

# Report of “Colloquium on contribution of the co-operative sector to housing development”

convened at Ankara Hilton Hotel, Turkey  
27-28 June 2002

United Nations Human Settlements Programme (UN-HABITAT)  
United Nations Economic Commission for Europe (UNECE)  
International Co-operative Alliance (ICA)  
Housing Development Administration, Turkey (HDA)  
Central Housing Co-operative Associations in Turkey (TÜRK KONUT)

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Nairobi, Geneva and Ankara, 2002

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# Preface

*... Governments should take appropriate action in order to promote, protect and ensure the full and progressive realization of the right to adequate housing. These actions include, ... (c) Adopting policies aimed at making housing habitable, affordable and accessible, including for those who are unable to secure adequate housing through their own means, by, ... (iii) Supporting community-based, cooperative and non-profit rental and owner-occupied housing programmes ... (Habitat Agenda, paragraph 61).*

The Habitat Agenda – the goals, principles, commitments and global plan of action adopted at the Second United Nations Conference on Human Settlements (Habitat II), convened in Istanbul, Turkey, 3-14 June 1996 – contains extensive references to the co-operative approach to shelter development. It calls for increased Government support to co-operatives in the housing sector and for increased co-operation between the United Nations system and the co-operative sector.

The Habitat Agenda regards the co-operative sector as a major partner in terms of implementing the enabling approach. The principles of partnerships, participation and transparency are also major components of both the Habitat Agenda and the co-operative approach. Furthermore, the Habitat Agenda notes that co-operatives have an important role in terms of promoting social integration and to remove barriers and eradicate discrimination in the provision of shelter.

These concerns are highlighted in the theme of the 80th International Co-operative Day / 8th United Nations International Day of Co-operatives (6 July 2002) — “Society and Co-operatives: Concern for Community”. In his message on the occasion of this day, the United Nations Secretary-General Kofi Annan noted that “[c]o-operatives support social cohesion and stability and give life to the concepts of corporate responsibility and citizenship. They provide essential services, ranging from housing to health care, that strengthen community development.” The message of the ICA on the occasion of this day reflected these views, and went on to state that “[I]f co-operatives are able to be concerned with and have an impact on the community, it is because they are competitive and effective enterprises. Their success in the market allows them to make a difference in people’s economic, social and cultural lives. It is for this reason too that it is in the interest of governments to provide an enabling environment for the development of co-operatives.”

The “Colloquium on contribution of the co-operative sector to housing development”, in Ankara, Turkey, was convened to address the Habitat

Agenda's calls for collaboration between the United Nations system and the co-operative sector. The Colloquium sought to draw on the capacities and mandates of relevant United Nations organizations (such as UN-HABITAT and UNECE), the International Co-operative Alliance, but most of all, of the various practitioners in the field and researchers – in terms of their experiences with implementing a co-operative approach to shelter delivery and to the management, maintenance and revitalisation of housing stocks.

The Colloquium was convened to evaluate diverse housing co-operative experiences in various countries, with particular emphasis on the realities in Central and Eastern Europe, where privatization of public assets in many countries has led to the transformation of co-operative housing into condominiums, quite often without due attention being paid to management and maintenance issues. The Colloquium was thus convened to exchange experiences and allow participants to learn from the successes and mistakes in other countries. Most importantly, however, the Colloquium sought to lay the foundation for future exchange of experiences between the various stakeholders in this field.

Did the Colloquium achieve its objectives? As the Chair of the concluding session noted, the Colloquium was quite successful in terms of addressing its first two objectives, e.g. facilitating exchange of information and experience, and understanding the challenges and possibilities of the co-operative approach. The most important outcome of the Colloquium, however, was its contribution to addressing the third objective, namely the improved co-ordination and collaboration between stakeholders in the co-operative housing sector. A definite assessment of the Colloquium's achievements with respect to this objective is not possible today. The continued exchange of ideas among the participants and others in the future is the only true yardstick against which the success of the Colloquium can be measured.

UN-HABITAT, UNECE and ICA will continue to collaborate on issues related to co-operative housing development. The organizers are confident that they, but more importantly the participants themselves, will continue building on the network of colleagues and friends that was initiated in Ankara.

United Nations Human Settlements Programme (UN-HABITAT)  
United Nations Economic Commission for Europe (UNECE)  
International Co-operative Alliance (ICA)  
Housing Development Administration, Turkey (HDA)  
Central Housing Co-operative Associations in Turkey (TÜRKKONUT)

## Acknowledgements

The production of this report and the successful outcome of the Colloquium owes a lot to the hosts TÜRKONUT and HDA. Particular appreciation goes to HDA President Mr. Tuna Turagay, TÜRKONUT President, Mr. Yılmaz Odabaşı, and Director General, Mr. Selahattin Örf; and to Ms. Oya Çetin of HDA and HDA Consultant Professor Ali Türel. Without their excellent organization and ability to make all participants feel welcome and at home, the Colloquium could not have been so successful. A particular appreciation also goes to Repino Turizm, the organization that acted as the Secretariat of the initiative, who with their numerous staff made the Colloquium an event to be remembered.

This report owes a lot to the Rapporteurs of the five sessions, as their reports form the basis for the substantive chapters herein: Ms. Şule Öngel, Dr. Claus Jürgen Hachmann, Ms. Elena Szolgayova, Mr. José Mateus and Mr. Inge Jensen. Their respective contributions owes a lot to the Chairs of the sessions: Mr. Hikmet Yılmaz, Professor Hans-H. Münkner, Ms. Doris Andoni, Ms. Gun-Britt Mårtensson and Mr. Selman Ergüden.

The contributions of the participants who presented papers, thus efficiently guiding the discussion of the Colloquium, are greatly appreciated, namely: Professor Hans-H. Münkner, Professor Ali Türel, Mr. Ivan Přikryl, Mr. Roy Berg Pedersen, Mr. Andres Jadla, Mr. Gert Gundersen, Mr. Vladimer Vardosanidze, Ms. Tatyana Lykova, Mr. Charlie Baker, Mr. Jerzy Jankowski, Dr. Claus Jürgen Hachmann and Ms. Margi O'Connell Hood.

Most of all, however, it is the participants that together made this a memorable event, not only substantively, but socially as well. Their contributions truly made the success of the Colloquium a co-operative effort.

The efforts of Professor Ali Türel, who collected and edited the various papers and prepared a draft that formed the basis for this report, is appreciated. Mr. Selman Ergüden and Mr. Inge Jensen, both of UN-HABITAT, finalised the substantive content of the report. Mr. Selman Ergüden, in addition acted as the Chairperson of the Steering Committee, which comprised of representatives from the organizing agencies and which finalized organizational matters, the agenda, themes and the list of presentations in the Colloquium. Ms. Christina von Schweinichen and Ms. Agnieszka Hada from UNECE; Ms. Maria Elena Chavez, Ms. Gabriela Sozanski and Mr. Jan-Eirik Imbsen from ICA also greatly contributed to the preparation of the event.

Special thanks are due to HDA for printing the report on behalf of the organizers.



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## List of acronyms and special terms

CHA	Co-operative Housing Associations (Norway)
ECE	(see UNECE)
EU	European Union
HCC	Housing Construction Co-operatives (Russia)
HDA	Housing Development Administration (Turkey)
ICA	International Co-operative Alliance
NBBL	The Norwegian Federation of Co-operative Housing Associations
NGO	Non-governmental organizations
OYAK	Mutual Help Organisation of Army Officers (Turkey)
PAT	Policy Action Teams (United Kingdom)
SEU	Social Exclusion Unit (United Kingdom)
TMO	Tenant Management Organisations (United Kingdom)
TÜRKKENT	Central Housing Co-operative Associations in Turkey
TÜRKKONUT	Central Housing Co-operative Associations in Turkey
UNECE	United Nations Economic Commission for Europe
UNGASS	United Nations General Assembly Special Session
UN-HABITAT	United Nations Human Settlements Programme
VAT	Value added tax

# Executive summary

**1.** The Colloquium was organized by the United Nations Human Settlements Programme (UN-HABITAT); the United Nations Economic Commission for Europe (UNECE); the International Co-operative Alliance (ICA); the Housing Development Administration, Turkey (HDA); and the Central Housing Co-operative Associations in Turkey (TÜRKKONUT). The Colloquium was convened at the Hilton Hotel in Ankara, Turkey on 27-28 June 2002.

**2.** The objective of the Colloquium was to stimulate development of the co-operative approach in the housing sector by:

**a.** Facilitating exchange of information and experience regarding the co-operative approach in the housing sector;

**b.** Understanding the challenges and possibilities that exist within the co-operative approach in different countries; and

**c.** Improving co-ordination and collaboration between stake-holders in the co-operative housing sector, to encourage the development of joint activities (including conferences, seminars, research and development programmes and projects).

**3.** The opening session of the Colloquium included a total of seven statements by representatives of the organizer organizations and host authorities:

**a.** The Colloquium was opened by a statement of the Chairman of TÜRKKONUT, Mr. Yılmaz Odabaşı. After welcoming the participants, he noted that the Colloquium was an important event in Turkey, as a follow-up to the Habitat II Conference that was convened in June 1996 in Istanbul, providing an opportunity to discuss achievements in line with the Habitat Agenda.

**b.** The second statement was made by Mr. R. Tuna Turagay, Chairman of HDA. He underlined the problems facing the housing sector in Turkey, and stressed the importance of co-operatives within the context of good urban governance, participation and partnership principles of the Habitat Agenda.

**c.** The opening statement of the Acting Director-General of ICA, Ms. Maria Elena Chavez, focused on past and current collaborative efforts of the ICA and UN-HABITAT in implementing the recommendations and the Programme of Action of the Habitat Agenda.

She also noted the importance in bringing UNECE in as a third partner in the efforts to promote co-operative solutions to housing problems.

**d.** The Deputy Director of the Environment and Human Settlements Division of UNECE, Mrs. Christina von Schweinichen noted that housing in the countries with economies in transition has been one major concern of the UNECE during the last ten years. She pointed out that various projects and programs have been developed by UNECE to assist these countries by providing expertise on solving problems related to housing and other urban issues.

**e.** The statement of Mrs. Anna K. Tibaijuka, the Executive Director of UN-HABITAT, was read on her behalf by the Acting Chief of Housing Policy and Development Section, Selman Ergüden. The statement underlined the fact that the co-operative approach embodies several of the main principles of the Habitat Agenda, in particular, the principles of enablement, participation and democracy.

**f.** Mr. Faruk Bal, the State Minister for Housing in Turkey noted that co-operative approach – which provides the opportunity of participation and collaboration of local communities and social organisations – is gaining importance.

**g.** Mr. Mesut Yılmaz, the State Minister and Deputy Prime Minister, underlined the importance of the co-operative sector in contributing to housing development and, consequently improving the quality of life.

**4.** The introductory session of the Colloquium included two keynote addresses:

**a.** Professor Hans H. Münkner focused on the changes in the co-operative approach in general and the new roles that co-operatives can perform in overcoming problems that are caused by globalisation. He summarised some of the problems that are encountered by co-operatives in transition countries, and indicated that new co-operative models for housing development are needed. Among such new models he elaborated on “multi-purpose co-operatives” and “multi-stakeholder co-operatives”.

**b.** Professor Ali Türel elaborated on the contribution of housing co-operatives to housing provision in Turkey. After explaining historical development of housing co-operatives in Turkey, he provided information on the contribution of the financial support provided by HDA, leading to a significant increase in the number of housing units built by co-operatives. Housing co-operatives, with their organisational

capabilities, should be regarded as important actors of good governance, provided that democracy and transparency prevails in their management and operation, and that well-functioning networks – comprising of co-operatives, their associations and central associations – are created.

**5.** The first thematic session of the Colloquium was organised around the theme of “Enabling environment for housing co-operatives: legal, financial and institutional frameworks”. Four papers were presented in this session, followed by discussions:

**a.** Dr. Ivan Prikryl (from the Czech Republic) pointed out that in the Eastern European countries, co-operatives (associations) are no longer owned by the State. Transformation of ownership relationships within co-operatives, have led to the appearance of mixed-type co-operatives, meaning that within a single co-operative, or even a single building, there are units owned by individuals as well as by the co-operative. In practical terms this implies that the co-operatives are gradually transformed into management co-operatives.

**b.** Mr. Roy Berg Pedersen noted that the Norwegian co-operative housing movement continues to play an important part in the development of the welfare society. This is so despite decreased levels of State subsidies and of the market liberalism that currently dominate national economic policies.

**c.** Mr. Andres Jaadla explained that the co-operative housing movement in Estonia is rather young, as it was founded after the independence of the country. It has, however, experienced remarkable success, in terms of an increasing membership. Currently, 45 per cent of the housing stock in Estonia is managed by co-operatives, moreover, this figure is increasing.

**d.** Dr. Claus Jürgen Hachmann noted that housing co-operatives in Germany improved the housing stock in a few years after unification. Municipal housing units could also be privatised in a collective co-operative form, which turned out to be a successful model.

**6.** The second thematic session of the Colloquium was organised around the theme of “The role of co-operatives in management, maintenance and revitalisation of the housing stocks”. Four papers were presented in this session, followed by discussions:

**a.** Mr. Gert Gundersen focused on the role of co-operatives in management, maintenance, and revitalisation of housing stocks in the

transition region. He argued that co-operative forms of management could be introduced in privatised estates and condominiums.

**b.** Mr. Vladimer Vardosanidze noted that the ‘free of charge’ privatisation of apartments undertaken in Georgia in 1992 was a radical step, as it was undertaken without any consideration for the management of condominiums. The Civil Code enacted at the same time inflicted great harm on the co-operative movement in Georgia, as it was introduced without the introduction of a legally well defined type of organisation that could be responsible for the management of condominiums.

**c.** Ms. Tatiana Lykova argued that the Russian Civil Code, introduced in 1994, provided that each co-operative member who paid-off his/her stake became the owner of the dwelling unit where he/she resides. Consequently, co-operative ownership disappeared from the legal point of view, although they remain as legal entities. New legislation is needed to resolve the deadlock concerning the management of condominiums.

**d.** Mrs. Margi O’Connell Hood elaborated on the concept of social capital in relation to co-operatives.

**7.** The third thematic session of the Colloquium was organised around the theme of “Contributions of housing co-operatives to community development”. Two papers were presented in this session, followed by discussions:

**a.** Mr. Charlie Baker elaborate on the potential of co-operatives as tenant management organisations, and presented successful examples of this situation from the United Kingdom.

**b.** Mr. Jerzy Jankowski summarised the history of co-operatives in Poland. In the initial period of transition to the market economy, the co-operative movement was treated as a relic of the past, which were to be liquidated. Fortunately, however, the co-operative model was “re-discovered” as the organisations that enable lower-income families to become homeowners. Co-operatives are thus being supported by the present Government with various incentives.

**8.** The final session of the Colloquium summarized the lessons learnt from the Colloquium deliberations and had the following components:

**a.** It began by a reading of messages of the United Nations Secretary-General Kofi Annan, and of ICA on the occasion of the 80th International Co-operative Day / 8th United Nations International Day of Co-operatives (6 July 2002).

**b.** The Chair, Mr Selman Ergüden of UN-HABITAT, then presented a brief overview of 22 messages from various authorities, institutions and individuals in Turkey, expressing their appreciation and good wishes for the success of the Colloquium.

**c.** The rapporteurs of the four substantive sessions presented summaries of the discussions in the respective sessions. Following these brief presentations, the Chair opened the floor to comments on presentations of rapporteurs.

**d.** The Chair noted that the conclusions of the Colloquium would not be in the form of a formal declaration. Moreover, he noted that there is no *panacea* for co-operative housing development in the region, and that different countries and societies will require different approaches.

**e.** The Chair also noted that the Colloquium had been quite successful, particularly in terms of addressing its first two objectives, e.g. facilitating exchange of information and experience, and understanding the challenges and possibilities (as well as problems) of the co-operative approach in the region. He also expressed that the networking aspect of the meeting, e.g. the third objective, would be addressed better through the publishing of the report of the Colloquium and future follow-up.

**f.** The Chair proceeded – on behalf of UN-HABITAT, UNECE and ICA – to thank the host authorities, TÜRKKONUT and HDA, for their excellent organisation of the event, which had proved to be an essential factor in facilitating exchange of information between all participants.

**g.** The President of TÜRKKONUT, Mr. Yılmaz Odabaşı made a closing speech at the end of the session.





# I. Introduction

## I.A. Background and rationale

The Habitat Agenda sets out the goals, principles and commitments for improving the quality of life in human settlements and elaborates on actions required to accomplish the two goals of ‘adequate shelter for all’ and ‘sustainable development in an urbanising world’. The co-operative approach is given a pre-dominant role with regard to the principles of strengthening enabling strategies, participation and partnerships. A number of paragraphs of the Habitat Agenda articulate the role of co-operatives in shelter and human settlements development. The “Istanbul+5” UNGASS meeting reconfirmed this role, through, inter alia, the reporting by many countries of the contributions of the co-operative approach to housing development.

The approaches used in co-operative housing development and the forms of housing provided by co-operatives vary considerably between regions and countries. In some countries co-operatives produce primarily social rental housing, while in others, home ownership is only affordable for many households through the membership of a housing co-operative.

In countries with economies in transition, reforms in the housing sector during the 1990s were mostly motivated by pressures to reduce budget deficits and to move away from macro regulation and direct subsidies to housing supply. In general terms, the reforms focused on strengthening market forces and reducing State intervention in the housing sector. Moreover, many public assets were privatised. The transformation of co-operative housing into condominiums is another aspect of privatisation, especially in those countries where a relatively large co-operative sector had developed.

The practical implementation of housing reforms in different countries is directly related to new directions in housing policies, economic restructuring and the wider context of social and political change. The UNECE, through its Committee on Human Settlements, has carried out activities to better understand, assess and address the recent performance of the housing sector, policies and institutional changes in the region.

Recent joint work of UN-HABITAT and ICA in Eastern and Southern Africa led to several observations and recommendations in relation to housing co-operatives. The most prominent among these (all of which may be valid in other contexts) are: increasing emphasis on mutual self-help; increasing opportunities to develop strategies in encouraging partnerships at the local, national and international levels; and a need for new modalities to finance co-operative housing. Experience has shown that the co-operative approach has

the potential to harmonize the roles of public and private sectors, and mobilising the capacities of individual households.

## **I.B. Objective of the Colloquium**

The objective of the Colloquium was to stimulate the development of the co-operative approach in the housing sector by:

- Facilitating exchange of information and experience regarding the co-operative approach in the housing sector;
- Understanding the challenges and possibilities that exist within the co-operative approach in different countries;
- Improving co-ordination and collaboration between stakeholders in the co-operative housing sector, to encourage the development of joint activities (including conferences, seminars, research and development programmes and projects).

## **I.C. Themes**

In order to address the above objective, the Colloquium was organized in three thematic sessions:

- Enabling environment for housing co-operatives: legal, financial and institutional frameworks;
- The role of co-operatives in management, maintenance and revitalisation of the housing stocks;
- Contributions of housing co-operatives to community development.

## **I.D. Organisational arrangements**

A Steering Committee was established in late 2000 to organise and deliver the Colloquium, comprising representatives from UN-HABITAT, ICA, UNECE and the host authorities, namely HDA and TÜRKKONUT. The Steering Committee was responsible for the identification and invitation of participants, organising the preparation of papers, finalising the programme, and for fundraising.

