheme.

.....But the scenario is being changed. Slowly the cost of land and housing is increasing. The affordability of the people for better house is decreasing. Then co-operative (joint effort) will be introduced as the solution to housing... (Mr. K. Thapa, 14th Jul 05)

Taxation System

According to the information from the interview with Mr. Thapa, DHUD, there is a comparatively high tax in Nepal for the planned areas than the unplanned areas. The planned areas refer to the land pooling areas. It is easy to get any type of facilities in the unplanned areas and the cost is low. So may be people take cooperatives as the planned areas and do not want to go for it.

This is also basically an awareness issue, because from the theoretical framework it has been found out that, in most cases, members of housing co-operatives are considered homeowners for income tax purposes, and therefore receive the same tax benefits that homeowners receive. In the cases of Uruguay and India, the members of cooperatives pay less tax than the individual house owners as every facility is collective. The educational programs can make people aware of such benefits and it can act as a potential for the housing cooperatives.

Mutual-aid and Self-management

Study shows that the mutual-aid and the self-management are the important factors of the housing cooperatives. These are the special elements which enhance the solidarity, unity, equity and equality among the members of any housing cooperative scheme. In the same manner the culture of Kathmandu, based on the self help and mutual aid is a potential for the development of housing cooperatives. The practice of self management and mutual aid enhances to reduce the administrative cost. In Nepal, there is a high potential to utilise even the sweat equity, for the development of cooperatives.

..... Many of them are working in construction sector as a labor. So if we could train them and utilize their skill in construction, it would help a lot to save a large amount of money. Hence mutual aid after proper training to men and women will play a role to reduce the cost of the project so it will be beneficial.....(Ms. L. Manandhar, 21st Jul 05)

After all, the process of housing cooperatives include some sort of capacity building, which could be beneficial on the long run of people themselves.

Cooperative: As a political and a social movement

Literature has defined that, for the successful implementation of cooperative schemes, a strong commitment from both parties; the government and the people is necessary. Recently there was a “**Conference of chairmen of National Co-operative Movement**” in 2nd July, 2005. The conference stated that:

.....Since the implementation of Co-operative Law in 2048 B.S. the growth of co-operatives has shown encouraging signs and has served to do away with disparities in the socio-economic sector in an effective manner .Co-operatives are particularly suited to the needs of the developing countries like Nepal where development activities have virtually stagnated due, in part, to the lack of awareness and of opportunities. Keeping this in mind Vice-Chairman of the Council of Ministers Kritinidhi Bista while inaugurating the second conference of chairmen of National Co-operative Movement of Women on the role of women in co-operative movement of Nepal has laid appropriate stress on the fact that co-operatives can be effective tools in alleviating poverty.....(The Rising Nepal, 2nd Jul 05)

In the conference, there was a commitment from the government to provide a clear-cut policy for the expansion of the co-operative movement in an effective way, in almost all development sectors. Government will be a strong supporter and facilitator for this movement, and removes all the legal hindrances which are acting as a barrier for the development of cooperatives.

This type of political movement and the willingness of people to be organized and working together in a collective way are positive signs for the housing cooperatives too. It can be said that people are aware enough about the scheme and in the presence of good policy and strong legislation, there is a strong potential for housing cooperatives as well.

4.6 Housing Cooperatives: in the perspective of professionals

The interviews conducted with the professional from the government and the professional working in an NGO gave a broader perspective about the possibilities of the housing cooperatives through mutual aid in Kathmandu and other bigger cities of Nepal. Both from the government level and the NGO level, there is a vision in developing housing cooperatives. They are optimistic about cooperative scheme in housing yet they have a different vision.

Existing settlements and new settlements

In the government level plan, they are going to introduce cooperative approach in providing titling of land to the slum dwellers.

.....housing co-operative could be a solution, especially to the poor people of the urban areas like Kathmandu. For example, especially in the slum/ squatter areas, our government is planning to give titling of land which they are occupying right now. But the area of land, every family is occupying is very uneven. Some families are occupying even 1 ropani (about 500 m²) of land. So if we provide titling to those families, they will immediately sell the property.(Mr. K. Thapa, 14th Jul 05)

So the titling of land in the name of individual is not very advantageous. In such case, the government could provide ownership on a collective basis with the concept of co-operative. The land belongs to the cooperative and people will get the ownership of only the individual houses. In their view cooperative approach could prevent the slum dwellers from selling the land and squat in some other areas.