The Secretariat of the Colloquium was TÜRKKONUT. It undertook all necessary logistical and other arrangements facilitate a most effective and efficient convening of the event.

Each session had a Chairperson and Rapporteur, selected by the Steering Committee in advance. In addition to conducting their respective session and facilitating discussion, the Chairperson together with the Rapporteur prepared a report of their respective session, which was presented by the Rapporteur at the final session of the Colloquium.

## **I.E. Attendance**

The Colloquium had a total of 128 registered participants from more than 20 countries. Among these, a total of 99 were from Turkey, while the remainder mostly came from Europe, although there were participants from other parts of the world as well. The lists of participants can be found in Annexes 24 and 25. In addition to the registered participants there were a large number of participants who have not registered, as the total number of participants at the opening session was estimated to be more than 200.

The participants were representatives of a wide range of actors within the co-operative housing sector, including *inter alia*, representatives of –

- housing co-operative organisations;
- national apex co-operative organisations;
- public sector authorities responsible for co-operative housing development;
- academic and research institutions; and
- international organizations related to co-operatives.

## **I.F. Working language**

The working language of the Colloquium was English. There was also simultaneous interpretation to and from Turkish.

## **I.G. The programme**

The Colloquium was conducted in four half-day sessions. The first session was devoted to opening addresses and two keynote presentations, while the three themes of the Colloquium was presented in the three last sessions. The first two thematic sessions each had three scheduled presentations, and one additional non-scheduled presentation. The last substantive session included two presentations, followed by a brief concluding session. Each of the sessions had its own Chairperson and Rapporteur, who submitted a report of the respective themes in the concluding session.

Following two days of deliberations and discussions, TÜRKONUT organised a field trip to its major project and construction sites on the third day.

The programme of the Colloquium is presented in Annex 23.

## **I.H. Conclusions**

The conclusions of the Colloquium were not summarized in the form of a formal declaration, but are published in the present report as expressed in the discussions held and summarized by the Chairperson of the final session. A

major outcome of the Colloquium was the establishment of networks among practitioners within the co-operative housing sector. There are no *panacea* for co-operative housing development, different countries and societies will require different approaches. Thus, it is essential that practitioners are able to learn from the shortcomings and successes in other countries and regions.

## **I.I. Organization of this report**

This report reflects the organization and deliberations of the Colloquium, and comprises of seven chapters. The report also contains the full text of the statements and presentations made at the Colloquium, as annexes.

Chapter I presents information on the Colloquium, including its background, objectives, themes for discussion and organizational arrangements.

Chapter II summarizes the seven statements made in the opening session. Each of the statements are reproduced in full in Annexes 1-7.

Chapter III summarizes the two keynote addresses made in the Introductory session and the following discussions. The full text of these two papers can be found in Annexes 8 and 9.

Chapter IV summarizes the four presentations made under the first substantive theme of the Colloquium: “Enabling environment for housing co-operatives: legal, financial and institutional frameworks”. It also summarizes the following discussions. The full text of the three scheduled presentations are presented in Annexes 10-12. An additional presentation that was delivered in this session can be found in Annex 20.

Chapter V summarizes the four presentations made under the second substantive theme of the Colloquium: “The role of co-operatives in management, maintenance and revitalisation of the housing stocks”. It also summarizes the following discussions. The full text of the three scheduled presentations are presented in Annexes 13-15. An additional presentation that was delivered in this session can be found in Annex 19.

Chapter VI summarizes the two presentations made under the third substantive theme of the Colloquium: “Contributions of housing co-operatives to community development” and the following discussions. The full text of the two presentations delivered at this session can be found in Annexes 16 and 17.

Chapter VII summarizes the deliberations of the final concluding session: “Review of lessons learnt, conclusions and recommendations”. The closing statement delivered by Mr. Yılmaz Odabaşı, President of TÜRKONUT is presented in Annex 18.

## II. Opening session

The Colloquium was opened by the statement of Mr. Yılmaz Odabaşı, the President of TÜRKKONUT. After welcoming the participants, Mr. Odabaşı noted that the Colloquium was an important event in Turkey, as a follow-up to the Habitat II Conference that was convened in June 1996 in Istanbul, providing an opportunity to discuss achievements in line with the Habitat Agenda. He stressed that co-operatives have a democratic structure in Turkey, and it is important to get the support of the State. In this direction the Housing Development Fund – which was established in 1984 and which is managed by the HDA has been very effective in providing finance for co-operative housing. Mr. Odabaşı mentioned that co-operatives could be involved in the provision of technical and social infrastructure as well as in landscaping of housing estates. He suggested that public-private partnerships would be an effective modality to fulfil these tasks, and that the public sector contribution to such partnerships could be in the form of specific credits through the HDA, in addition to credits currently provided for house-building. Mr Odabaşı also suggested that a ministry dealing with urban issues, as well as a department within that ministry concentrating on land development, should be established. He concluded his statement by expressing his expectations that this Colloquium would shed light on problems and issues that are currently debated in the co-operative sector.

The second opening statement was made by Mr. R. Tuna Turagay, President of the HDA. Mr. Turagay began to his statement by describing the emergence of housing shortages in Turkey with rapid urbanisation after the Second World War. He highlighted two problems, e.g. the absence of a housing finance system within the capital market, and the relatively high cost of land as compared to other costs in the housing delivery process. He stressed the importance of co-operatives within the context of good the urban governance, participation and partnership principles of the Habitat Agenda. Mr. Turagay described the contribution of housing co-operatives to housing provision in Turkey. He also outlined the effects of finance provided by the Housing Development Fund – which is managed by his Organization – in terms of enhancing the capacity of co-operatives. He noted that the 942,000 dwelling units built by co-operatives in Turkey have been financed from this source. HDA aims to reduce the cost of land in house-building by providing developed land to housing co-operatives thus supporting their efforts in supplying housing for low-income groups. Mr. Turagay mentioned that large tracts of land which were owned by the HDA in Ankara and Istanbul have been sold to the two largest co-operative central unions in Turkey, namely TÜRKKONUT and TÜRKKENT as well as to the Mutual Help Organisation of Army Officers (OYAK). He noted that new regulations issued in 2002 have increased the

amount of HDA finance for each dwelling unit. The aim of this increase is to enable co-operatives to complete the 80,000 housing units that are currently under construction. Mr. Turagay completed his statement by explaining HDA's involvement as the responsible Government department in the follow-up activities of the Habitat II Conference.

The opening statement of the Acting Director-General of ICA, Ms. Maria Elena Chavez, focused on past and current collaborative efforts of the ICA and UN-HABITAT in implementing the recommendations and the Programme of Action of the Habitat Agenda. She also noted the importance in bringing UNECE in as a third partner in the efforts to promote co-operative solutions to housing and shelter problems. She noted that in the Habitat Agenda, governments recognised co-operatives as important actors in promoting sustainable human settlements. In fact, it has offered the co-operative movement – and in particular housing co-operatives – a special opportunity to engage in leadership to promote sustainable human settlements and reduce poverty by providing sustainable livelihoods. The Habitat Agenda identified a number of areas in which co-operatives had a role to play, and she reported that ICA has responded to the challenge with a number of concrete activities especially with regard to enabling partnerships and capacity building. She noted the importance of an enabling environment provided by appropriate legislation and governmental policies that recognise the unique character of the co-operative enterprise. Moreover, she stressed that autonomy and independence from government control is essential for co-operative growth and survival, providing some examples on how ICA has contributed to the achievement of the goals of the Habitat Agenda. She closed her statement by stressing that the goals of democracy, equity, social responsibility and sustainable human settlements can only be achieved if all stakeholders work in partnership.

The fourth opening statement was delivered by the Deputy Director of the Environment and Human Settlements Division of UNECE, Ms. Christina von Schweinichen. She noted that the integration of countries with economies in transition into the global economy has been a major concern of UNECE during the last ten years. The ECE Human Settlements Committee has developed various forms of assistance, provided expertise and ways to understand and analyse the main features of transition and the different functions of the housing sector. The management of privatised housing estates has been one area where the Committee has concentrated its activities, including the preparation of the “Guidelines on Condominium Ownership of housing for Countries in Transition”. Urban renewal and housing modernisation, and housing finance have been other focus areas for the Committee. Ms. Schweinichen noted that the UNECE, through its Committee on Human Settlements, is ready to co-

operate with all the countries in its region in the development of co-operative approach to housing problems.

The statement of Mrs. Anna K. Tibaijuka, the Executive Director of UN-HABITAT was delivered on her behalf by Mr. Selman Ergüden, the Acting Chief of Housing Policy and Development Section of UN-HABITAT. Her statement stressed the important role of a rights-based approach to housing development. The progressive realization of the human right to adequate housing is an essential component of addressing the poor housing conditions in which a large share of the world population live. The statement noted that public policies in a globalizing world tends to aim at strengthening markets, rather than creating an enabling environment for the poor to improve their housing conditions. 20 paragraphs of the Habitat Agenda make reference to the role of co-operatives, particularly for the provision of low-cost housing. The statement underlined the fact that the co-operative approach embodies several of the main principles of the Habitat Agenda, in particular, the principles of enablement, participation and democracy. The two important campaigns of UN-HABITAT, namely the Global Campaign on Urban Governance, were mentioned and the Global Campaign for Secure Tenure were mentioned, noting that UN-HABITAT and ICA have been working together to encourage a widespread application of co-operative approaches to housing and human settlements development. Joint research in Eastern and Southern Africa has exemplified the great potential of the co-operative sector to shelter development. The statement ended by re-emphasising the potential of the co-operative approach to contribute to the realisation of the goals of the Habitat Agenda and the Millennium Declaration.

Mr. Faruk Bal, the State Minister for Housing in Turkey began his opening statement by emphasising the increasing importance of democracy and human rights within the framework of globalisation, and the recognition of the link between housing and human rights. The Minister also stressed the importance of developing housing policies that are consistent with the fundamental principles of the Habitat Agenda, namely good urban governance, partnership, participation, enabling, and sustainability. In this context he noted that the co-operative approach provides the opportunity of participation and collaboration of local communities and social organisations. He noted that the provision of finance by the State since 1984 has led to an unprecedented growth of co-operatives in Turkey, both in terms of the number co-operatives and the volume of housing that they produce. The Minister concluded his statement by emphasising the need to facilitate exchange of information and experience regarding the co-operative approach in housing sector, which could contribute to strengthen enabling strategies, participation and partnerships.

The State Minister and Deputy Prime Minister Mr. Mesut Yılmaz, was the last speaker of the opening session. He started by thanking the organisers of the Colloquium, and said that improvement of the quality of life in human settlements carry great importance with regard to the future of humankind. He also quoted the view that cities that have been the source of the civilisation are now becoming a destroyer of the civilisation. He emphasized the role of the co-operative sector in contributing to housing development and, consequently to improve the quality of life of the societies. After summarising the development of housing policies in Turkey, he concluded that *“our co-operatives have become capable of standing on their own legs with only their own resources. The aim should be to solve all kinds of problems of our co-operatives and to enable increasingly more people to own a healthy and economic house with this method.”* Mr. Yılmaz stressed the importance of reforming the local government system, which would make further positive contributions to the liveability of cities.



### **III. Introductory session: “Contribution of the co-operative sector to housing development”**

The introductory session of the Colloquium focused on the role and effects of the co-operative approach on housing development. This topic was discussed in a general perspective based on two keynote addresses. The two presentations were made by Professor Hans H. Münkner, from University of Marburg, Germany and by Professor Ali Türel, from Middle East Technical University, Ankara, Turkey. The presentations were followed by discussions.<sup>1</sup>

The keynote address of Professor Münkner provided a general overview and evaluation of the changes in the nature of co-operative approach in recent decades. Globalization implies increased mobility, not only capital and labour but also of ideas, values, norms and the products of new technologies. In accordance with this general theme, the presentation outlined changes in the co-operative approach in general, and for housing co-operatives in particular. It focused on the important role of co-operatives in providing services to the needy, who became most vulnerable as a result of harsh impacts of globalization, such as uneven distribution of wealth and increasing poverty. Thus, in line to these rapid changes in all fields of life, co-operative organizations must be dynamic and responsive to changes. United Nations General Assembly resolutions, and ILO and ICA decisions have been instrumental in specifying a set of global co-operative values, principles and guidelines for co-operative practice.

Professor Münkner summarised some of the problems that are encountered by co-operatives in transition countries. The rapid change from a centrally planned economy to a liberal market economy created serious problems for all, but particularly for co-operatives, which were perceived by the State and by citizens as remnants of the past – which therefore had to be destroyed. Former State enterprises and socialist co-operatives that have been transformed into private enterprises or market-oriented co-operatives have to cope with old debts dating back from the times of planned economy. The relationship between co-operatives and the State has changed together with the concepts of joint and individual property and use rights. In some transition countries housing co-operatives are now used as “transmission-belts” for transforming state and collective property into private group or individual property.

Professor Münkner indicated that the long-term perception of co-operatives as instruments of economic and social policy implementation was

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1. This chapter is based on the report submitted at the concluding session of the Colloquium by the Rapporteur of the Introductory session, Ms. Şule Öngel – in collaboration with the Chair of that session, Mr. Hikmet Yılmaz.

erroneous. In fact, co-operatives are “*autonomous associations of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned enterprise, contributing equitably to the capital required, accepting a fair share of the risks and benefits, and participating actively in its management and democratic control*”. Accordingly, the role of co-operatives is to mobilise their members’ own resources rather than benefiting from direct financial assistance and subsidies provided by governments. Direct subsidies may in fact weaken co-operative development. Therefore, new types of relationship between the Government and co-operatives, new forms of collaboration between different agencies and new co-operative models in housing development are needed. In this respect, he highlighted two such new models, namely “multi-purpose co-operatives” and “multi-stakeholder co-operatives”. According to Professor Münkner’s definition these are self-help organisations operating at the community level with different partners to mobilise local resources for local development. More importantly, their range of activities is not limited to housing provision, it varies from rehabilitation of slum areas to integration of excluded persons into the community. By adding up small capacities, a “co-operative capacity” can be built and active involvement of all actors at the local level can be sustained.

Professor Türel’s presentation detailed the contribution of housing co-operatives to housing provision in Turkey. His presentation focused on the general situation and the historical development of the housing co-operative movement in Turkey, and on the structure of housing co-operatives and their contribution to housing provision nation-wide. Emergence of housing co-operatives dates back to 1936 in Ankara, where there was an extreme shortage of housing due to rapidly growing population and high price of land. However, for a long period of time – and despite much greater financial support provided by the Social Security Organisation from 1950 to 1984, compared to earlier periods – housing co-operatives could not become a widely used instrument for housing development for large sections of society. During the mid-1970s housing projects began to be implemented in co-operation with municipalities, and many large-scale housing projects were realised.

The 1980s were a turning point in Turkey for the implementation of large-scale housing projects, undertaken by co-operatives. Particularly after the establishment of the Mass Housing Fund in accordance to the Mass Housing Law in 1984, unprecedented increases occurred both in the amount of finance provided to housing co-operatives and in the number of co-operatives established. As an illustration, 81 per cent of the occupancy permits for co-operative housing between 1935-2000 were issued after 1984. The contribution of co-operatives to national housing completions has increased to 20-30 per cent, since 1984.

Professor Türel then went on to discuss the structure of housing co-operatives in Turkey. He emphasised that co-operatives in Turkey were founded and managed in accordance to the Co-operatives Law. An evaluation was also made in terms of the roles and facilities of the co-operative associations. Co-operatives are encouraged to form associations and central associations in order to function effectively and collaboratively. These associations are providing technical assistance to their members in the preparation of documents for tendering the construction, in construction management and control, in auditing, etc. In spite of much incentives provided by State, however, only a quarter of all co-operatives are members of an association. In the final analysis, housing co-operatives, with their organisational capabilities, could be regarded as important actors of good governance, if democracy and transparency prevails in their management and operation, and well-functioning networks comprising of co-operatives, their associations, central associations and the national association are created. Professor Türel concluded that in developing countries like Turkey, introduction of a targeted subsidy system for moderate-to-lower income co-operative members is of utmost significance in order to enable those groups to acquire housing through co-operatives.

The presentations of the first session were followed by a general evaluation on the topic and on Professor Münkner's and Professor Türel's presentations. First there was a general response from the participants about the "multi-stakeholder model" of co-operatives presented by Professor Münkner. He elaborated on this issue and indicated that these kinds of models were not theoretical models but practical reactions to *de facto* situations. In such models it is important to benefit from the people's experiences. The exclusion of people who are homeless or living in poverty can create a risk for society and for social cohesion. Therefore, these models do not only provide materials like housing, they become instruments for a healthy functioning society and for sustainable social cohesion, by providing people with job opportunities and income. As Professor Münkner illustrated, in Germany the problem of rehabilitating the housing stock could be solved through such models. A new solution was also found to the ownership problem with this experience. If land or property values extends beyond the affordability of people with housing needs, then the usage-right (or the right of occupancy) and possession right of that property can be evaluated separately and people can benefit from the usage-rights for long periods. The possession rights, however, can be acquired by foundations. This model will provide security for needy people and will also introduce a mechanism for the sustainability of the co-operative approach. As a result, these models are essentially social models, rather than economical ones, which can be introduced to deal with problems like housing affordability, unemployment and exclusion.

Another major discussion centred around the situation in Turkey. Taking into consideration high land prices in proportion to the total cost of housing supply, most of the participants emphasised that provision of affordable land to co-operatives, individuals and non-profit organisations – through the incentives of the central authorities – could be economically efficient for the acquisition of housing by moderate-to-lower income households. There was general agreement on this proposal, and Professor Türel also added that they have proposed a mechanism for the provision of affordable land for low-income groups in the land market, and a new legislation is needed that accommodates this model. In this respect, the efforts of the HDA in developing large quantities of land to be used for low-cost housing projects were also mentioned. It was stressed that HDA allocated mass housing zones to the two central housing co-operative associations and would continue to provide low-cost land with infrastructure. Furthermore, Professor Türel paid more attention to the problems of the lowest-income groups since this issue was raised in many questions. These groups are not able to make any financial contribution to a co-operative, as their household income is below the average expenditure of such groups. Therefore, the development of rental housing policies can better suit the needs of these groups. It was noted, however, that even such rental housing policies can be implemented by co-operatives.

Finally, the role of co-operative associations was discussed. Professor Türel made a critical evaluation of housing co-operative associations in Turkey. Despite the fact that these associations can provide many services for their member co-operatives, and that there are important tax incentives for co-operatives to join an association, housing co-operatives are reluctant to do so, as only 25 per cent of the co-operatives are members of an association. The main reason for this reluctance could be the fear of auditing by the association, although hardly any association undertakes its auditing duty as defined in the Co-operatives Law. Therefore, co-operative associations have to be relieved from this duty, and a transparent and accountable system of co-operative audits have to be created by founding independent auditing associations, possibly by the National Association of Co-operatives.

The first session of the Colloquium was concluded by the common understanding that co-operatives in general, and housing co-operatives in particular, are important elements of governance. Good governance systems, however, require that co-operatives operate in a democratic manner, and with well-functioning networks of relationship between co-operatives, associations, central associations and the a national co-operatives association.