Whereas, Lumanti has a vision to create housing cooperatives in near future, and they are willing to introduce this concept for the new settlements; involving people from the planning to implementation stage.

..... The ultimate goal of Lumanti is to establish housing co-operatives as it propagates people to participate in the housing with sufficient infrastructure. People could practice self management and have a secure tenure for themselves.....(Ms. L. Manandhar, 21st Jul 05)

Both the cases conclude that, there is a potential of developing housing cooperatives. The government is planning to introduce it in the already occupied land by the slum dwellers. Lumanti is working towards to create housing opportunities to the urban poor through cooperative scheme.

The analysis gives a clear picture about the possibilities of developing housing cooperatives through mutual aid. It has also made clear about some of the crucial elements for the development of cooperatives with the studies from Uruguay and India. In the mean time, it analyzed the condition of Nepal with a broader understanding of various issues serving as a

potential and barriers for the development of housing cooperatives. It has been found out that, a lot of steps have to be started from the beginning and some issues from policy level should be modified. The next chapter discusses about the conclusion and recommendation for the development of housing cooperatives.

Chapter 5: Conclusions and recommendations

The current study shows that the development of housing cooperatives is not an immediate solution, rather it requires certain basic elements, and they act as a platform for the proper functioning of the cooperatives. On the basis of the theoretical framework and the case studies of Uruguay and India the following important conclusions were drawn:

- The starting point of the development process of cooperatives is the housing policy. In the both cases, housing policy has given clear directions for the functioning of the cooperatives. The policy has set certain articles which have made clear guidelines for implementation strategies, with the defined roles and responsibilities of the various actors at the various levels. The particular housing cooperative law has a strong legal support. The functioning of housing cooperatives is under a well developed institutional structure.
- Both the cases of Uruguay and India have a well developed financial mechanism and that is one of the reasons behind the success in housing cooperative scheme. In Uruguay the internal fund was collected through the member's fund and the sweat equity; every household has to work 21 hours a week. Whereas in India 10-20% of the fund was collected by the saving of the members. Then for the remaining amount, they can access to any type of public or private banks.
- Another important element which acts as the foundation for the development of housing cooperatives is the properly developed organisational aspect. The organisations FUCVAM in the Uruguay and the NCHF in India are the stepping stones for the development of cooperatives. The organisational development gave an identity to the cooperative scheme in housing. Further it created a technical assistance team. People got opportunity for the capacity building through training and be able to practice self management and mutual -aid.

Hence from the case studies of Mutual-aid housing cooperatives of Uruguay and the Housing Cooperatives in India, the research could identify the basic elements required for the development of housing cooperatives: Housing Policy/ Legal Framework/ Institutional Framework, Financial Mechanism; and Organisational aspect with the help of the theoretical framework, the experiences of the case studies and the interviews with the professionals from the experiences in Kathmandu, potentiality of housing cooperatives in Nepal was concluded.

Is there a potential?

The case study of Kathmandu shows that, there are smaller initiatives already started for the housing cooperatives. As there is only one general law for cooperatives and not separate housing cooperative law, the cooperative like initiative has started under the general cooperative principle. But as described in the literature, the general cooperative law cannot tackle all the specific needs of housing cooperatives. The resettlement program of 36 families in Kirtipur shows that there is awareness among the people in the collective use of land. The new cooperative bank and UCSF has encouraged people to save money and made them able to access to loans for the provision of housing to some extent. The experience of the NGO working towards the better housing of the poor people and the awareness of people to the collective use of land and building shows that there is potential of housing cooperatives. In the mean time, the willingness of government staff also to formulate housing cooperative law if people demand has a lot of positive signs. Nevertheless, the initiatives towards housing cooperatives are restricted to take its full speed by some hindrances. The major barriers lie in housing policy, financial mechanism and organisational aspects. For the real implementation

of this scheme, there is need of certain important modifications. The various recommendations for the housing policy/ legal framework/ institutional structure, financial mechanism and organisational aspects are discussed in the next section

5.1 Recommendations

As noted by David Rodgers at the International Conference on Co-operative Housing,(1999), possibly the most effective intervention that can be made in respect of supporting co-operative housing is "**education, education, education**". In the case of Nepal also, education is one of the most necessary things. A shift in the policy level seems important for the promotion of housing cooperatives. It is time for government to recognise the people's interest of organised solution to the common need. Furthermore following recommendations can be formulated for the development of housing cooperatives.