## **IV. Theme 1: “Enabling environment for housing co-operatives: legal, financial and institutional framework”**

During the first thematic session of the Colloquium a total of four papers were presented, followed by discussions.<sup>1</sup>

The first paper was presented by Mr. Ivan Příklad from the Czech Republic. He noted that after decades of misuse of co-operatives as public and political instruments, there is an urgent need to give co-operatives in central and eastern European countries a clear profile as member based and focussed organisations.

Catering for members’ needs and the building, rehabilitation, maintenance and the management of the housing stock are important targets. There should be flexibility in choosing legal forms for the relationship between members and their co-operatives and between members and their dwellings. This means that a mix of housing tenures in the forms of individual ownership and rental housing is possible and feasible, depending on the local situation.

As a consequence of the fact that co-operatives (associations) are no longer owned by the state and the transformation of ownership relationships within co-operatives, mixed-type co-operatives have appeared. This implies that within a single co-operative, or even in a single building, there are now some units owned by natural persons and other units owned by the co-operative. In this way the co-operative is gradually transformed into a management co-operative.

While looking at the interests of the members, co-operatives show solidarity with needy groups without losing their economic responsibility. Investing in member education and training is therefore combined with appropriate balancing of profit and loss, and finding appropriate ways of finance. In the Czech Republic, the State contributes to house construction by co-operatives with a bonus, once one has saved up some 40 per cent of the target amount, as well as with a favourable loan, which has 3 to 4 per cent lower than the market interest rate.

The Czech example shows that housing co-operatives found a good way between co-ownership with rental agreements and individual ownership with co-operative housing management.

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1. This chapter is based on the report submitted at the concluding session of the Colloquium by the Rapporteur of the first thematic session, Dr. Claus Jürgen Hachmann – in collaboration with the Chair of that session, Professor Hans-H. Münkner.

The second paper was presented by Mr. Roy Berg Pedersen from Norway. He noted that the Norwegian co-operative housing movement continues to play an important part in the development of the welfare society, in spite of the market liberalism that dominates national economic policies.

The Norwegian Federation of Co-operative Housing Associations, which is the nation-wide organisation of co-operative housing associations, has 650,000 members, and its member co-operatives have built and are responsible for the management of more than 250,000 housing units, which represent approximately 15 per cent of the national housing stock.

In accordance with the enabling model of housing delivery that the State has pursued, the State Housing Bank provide affordable finance for housing development, municipalities provide affordable and serviced land, while the private sector – of which the co-operative housing movement is the biggest single actor – is in charge of actual housing delivery.

The State Housing Bank provided affordable credits for low-income households, with heavy interest rate subsidies. Interest rate subsidies have since been greatly reduced, but almost all co-operatives are primarily financed by a first priority loan granted by the State Housing Bank, which covers up to 60-70 per cent of the building costs.

Municipalities have been responsible for providing affordable land and infrastructure for housing development in Norway. This include leasing publicly owned land to developers as well as actively acquiring new land, which is subsequently transferred to the housing sector.

The Norwegian Federation of Co-operative Housing Associations (NBBL) organises 100 co-operative housing associations as ‘mother companies’ for 4,200 ‘daughter companies’ or local housing co-operatives. As a result of much less favourable political support for the co-operative movement in Norway, co-operative housing associations are today increasingly operating on market terms, in competition with other private stakeholders.

In spite of such less favourable conditions, an increased number of co-operative dwellings are being built in Norway, and the up-grading and renewal of the existing housing stock are quite extensive. Housing for the elderly, the young and special social groups are new challenges on the housing scene. Many housing co-operatives in Norway are now also taking part in ecological pilot projects

The third paper was presented by Mr. Andres Jadla from Estonia. Mr Jadla explained that the co-operative housing movement in Estonia is rather young, as it was founded after the independence of the country. It has,

however, experienced remarkable success in terms of an increasing membership. Currently, 45 per cent of the whole housing stock in Estonia is managed by co-operatives. Moreover, the figure is increasing.

The presentation has a certain emphasis on psychological, mental and educational aspects of change, and it presents co-operation as a successful way of living together. The economic advantages of combined purchasing power is one aspect of a clear and concrete benefits that encourage Estonians to join a co-operative. Legal assistance to members, provision of information, organisation of meetings and exchange of ideas between the co-operatives to solve their problems are other important services that are provided by co-operatives. Management training, new media and international networking are other important instruments to improve the quality of life in co-operatively managed settlements.

Dr. Claus Jürgen Hachmann from Germany presented a paper which was not scheduled in the program of the Colloquium. He mentioned that the adoption of western housing standards in eastern Germany was much easier than in neighbouring countries to the east, as western laws were immediately put into effect with the day of reunification and a solidarity tax was introduced to finance the reconstruction programme. Housing co-operatives improved their stock in a few years. Municipal housing units could also be privatised in a collective co-operative form, which turned out to be a successful model.

The central and eastern European countries deserve international solidarity to overcome their bottlenecks in legal and organisational improvements. Co-operative principles are most relevant in times of financial crises. Co-operatives were born out of need, and through more than a hundred years they have proved to be effective. Yearly auditing procedures are important instruments for avoiding failures. There is hardly a case of bankruptcy in the long history of co-operative housing in Germany.

The discussion that followed highlighted the role of co-operation between municipalities and co-operatives. The State can facilitate the access to land and finance, in particular, as exemplified by the State Housing Bank in Norway. It was noted that in countries such as Turkey where 50 per cent of land is state owned, favourable conditions can be offered to co-operative housing projects like Batikent. Moreover, there is a trend towards new forms of ownership, which are similar to condominiums within a co-operative approach. With respect to European Union candidate countries, several questions were raised concerning land and credit conditions. Progress in these areas would also contribute to regional improvement in these countries.

A comparison of the percentages of co-operative housing stock between the presented countries indicated that Estonia had the highest percentage of co-operative housing (45 per cent), followed by the Czech Republic (22 per cent), Norway (16 per cent) and Germany (10 per cent). These figures show the high relevance of co-operative housing in central and eastern European countries, Despite the many problems in these countries it appear that sustainable and future-oriented structures could be built, based on transparent legal and improved financial and institutional frameworks.



## V. Theme 2: “The role of co-operatives in management, maintenance, and revitalisation of housing stocks”

During the second thematic session of the Colloquium a total of four papers were presented, followed by discussions.<sup>1</sup>

The first paper, by Mr. Gert Gundersen, focused on the role of co-operatives in management, maintenance, and revitalisation of the housing stock in the transition region. It began with the problems that the housing sector encountered in the process of transition to a market economy. Radically decreased subsidies have had dramatic consequences. Privatisation of the formerly publicly owned housing stock has been another very important aspect of the transition, he argued that the co-operative form of management could be introduced in privatised estates and condominiums. In the final section of the paper the historical development of the Norwegian housing co-operatives was summarised.

The second paper was presented by Mr. Vladimer Vardosanidze, and focused on condominiums and home owners associations in Georgia. He started with a short description of present problems, and then summarised approaches to housing during the Soviet period. The presentation noted the destructive effects of the decision of the communist government in 1989 to let people make extensions to their dwellings. Apartment privatisation free of charge was another radical step that was taken in 1992, without any consideration for the management of condominiums. Management issues are left to the Civil Code of Georgia, that was enacted in 1997. Although the Civil Code required the establishment of home owners associations in multi-flat apartments, these organisations are not defined as legal entities, therefore they are not able to act as an organization, nor as an individual. Furthermore the Civil Code stipulates that *“housing co-operatives as legal entities are to be regarded as abolished... Instead home-owners associations are to be created.”* Therefore the Civil Code inflicted great harm on the co-operative movement in Georgia, without introducing a legally well defined type of organisation to be responsible for the management of condominiums.

The third paper was presented by Ms. Tatiana Lykova from the Russian Federation. The presentation began by describing the development of housing

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1. This chapter is based on the report submitted at the concluding session of the Colloquium by the Rapporteur of the second thematic session, Ms. Elena Szolgayová – in collaboration with the Chair of that session, Ms. Doris Andoni.

co-operatives in Russia since the 1950s. Housing construction co-operatives owned about 7 per cent of the housing stock during the socialist era. They were responsible not only for building of housing estates but also their management and maintenance. The Russian Civil Code, dated 1994, provided that each co-operative member who paid-off his/her stake became the owner of the dwelling unit in which he/she resides. Consequently co-operative ownership disappeared from the legal point of view, although they remain as legal entities. However, the type of management of co-operative estates and the ways in which rehabilitation of those dwellings can be financed are not defined. In fact co-operative estates were transformed into condominiums in accordance with these changes. The Condominium Law, enacted in 1996, defined condominium associations to manage condominiums. However many co-operatives are reluctant to re-register as condominium associations. As many co-operatives lost their savings in banks due to problems in the banking sector, they lost their capacity to rehabilitate and maintain their dwellings. New legislation is needed to resolve this deadlock.

Ms. Margi O'Connell Hood presented a paper which was not originally programmed. Her presentation began with a definition of the concept of social capital as the intangible wealth that comes with good social networks, extended families, clubs and societies, and a healthy community life. It is the wealth generated by participation. Social capital can be in the forms of bonding capital or bridging capital. Co-operatives contribute to the creation of the latter one. Members of co-operatives are motivated and tangibly rewarded for their participation. Moreover, it is noted that social capital grows better in horizontal decision-making structures where members are actively involved in decisions at the policy level, rather than in vertical, or hierarchical, structures. Co-operatives should be operating on the basis of the participative democracy that is instrumental in building the social capital needed for a civil society.

The following discussion focused on the three main topics: the general role of co-operatives in the management, maintenance, and revitalisation of housing stocks; the legal framework for housing co-operatives, and the practical aspects of co-operative involvement in the management, maintenance, and revitalisation of housing stocks.

It was noted that co-operatives are the most democratic way of dealing with communal problems, using democratic mechanisms of decision making. Moreover, co-operatives serve as a school of democracy, to exercise democratic rights requires active participation of all involved, as co-operatives are about personal involvement, activity and contribution. An essential component of true democracy is that people always have to be a part of the solutions. In a broader sense, the role of co-operatives is to keep social capital working. This

requires certain preconditions, among them that every individual has to understand that there is a benefit for him/her in joining the co-operative.

The discussion around the legal framework for housing co-operatives noted that although such frameworks differ from one country to another, there is a lot of similarities as well. It was noted that the role of legislation and economic instruments is to enable people to solve their problems. Participants stressed the importance of creating appropriate legal frameworks in transition countries, and the central role of the State and municipalities in this connection. Several participants raised the issue of what to do with existing co-operatives in the transition countries, moreover there was concern as to how future co-operatives should look like. It was noted that co-operatives as well as condominiums are joint liability entities.

The discussion around the practical aspects of co-operative involvement in the management, maintenance, and revitalisation of housing stocks raised a number of important issues. It is important to see the maintenance of the existing housing stock as a positive challenges for co-operatives is in the long run. In this connection, there is need for professionalisation of management and maintenance services in transitional countries, as well as a need to consider the contacting of management on a competition basis (with appropriate bidding procedures). Participants also noted that there is great scope for co-operatives to develop in new areas such as social care, care for elderly, child care, etc.

A statement that the idea of co-operatives proved to be a sustainable one, but co-operatives are only as good as the people creating them, closed the discussion. Co-operatives need active citizens. Therefore it is crucial to raise awareness on rights and duties of co-operative members as well as their understanding of technical and legal aspects related to the maintenance and management of the housing stock.



## VI. Theme 3: “Contributions of housing co-operatives to community development”

During the third thematic session of the Colloquium a total of two papers were presented, followed by discussions.<sup>1</sup>

The third thematic session of included the presentation of two papers. Mr. Charlie Baker from the United Kingdom, noted that – despite the two major goals of the Habitat Agenda, adequate shelter for all, and sustainable development in an urbanising world – little progress has been made in the United Kingdom in terms of provision of affordable housing for low income people. He did, however, note that substantial resources have been allocated for deprived areas.

Co-operative models are relevant for most of the tenant controlled housing movement in the United Kingdom, although co-operatives *per se* own less than 2 per cent of the nation’s housing stock. The co-operative model has proved to be the most effective in tackling the underlying causes of urban decline.

The presentation exemplified how the co-operative model can improve the quality of life when people take care of their own future. After 1994, tenants gained a statutory right to manage their estates through democratic tenant management organisations. Independent research shows that co-operatives provide more effective housing management services with usually better value for money, and deliver wider non-quantifiable social and community benefits.

Co-operatives encourage and sustain high levels of voluntary input, producing outcomes usually beyond the budgets of most wealthy regeneration projects. The presentation proposes community self-help as the most effective approach to community regeneration – and as self-help is an important principle of co-operatives – housing management by co-operatives can fulfil most of the objectives of community regeneration. Various case studies from the United Kingdom have shown the achievements of tenant managed co-operatives in community regeneration and the improvement of housing condition of residents.

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1. This chapter is based on the report submitted at the concluding session of the Colloquium by the Rapporteur of the third thematic session, Mr. Jose Mateus – in collaboration with the Chair of that session, Ms. Gun-Britt Mårtensson.

The second paper was presented by Mr. Jerzy Jankowski from Poland. He explained that the first co-operatives in Poland were established at the end of 19<sup>th</sup> century under the name of “housing societies”. There were 40 such co-operatives in Poland before the First World War.

After the War, the government established the Society for Workers’ Housing Estates in order to provide solutions to social housing problems. During the same period the co-operative movement created two types of housing co-operatives: the “lodgers’ co-operatives” (where dwellers only rented flats from the co-operative which owned the whole real estate) and “housing-building” or “property” co-operatives (in which dwellers, usually more well-off than in the first type, were at the same time owners of their flats and co-owners of the whole real estate). Such co-operatives were often in close collaboration with trade unions, employers or various social associations. Before the World War II, there were 240 housing co-operatives, and only 0.8 per cent of the total urban population dwelled in co-operative flats. An important characteristic of the Polish co-operatives was that a co-operative housing estate did not only mean blocks of flats, but it also encompassed the whole system of social services, the development of social structure, and social coherence.

In the 1945–1949 period housing co-operatives were engaged in the restoration of war damaged buildings and in building new housing estates. A total number of 40,000 apartments were restored, and 5,300 new apartments were built in that period.

In the 1950-1956 period co-operative activities were very limited as direct state ownership was preferred in the early socialist period. With the liberalisation after 1956, co-operatives became the main and decisive organisations in fulfilling dwelling needs of urban populations with the support provided by central and local governments. The share of co-operatives in the construction of new housing increased up to 80 per cent in early 1980s. Co-operatives contributed to the establishment of new social infrastructure or the development of the existing one, in addition to building new housing estates.

In the last 12 year period of transition to a market economy, the co-operative movement has been treated as a relic of the past to be liquidated, although co-operatives owned almost 3 millions dwelling units with about 10 million inhabitants. Consequently, the share of co-operatives in house construction decreased to 25 per cent in the year 2001. Due to financial difficulties most co-operatives are not able to continue with the provision of social services.

However, co-operatives has since been “re-discovered” as the organisations that enable lower income families to become homeowners. The present Government supports the co-operative movement with various incentives. But high unemployment and high interest rates constrain initiatives of co-operatives. Discussions and initiatives concerning the provision of State subsidies to co-operatives continue during the process of enacting new legislation. At present, 1,500 housing co-operatives with 13 million members constitute an important lobby group in the Polish society, which can succeed in the creation of enabling legislation for co-operatives.

The presentations were followed by a lively discussion, which noted that housing co-operatives are widely different from country to country. The ways in which they work are intimately connected with the cultural aspects of each nation. Nevertheless, in spite of differences between countries, the basis of the housing co-operative movement has not changed: *“Co-operatives are born from the will of a group of free citizens to work for the resolution of a common problem”*. This is why it can clearly be claimed that co-operatives are the most democratic solution for the problems of a community, because they are products of the strength of character of some citizens willing to find the solution to their own problems.

It was noted that the world is characterized by increasing ‘selfish individualism’, where individual citizens simply demand from political powers and from the State solutions for their problems. If it can be said that people have the right and sometimes even the obligation to demand solutions from those with powers to solve it, it can also be stated, and in fact strongly emphasized, that one of the most important ways to contradict this world-wide tendency would be to promote a growing mobilisation of citizens claiming and defending their own rights, by *“looking at themselves not as a part of the problem but as a part of the solution”*.

Co-operatives have the ability to re-structure entire neighbourhoods. People feel integrated in a community by working for a project they can call their own. Housing co-operators fight together and, most importantly, as a whole try to achieve better housing conditions. Co-operative members forget about the “one man for itself” ideology that we can more often find while living in an urban society. Co-operatives support the tendency to walk the path of solidarity and co-operation. As a result, successful housing co-operatives do not die after achieving their immediate objective. Instead, they tend to expand to other areas. They start to work in the social sector; they provide almost all social services needed in each small community, including nursing homes for children and elderly, small study rooms for the young, usually managed by ex-housewives or unemployed women living in the community. They also help to

promote the provision of some services by those living in the community, and therefore increase the liveability of their neighbourhoods.

Housing co-operatives promote solidarity and empowerment of individuals: Communities start controlling their destinies. Co-operators stop being merely spectators, instead they are determined to become active citizens, able to identify problems, find solutions, and demand support from those in charge to achieve their goals. That is the power and the heritage of the co-operative sector that can be formulated as: to give individuals the opportunity to become full and active citizens, with choices, with solutions, with powers, with solidarity. *“To co-operate is always a good choice!”*

The example from the United Kingdom indicates how the co-operative system can improve the quality of life when people take care of their future. After 1994, tenants gained a statutory right to manage their estates through democratic tenant management organisations. Independent research in the United Kingdom shows that co-operatives provide more effective housing management services with usually better value for money, and deliver wider non-quantifiable social and community benefits.

In fact, there are numerous examples from co-operatives all over the world that they ensure that children and the elderly are taken care of. Participants noted that co-operatives are the most effective organisational model that promote community development and fight social exclusion.



## **VII. Concluding session: “Review of lessons learnt, conclusions and recommendations”**

The concluding session of the Colloquium, was opened by a brief introduction by the Chair who outlined the format of the final session.<sup>1</sup>

Following this introduction, two messages were read on the occasion of the 8th United Nations International Day of Co-operatives / 80th International Co-operative Day (6 July 2002). Ms. Christina von Schweinichen of UNECE read the message of the United Nations Secretary-General Kofi Annan. In his message the Secretary-General indicated that co-operatives support social cohesion and stability and give life to the concepts of corporate responsibility and citizenship with a people-centred approach. In an age where community involvement and partnerships with civil society are increasingly being recognised as indispensable, there is a growing potential for co-operative development and renewal world-wide. The new United Nations Guidelines proposed by the General Assembly last year to help create a supportive environment for co-operatives are designed to facilitate that process.

Ms. Maria-Elena Chavez, read the message of ICA. The message begins by underlining two principles, e.g. that co-operatives are enterprises that operate under the values of solidarity and social responsibility. Co-operatives provide the human face of development, and concern for community is the newest of the co-operative principles. Housing co-operatives not only provide housing, but also take into consideration specific needs of the population. Urban renewal, social and cultural activities are within the scope of co-operatives. Co-operatives have also demonstrated their solidarity with the victims of natural disasters and terrorist attacks in various parts of the World. It is in the interest of governments to provide an enabling environment for the development of co-operatives with full respect to the autonomy of co-operatives.

The Chair then presented a brief overview of 22 messages received by the Colloquium from various authorities, institutions and individuals in Turkey expressing their appreciation and good wishes for the success of the event.

The rapporteurs of the four substantive sessions were then invited to present summaries of the discussions:

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1. This chapter is based on the report of the concluding session as prepared by the Rapporteur of this session Mr. Inge Jensen – in collaboration with the Chair of this session, Mr. Selman Ergüden.

- Mr. Mehmet Ali Kahraman presented the summary of the introductory session on behalf of Ms. Şule Öngel.
- Dr. Claus Jürgen Hachmann presented the summary of theme 1: Enabling environment for housing co-operatives: legal, financial and institutional framework.
- Ms. Elena Szolgayova presented the summary of theme 2: Role of co-operatives in management, maintenance and revitalisation of housing stockss.
- Mr. José Mateus presented the summary of theme 3: Contributions of housing co-operatives to community development.

Following these brief presentations, the Chair opened the floor to comments regarding the accuracy of summaries made, and several participants took the floor with concrete interventions providing clarifications and additions which are reflected in the final reports of the four substantive sessions.

Among the most important issues raised were the problems related to lack of knowledge and lack of experience with regard to co-operative housing in countries with economies in transition. The importance of country to country exchange of information and experiences, as well as the need for networking was raised by several participants. The Colloquium was seen as an important step to facilitate such future country to country information exchange and networking. It was thus stressed that the final report of the Colloquium should include a list of participants – including contact details – so that the dialogue initiated at the Colloquium could be continued. Moreover, UN-HABITAT and UNECE ensured participants that they would keep them informed about future activities in the region related to co-operative housing, both directly and through their web-sites.

It was also noted that the co-operative approach should not be seen only in the context of managing housing stock in countries with economies in transition. As the current housing stock deteriorates, it is essential also to consider how the co-operative approach can contribute to provision of new housing units.

The Chair noted that the conclusions of the Colloquium would not be in the form of a formal declaration. He noted also that despite the fact that co-operatives are playing an important role in housing development, as several examples have indicated, there are no *panacea* for co-operative housing development in the region, different countries and societies will require different approaches.

He noted that the presentations made and the following discussions had revealed that there is quite a variation in experience in the countries from where

experiences were presented and particularly from countries with economies in transition with regard to the privatisation of housing stock following changes in political and economic system in these countries. Experiences ranged from that of Estonia where now some 45 per cent of the housing stock is managed in a co-operative manner, to that of Poland where until quite recently legislation to prohibit the co-operative approach were being considered in the Parliament.

The Chair noted that the Colloquium had been quite successful in terms of addressing its first two objectives, e.g. facilitating exchange of information and experience, and understanding the challenges and possibilities (as well as problems) of the co-operative approach in the region. Particular attentions had been paid to the importance of mechanisms that can contribute to maintenance and servicing of the housing stock. The most important outcome of the Colloquium, however, was its contribution to addressing the third objective, namely improved co-ordination and collaboration between stakeholders in the co-operative housing sector in the region. The networking aspect of the meeting is a very important outcome.

The Chair noted that UN-HABITAT, UNECE and ICA will continue to collaborate on issues related to co-operative housing development, particularly in Europe, and he also noted that UN-HABITAT is considering similar initiatives in other regions as well.

He also noted that the Turkish Association of Housing Co-operative Unions (TÜRKKONUT) intends to disseminate a video CD of the proceedings to all participants to facilitate further exchange of information.

The Chair proceeded to – on behalf of UN-HABITAT, UNECE and ICA – to thank the host authorities, TÜRKKONUT and the Housing Development Administration (HDA) for their excellent organisation of the event, which had proved to be an essential factor in facilitating exchange of information between all participants, even outside of the meeting rooms.

The chairman of TÜRKKONUT, Mr. Yılmaz Odabaşı made a closing speech at the end of the session. He thanked Mr. Selman Ergüden, who had acted as the Chairperson of the Steering Committee for the organization of the Colloquium, the participants and Repino Turizm which undertook all the logistic issues. He concluded that the Colloquium has achieved its aim of providing a platform for exchange of ideas on the economic, social, administrative, financial, technical and legal aspects of housing provision, the role of co-operatives in this regard, and the effects of the regulatory framework in every country. He emphasised that all participants made valuable contribution to discussions, and expressed his best wishes for all guests.



# ANNEXES

The annexes presented below are largely reproduced as they were submitted by their authors. Only minor editing has been undertaken by the publishers of this report.

## Opening statements

### **Annex 1. Opening statement by Mr. Yılmaz Odabaşı, President of TÜRKKONUT**

Honourable Deputy Prime Minister, dear Ministers, dear Members of the Parliament, dear representatives of various countries, dear Mayors, dear Bureaucrats, members of TÜRKKONUT family and distinguished representatives of the press who have honoured this meeting, I salute you all with respect.

As is known, the resolutions adopted at the Habitat II Conference held between 3-14 June 1996 in İstanbul incorporates the principles of healthy living, healthy housing, healthy environment and sustainable development. At the present Colloquium which is being held 6 years later and which brings together all the countries, we will discuss what we have achieved in these 6 years and what we should do from now on.

TÜRKKONUT is carrying on its estimable and good-quality works both in Turkey and in the world. We will try to explain important parts of our activities to you during the Colloquium that will continue for 2 days.

In our co-operative system in Turkey, forming of organisations is continuing in the form of a fully democratic structure. The system administers itself with the managers elected from within its own body and is geared towards supplying housing units providing a healthy living environment for our people. Two important elements characterise the economic dimensions of this system: the first one is the contributions of our own co-operative members, and the second one is the support provided by our Government for the housing policy.

Turkey's housing policy gained momentum in 1984 with the 1<sup>st</sup> Mass Housing drive of the late Turgut Özal, 8th President of Turkey, and important steps have been taken by providing big-scale financial support. Credit has been made available within this system for construction of 1,115,000 housing units completed during 18 years.

Here, we should underline a point clearly. In building modern cities, the most important element is to tackle the city as a whole. In other words, construction of houses does not in itself solve the problem. General infrastructure, social infrastructure and landscaping should be completed concurrently and as a whole. I believe that when we achieve such integration, the problem will have been solved by itself, with a more perfect result.

We, as an organisation, believe that our people should, besides contributing towards construction of their houses, also make a contribution towards construction of the schools where their children will be educated. For example, facilities like hospitals that will serve the neighbourhood concerned, and general infrastructure should be constructed with the contributions of our people. We have prepared our programs aiming to collect such contributions from our citizens. Our 55<sup>th</sup> Government put it into application. We have thus laid the foundation for integration of the Nation and the State.

Authorised officials of the government are here. We believe that this matter should be reviewed and credits should be made available for general infrastructure, social infrastructure and landscaping as well, besides the credits extended for superstructure. I am submitting this matter for their consideration.

The works performed by TÜRKKONUT so far are being monitored with a close interest in the world. I thank, on behalf of myself and my organisation, Mr. Mesut Yılmaz, former Prime Minister and current Deputy Prime Minister of the Republic of Turkey, who has never left us alone in our activities up to now and who has always kept his door open for listening and attending to our difficulties and problems.

I also thank Mr. Faruk Bal, the State Minister Responsible for Housing, for his contributions towards arranging related legal procedures and improving the credits and the Mass Housing Sector.

I believe that our esteemed guests who are attending our conference today will shed light on related developments both in Turkey and in the world.

I hope that the declaration to be issued at the end of this meeting will be instrumental in bringing benefits to all people living in the world and I salute you all on behalf of myself and my organisation.

## **Annex 2. Opening statement by Mr. R. Tuna Turagay, President of the Housing Development Administration (HDA)**

Your Excellencies, Mr. Deputy Prime Minister, Mr. Minister of State, Distinguished Guests, Distinguished Participants, Ladies and Gentlemen

On behalf of the Housing Development Administration (HDA), it is my pleasure to welcome our distinguished guests and participants. The realisation of this Colloquium, in which we are going to discuss the contributions of the co-operative sector to housing development, as an outcome of a co-operative work is a significant happening. Within the frame of such a co-operation understanding, I, too, would like to summarise the involvement of HDA regarding the housing provision and the support provided to housing co-operatives within the context of housing problems in Turkey.

Distinguished guests,

In Turkey, particularly after the World War II, a rapid urbanisation process has been experienced as a consequence of increasing population and migration from rural areas. This process has raised the demand for urban land and housing to very high levels, and such demand could not be predetermined and its solution could be found instantly. Particularly for the low and middle-income groups, the problem of acquiring houses in a liveable and planned environment has reached high levels. Similar to the situation faced in almost all developing countries, making adequate shelter available and accessible to meet the housing need of the ever-increasing population in urban settlements has always been and remains to be a challenge for Turkey.

In addition to this rapid increase in the housing demand, there have been several problems regarding the finance for housing. There has been insufficiency of housing loans extended by both public and private finance institutions, both in terms of their number and amount. Especially, a housing finance system that is compatible with the existing market conditions and provides affordable loans for low and middle-income groups has not been created in the financial market. The fact that public funds have been in trouble with finding adequate resources, and this creates obstacles for the sustainability of housing finance programs that are implemented by public institutions that manage these funds.

Another important problem regarding housing provision has been the fact that land has the largest share in the total cost of housing in our country. One of the new approaches to solve this problem is to divert public resources primarily to the provision of land with infrastructure.

Furthermore, an important question that hardens the solution of housing problems in Turkey stems from the fact that housing is seen as an instrument for investment rather than a shelter.

Within this process, therefore, models for housing provision have varied from individual self-provision to house-building by small-to-large capital construction firms, from co-operatives to mass housing initiatives by the central and local authorities. However, as a result of the problems that I mentioned, it is sometimes very difficult just for the State or just for private firms to meet the housing need of the increasing urban population instantly. These difficulties have required the co-operation and partnership of all relevant actors of the housing sector.

Distinguished participants,

It is obvious that several other countries also experience a similar situation and problems that are encountered in Turkey. Experiences of various countries and international organisations, like UN-HABITAT, have shown that the success of human settlement policies depends on the partnership and participation of relevant stakeholders.

For cities to be physically, socially and environmentally liveable, a co-operative approach, which ensures the realisation of governance and partnership principles is necessary. This co-operation understanding usually appears as partnerships between public, private sectors and civil society groups to provide efficient public and communal services.

Within the frame of this co-operation understanding, there is no doubt that housing co-operatives are beneficial organisations in the sense that they develop and strengthen partnerships in housing provision. As it is also stated in the Habitat Agenda, co-operative mechanisms should be established and strengthened in order to achieve success in the issues related with the two main goals, adequate shelter for all and sustainable human settlements development.

The supply of affordable owner-occupied housing as well as rental, communal and co-operative housing can be increased through partnerships among public, private and community groups. Moreover, thanks to the co-operative mechanisms and housing co-operatives in particular, mobilisation of local savings, creation of local financial networks, reinvestment in local communities, and increasing the availability of credit and market information to low-income individuals for shelter development can become possible.

In a well functioning and controlled system housing co-operatives that have dynamic structures are able to get organised rapidly and produce housing in a short time span mostly to middle-income groups.



Besides all these advantages, however, in order to increase the efficiency of housing co-operatives, the problems like land acquisition and housing finance should be taken into consideration, and then the parameters like construction time and cost should be checked together with technical, financial and legal supervision.

In Turkey, the entrance of co-operatives into the building sector dates back to the establishment of the first housing co-operative in 1934. Nevertheless, the actual expansion and growth of co-operatives began only in 1969 with the introduction of the Co-operatives Law. The contribution of housing co-operatives to housing development has increased significantly following the establishment of the Housing Development Fund and Housing Development Administration in 1984. While as an annual average 140 housing co-operatives were established before 1984, it reached to an annual average of 2,700 co-operatives, which implies an almost 2,000 per cent increase.

Excellencies, Ladies and Gentlemen,

The establishment of HDA and enacting housing development laws, particularly on the functioning of Housing Development Fund, strengthened the operation of housing co-operatives. After the formation of the Housing Development Fund, credit opportunities for housing co-operatives were enhanced, new housing co-operatives were founded and the share of co-operative housing reached its peak level of 35.5 per cent in total housing production in 1988, which had been between 8-13 per cent in 1970s. The new decrees introduced in accordance to these laws, and the finance provided from the Fund helped to increase the completion of continuing co-operative housing constructions.

Since 1984, HDA has been acting effectively in the provision of affordable housing for low and middle-income groups through innovative financial mechanisms. It has provided housing loans to approximately 1.1 million housing units (1,115,322 – by May 2002). In this total, housing co-operatives have the biggest share. By May 2002, great majority of the 84 per cent of the housing units that were given credit have been produced by housing co-operatives (942,501 units). In addition to the loans given to co-operatives, municipalities are also supported by HDA loans to facilitate new housing projects on lands they own for the provision of low-cost housing.

Furthermore, taking into consideration the fact that land has the largest share in the total cost of housing in Turkey, HDA tried to reduce the cost of land by providing developed land to housing co-operatives to support their activities in supplying housing for low-income groups. Through this program, HDA contributed to the reduction of land acquisition time for housing co-operatives, since it is assumed that 70 per cent of the co-operatives waste 20

months on the average to acquire land after their establishment. To this aim in 1998, HDA allocated and sold large tracts of land in mass housing zones in Ankara to the two largest co-operative central unions in Turkey, namely TÜRKKONUT and TÜRKKENT as well as to the Mutual Help Organisation of Army Officers (OYAK).

During the 1984-2000 period, 17 per cent of the total authorised housing production has been financed by HDA credits. However, in the 1996-2000 period, this ratio decreased to 11.7 per cent. This fall was due to the loss of most of the resources of the Housing Development Fund, as their revenues were channelled to the National Budget, beginning the year 1988. As a result, the decline in the contribution of Housing Development Fund to the finance and production of housing could not be prevented.

Despite this gradual decline in the financial contribution of this Fund to housing sector, mass housing process has gained prominence in Turkey as a housing supply mode. It has been effective in promoting progress in construction technology and housing finance. Successful examples that are well-organised in construction and properly operated are characterised by carefully designed environment and good building quality, and with these features the quality of life of their residents has been enhanced.

Dear Colleagues

When we consider the role of the HDA in Turkey as contributing to the solution of housing problems and steering the housing sector to fulfil its goals, it is inevitable that the public sector should sustain its enabling and supervisory role. In this respect, besides its support to co-operatives, HDA acts to continue its task of developing policies with new projects, which would contribute to the further development of the housing sector.

One of the most important projects for this purpose is to divert public resources to land development for the provision of land with infrastructure to low-income groups. HDA aims to implement such projects at locations experiencing rapid urbanisation and suffering from housing shortages, and on sites appropriate for urban development. Priority is given to lands owned by the treasury.

The aim of these projects is the allocation of land with infrastructure to low and middle-income groups and to co-operatives founded by similar people. Through the implementation of these projects, state will be in the position of enabling people to acquire housing, as well as regulating and supervising the housing market rather than producing housing directly.

In Turkey, and in countries with similar development levels, finance for housing could not be secured within the operation of capital markets. Therefore, there is a need for a new housing finance and credit system, which will function within the capital market by converting short-term savings to long-term loans.

HDA also aims to contribute to the development of the secondary mortgage market. In this framework, HDA intends to buy mortgages (carrying certain conditions) from the loan originators in order to:

- generate additional funds for housing finance;
- strengthen the relationship between housing markets and capital markets; and
- encourage other financial institutions to create funds for this purpose.

Besides these projects, HDA will continue to contribute to the housing production and finance in two ways:

The first is the production of housing units on lands owned by the HDA. This is realised in three forms:

- production of housing on HDA's existing land stocks by realising projects, and selling produced housing with long-term payment;
- production and sale of housing units through client financing; and
- production of land and housing through profit sharing model.

The second method is the production of housing units through providing loans to;

- Housing co-operatives,
- Municipalities,
- The families of martyred.

In providing land and loans to the housing co-operatives in particular, the criteria like, the number of members of the co-operative, building standards, regional specialities will be taken into consideration. With the new regulations issued in 2002, greater loan opportunities were created for the housing co-operatives. We aim to enable the completion of 80,000 housing units through the implementation of these regulations.

Distinguished participants,

I would like to stress another important co-operative mission of HDA since 1994. After organising the Habitat II Conference in Istanbul, in 1996, HDA continued to act as the co-ordinator of Habitat follow-up activities.

We organised the follow-up activities in a co-operative and participatory manner that is consistent with the realisation of the governance concept. We

support joint activities of central and local authorities, academic institutions and civil society organisations.

One of the most important initiatives in this respect is the formation of the Habitat Forum of Turkey. It is a revitalised and enlarged version of the National Committee for the Habitat II Conference with the participation of about 800 peoples representing the full range of Habitat Partners. This Forum represents a partnership and co-operation mechanism for central and local government institutions, private sector and civil society organisations.

Distinguished guests,

As this international Colloquium and the past and present activities of the HDA have proved, we are trying to ensure the harmony between the roles of public and private sectors, and to mobilise the combined capacities of these groups for the benefit of all.

In this respect, I wish that this Conference would be a successful one, and would contribute to the establishment of new partnerships and collaborations.

Thank you.

### **Annex 3. Opening statement by Ms. Maria Elena Chavez, Acting Director-General of the International Co-operative Alliance (ICA)**

Distinguished Delegates, Ladies and Gentlemen:

It is my distinct honour and pleasure to be here today as a representative of the ICA and ICA Housing at the opening of this Colloquium on the contribution of the co-operative sector to housing development. This impressive gathering of experts from all over Europe, and even beyond, is a manifestation of an increasingly close collaboration between UN-HABITAT and the ICA. It is also a recognition of the importance of co-operatives in this sector.

As some of you will recall, at the Second Substantive session of the Preparatory Committee for Istanbul +5 in February 2001 in Nairobi, Kenya, a Memorandum of Understanding, which calls for concrete collaboration in the promotion of housing and shelter, was signed between Habitat and the ICA. The Memorandum of Understanding now forms the basis for concrete initiatives such as the promotion of housing co-operatives in Africa and the holding of this joint Colloquium that will focus on the shelter sector in Central and Eastern Europe and the CIS.

Today I am particularly pleased that the UN Economic Commission for Europe has joined us in this endeavour as a third partner. This not only lends added pertinence to the theme of this meeting. It could also be the beginning of a more concerted effort to promote co-operative solutions to housing and shelter problems.

Six years ago, in Istanbul, the governments “recognised co-operatives as important actors in promoting sustainable human settlements”. These were the words used in the Habitat Agenda.

When the world leaders were meeting in New York last June at the UN General Assembly Special Session on Housing and Shelter, called Istanbul + 5, ICA and ICA Housing were invited to participate and show the results of the co-operative follow up of the Habitat Agenda during the last five years. Let me briefly share some of these with you.

Habitat II has offered the co-operative movement and in particular housing co-operatives a special opportunity to engage in leadership to promote sustainable human settlements and reduce poverty by providing sustainable livelihoods.

The Habitat Agenda identified a number of areas in which co-operatives had a role to play. I am happy to report that ICA has responded to that

challenge with a number of concrete activities especially with regard to enabling partnerships and building capacity.

For co-operatives to play any role, they must first have an enabling environment provided by appropriate legislation and governmental policies that recognise the unique character of the co-operative enterprise. Autonomy and independence from government control is essential for co-operative growth and survival as is access to government resources under conditions that respect the co-operative principles. ICA has been working with governments and the UN system in defining the key areas that require review if an enabling strategy for the co-operative sector can be adopted. These include the new International Labour Office Recommendation adopted only a few days ago and United Nations Guidelines aimed at creating a supportive environment co-operatives adopted in December 2001.