Housing Policy/ Legal Framework/ Institutional Structure

The case study of Uruguay and India shows that for the proper functioning of housing cooperatives, housing policy must act as an initiator. Under the clearly defined guidelines, roles and responsibilities of the policy, housing cooperatives can perform well. Housing policy must recognise housing cooperative as one of the alternatives for providing housing to lower income group of the society. Some of the recommendations in the case of Nepal are as follows:

- The Shelter Policy of Nepal should be revised and reformulated. While reformulating it should incorporate the housing problems in urban areas with a special focus. Housing Policy must create an atmosphere of promoting alternative solutions of housing for urban poor, and encourage smaller initiatives through innovative methods
- Housing Policy should clearly define the roles and responsibilities of different urban actors at different level of implementation phase, so that it can create a clear picture for who is responsible for what
- From the National Government Level, 'Housing' must be identified as one of the priority sectors for the development. As described by the literature, 'Housing' does not only mean the house, rather it includes the whole living area with basic facilities. It can ensure a better living standards thus by helping to Poverty Alleviation which is one of the main target of our government.
- Though, the Shelter Policy of Nepal has an article regarding the promotion of cooperatives, it lacks guideline for implementation strategy. Hence policy must be reformulated to promote the cooperative concept by providing clear guidelines for its development
- The Housing Policy must therefore provide for Institutional space for cooperatives as part of the overall shelter strategy. Indian Housing Policy plays a good example on this matter as 'Cooperative' is one of the three important institutions for housing delivery along with the Public and Private Institutions.
- In Nepal, it is essential to have a separate Housing Cooperative Law in the general Cooperative Law. General Cooperative Law cannot provide adequate guidance for housing cooperatives as it has some specific needs.

- In Nepal there are shortcomings in the institutional structure, hence a policy from the National Government Level, defining roles in each level of government; The National Government, Local Government and Municipal level for the housing provision for all level of population must be developed. In doing so, a clear direction to the private sector, NGOs, and professionals is needed.
- Government must recognise the people's effort of solving the problem collectively as people have already showed interest on it. They should be encouraged and got proper guidance within a proper legal framework.
- In most of the developing countries, NGOs and CBOs are playing a significant role in identifying the real need of housing of the poor people. In the case of Nepal NGO, Lumanti is playing an important role. So these types of NGOs should be promoted and Government should work in harmony with these NGOs in the formulation of policies.

Financial Mechanism

Finance, the key element for implementation of any scheme is one of the most important aspects for the housing cooperatives as well. In the absence of well-developed financial mechanism, cooperative sector cannot perform at all. Housing cooperatives demand a special type of financial mechanism, as most of the housing cooperatives depend heavily on the loans from the banks. In Kathmandu, this type of development has not taken place yet. The collective effort of people for housing loans has not been recognized by the formal private and public banks. The experience of Uruguay and India shows that government has played a crucial role for providing loans to these cooperatives. In the case of Nepal also, a sort of government intervention is imperative. Some of the recommendations are as follows:

- Saving and Credit Societies which are currently emerging in Kathmandu and their union needs a separate legislation to align them with Financial Institutions.
- The saving and credit unions, later on can work as a Cooperative Bank and it can play a major role in providing loans to the housing cooperatives, hence they need to be encouraged and supported. They provide loans as minimum interest rate than the Commercial Banks with their stringent rules thus making lower income people inaccessible to the loans. Saving and Credit societies are the most sustainable way of financing Housing Cooperatives as described by the UNCHS, and there are increasing number of such schemes in Kathmandu nowadays.
- There must be a well-functioning financial mechanism that can provide both short-term construction finance and long-term loans to be paid through regular repayments.
- More educational programmes in the poor communities to make them able to understand the power of savings. They should be promoted to save on the monthly basis.
- The people have been organised to collect the internal fund for the cooperatives, but internal fund covers only a small overall percentage for the housing cooperatives. Hence government must prepare policies in a way to promote private banks to take part in providing loans to the lower-income group. Public and public financial institutions must recognise the joint effort to tackle the housing need, so they must be able to access to loans.