However, the main focus of ICA's activity continues to be capacity-building. ICA Housing, a sectoral organisation of the ICA has spearheaded specific activities in human settlements. It has successfully implemented a series of regional seminars and national activities to exchange professional expertise. In Kampala, Manila, Mexico and Tallinn, best practices have been shared and partnerships formed. The impact has been measurable: in Kampala new housing co-operatives were formed; in Manila Partnerships with government and other stakeholders were strengthened as was the existing national network; in Mexico partnerships among organisations in the region were bolstered while in Tallinn Baltic co-operation for the strengthening of housing co-operatives through legislative reform and education was reinforced. ICA Housing has sought financing and support for co-operative self-help initiatives both at the international and local levels as a follow-up to these activities.

These initiatives and the case studies it has been able to compile show clearly that housing co-operatives are effective providers of shelter while putting people at the centre of their concerns. ICA and ICA Housing have produced a booklet called "Best Practice-Innovative Approaches to Co-operative Solutions of Housing Problems of the Poor" a collection of case studies. We invite you to consult this document which includes description of best practices in co-operative housing approaches to shelter delivery and identifies challenges as well as major accomplishments.

ICA as a whole through both its regional and head office has also been active in programs that promote co-operative development both in rural and urban areas. It has pushed forward on issues such as gender equality, improving access for financing of co-operative initiatives and other areas highlighted in the Habitat Agenda. It has worked with UN-HABITAT on furthering the promotion of housing co-operatives in Africa and is now a partner in this joint

Colloquium that will focus in particular on the development of the co-operative approach in the shelter sector in Central and Eastern Europe and the CIS.

This is a glimpse of what has been done to implement the Habitat, but still much remains to be done. We feel that the co-operative approach to resolving the challenges of economic, social and cultural development is one that enables individuals to help themselves. They are able to pool resources no matter how small or large and improve their conditions of life. ICA with its over 230 member organisations in over 90 countries representing over 760 million individuals attest to the fact that the co-operative model is time tested. We need to work together to ensure that individuals are able to effectively form and participate in co-operatives and members have the possibility of having their co-operatives respond to the needs.

Future implementation of the Habitat Agenda must take this into consideration. Democracy, equity, and social responsibility and sustainable human settlements can be achieved if we work in partnership. ICA is committed to this.





## **Annex 4. Opening statement by Ms. Christina von Schweinichen, Deputy Director, UNECE Environment and Human Settlements Division**

Excellencies, Ladies and Gentlemen,

It is an honour for me to address this International Colloquium today, in the presence of the Deputy Prime Minister, Mr Mesut Yılmaz and the State Minister Mr Faruk Bal, and I would like to thank Mr Yılmaz Odabaşı, President of TÜRKKONUT, for the support given in organising this meeting. May I also take this opportunity to express my appreciation to our colleagues from UN-HABITAT and ICA for having taken the initiative to make this meeting a reality. This joint endeavour developed in a positive experience of fruitful co-operation among our three organisations.

The presence here of representatives from different Government departments, partners and NGOs bears witness to the growing interest in developing co-operation at all levels both nationally and internationally on co-operatives development and management. There is a clear need for exchange of experience between all parties and the public, and this meeting, the first of its kind, presents a unique opportunity. Translating policies into practice requires a supportive framework enabling to bring about an integrated approach in the practical implementation of housing reforms.

As you may already know, one major concern for the UNECE in the last ten years, is the integration of the countries in transition into the global economy. The ECE was able to adapt to the changes occurred in the region by focusing its analytical capacities on the transition process and by using its experience of harmonisation to facilitate the integration of central and east European countries. ECE developed various forms of assistance, providing expertise and ways to understand and analyse the main features of transition and the different functions of the housing sector.

To prepare and evaluate policy suggestions for transforming the housing sector the ECE Committee on Human Settlements initiated a project, titled as “Country Profiles on the Housing Sector”. The objective is the preparation of comprehensive documentation on the housing sector in the country under review on the basis of an independent analysis by an international expert team to:

- (a) assist the central and local authorities in developing national competence in analysing their housing sector and in setting housing policy priorities;
- (b) assist in monitoring the implementation of the Country Profile recommendations in the reviewed country;
- (c) promote the housing market; and

- (d) promote international comparison of the development of the sector's elements throughout the transition, in terms of critical bottlenecks, problems, solutions and effects.

Another important part of the Committee's work is in the area of urban renewal and housing modernisation. The Committee has prepared strategies to implement human settlements policies on urban development and housing modernisation and its aim was to draw together the most recent thinking on urban renewal.

In this project the need for appropriate legal, organisational and financial frameworks for urban renewal, still missing in some countries, were looked into. Special emphasis was given to the respective responsibilities of the public sector – at national, regional and local levels – and of the private actors (owners, tenants, business, housing, investors, etc.). Different forms of tenure were investigated as an important factor for renewal activities, and types of problem areas were defined. As a result, the study gives overall recommendations, both for western and for eastern European countries. After the mass privatisation of the public rental housing stock, private ownership in multi-flat housing estates has become the dominant type of tenure in the urban areas of many countries in transition. In most of these countries a legal basis for the formation of condominiums and the operation of owners' associations has been established. However, despite the existence of this legal framework the establishment of condominiums and owners' associations has proved to be a slow and difficult process. To that end in order to provide some guidance on how to set up and manage condominiums and owners associations the Committee recently finalised a very practical handbook on condominium ownership of housing for countries in transition..

Another project, which is also related to the topic of this Colloquium and carried out by ECE will take the form of practical guidelines on housing finance instruments based on studies of selected housing finance models available in the ECE countries.

These are just some of the areas that the ECE is working on in the housing sector. These are also important elements when discussing the topic of our Colloquium.

Ladies and Gentlemen,

I am convinced that this Conference represents an important opportunity for reflecting the collective experience and views of the ECE countries present here, on ways and means of developing co-operative housing within the housing policies formulated by countries. The UNECE, through its Committee on Human Settlements, stands ready to co-operate with you in this endeavour.

Thank you for your attention.

## **Annex 5. Opening statement of Mrs. Anna K. Tibaijuka, Executive Director, UN-HABITAT (read on her behalf by Mr. Selman Ergüden)**

Honourable Deputy Prime Minister, Mr. Mesut Yılmaz, Honourable Minister, Mr. Faruk Bal, distinguished participants, colleagues, ladies and gentlemen,

It is a great pleasure for me to be with you today at the opening of this Colloquium and to share with you my views on how we together, in a co-operative manner so to speak, can contribute to housing development.

As we are all aware, the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights both state that everyone has the right to a standard of living that includes adequate food, clothing, housing and other basic needs. The Habitat Agenda, the outcome of the Second United Nations Conference on Human Settlements, which took place in Istanbul, Turkey in 1996, also confirmed the right to housing and elaborated actions required for the realisation of this right.

Despite these global commitments – which are enshrined in many other international instruments as well – millions of people in many parts of the world have few or none of the basic requirements for a decent life, including adequate shelter and the means for life support. Today, three-quarters of a billion people live in desperate housing conditions in the slums of the world's cities.

During the last decade or so, many developing countries and countries with economies in transition experienced increased economic and social hardships. People living in poverty and other vulnerable and disadvantaged groups have seen their living conditions deteriorate, including reduced security of tenure and worsening housing conditions.

Among the many causes for this trend, the most important is the lack of policies that can facilitate an effective enabling environment for housing development. Countries in transition have had difficulties in adapting to a new political and economic order as well as to economic globalization. Housing sector reforms during the 1990s in such countries were mostly motivated by pressures to reduce budget deficits and to move away from macro regulation and direct subsidies to housing supply. In general terms, the reforms focused on strengthening market forces and reducing State intervention in the housing sector.

With the adoption of the Habitat Agenda, 171 countries committed themselves to a global policy framework for “adequate shelter for all” and “sustainable human settlements development”. The global plan of action in the

Habitat Agenda also elaborates the steps necessary to implement the policies with a specific focus on the role of the co-operative approach to housing development.

A total of 20 paragraphs in the Habitat Agenda make specific reference to a co-operative approach in housing development. Most specifically, paragraph 82 identifies co-operatives as one of the main modalities for achieving the goal of adequate shelter for all, by – I quote: “encouraging communities to form housing and multi-purpose community development co-operatives, especially for the provision of low-cost housing” and by encouraging “the expansion of savings and credit co-operatives, credit unions, co-operative banks, co-operative insurance enterprises and other non-bank financial institutions”

Distinguished participants,

The co-operative approach embodies several of the main principles of the Habitat Agenda, in particular, the **principles of enablement, participation and democracy**. These principles were reaffirmed in the *United Nations Millennium Declaration* and in the *Declaration on Cities and Other Human Settlements in the New Millennium*, adopted respectively by the General Assembly in 2000 and 2001.

UN-HABITAT has recently strengthened its efforts to promote these principles within the areas of housing and human settlements development. UN-HABITAT activities in these areas are implemented as part of its Global Campaigns for Secure Tenure and Urban Governance.

The **Global Campaign on Urban Governance** is the product of an emerging consensus that good urban governance is a positive determinant of the quality of life for all citizens.

The **Global Campaign for Secure Tenure** focuses on housing as a strategic entry point to poverty eradication. By promoting development of secure forms of tenure, the Campaign emphasizes democratic participation and enablement as fundamental components of housing development, particularly the upgrading of informal settlements.

Distinguished participants,

By enabling low-income people to come together and help themselves in a democratic environment and with a concern for community, there is a real potential for low-income families to improve their housing and living conditions. This approach can and will contribute to the achievement of the Millennium Declaration goal which foresees improvement in living and housing conditions of at least 100 million people living in slums and squatter settlements by 2020.

In this regard, UN-HABITAT and the International Co-operative Alliance have been working together under a memorandum of understanding to formulate working modalities that can contribute to the development and more widespread utilisation of co-operative approaches to housing and human settlements development.

The first joint activity of these two organisations was a research study assessing the actual and potential contributions of the co-operative sector to shelter development in Eastern and Southern Africa. The purpose of the assessment was to initiate a process to analyse possibilities for the development of a regional programme by the International Co-operative Alliance for this region.

The experiences reviewed in that study showed that the co-operative approach has a real potential to harmonise the roles of public and private sectors, and to integrate the capacities of individual households in a community-based approach.

The study exemplifies how we, through such collaborative efforts, can capitalise on the synergies created through joint interventions between various actors in the area of human settlements. To complement the contribution of UN-HABITAT and the International Co-operative Alliance, this Colloquium is also drawing on the capacities, experience and networks of the United Nations Economic Commission for Europe.

Distinguished participants, ladies and gentlemen,

As envisaged in General Assembly resolution 56/114 on co-operatives in social development and also to contribute to the realisation of the goals of the Habitat Agenda and the Millennium Declaration, the co-operative approach can make fundamental contributions to housing development. It is my strong belief that the Ankara Colloquium will serve as an excellent opportunity for experts and practitioners in the housing sector, particularly those related to co-operative housing, to exchange information and experience as well as to form networks and plan future initiatives.

Your deliberations will enable us to better understand the challenges and possibilities of the co-operative approach through which we can work together and contribute to the main goal of the Istanbul Declaration -- building together a world where everyone can live in a safe home with the promise of a decent life of dignity, good health, safety happiness and hope.

With gratitude to the organisers of this event, particularly to our hosts TÜRKKONUT and the Housing Development Administration for their warm

hospitality and the excellent arrangements, I wish all the success to this endeavour.

I thank you for your attention.

## **Annex 6. Opening statement by Mr. Faruk Bal, State Minister for Housing**

In the last decade of the 20<sup>th</sup> century, the world experienced technological, social and political transformations that covered every field.

Among the definitions about this transformation, the most widely used one is “globalisation”. This term not only includes technological opportunities, but it also brings a new kind of control mechanism.

With this control mechanism an optimistic situation, which is the unification of the world and thus the rising welfare of ever increasing sections of population are emphasised. In the world where the concepts of democratisation and human rights are gaining importance together with globalisation, all efforts are now made to increase living standards of the society and to emphasise the importance of human beings.

In this way, the fundamental objectives of the systems of sustainable settlements appear as providing systematic, harmonious, healthy and safe living environments and also equitable conditions. The view that the smallest unit among these settlement systems, “housing”, is an effective “citizenship right” to reach social objectives, is the basic principle that is accepted universally.

One of the essential goals that have been accepted in the “Habitat II Conference” which was held in Istanbul in 1996 is to provide adequate housing for all.

In this context, it is essential to develop housing policies by an understanding of governance to include the actors, namely public sector, private sector, non governmental organisations, co-operatives and citizens, with the realisation of the principles of “partnership”, “participation”, “enabling”, “sustainability” that are emphasised in the Habitat Agenda in order to provide adequate housing for all as well as basic services.

By this way, increasing economic investments in small and medium sized settlements, encouraging the production of land that involves social and technical infrastructure, improving the quality of life, monitoring the trends in geographical concentration of population and developing policies to deal with this phenomenon, and supporting the provision of basic infrastructure and services should get priority; moreover, reducing the rate of migration from rural to urban should be the fundamental principle.

While all these are made, it needs to take into consideration benefits and costs that are incurred by different social groups in cities, instead of a general public benefit concept.

In this context, “co-operative implementations”, which provide the opportunity of participation and collaboration of local communities and social organisations gain importance, as this will allow transparency in the use of resources.

Distinguished delegates,

In our country, especially after the Mass Housing Law was enacted, the number of housing co-operatives increases rapidly and their share of total housing production reached to 20-25 per cent by the year 2001. Almost 362,000 dwelling units have produced by 46 co-operative associations that are attached to the two Central Associations.

Housing Development Administration (HDA), which is the only public institution responsible about the housing sector, provided financial support for 1.2 million dwellings, out of the total number of 7.2 million authorized housing units that have been built in the 1984-2001 period, and built 43,145 dwellings by itself for low and middle income people. In other words, HDA contributed to the production of one of the every 6 dwelling units within that period of time.

In the first half of the year 2002 a decree was issued to reopen credits to co-operatives and other mass-housing producers, and to increase the amount of credit provided for each dwelling unit by the HDA.

Herewith, it is aimed that co-operatives could finish the construction of dwelling that they build, and the construction sector would be revitalised so that its contribution to the Gross National Product would increase. It is thought that, this enhanced finance would contribute the completion of the construction of about 80,000 dwellings.

Dear guests,

Most of the suitable land stock for urban development is still publicly owned. Development of such land to build housing will lead to decrease the cost of producing housing and will facilitate the acquisition of housing by lower income households. Now I want to present some statistics for your information. In our country, land cost is between 40 and 60 per cent of the total cost of building a house. Nevertheless, this amount is 20-30 per cent in developed western countries where the land is scarce. Thus, building housing on developed publicly owned land could contribute to reduce the share of land cost by about 50 per cent. Within this context, a by-law has been prepared and put into action to enable the HDA to undertake public land development projects and to sell developed parcels to households in accordance to certain criteria.



Because of the abundance of the number of people who need housing, the principle of allocating land by the participation of all the involved actors has been introduced. Co-operatives, co-operative associations and central associations, which have an important role in the housing sector in our country, will be the partners that have the priority in this endeavour.

As stated by the delegates of many countries about the contribution of co-operatives on housing development, UN Special Session on the Istanbul+5 Conference reconfirmed the importance of this contribution.

Distinguished delegates,

Today, facilitating exchange of information and experience regarding the co-operative approach in housing sector, I believe that, we can make important progresses with regard to the principles of strengthening enabling strategies, participation and partnerships.

I believe that experiences and proposals that will be put forward throughout this conference will contribute to the formulation of future initiatives in the participant countries, and help to facilitate exchange of information among co-operative institutions as well as initiation of joint projects at the international level.

I wish a successful conference for all participants.



## **Annex 7. Opening statement by Mr. Mesut Yılmaz, State Minister and Deputy Prime Minister**

Dear guests, dear representatives of our co-operative system and housing sector, I salute you all with affection and respect.

I thank TÜRKKONUT and the Mass Housing Administration and the United Nations Human Settlements Programme, the International Co-operative Alliance, and the United Nations Economic Commission for Europe, which arranged this meeting.

I welcome the representatives of the participating countries and hope that this meeting will be successful.

Dear guests, development is a multi-dimensional phenomenon. Only industrialisation, achieving progress in certain areas is not sufficient for development in contemporary sense. Real development is possible by attaining advanced standards in all areas of life. What's more, each of these areas are associated with each other.

Today, nobody can claim that the culture of democracy and the urban management philosophy are independent of each other. Consequently, a good infrastructure needs to be established in every field from democracy to law, from health to sports, in order to raise the quality of life.

Studies being carried out for improvement of the quality of life in human settlements carry great importance from the standpoint of the future of mankind.

As Asimov said, cities that have been the source of the civilisation are now becoming a destroyer of the civilisation. This must be prevented. In countries like Turkey where population increases rapidly and where rapid urbanisation takes place, meeting the housing need at required standards carries importance.

The goal of building a sustainable settlement system in the world and providing sufficient housing to all occupies a central place among the matters that come onto the agenda within this framework. And most of the matters that come onto the agenda within this framework point to the role of the co-operatives.

The co-operative business sector makes a contribution towards housing development and, consequently, towards raising the quality of life of the societies. Housing production with this method exhibits significant differences among regions and countries.

Serious reforms in this area were put into application in the 1990s. What these reforms have in common is that housing policies constitute a dimension of restructuring the economy. Furthermore, social and political changes in countries affect closely the developments in this area. All these experiences will play a determining role over the decisions to be made for the future of the sector.

The HABITAT meeting held in our country in 1996 was an important activity within this framework. I believe that the meeting that has started today will also contribute towards shaping the said decisions.

Common goal of all countries in the world and of relevant organisations should be to put into implementation the matters stated in the Habitat Agenda and the views that will emerge at the present meeting.

Dear guests, the Turkish society sees housing as a guarantee of security and trust in future. That's why we have a saying in Turkish: "Space in this world, faith in the other world". Still, housing shortage has long been one of the important problems of Turkey.

In our country, the first serious housing policies in the contemporary sense were introduced in the first years of the Republic and important applications were realised during the term of Atatürk. The centre of Ankara and its districts extending in the direction of Çankaya are the products of the urban planning effected in this period.

Despite the many years that have elapsed and the conditions that have changed since that time, the districts where the said plan was implemented still shoulder the burden of Ankara. However, in the later years, particularly in the post-World War II period when urbanisation accelerated, planned development was set aside.

People who have not been given any direction and who could not get any institutional support have had to care for themselves. The shantytowns surrounding our cities, which is a problem that could not be solved until now, is the product of that undisciplined period.

When the Motherland Party came to power in 1983, it paved the way for contemporary drives in the housing sector, as in the case of all areas. In that period, the first serious and consistent, and most importantly, comprehensive Housing Policies were implemented in Turkey after the period of Atatürk. So far, some 1,100,000 housing units have been built with the resources of the Mass Housing Fund that was established in 1984.

The middle- and low-income segment of our society has for the first time been given the opportunity to own a house through the resource provided from the Mass Housing Fund.

The Mass Housing drive launched in 1984 was unfortunately interrupted in the 1990s. Therefore, a new Mass Housing drive was started during the term of the 55<sup>th</sup> Government in which I served as the Prime Minister. Co-operatives have been provided with additional resources for infrastructure in addition to housing construction.

Thus, there has been a switch to a philosophy that covers all factors, i.e. general infrastructure, social infrastructure, and landscaping, which constitute the foundation of contemporary co-operative system. Furthermore, the Mass Housing Administration was directed to provide support to housing co-operatives, rather than to housing construction. The land plots that were held by the Mass Housing Administration have been allocated to Central Unions and Co-operatives.

The difficulties experienced in our country have had negative effects on this sector, as has been the case in every field. Our co-operatives have become capable of standing on their own legs with only their own resources. The aim should be to solve all kinds of problems of our co-operatives and to enable increasingly more people to own a healthy and economic house with this method.

It should be known that as soon as our country leaves the crisis behind, we will turn towards finding resources that will give a new lease of life to our housing co-operatives.

Dear guests, the massive Marmara earthquake experienced on 17 August 1999 has pointed to the need for the country to question and renew herself in every field. It has been found that the high death toll due to the Marmara earthquake stemmed not only from the intensity and massiveness of the disaster, but also from the low quality of buildings and poor supervision of their construction.

Today, all of our citizens have become aware of the need for construction of earthquake-resistant houses. This awareness is a positive development for Turkey as we have learn to live with earthquakes.

The 1999 earthquake should be turned into a symbol of beginning of a new period from the standpoint of the housing sector of our country.

On the other hand, the most important duty concerning issues related to human settlements falls on local authorities, which are in the position of implementing agencies. Local authorities should encourage establishment of

contemporary spaces that will meet cultural, sportive, entertainment-related, aesthetic and, naturally, economic needs of the local people.

Our present administrative system is far from providing our local authorities with the leeway required in order for them to provide people with services at the level they desire.

Having entered into a radical transformation in every field in the process of membership in the European Union, Turkey must also arrange her Local Administration System from scratch.

Turkey needs an administrative system where powers and resources are devolved to local authorities with a contemporary philosophy and where an effective public supervision is achieved through transparency. We aim to restructure our local administration system within this framework, including many agencies that take part in this system.

The process of membership in the European Union has coincided with a period when our country's need for change has reached its zenith. Change means raising standards in every field. The most concrete indicator of rising living standards is the condition of living areas.

The settlements surrounding our cities reflect a demand and search for not only "a house to enter into" but also an infrastructure that will provide those people with the opportunity of living at a high standard. I believe that a society consisting of individuals who have attained such a level of awareness cannot be prevented by any force from achieving its objectives.

Dear guests, the housing co-operative system in Turkey has enjoyed its golden age in the past 17 years. Millions of people have become house-owners through the housing co-operative system.

TÜRKKONUT which comprises 15 unions, over 1500 co-operatives and 200,000 members is the most important and most successful organisation of our country in this field. As a matter of fact, TÜRKKONUT's projects are being closely monitored and rewarded by the international organisations.

I hope that this meeting hosted by our Mass Housing Administration will shed light on new searches for the future of this important sector, and I present my respects to all of you.

# Introductory session: Housing development and the co-operative approach

## Annex 8. Keynote address by Professor Hans-H. Münkner, University of Marburg, Germany — *“The contribution of housing co-operatives to housing provision”*

### 1. Introduction

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

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

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

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

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

In a very general way it is possible to distinguish legal, financial and institutional environment, as the topic of this Colloquium implies. To this list of elements of the environment or framework within which co-operatives in general and housing co-operatives in particular operate, other areas can be

added: Political, social, demographic environment on the one hand, economic, technological and ecological environment on the other. However, all these elements of the environment are closely interrelated, overlapping and influencing one another.

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

This fact is recognised by the United Nations and by the International Labour Organisation. Both demonstrate their interest in co-operatives and their role in development as shown by **UN General Assembly** Resolution 54/123 and views of Governments on the draft guidelines and the ways to render support to Member States<sup>1</sup> and the arguments raised during the debates on the revision of ILO Recommendation 127 concerning the role of co-operatives in the economic and social development of the developing countries (1966) from 1993 to 2001<sup>2</sup>, currently discussed at the **International Labour Conference** 2002.

Already in 1995 after a long and world-wide debate, the members of the **International Co-operative Alliance** (ICA) agreed on a “Statement on Co-operative Identity” which contains a list of global co-operative values, a definition and a revised list of co-operative principles to serve as guidelines for good co-operative practice.

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

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

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



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

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

*“autonomous associations of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned enterprise, contributing equitably to the capital required, accepting a fair share of the risks and benefits, and participating actively in its management and democratic control”*.<sup>3</sup>

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

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

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

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

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

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

Other important issues on which agreement has been reached are that co-operatives have to focus their activities on meeting their members' needs, co-operatives have to be officially recognised by governments with full legal status and co-operatives have to be offered an equal level playing field, which means that they should neither be discriminated nor be given undue privileges but treated according to their special features, which does not necessarily mean equal but equitable treatment.

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

Global trends regarding the changing role of government are decentralisation, deregulation, withdrawal of the state from economic and social activities by the privatisation of state property as well as collective property, recognition of individual liberties, freedom of association, and a broader role of civil society.

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

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

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

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

For housing co-operatives this meant:

- To develop **new concepts** of joint and individual property and use rights, and of voluntary, democratic forms of co-operation.
- To find a **new relationship** between government and co-operatives from master and servant to equal partners in efforts to transform socialist state/collective property into private group property in order to avoid privatisation by selling housing estates to private investors to the detriment of the tenants living in these estates but unable to buy their flats. A solution, as proved to be better among its alternatives is to allow newly created co-operatives of tenants to acquire property of the estate and to offer their members long term protected use-rights which are transferable to new members or heirs and which can be turned into members' private property once their savings equal the price of the flat.
- To develop **new forms of collaboration** between different public authorities and agencies dealing with housing problems on the one hand, and co-operatives of tenants or prospective owners on the other. Such collaboration is essential for co-ordinating activities and applying participatory methods of planning, decision-making and control, which are the only way to motivate members to mobilise their own resources and to co-operate for their own advantage and for the benefit of the community.

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

New housing policies have to define the role of co-operatives, NGOs and local development agencies in the implementation of integrated urban devel-

opment programmes in the new climate of decentralisation, self-regulation and a more positive attitude of the government towards private initiatives and civil society. Special measures will have to be taken to protect these new approaches against opposition from vested interest and old boys' networks, e.g. in the new Polish co-operative law, democratic elections are only valid, if there is a choice of two or more candidates.

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

##### ***4.1. New trends***

In transformation countries, the attitude towards property of means of production has changed. While during socialist times private ownership of means of production was considered to be the root cause of exploitation, injustice and poverty, it is now recognised that the sense of private property is the main motivating force in economic development, but has to be combined with social obligations in order to avoid misuse of power. While during socialist times, co-operatives were used as instruments to transform private property into collective co-operative property as a transitory stage to state property (according to the motto: what we cannot nationalise, we co-operatise) housing co-operatives are now used as "transmission-belts" for transforming state and collective property into private group or individual property. As a middle way, socialist property can be privatised by transferring it to trust funds or foundations which could sell or lease such assets to co-operatives, which in turn could offer their members long term secure use rights or ownership, paid for by instalments. There is increasing awareness that various forms of ownership and use rights can be combined even in one housing co-operative.

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

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

#### ***4.2. New approaches***

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

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

#### ***4.3. New models***

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

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

Another suitable model is the “**multi-stakeholder co-operative society**” being self-help organisations mainly at community level with different partners (persons with limited means, volunteers, employees of the society, enterprises and NGOs interested in the objects of the society and the community as a legal body interested to mobilise local resources for local development). Such multi-

stakeholder co-operatives are suitable for the rehabilitation of slum areas with active participation of the slum dwellers, renovation of run-down quarters and integration of excluded persons into communities. New legislation for such multi-stakeholder co-operatives was promulgated in Quebec/Canada in 1997, in Portugal in 1998 and in France in 2001.

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

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

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

## 5. Conclusion

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

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

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

The next concrete steps to be taken are:

- to formulate a vision and a mission for housing policies at the government level and for programmes and projects at regional and local levels;

- to promote applied research in fields related to housing development; and
- to disseminate knowledge, to train promoters and to provide advice on best practice.

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

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

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

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





## **Annex 9. Keynote address by Professor Ali Türel, Middle East Technical University, Ankara, Turkey — “The contribution of housing co-operatives to housing provision in Turkey”**

### **1. Introduction**

Co-operatives have been producing housing for their members (shareholders) since mid-1930's in Turkey. Co-operative members acquire dwellings in freehold ownership status after construction is finished, and then the co-operative that has fulfilled its task is dissolved. Contrary to their counterparts in many European countries, co-operatives have not produced social rented housing in Turkey as this is not a defined task in the legislation concerning housing co-operatives. Their contribution to housing provision began to increase in the first half of 1980s, and about a quarter of new housing has been built by co-operatives during the last two decades. They have been supported by local and central governments in the forms of the priority given to co-operatives in the allocation of credits from public funds, in the sale of land developed by local or central government agencies, and in the supply of infrastructure to co-operative housing projects. Subsidies are involved in most of these forms of support by the public sector.

Housing co-operatives have become highly organised together with the increase in their contribution to housing provision. There are two central associations, which are confederations of co-operative associations, namely TÜRKONUT and TÜRKKENT, acquired considerable political support. Rising political power of housing co-operatives enhanced their lobbying capacity, and they have become effective in the formation of housing policies.

In this paper the development of housing co-operatives and their contribution to housing provision will be presented in the next section. In section three, characteristics of house-building by co-operatives, including problems and bottlenecks encountered will be discussed. It will be followed by the presentation of some of the policy options to deal with the issues presented in the previous section.

### **2. Provision of housing by co-operatives**

The first housing co-operative Bahçelievler, meaning houses with gardens, was established in Ankara in 1935. Its members were mostly senior bureaucrats of the State, and construction of 169 houses was finished in 1938.<sup>1</sup> Emergence of

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1. Tekeli, I. and Ilkin, S. (1984). Bahçeli Evlerin Öyküsü (The Story of Bahçeli Evler), Kent-Koop Publications, Ankara.

co-operatives in Ankara, which was the new capital city of the Turkish Republic that was founded in 1923, is related to three reasons. The first reason is the extreme shortage of housing, particularly during the great depression period in the first part of 1930s. The conventional self-provision that was the dominant form of supply, could not produce housing in sufficient numbers for rapidly growing population. Second, to reduce the cost of land in the cost of producing housing, co-operatives could purchase cheap undeveloped land beyond the boundaries of the planned area, and development rights are subsequently granted by responsible local and central government departments. Third, ideological importance of co-operatives for the Government that initiated the establishment of the Turkish Co-operatives Association in early 1930s.<sup>2</sup> The State owned Real Estate and Credit Bank that was established in 1926 provided credits to finance about 90 per cent of the construction cost of houses of the Bahçelievler Co-operative.

The number of housing co-operatives was only 4 in 1939, increased to 26 in 1942, and at the end of the War in 1946 it was 50. In early years until 1950, co-operatives were established mostly by high ranked state employees who can utilize subsidies and other forms of incentives provided by central and local governments. The turning point of this trend was the Social Security Organisation's involvement, from 1952 onwards, in financing housing projects of co-operatives, which are established by the people who are covered by this organisation. Between 1950 and 1965, a total of 374 co-operatives produced 32862 dwelling units, and 26252 of them were financed by the Social Security Organisation, and the rest by the Real Estate and Credit Bank. The Mutual Help Organisation of Army Officers also began to give credits to the co-operatives of its members in 1962, but its contribution to housing provision by has been much less than the above mentioned two financial sources.

In the Second Five Year Development Plan that was being implemented in the 1967-1972 period, the policy of encouraging mass housing projects, in order to achieve economies of scale, was adopted. Since there was virtually not any large capital construction firm engaged in speculative house-building, co-operatives were the only producers of large scale housing projects. The land development function of co-operatives have been important as in many of such projects lower priced land bought beyond the boundaries of planned areas of cities was developed before beginning to build housing. Land prices are higher in planned areas compared to unplanned land, and urban land prices vary in

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2. Tekeli, I. (1996). Türkiye'de Yaşamda ve Yazında Konut Sorununun Gelişimi (The development of Housing Problem both in the Real Life and in the Literature), T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı, Housing Research Publication Series, No: 2.

accordance to the development rights granted by plans. Local and central government agencies support land development initiatives of co-operatives by extending infrastructure networks to those project sites.

Housing co-operative movement entered into a new phase by the middle of 1970s as the Municipality of Ankara, when controlled by a social democratic party, initiated the Batıkent project, which involved development of 1035 hectares of land and building about 70,000 dwelling units. A co-operative union, named Kent-Koop was founded with the support and participation of the Municipality, land was transferred to the Municipality after privately owned parts of it was expropriated, and the co-operative union assumed the duty and responsibility of organising the development activities and allocating land to individual co-operatives that accepted to built housing in accordance to the development rights set by the master plan. The Municipality added infrastructure costs into the price of land that was sold to co-operatives through the co-operative union. This model has been replicated in Izmit and in many other cities particularly in 1980s, and TÜRKKONUT was established in 1985 in order to undertake a big land development and house-building project in Ankara, which was the Çayyolu project, comprising of the development of about 550 hectares of land and building a combination of two-storey attached houses and multi-storey apartment flats.

Increasing involvement of co-operatives in land development and house-building in 1970s is reflected in statistics on co-operatives, as between 1969 and 1979 the number of co-operatives that were founded was 4,339, and construction permits were given to 3,275 co-operatives and occupancy permits to 2,161 co-operatives during the same period.<sup>3</sup> Similar to the preceding period, most of the finance to co-operatives was provided by the Social Security Organisation, and the shares of Real Estate and Credit Bank and OYAK were as much as 40 per cent and 10 per cent, respectively, of the finance that were provided by the Social Security Organisation.<sup>4</sup> In the 1950-1984 period Social Security Organisation provided finance for 233,000 dwelling units that have been built by co-operatives. Real Estate and Credit Bank's co-operative credits could be for as much as 20,000 dwelling units.

The number of co-operatives established since 1950, and those that are active in June 2002 according to foundation period are shown in Figure 1. The

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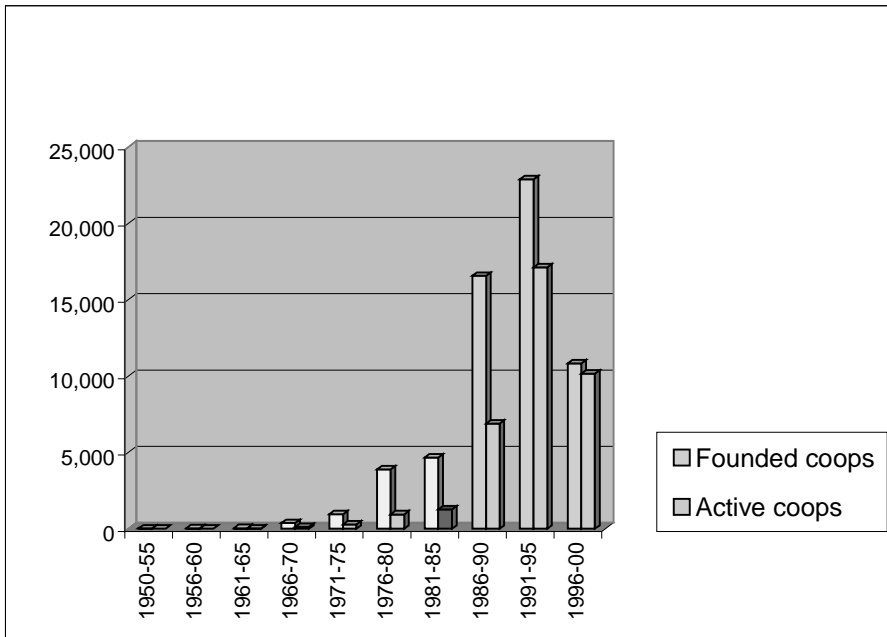
3. Özüekren, Ş. (1996). 1984 Sonrasında Konut Kooperatifçiliği (Housing Cooperatif Movement After 1984), T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı, Housing Research Publication Series, No: 16.

4. Türel, A. (1999). Housing Finance In Turkey During The Last Decade, in Housing Finance In Europe, Single Market of Mosaic, SOAS Publications, University of Bristol.

rise in the number of newly founded co-operatives began to increase in mid-1970s, from less than 200 a year to about 800. The most important increase occurred after the formation of the Mass Housing Fund (MHF) in 1984, as unprecedented amount of finance has been provided to the housing sector from the MHF, mostly to housing co-operatives as will be explained below.

The number of newly founded co-operatives continued to increase until 1993, when it was 5,343, and it has been decreasing since then, to as low as 1,117 in the year 2000. The number of active co-operatives in the 1996-2000 period that were established during that time interval was close to the number of newly established co-operatives. This should be due to the loosing effectiveness of the Fund leading to longer duration of construction of co-operative housing. According to the records of the General Directorate of Organisation of the Ministry of Trade and Industry there are 38,425 active housing co-operatives with 1,691,000 members. If ungathered data from provinces about the co-operatives that have been founded after the year 2000 were added, total number of active co-operatives in June 2002 would be about 40,000, and the number of their members 1.8 million. Since the foundation of the Bahçelievler

**Figure 1. Founded and active co-operatives according to foundation period**



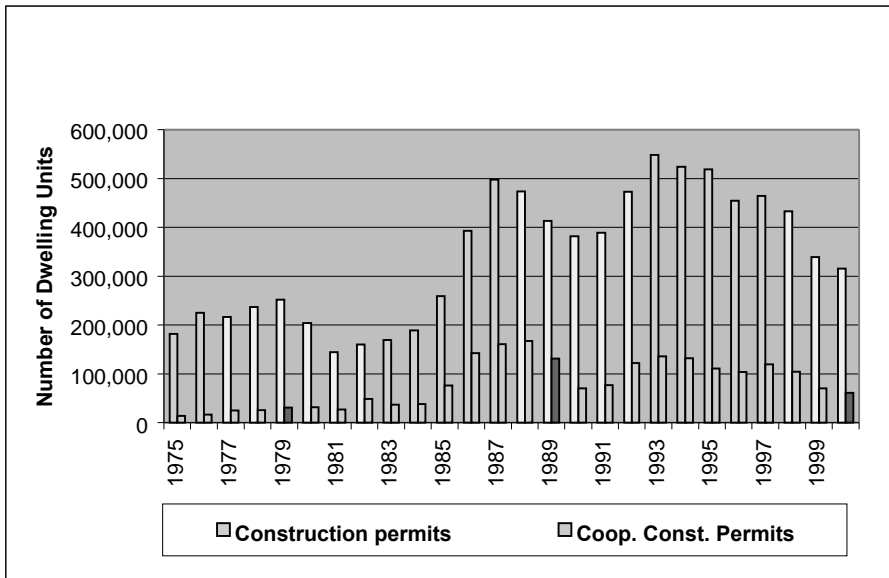
*Source: Ministry of Trade and Industry, General Directorate of Organisation, Registration Records of Co-operatives.*

Co-operative in 1935, the number of co-operatives that have been registered is 69,900, and 2.76 million people have been members of these co-operatives.