- Specifically in respect of the funding framework, Mr Paul Mashatile (1998) noted that "Government, together with its other funding and development partners, must devise innovative ways to fund these types of developments." This must be applicable to the case of Kathmandu as well.

Organisational Aspects

It is almost a proved fact that, without a proper organisation, the speed of housing cooperatives cannot accelerate. Only an appropriate organisational structure can act as a proper platform for the development of housing cooperatives. The experiences of Uruguay and India have already proved this fact. In the lack of well developed organisational aspect housing cooperative scheme cannot take a proper shape. As this is one of the major hindrances in the case of Kathmandu, some recommendations are as follows:

- There is a need of organisational hierarchy from the national level to local level and act in harmony with one level to the other.
- This organisation must provide training to the professionals, as housing cooperatives demand a specially trained professional in the fields of construction engineering, architects, lawyers, social workers and accountants.
- With these trained professionals, it is important to create a 'Technical Team', which will be an integral part in the implementation process of housing through cooperatives. This team will provide continuous training and education to the people to enable them to participate in decision making and active participation.
- So NGOs like Lumanti should be promoted and Government should work in harmony with these NGOs in the formulation of policies.
- The example of Kirtipur Resettlement Project shows that if people got opportunity to get training, they could perform it very well. Hence with a joint effort of Government, NGO and Technical Institutions, more training and awareness campaigns must be conducted. This will help in the capacity building of the poor people and they can participate.

Moreover continuous awareness through educational programs regarding the benefits of housing through cooperatives is always necessary. People should understand the tax benefits and the availability of basic urban services

5.2 Areas for Further Research:

This research focussed only some important aspects of the housing cooperatives with a general view. The purpose of this thesis was to bring attention to explore innovative solution for the affordable housing; through the development of housing cooperatives. Internationally, housing cooperatives are being used as one of the basic solutions to provide housing to low income people. Hence more research on the subject from other angles could help formulate a comprehensive understanding of the different issues related to the housing cooperatives an instrument to ameliorate the housing challenges faced by the low income groups in Kathmandu. Some suggestions for further research are:

- A more detailed research on the housing policy for promoting housing cooperatives
- Research focussed on the Housing Cooperative Law suitable for Nepal
- Research on designing institutional structure for the housing cooperatives

• Table 4: The comparative analysis of potential and hindrances with recommendations

• Potentials	• Hindrances	• Recommendations
• Housing Policy/ Legal Framework/ Institutional Structure		
<ul style="list-style-type: none"> • article for cooperatives • Housing policy cooperative history • NGO • Smaller initiatives • 10th five-year plan 	<ul style="list-style-type: none"> • ‘Housing’ not a priority sector • No evaluation and reformulation • Less attention to Urban issues • Lacks role and responsibilities • No guideline: financial institutions • No Housing Cooperative Law • Lack of appropriate Institutional structure 	<ul style="list-style-type: none"> • Housing: A priority sector of development. • Revision of housing policy • More attention to urban housing • Housing cooperative law • Policy with clear division of roles and responsibilities • Guidance to financial institutions • Smaller initiatives must be recognised • Good institutional support is essential • Clearly defining who is responsible for what
• Financial Mechanism		
<ul style="list-style-type: none"> • saving schemes • saving schemes to cooperatives • cooperative bank • UCSF • Internal fund for cooperatives 	<ul style="list-style-type: none"> • Formal banks do not recognise collective approach for loan • Underdeveloped financial structure • No provision for loan for lower income people • Financially very weak Housing Department • No external fund for cooperatives till now 	<ul style="list-style-type: none"> • A policy to align saving schemes with the financial institutions • Incentive for public and private banks to provide loans to poor people • Promotion to cooperative banks • Formal banks must identify the organised effort of people • Promote people to save • Well external funding opportunities for cooperatives are needed.
• Organisational Aspects		
<ul style="list-style-type: none"> • one NGO • cooperative like approach • People have organised 	<ul style="list-style-type: none"> • No organisations • Government: not any role • No technical assistance body • Professionals are not trained separately • one organisation not enough • Lack of capacity building 	<ul style="list-style-type: none"> • NGOs should be promoted • Trained professionals are required • More capacity building opportunity is needed • Good hierarchy of organisational development is necessary • Government must facilitate the organizational development
• Awareness		
<ul style="list-style-type: none"> • Awareness • Political movement • Government commitment 	<ul style="list-style-type: none"> • Not able to cater every people in need of house • Some sort of gap between people’s desire and governments activity 	<ul style="list-style-type: none"> • The awareness and the desire of tackling housing need must be encouraged • Commitment from the government should continue even in implementation phase
• Owner Build System		
<ul style="list-style-type: none"> • Tendency to afford houses individually is 	<ul style="list-style-type: none"> • Till now it is the most used method for house construction 	<ul style="list-style-type: none"> • Education about the possibility of cooperative houses
• Tax System		
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Misconception: planned area; high tax 	<ul style="list-style-type: none"> • A Change in tax policy must be done

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ANNEXURE 1

Questionnaire to Mr. Kishore Thapa, DHUD

1. **What are the policies regarding the provision of housing to the urban poor?**
-Does Nepal have today some particular policies to answer the housing needs of the low and lowest income groups? Which are the most relevant?
-Do you think that current housing policies in the country give an appropriate framework to meet the housing needs of the poor? Why?

Nepal is introducing some policies directed to the urban poor. Nowadays, land pooling for providing basic infrastructure is common. So, government is about to introduce policies that in every land pooling project, certain plots to be left to the urban poor. Now, the problem in housing is due to internally displaced people who migrate to urban areas and end up in squatter/ slum areas. Housing policy raises some issues for providing housing to poor, but in implementation due to low financial condition of our government. In budgeting 'HOUSING' is not a priority sector, as Security, Health and Education are the priority sectors. So budget for housing is very low.

2. **The National Shelter Policy in one of its clause states that, “introduce legislations and regulations concerning condominium, co-operatives and lease hold tenures”, are there any implementation strategies for this policy in co-operative sector?**
Are there some particular steps already made to introduce legislations and regulations concerning housing co-operatives? Which?
-What do you think on the steps done as far on this question?

According to 'National Shelter Policy' some legislation have been developing in condominium sector. When private developers came into housing field and started constructing apartments, then separate 'acts for apartments' was approved. Leasehold system is in practice but in a limited number. But for 'co-operatives' in housing, implementations strategy, from the government level has not been developed yet.

3. **Are there any special measures to promote the activities of co-operatives in housing in the country?**

We do not have any special measures as such, but if people approach us with this concept, we will encourage and support them.

4. **Why the concept of co-operative in housing is still very weak though it has already proved to be the best option in other sectors, and co-operative movement and collaborative practices are not new in the case of Nepal?**

The concept of co-operative in housing is weak because of the practice of owner built housing system. People can afford land by themselves as one can buy 79.51 m² of land and construct a house in an incremental way. But the scenario is being changed. Slowly the cost of land and housing is increasing. The affordability of the people for better house is decreasing. Then co-operative (joint effort) will be the solution to housing.

5. **I did a case study in New Delhi, where the co-operative approach played a vital role in the supply of housing stock especially to the poor people. Indian Housing and Habitat Policy highly encourage and recommend the co-operative approach. Not only in India, large number of countries of developing world, have already used this concept. Do you**

6. think that housing co-operatives could be a solution for housing the poor in Nepal as well? Why?

Yes, housing co-operative could be a solution, especially to the poor people of the urban areas like Kathmandu. For example, especially in the slum/ squatter areas, our government is planning to give titling of land which they are occupying right now. But the area of land, every family is occupying is very uneven. Some families are occupying even 1 ropani (about 500 m²) of land. So if we provide titling to those families, they will immediately sell the property. So the titling of land in the name of individual is not very advantageous. In such case, the government could provide ownership on a collective basis with the concept of co-operative.