Annual co-operative housing starts exhibit a trend similar to the time distribution of the foundation of housing co-operatives. Construction permits were issued to co-operatives for about 15,000 dwelling units a year until 1976, this figure increased to about 25,000 in 1977 and to 31,000 in 1979 (Figure 2). The housing sector entered into a serious crisis in 1981, and co-operative housing starts were not affected as much as the national housing starts from this crisis. Recovery was much earlier and sharper than national starts as co-operative starts increased from about 27,000 in 1981 to 48,500 in 1982. This increase should be due to the first Mass Housing Law, dated 1981, which required the allocation of 5 per cent of the State Budget to be used to finance mass housing projects. Although much smaller amounts could be allocated in the following two years, all the available money was used to finance co-operative house-building, and this appears to be an encouragement for co-operatives.

The second Mass Housing Law, enacted in 1984, was a boost for co-operative house-building since great amount of finance was provided for the housing sector from the MHF, which is managed by the Housing Development

**Figure 2. National total and co-operative housing starts**

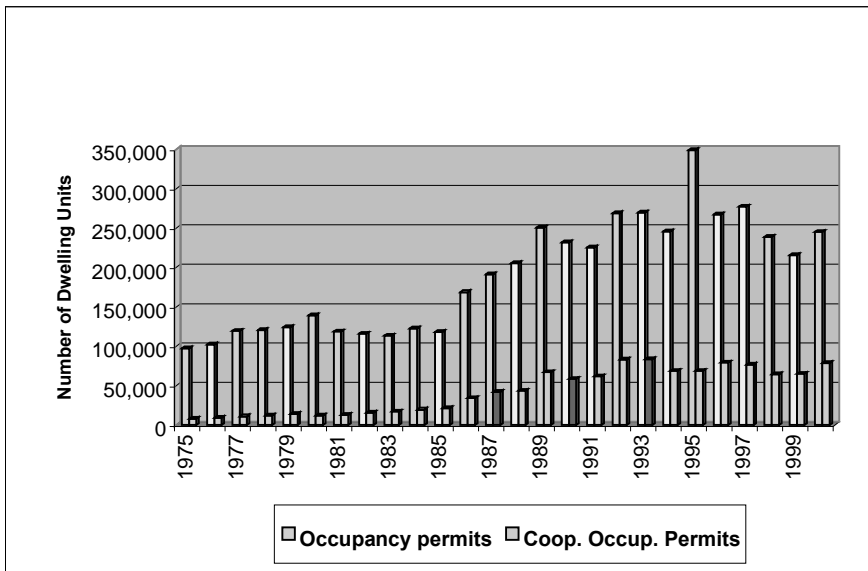


Source: SIS, Annual Construction Statistics, 1975-2000.

Administration (HDA). Co-operatives have been the main beneficiaries of this financial source, because 84 per cent of 1,115,000 dwelling units that were given mortgage credits are built by co-operatives, and implicit interest rate subsidies have been involved in these credits, particularly during the first five years. Credit applications of co-operatives in accordance to the First Mass Housing Law were transferred to the top of the list that was prepared for the new Law. Co-operative housing starts reached the peak in 1988 with 167,500 dwelling units, and with the exception of the years 1991 and 1992, starts continued to be more than 100,000 dwelling units until 1999, which was the year that two major earthquakes hit the north-western regions and caused extensive damages and casualties. Figure 2 shows that total and co-operative housing starts exhibit highly similar trends after 1985, although most of the mortgage credits were given to co-operatives. Total number of dwelling units for which construction permits have been taken by co-operatives in 65 years between 1935 and 2000 is about 2.25 million, and 81.1 per cent of the starts dated 1984 or after. The level of construction of 12,240 co-operatives that represent 933,000 members is over 50 per cent in June 2002, and 10,824 co-operatives finished building their dwelling units.

Co-operative housing completions, on the other hand, were under 10,000 dwelling units until 1977, between 10–20,000 until 1984, and more than 50,000

**Figure 3. National total and co-operative housing completions**

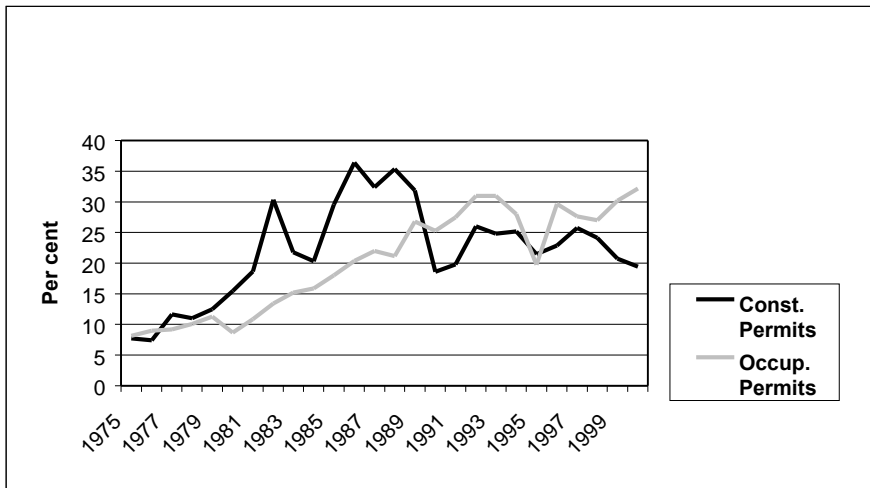


Source: SIS, Annual Construction Statistics, 1975-2000.

since 1989. The peak was in the year 1993 with 83,400 dwelling units. Co-operative housing completions are not much effected neither from the crisis in early 1980s nor from the earthquakes in 1999. However, decreasing credit support from the HDA, in terms of both the number of credits and the loan-to-construction cost ratio since 1990, has been a discouraging factor for co-operative house-building, and it appears that the primary effect of this problem has been on co-operative housing starts, which have been lower in 1990s, compared to the second half of 1980s. Total number of dwelling units that are produced by co-operatives and occupancy permits have been given between the years 1935 and 2000 is about 1.2 million, and like co-operative housing starts about 84.7 per cent of the permits have been issued since 1984.

The share of co-operative construction and occupancy permits in total permits followed a similar trend as their absolute values (Figure 4). In the second half of 1980s co-operative construction permits in total permits were over 30 per cent, and in the years 1986 and 1988 they exceeded 35 per cent. From 1990 onwards the ratio of co-operative occupancy permits to total occupancy permits exceeded the ratio of co-operative construction permits to total construction permits in every year, except in 1995. The former has been between 25 and 30 per cent, whereas the latter between 20 and 25 per cent, although in terms of the number of dwelling units, co-operative construction permits are greater than co-operative occupancy permits.

**Figure 4. Co-operative construction and occupancy permits in total permits**



Source: SIS, Annual Construction Statistics, 1975-2000.

Figure 4 indicates that about a quarter of new authorised housing is produced by co-operatives in Turkey in recent years. In the 1966-2000 period for which comparable data are available, the share of co-operative housing in total starts is 21.7 per cent and in total completions 20.9 per cent. On the other hand, 51 per cent of the 2.250 million co-operative starts, comprising of about 1.150 million dwelling units have been financed from public funds, which involved considerable amount of subsidy. This implies that co-operatives enjoyed important amount of support from the State, as total number of mortgage credits provided by all financial institutions, including short-term (up to 36 months) and unsubsidised mortgage credits of commercial banks, is 1.786 million.<sup>5</sup> Consequently, less than 8 per cent of housing produced by forms of provision other than co-operatives financed by mortgage credits.

### **3. The structure of housing co-operatives in Turkey**

Co-operatives are civil society organisations that are founded and managed in accordance to the Co-operatives Law, dated 1969, and amended in 1988. A co-operative can be founded by at least 7 persons, and it acquires legal status with the approval of its charter by the Ministry of Trade and Industry, where all co-operatives are registered. The Ministry has the authority to inspect the accounts and activities of co-operatives. Co-operative members are called members in the Law, and the council of members has to meet at least once a year to review and approve activities and accounts of the executive committee, to elect executive committee members for the next year, and to take decisions concerning the work program of the co-operative and monthly payment obligation of each shareholder. An officer of the Ministry should be present in the meeting.

Co-operatives have become highly organised in time, and the Co-operatives Law requires at least 7 co-operatives to establish an *association*. Co-operatives that are members of associations are exempt from income and value added taxes. In spite of such generous incentives, only 9304 co-operatives are attached to associations, and there are 293 associations of housing co-operatives in Turkey in June 2002. Municipalities may also become members of co-operative associations, and mayors or other representatives of municipalities may serve as chairperson or executive committee members of these associations. Establishing such organic relationships with municipalities brings many advantages to associations and to their member co-operatives, particularly in the acquisition of publicly owned land, in land development activities, which include preparation and approval of land use plans and infrastructure

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5. Gürbüz, A. (2002). İpotekli Konut Kredileri ve Türkiye’de Uygulaması (Mortgage Credits in Turkey), Unpublished Thesis, Central Bank of Turkey.



provision, and in carrying out construction works with considerable assistance provided by the technical staff of municipalities.

An upper level organisation is the *central association*, which can be founded by associations. At the top of this organisational pyramid is the Turkish National Co-operatives Association, with central associations and associations as its members. There are two central associations in Turkey, which are TÜRKKONUT and TÜRKKENT. A total of 362,000 dwelling units have been produced by co-operatives attached to TÜRKKONUT and TÜRK-KENT, and 91,000 dwelling units are under construction.

The functions and responsibilities of associations, central associations and national co-operatives associations are defined in the Co-operatives Law as to safeguard the interests of co-operatives, to undertake economic activities to fulfil its goals, to co-ordinate and inspect co-operative activities, to provide training and to give advice when needed. Land development activities have been important in many projects that are undertaken by co-operative associations or central associations, after land is acquired from the municipality or Arsa Ofisi (Land Office). Batıkent, Çayyolu and Dodurga are the major land development and house-building projects in Ankara that have been realised by central associations. A survey with co-operatives associations has shown that most of the associations provide technical assistance and guidance to their member co-operatives in tendering, construction management and control, infrastructure provision, improvement of the housing environment, auditing and reaching to technical knowledge.<sup>6</sup> Although many co-operatives encounter problems with contractors during construction that arise in most cases due to insufficient technical knowledge of co-operative management committees about the preparation of tendering documents and construction management, not all co-operatives seek technical assistance on these issues from the associations that they are attached. On the other hand associations are not keen to use their powers for auditing on their member co-operatives, although in many co-operatives people that are elected for auditing committees do not have adequate technical knowledge to carry out their duties. There is need for training of the members of both management and auditing committees of many co-operatives, since this can be done on the voluntary basis, less than half of the associations are providing this service to their member co-operatives.

Housing estates that are produced by co-operatives are managed in accordance to the Condominium Law, although this legislation was enacted initially for the management of multi-story apartment housing. Some co-operatives are

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6. Geray, C. (2001). Türkent Modeli Kooperatifçiliğin Gelişimi ve Yeniden Yapılanması, TÜRKKENT.

transformed into management co-operatives instead of being dissolved when construction is finished and title deeds of dwelling units are issued on the names of their owners. Service and living qualities in the estates that are managed by co-operatives are higher compared to others. It appears that associations cannot persuade most of their member co-operatives to turn into service co-operatives when building construction is finished. It would be easier if the standard charter of co-operatives is amended by the Ministry so that such a transformation would take place as a natural process.

Auditing of co-operative accounts is in the responsibility of the auditing committees that are elected by council of members. The Ministry may audit any co-operative accounts, and it is a duty of associations to audit their member co-operatives. However, there are cases that none of these auditing mechanisms work satisfactorily. Friendship between the people who take part in either management and auditing committees of co-operatives, inadequate number of auditing staff that the Ministry employs to deal with 40,000 co-operatives, and unwillingness of associations to carry out this duty as the co-operatives that are not happy for being audited may leave the association are the primary causes of this outcome. The State could neither be required to allocate much greater resources than has been used so far to safeguard the interests of some co-operative members, nor this would be a politically feasible proposal. The solution could be found in the civil society by introducing an independent auditors system. This could be a civil society organisation such as an association, to be established by the Turkish National Co-operatives Association, with contribution of central associations as well as chambers of accountants, engineers and architects, on a non-profit basis. All co-operatives would be required to register to this organisation and pay an annual fee for the auditing work, which becomes complicated during the construction stage. Co-operative associations would be relieved from this duty, and concentrate on technical, organisational and educational tasks, and co-operatives may be required to join an association before beginning to build if they will apply for HDA credits.

#### **4. Issues on house-building by co-operatives**

Housing co-operatives acquire land in freehold status usually after being founded. In an interview survey that was carried out in 1992 with 434 co-operatives it was found out that 63.4 per cent of co-operatives purchased land within 12 months, and 24 per cent between two to four years following the foundation of co-operatives.<sup>7</sup> New members are invited to the co-operative, on

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7. Özüekren, Ş. (1996). 1984 Sonrasında Konut Kooperatifçiliği (Housing Cooperatif Movement After 1984), T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı, Housing Research Publication Series, No: 16.

the basis of paying an entrance fee that may yield some profit to founder members, if the purchased land is large enough to build housing for the newcomers as well. As mentioned above, many co-operatives buy land from a public institution, which is a municipality or the Land Office in most cases, either through a co-operative association or directly by themselves. Purchasing price of land from a public institution is normally below the market price, and payment may be made by monthly instalments, that may spread over a number of years. Developing land that is purchased beyond the planned boundaries of cities is also common as this would involve considerable cost saving, and co-operative members enjoy implicit development profit.

Co-operative house-building used to be exempt from the Value Added Tax (VAT) until recently, and now it is subject to pay 1 per cent VAT, instead of 18 per cent that is applied to other construction activities. Some landowners founded co-operatives in recent years to benefit from this subsidy.<sup>8</sup> This would be against the interests of the co-operative movement as it may endanger the continuation of such incentives that are provided by the State.

The time span between the purchase of land and beginning to built is up to 12 months in 65 per cent, and between two to four years in 21 per cent of co-operatives interviewed, which is mentioned above. The duration of construction is up to 23 months in only 8.6 per cent, and between two to four years in 38.7 per cent, and four to six years in 40.5 per cent of co-operatives. Mean construction period is calculated as 47.4 months. The speed and duration of construction depend on the monthly payment potential of co-operative members, availability and the amount of credit, quality of the management as well as on the efficiency and reliability of the contractor chosen by the management committee of each co-operative. Monthly payment requirements may cause co-operative memberships to change hands, as those members who can not pay the amount decided by general councils of co-operatives sell their shares to more affluent households, or are expelled from their co-operatives when they fail to pay the specified amounts in time. Credit availability, credit-to-construction cost ratio, the construction level at which credit payments start, and regularity or bottlenecks in credit payments affect the length of construction period. Abundance of credits between 1984 and 1989 helped the speed of construction of co-operative housing to rise. However shortages and bottlenecks in the availability and flow of funds that are controlled by the HDA since the middle of 1990s caused credit-to-construction cost ratio to decrease and delays in credit payments to co-operatives. These would inevitably lead to

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8. Turkish Social Science Association. (1999). Housing Policy Development Studies Final Research Report.

longer duration of construction. The longer the construction period the higher will be the average building cost of co-operative housing. For this reason a well functioning housing credit system that provides adequate and affordable finance to co-operative members is essential for the efficiency of housing provision by co-operatives.

Development of a housing finance system within the financial market would require macroeconomic stability, low inflation and low interest rates, as well as improvements in the legislation dealing with mortgages. Even under such ideal conditions moderate-to-lower income members of co-operatives would need subsidies from the State in order to be able to repay their credits. A well targeted subsidy system would be an essential component of the housing provision by co-operatives, although under the current economic conditions an effective subsidy system could unlikely be created in the short run.

## **5. Concluding remarks**

Housing industry is well developed in Turkey as in many years during 1990s the number of dwelling units for which construction permits were issued exceeded half a million, and annual housing production has been more than the housing need. The contribution of co-operatives to housing supply substantially increased after the second Mass Housing Law was enacted in 1984, and their share has been between 20 to 30 per cent during most years since that time. Co-operatives have become highly organised civil society organisations, have the potential to be one of the most important actors that fulfil fundamental principles of a good governance system.<sup>9</sup> In this context strengthening democracy within co-operatives as well as network relationships between various levels of co-operative organisation have been the emerging issues. Co-operative members should be encouraged to be more involved with the affairs of their co-operatives, there should not be distance between the management committees and co-operative members, and to this end transparency and accountability have to be the guiding principles. Training and education have to be provided to both co-operative members and to those that serve in management and auditing committees to enhance democracy in co-operatives. Well established networks that involve co-operatives, co-operative associations and Turkish National Co-operatives Association would greatly improve the capacity of co-operatives and efficiency of their activities. Greater encouragement or even some compulsory measures may be needed to improve the organisational capacity and network relationships in the co-operative sector. Local governments have acquired sufficient experience to utilise the capacity that co-

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9. Stoker, G. (1998). *Governance as theory: five propositions*, ISSJ, UNESCO, Blackwell Publishers.

operative have for the provision of housing. Development of a well functioning housing finance system is an urgent need for the housing sector, but for reaching moderate-to-lower income households through co-operatives the Government has to introduce an efficiently designed and targeted subsidy system, consistent with available resources.



## **Theme 1: Enabling environment for housing co-operatives: legal, financial and institutional frameworks**

### **Annex 10. Paper presented by Mr. Ivan Přikryl; President of the Union of Czech and Moravian Housing Co-operatives; Vice-president, Co-operative Association of the Czech Republic — *“Possible environment for housing associations: a legal, financial and institutional framework”***

According to the ICA definition, 'co-operative'/housing association' is an autonomous alliance of persons who joined voluntarily in order to satisfy their joint economic, social and cultural needs and aspirations through a jointly owned enterprise working on a democratic principle. It happens to be an unquestionable part of the market economy. Co-operatives/housing associations are found both in advanced and developing countries (there are 132.000 co-operatives/housing associations with 83.5 million members in the EU; and some 23 million members in the candidate countries for EU membership).

A housing association fits the above-mentioned definition, its activities, however, are focused on securing their members' housing needs. The very essence of an association suggests that a housing association's objective is to obtain – with a priority for its members according to their free will in a form that is economically as advantageous as possible – housing by erecting a new, or renovating an older building, to maintain such a building at economically justified costs, and to carry out all activities relating to the building's management and operations.

From this point of view, we recognized associations as real-estate owners, and on the basis of the personal contribution (financial or other) of a member the association provides a dwelling unit to that member for a specific lease (this is not the “classic” leasing relationship, since leasing means using someone else's property for consideration; here, however, the property does not belong to someone else, since the member at the same time happens to be a co-owner of the property being leased). Exceptionally, there are associations, which do not own any real estate, i.e. the apartment building (the apartments are owned by citizens – either as units – the condominium type, or in shared co-ownership by natural persons) and the association is a legal entity controlled and owned by members that carry out all services associated with ownership management and housing (e.g. in Estonia).

As a consequence of changes in the Eastern European countries that associations are no longer owned by the state and the transformation of ownership relationships within associations, there have appeared mixed-type associations meaning that within a single association, or even in a single building, there co-exist units owned by natural persons and the association. In that case the basic entity is the association of the unit owners, and the association is gradually transformed into a management association.

In a number of countries, associations assume also the role of the provider of inexpensive (frequently subsidised by the state) dwelling units for citizens with average to lower incomes. In many countries this is the traditional form of associations (as in Germany), often defined as publicly beneficial housing associations (as in Austria).