7. The shelter policy of Nepal also raises the issue of co-operatives, but in practice there are no co-operatives in housing as far. What are the major limitations which are hindering its development? Why our government does not stimulate this concept in Nepal? What are the hindrances behind it?

The major hindrances for the development of co-operative in housing sector could be taken as the low financial condition of the government. Like your example in India, first of all government has to acquire land but our government is financially very weak. Other major problems could be either people are unaware that collective use of buildings and land could be one of the affordable solutions to them. On the other hand even if people are aware, they lack an organisation, a place which could provide a support to them, raise their issue to the respective authorities. Though both National Shelter Policy and tenth development plan of Nepal are in favour of co-operatives, there is lack of implementation strategies. They only state the concept but do not tell how to achieve it practically. In Nepal, tax (for basic amenities) in planned area is high in compared to unplanned areas. It is cheap to afford basic facilities in unplanned area. So people may take co-operatives as a planned area thus being afraid to go for it. Hence a review in the taxation system seems to be important.

8. Which policies or other requirements (social, political, economic, institutional) are needed to encourage co-operatives in housing in Nepal? Should our housing policy be modified or there are some other strategies in policy implementation that are needed for making housing co-operatives an alternative solution in Nepal? Which?

In order to encourage co-operatives in Kathmandu, a change in the economic policy and institutional policy is required. First of all, housing department is financially weak in order to implement its plans and strategies. Secondly, a good financial system through banks or other financial institutions are important. Good institutional development for providing loans to the poor people if they organise has not been developed yet. So a reform in these policies could play a significant role in the development of housing co-operatives.

9. Which kind of contribution do you think researchers and other professionals in the housing field could do to make housing co-operatives possible in Nepal?

Before establishing the co-operatives, it is essential to have a study/ research. The research could be helpful even to the professionals. For this researchers or professionals should understand the real housing need especially low and very low income group of people. The increasing price of land and construction in Kathmandu is responsible for the low affordability of the people with more and more people in the informal settlements every year. In such a scenario, housing co-operatives can act as means to provide houses to poor people. Similarly, people who are working in housing sector and policy makers have to look various alternatives from the experiences around the world. In order to promote housing to poor people, housing co-operatives could be one of the alternatives. Again good organisations, NGO are important in its development.

ANNEXURE 2

Questionnaire to Ms. Lajana Manandhar, Lumanti

- 1. Are the policies put forward by the government regarding the provision of housing to the urban poor adequate enough?**

Not at all. Our housing policy was prepared in 1996 and till now it has not been renewed. From 1996 to 2005, Kathmandu and other urban areas has faced a lot of challenges in the housing sector and specially to the poor people. On the one hand more and more people migrate to the cities, every year and they are squatting in vacant lands without any basic amenities. On the other hand policies from government level do not guide anything for the housing for urban poor. The increasing number of informal settlements is the result of this. So I can say that our policies are not even able to address the problem of housing then how can they be adequate? They are not prepared enough to face these challenges.

- 2. Your organisation has been working for the low income group, what do you find the most important issue to be addressed for them? Do you think housing is one of the major issues to be addressed?**

Yes. Lumanti is working with the grass root people (especially squatters) who are actually in need of housing. There are many issues to be addressed. And I think housing is most important of all. If their situation in housing could be improved, a lot of other issues would be automatically improved. Because, Lumanti takes a good living environment, sanitation, water supply and ventilation as part of “housing”. Housing for poor doesn’t only indicate a single house, but all the surrounding and infrastructure required for it. So provision of housing is one of the biggest issues for urban poor in current situation.

- 3. By your experience what do you think about the awareness of the people in the collective use of land and building? Are people aware that common ownership in housing could be one of the solutions for their need?**

My experience of more than 10yrs, working with poor people shows that people are aware enough for the collaborative use of the land and building. I think for a country like Nepal, housing co-operatives is one of the best solutions for providing housing to the lowest level of people. Lumanti is promoting and practising this concept to some extent. For example, currently there is the first relocation programme for the squatters of the bishnumati link road in kiritpur are in co-operative concept. In this program, 46 families are relocated. The land belongs to the co-operative and the houses are the individual property. People were provided loans for the building with an interest rate of 5%. The loan can be paid in monthly instalment basis. As soon as they pay the loan they will get the ownership certificate of the house.

- 4. According to one of your bulletins I found that you are helping the deprived community to come into co-operatives saving scheme, is it possible to motivate them to form co-operatives to solve their housing problem?**

Lumanti is motivating poor people to save. It is promoting specially women of every house hold to save on a monthly basis. There are numerous societies for these saving schemes. Some of them have already turned into co-operatives. There is one example of co-operative bank named gyan jyoti co-operative bank. The ultimate goal of Lumanti is to establish housing co-operatives as it propagates people to participate in the housing with sufficient infrastructure. People could practice self management and have a secure tenure for themselves.

- 5. In other countries it is seen that saving schemes later on turn into co-operatives. In that moment government intervention in formulating new policies is necessary. At which position do you think are these saving schemes in Kathmandu?**

In the case of Nepal, till now government does not have any special strategies for the housing cooperatives. Our tenth five-year plan also raises the some issues for the development of housing cooperatives but till now there is no single initiative on it. We feel that housing cooperatives are the ultimate solution for the housing to the urban poor. So we are trying to establish it on our own effort. Till now our government has not played any role in this sector. There is one cooperative law and we are working on its respect. As I told you earlier, the concept of cooperative in housing is being practiced without any special policies, guidelines and strategies from the government level. We will continue as our housing condition for urban poor is in worst condition.

In Kathmandu, some schemes have already turned into cooperatives and started providing loans for housing. So, in a near future, we will demand some policies and implementation strategies for housing cooperatives.

- 6. If people become aware enough to form co-operatives in housing do you think that the policies are enough? If not what type of modifications are necessary?**

I can make you sure that people, who are in greatest need of housing, are aware enough in the cooperative approach. Lumanti is also providing some awareness campaign, training programs on this matter as our vision is also to establish housing cooperatives.

If we talk about modifications, many things have to be started and some other things have to be modified. Still a lot has to be done. Till now almost nothing has been done for the urban poor. First of all, government has to include the needs and problems of urban poor in their programs. They have to consider these people as legitimate citizen of the country. Again, poor people have to organise themselves and start saving on a regular basis, as much as they can. They need an organisation to help and promote and make them aware of their housing rights and Lumanti is trying to work in this sector. Further policies should include alternative housing to urban poor with a special attention. A good institutional framework is needed. Similarly financial mechanism for these people has to be established.

Furthermore, policies should be able to direct the role and responsibility of various urban actors like government, private sector, community, educated people of the society and even poor people to play a significant role.

- 7. You have been working with the grass root level of people in the need of an affordable housing. On this experience how can you define their HOUSING NEED? They are not in a position to solve their housing need themselves so as an NGO how are you helping them in order to provide a shelter?**

There is a tremendous need of housing for the poor people. These people are living under plastic tents. The place lacks even basic amenities. They cannot access any type of loans from banks or any other financial institutions. So our organisation is now making them aware to be organised and act in collective way to solve a common need. We are quite successful in making them organised. The increasing number of saving societies and cooperatives prove this fact. We are proceeding forward to form cooperatives in housing as well.

- 8. In practice, what type of financial mechanism has been developed so far? How people have been able to get loans for housing and other improvements because you said that these people cannot access Public or Private Bank loans. If Housing cooperatives are formed, what type of financial mechanism should be developed?**

Nowadays 3 - 4 saving cooperatives have established a bank. This bank is attracting other people to deposit their money on this bank with an interest rate of 12% in fixed account. This is an innovative way to collect resources and utilize it into the housing need of poor people. Moreover in today's scenario, many poor people have saved a lot of money and some of them can even buy land. Moreover, Lumanti also provides loan to the needy people from its revolving fund.

For housing cooperatives, I think a special financial mechanism is necessary. Public and private banks should recognise the combined efforts of poor people. Government also should provide certain guidelines and incentives to the financial institutions. Till now, these people are seen as the risky group.

9. **I have found that in some countries, there is mutual-aid in Housing Cooperatives and people themselves work in construction. In some other countries people themselves do not work in construction phase. In your opinion what type of cooperatives would be beneficial for Kathmandu?**

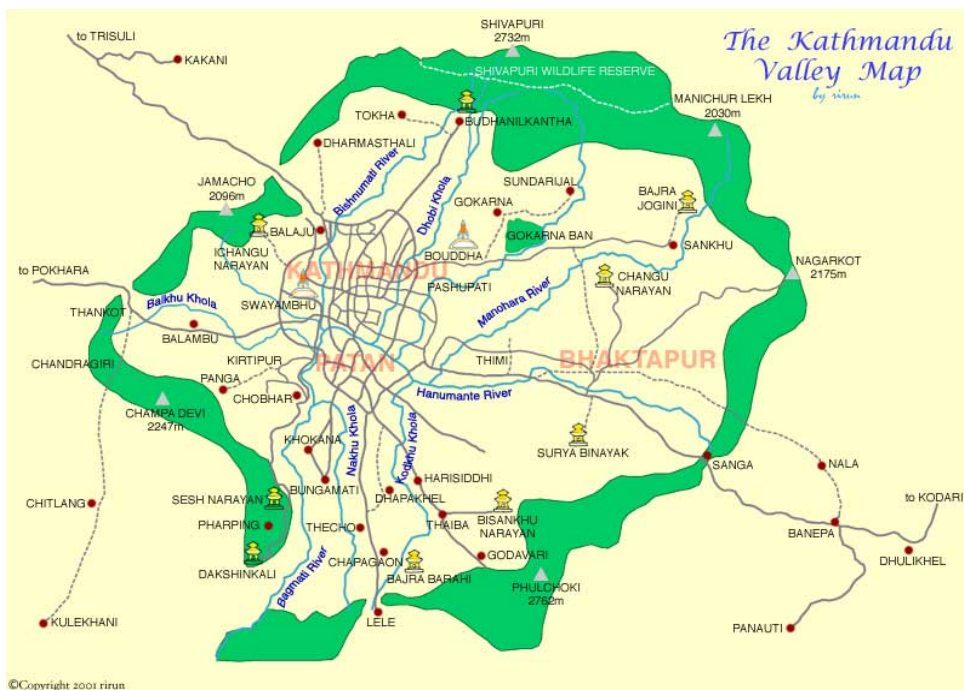
In the case of Nepal, right now the cooperative approach would help to provide housing to the lowest group of people. Many of them are working in construction sector as a labour. So if we could train them and utilise their skill in construction, it would help to save a lot of money. So after proper training to men and women will play a role to reduce the cost of the project through mutual-aid and it will be beneficial.

ANNEXURE 3

Map of Nepal and Kathmandu Valley



Map Source: www.kathmandu.gov.np



ANNEXURE 4

Low Income Settlements in Kathmandu Valley

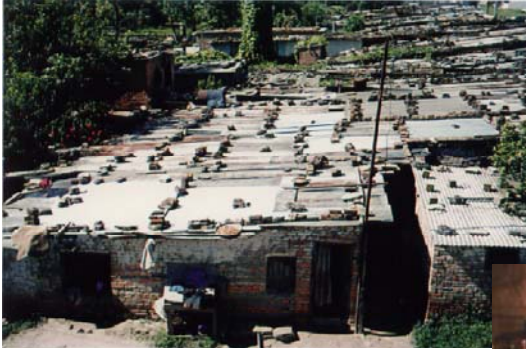


Photo Source: Brajesh Dev



Photo Source: Prarthana Sherchan

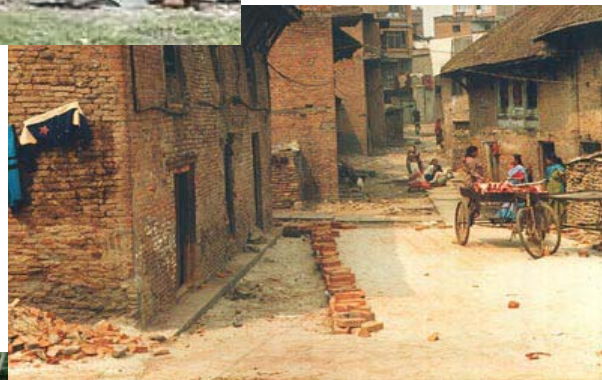


Photo Source: Prarthana Sherchan