A specific role here is played by the Central and Eastern European countries that are in the process of transformation, however similar problems had to be tackled at earlier dates by the advanced countries of the EU. It appears that the co-operative form of financial management and association could become a basis for transforming “vertical solidarity” (government-managed forced redistribution – typical for totalitarian states) into “horizontal solidarity” (voluntary, civic interest-dominated redistribution supported for the benefit of the needy groups of population always through market-conforming instruments).

For many post-communist countries, this process means a painstaking search for proper ways, but at the same time, if adequate quality is maintained, a return to a civilised economy featuring well functioning markets and civil society institutions in a democratic system. It is a complicated process, though. Striving to free the society from deformations imposed by the communist totalitarian systems, political representations give preference to ownership transfers in favour of individual ownership. The rise of a society based on civic principles cannot be simply ordered, it is long-term process. Politicians are often wary of civic activities thinking that these could eventually defeat the influence of political parties, thus allegedly threatening the foundations of parliamentary democracy. This is of course an indication that deformations still persist.

In our opinion, housing associations are operating on the brink of profit/loss and they can generate benefit precisely through the provision of inexpensive housing. That is why we would prefer housing associations to enjoy a suppression of certain market-imposed exceptions in order to preserve the co-operative identity. There is no need for exceptions from the “one member equals one vote” rule clamoured for by manufacturing, consumer and



other co-operatives, which, in order to stay afloat on the market, must adopt certain rules that are developed for other form of companies

We refer also to the work of Swedish economist V. A. Pestof, whose triangular model of national economy appears, in our view, to have defined the space for co-operatives/housing associations quite precisely.

A number of important discussions are currently taking place or have recently taken place – let's just mention the ILO Conference and Recommendation No. 127 – which could have great importance in unifying legal definitions and terms concerning co-operatives, or a EU white paper under preparations. It is not just in Europe, however, that immense work is getting accomplished. Asian/Pacific countries at their recent Kathmandu, Nepal conference attended by ministers from their respective countries debated hotly the main concepts of a new legislation. The piece of work by Ravi Shankar (NCDFI) and Garry Cronan (ACCORD) and entitled “Second critical study on co-operative legislation and policy reforms” is a very valuable and well arranged one.

If we return to our topic, as regards to a general legal framework for co-operatives, it unquestionably falls under the private law, where co-operatives are regulated either under the civil code, the commercial code, or by a separate act. Specific regulations in each country spring from legal traditions, culture or the entire systematic classification of the law. None of these forms take preference over the other.

In terms of content, however, certain borderlines should be endorsed – starting with a definition of an association or a co-operative, and co-operative values and principles have to be respected. As regards to housing associations, however, certain issues need to be resolved – e.g. “leasing” co-operative apartments to members, protection of that relationship by law, specification of members' rights and obligations, disposition concerning membership rights and obligations, and the co-operative/housing association's ownership sovereignty, which would imply only the members themselves should be able to make decisions concerning property matters.

Legal developments in our country from 1873 onwards had been identical with the neighbouring Austria, but after 1948 complete liquidation of co-operatives as a vestige of capitalism occurred. Co-operatives later instituted as part of the planned economy, as members had the duty to pay for housing but their rights were greatly restricted. However, at all times, legal regulations were carried out through a special act. In 1991, the legal regulation was entrusted to the commercial code. Next year we were expecting an entirely new codification of civil and commercial laws, where co-operatives will have a special part

reserved – both in the general regulation of co-operatives, and special provisions concerning housing associations. This special regulation will neither permit risky entrepreneurial deals nor any derogation from the “one member equals one vote” principle. We also expect that a title on economic audit of co-operatives and on audit associations will be added.

It is because today there are some 10,000 housing associations in the Czech Republic, for the most part owning one building each, but about 1,000 of them own 720,000 dwelling units, the rest own approximately 150,000 dwellings. The latter came into existence through privatisation of the available housing and are managed by volunteers. Economic audits do not interfere with the management of a housing association but rather are to increase management prudence

As regards to financial institutions giving support to construction, some of these instruments, in our opinion, need to be structured. It needs to be realized that a co-operative/housing association is to work for its members. A group of citizens who found a co-operative/housing association will have to look for a piece of land at a location that fits their ideas, a contractor, and financial capabilities. Some form of self-help is necessary, especially in the stage of shopping-around-for-contractors. In our experience the average price of new housing on the market ranges from CZK 28,000 to 30,000 per square meter, and even higher in attractive downtown areas. Some of our housing associations, however, found without any difficulty contractors willing and capable of erecting an apartment building at the required standard and amenity level for CZK 15,000 to 18,000 per square meter.

Access to financial instruments is required to fund the construction. In the Czech Republic, savings earmarked for housing have been quite popular in the form of the membership share (around CZK 200,000 in most cases). The state contributes with some bonus, and once one has saved up some 40 per cent of the target amount, the saver may apply for a favourable loan with a low interest rate (3 to 4 per cent lower than market interest rate). An average citizen has to save the aforementioned amount in 2 to 3 years.

The rest of the required amount for construction is paid by the housing association that obtains a loan secured by mortgage. The housing association calculates instalments for the members according to the floor area they inhabit.

Social rules will then make it possible (such a legislated is expected in the future) for low-income citizens who will be selected on the basis of a precisely defined criterion, an additional social contribution of up to CZK 400,000 per apartment. The contribution will have to be refunded if the citizen concerned wants to dispose of that apartment.

It may be generalised that for a functioning housing association a set of safeguarded and well-considered legal regulations for co-operatives is needed, together with a number of financial instruments. Unlike many of our politicians I am convinced that the ultimate criterion of success is the civic (member's) activity in the search for a suitable project and co-operation in the implementation thereof – which means self-help not only in the sense of physical efforts at, but also in the preparations and organization of, the construction site.

This is where the role of the confederacy of co-operatives starts – especially in the area of methodology and membership education – a sort of theoretical finishing school for volunteers. It has been proven helpful if the existing housing associations with an experience in the operations and management of apartment buildings take up such functions, and organise the construction endeavours.



## **Annex 11. Paper presented by Mr. Roy Berg Pedersen, Deputy Managing Director, Norwegian Federation of Co-operative Housing Associations (NBBL) — “Co-operative housing – the Norwegian housing model”**

### **1. Introduction**

Norway has a long coast line, and one third of the country is north of the arctic circle. Due to this, the country has a varied climate which makes heavy demands on housing.

Like many other countries in Western Europe, Norway has transformed from a backward rural society 150 years ago, into a modern welfare state of present time.

Industrial development was based on a few vital resources and the hydro-power gained from waterfalls. About 30 years ago oil and gas were found in the North Sea off the western coast of Norway. Today the economy is strong, but to a large extent influenced by fluctuations in the oil and gas markets.

In post-war Norway the development of co-operative housing has been one of the main instruments in creating the welfare society. Even today, with market liberalism in focus, the Norwegian co-operative housing movement plays an important part in the development of the welfare society.

NBBL, the Norwegian Federation of Co-operative Housing Associations, is the nation-wide organisation of co-operative housing associations (CHAs). NBBL is a member-based organisation counting around 650,000 members. This is a high figure in a country with a population just over 4 millions.

As a whole, the Norwegian CHAs have built – and are responsible for the management of – more than 250.000 housing units, which represent approximately 15 per cent of the national housing stock.

### **2. The Norwegian model of housing**

In 1945, following the Second World War, Norway faced major challenges of reconstruction to repair damage caused by the war. Practically nothing had been built during the war. There was a desperate need for more housing units and for better housing. The economy was characterised by a shortage of goods, lack of capital and a need to develop all sectors in the society.

‘The Norwegian Housing Model’ meaning the way Norway solved the housing deficit after the Second World War, may be called an enabling model. The housing policy should enable the individual to mobilise his own resources

and should ensure that all groups are able to meet their housing needs. At the time there was a general consensus in Parliament from Left to Right to pursue the following goals: *To provide the entire population with adequate dwellings as soon as possible.* At the same time no individual should profit from the housing crisis. Furthermore, as many households as possible should own their own homes, either individually or through joint ownership in housing co-operatives.

In the enabling environment set up by the Norwegian Government one key strategy was the division of responsibilities between three parties mutually responsible for Norway's social housing policy; the State Housing Bank providing affordable finance for housing development, the Municipalities providing affordable and serviced land and the private sector of which the Co-operative Housing Movement was the biggest single actor in charge of housing delivery.

### **3. The Norwegian State Housing Bank**

The Norwegian State Housing Bank was established in 1946 as part of a strategy to improve access to credit for all categories of house builders. Since then it has been the central government's main instrument for implementing the housing policy.

The Housing Bank granted loans for the construction of new houses which covered up to 70–80 per cent of the building costs, secured with a first mortgage on the property. In the first decades after the second World War when the housing shortage was still severe, interest rates on loans were heavily subsidised by the central government. In addition the re-payment period was up to 50 years and was based on the principle that expenses for housing should not exceed 20 per cent of a normal worker's income. This principle was abandoned in the beginning of the 1980s.

Today, with an increased weight on market values, the credit policy has to some extent changed. Low-income households are to a greater extent targets for grants and subsidised loans from the State.

Loans are still granted to all house builders, based on minimum and maximum standards, but the terms are less favourable. Interest rates are no longer heavily subsidised, so that the difference between the interest rates offered by the State Housing Bank and other financial institutions is marginal, and the down payment period is limited to 30 years. Practically all co-operatives are primarily financed by a first priority loan granted by the State Housing Bank, which covers up to 60-70 per cent of the building costs. The rest of the capital must be paid directly by the buyer.

#### **4. The municipalities**

Municipal authorities have also played a key role on the Norwegian housing scene. Municipalities were made responsible for providing affordable land and infrastructure for housing development. This included leasing publicly owned land to developers, as well as actively acquiring new land, which was subsequently transferred to the housing sector. They are also crucial in facilitating construction of housing through physical planning, making building plots available, providing residential areas with the necessary infrastructure and services and in solving particular social housing issues.

Furthermore, municipalities play a role in the State Housing Bank's lending process. They are asked to assess and give priority to applications for loans, and in addition municipalities have played an active role as developers for certain groups, the elderly, the disabled and the social disadvantaged.

#### **5. The co-operative housing movement**

As early as 1920s, the labour movement initiated several CHAs in the main cities in Norway. These co-operatives were closed down as soon as the dwellings were built, in co-operative terminology called limited housing co-operatives or closed co-operatives. Ideas emerged on how to secure continuity in housing production and how to take advantages of the technical skills being developed. A 'house-building co-operative' was seen as the solution. When the initial co-operative partners have got their dwellings, they should form a separate legal unit, a 'daughter co-operative' but at the same time keep their membership in their 'mother co-operative' which should remain the 'house-building co-operative'. In this way they should continue to work for the construction of new dwellings in solidarity with the people still in need of housing.

After the second World War, this two-tiered structure of 'mother' and 'daughter' co-operatives became the main model in Norway and CHAs were established in nearly all towns and cities as open membership-societies for individuals.

The co-operatives housing movement was based on practices and by-laws up until 1960, when a special act was passed in the Parliament regulating the relationship between individual housing co-operatives and the CHA, as well as the general organisation of these institutions. The act was based on the existing co-operative practice.

A revision of the act is now in process and will be implemented in a couple of years. NBBL has been a member of the committee for the revision of the act. The tendency in the new act to come is that the ties between the mother

co-operatives and daughter co-operatives are loosened with an increased right for the latter to self-determination of administrative and economic matters.

The CHAs offer a wide range of services to the housing co-operatives and their members, services that no other management companies can provide today. Our ambition is to continue to be regarded as the complete provider of services to the housing co-operatives and their members.

The core activities:

- building dwellings for the members and the housing co-operatives;
- managing existing dwellings;
- keep the accounts for the housing co-operatives;
- pay bills and taxes for the housing co-operatives;
- follow-up the payment of the joint costs to be paid by the tenants monthly (rent) and debt collection;
- elaborate the Annual Report for the housing co-operatives;
- present a budget;
- assist at the general assembly of the housing co-operatives;
- ensure that the housing co-operatives have the necessary insurances;
- see to that the housing co-operatives have an auditor;
- consultative;
- act as real estate agents for their members; and
- establish different attractive services for their members

Today, NBBL organises 100 CHAs as 'mother companies' for 4,200 'daughter companies' or local housing co-operatives, with altogether 250,000 dwellings and approximately 650,000 members<sup>1</sup>. One fourth to one third of the Norwegian households have a membership in a CHA. About 15 per cent of Norwegian families live in co-operative housing, but in the main cities like Oslo and Bergen, this ratio goes up to 30-40 per cent.

## **6. A shift in emphasis**

In Norway there has been a close collaboration between the three key agents on the housing scene: the co-operative housing movement, the central government and the municipalities. The Norwegian authorities actively supported the co-operative housing movement in different ways. Co-operatives were granted

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1. The number of members, approximately 650,000, are twice the number of dwellings. This does not mean that these members are without a proper dwelling. People keep a membership, even if they have a permanent house themselves as a 'life-insurance' in case they need a smaller flat in their older days, or to secure housing for their children and even grandchildren as the membership can be inherited.



priority in the public system of financing dwellings, and in the allocation of serviced land. The CHAs were often viewed as the municipality's "right hand" in the housing market. The municipality was and still is represented on the Board of Directors in several of the CHAs.

The housing-co-operative movement is, however, independent from the public sector. As the subsidies through the State Housing Bank have been diminished, and the supply of affordable land from the municipalities also follows a similar trend, the CHAs are today finding themselves operating more and more on market terms in competition with other private stakeholders.

## **7. Selling and buying of co-operative flats**

Should a member wish to terminate his membership in the co-operative, in popular terms "to sell" his flat, the documents of access to the unit must be transferred to a new incoming member. Today these documents are traded in the open market. Historically, however, and for nearly three decades after the second World War, trade was restricted by so-called maximum price limitations, as a part of the Government credit policy. These restrictions were specifically designed to hold prices at substantially lower levels than their market values. This was done in order to link the subsidies to the co-operative unit as opposed to the individual member. The system proved to be a solid, non-corrupt system for trade, but has been subject to massive criticism from some of the existing members.

Today the members (shareholders) of a co-operative housing society as well as the members (shareholders) of a CHA are entitled to pre-emption of the flat when the price is set in the market. This right is used in an increasing number of sales. All together, 21,000 used flats are sold from members annually. New shareholders must become members of the co-operative housing society and the CHA before formally taking over the flat. This right of pre-emption will continue also in the revised co-operative acts.

## **8. Co-operative challenges**

Co-operatives face many challenges in the market economy. The political support of the co-operative movement is much less favourable than before. The market economy implicates that co-operatives have to compete on market terms. We must, however, bear in mind that in co-operative organisations all activities are based on member democracy. The members must benefit from their participation in the co-operatives. This is as well the challenge as the possibilities for co-operatives.

How the co-operative organisations raise capital for investments and security is another challenge. The meaning of the word "non-profit" must also

include possibilities for creating strong and lasting co-operatives, including economic reserves to meet future storming days in the economy.

The co-operative housing movement and NBBL have managed to improve and reorganise its work to face new challenges. Today, an increased number of co-operative dwellings are being built in Norway, and the upgrading and renewal of the existing housing stock are quite extensive. Housing for the elderly, the young people and special social groups are new challenges on the housing scene. Many housing co-operatives in Norway are now taking part in ecological pilot projects.

While the co-operative housing movement has traditionally worked with the authorities to achieve its goals, internal co-operation is now essential to meet the competition in the market. This is especially important when dealing with the increasing strength of contractors and suppliers. In order to avoid banks, insurance companies, contractors and others dictate their terms of activity, the movement must co-ordinate the total purchasing and competitive powers of the organisation. It must aim at exploiting all of the possibilities that are represented in its total size in order to obtain an optimal result for its members.

Our vision for the future is to continue to build and manage good homes and good neighbourhoods for our members and for the Norwegian people. To be the providers of all kinds of services that our members demand, by taking care and leading to a sustainable development in the housing sector as well as in the society as a whole will be a part of that vision.

## **Annex 12. Summary of the presentation by Mr. Andres Jaadla, Estonian Union of Co-operative Housing Associations, Chairman of the Board — “Co-operative housing in Estonia”<sup>1</sup>**

### **1. General information about Estonia**

- 1,400,000 inhabitants
- Estonian housing stock has about 622,000 housing units, including detached houses, with a total of 32.4 million square metres of living space

### **2. Housing co-operatives in Estonia 1995-2002**

- 1995: 250 housing co-operatives
- 1997: 1,800 housing co-operatives
- 1998: 2,700 housing co-operatives
- 1999: 3,900 housing co-operatives
- 2000: 4,700 housing co-operatives
- 2001: 5,400 housing co-operatives
- June 2002: 6,264 housing co-operatives

### **3. Co-operative housing movement today**

- 6,264 housing co-operatives
- 250,560 apartments
- 626,400 inhabitants
- 5 billion EEK of annual turnover
- 550 million EEK of renovation fund
- 1,000 new housing co-operatives per year
- 45 per cent of Estonian population live in housing co-operatives

### **4. Estonia co-operative housing movement: 1996-2002**

- Development of housing co-operatives – from a young apartment owner to be educated, caring member of co-operative
- Wish to change the situation
- Wish to make decisions about one’s personal property
- Wish to save
- Wish to be professional

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1. This summary has been prepared based on a copy of the slide presentation conducted at the Colloquium.

- Wish to develop
- **Co-operative is a living house – the best form of technical, legal and social co-existence**

## 5. **Estonian Union of Co-operative Housing Associations – 6 years of history**

- Established in 1996 in Rakvere – 6 members
- 1997-1999: 9 members – regional unions
- 1999 new bylaws – housing co-operatives became the members of the national union
- 2000: a council of 21 with regional representatives was elected
- 2001-2002 main task – to be useful for the members
- Members on 1 June 2002:
  - ✓ 768 co-operatives attached to 9 regional offices
  - ✓ 28,854 apartments
  - ✓ 72,135 inhabitants
- 2001-2002 – 1 new member per day!

## 6. **Estonian Union of Co-operative Housing Associations – Services to members**

- Housing discount card – discount prices for co-operatives from firms that offer relevant services;
- Legal assistance and services;
- Bookkeeping – consultations and services;
- Handbooks;
- The housing magazine – “ELAMU”;
- Training for managers and bookkeepers;
- Various information days;
- Study trips in Estonia and abroad;
- Annual Estonian Forum of housing co-operatives
- Counselling services rendered in EKL offices in nine different towns in Estonia;
- Scheme for discount purchases of personal computers for members.

### 6.1. *Web-site*

- Always fresh information available at the Union’s website: [www.ekyl.ee](http://www.ekyl.ee)
- October 1999 - June 2002 – 39,029 visitors!
- Web-site visitors 1 June 2002: 13,353 visitors, 7,960 computers

## **6.2. Computers**

- Competitions was organised (IBM, Compaq, DELL, Microlink, Ordi participated)
- Compaq was the winner
- 11,995 EEK was the price of the computer
- Sampo leasing 9.5 per cent
- Start – Oct.30 2001
- 1 December 2001 – 120 computers were sold
- 26 October - 14 December – presentation campaign

## **6.3. Credit**

- Conditions for members:
  - ✓ Competition was organised: Hansapank, Ühispank, Sampo Pank participated
  - ✓ Loan interest rate: 6.3-7.3 per cent
  - ✓ 5 per cent of interest support by Tallinn City Government
  - ✓ Free technical expertise
  - ✓ 100 million EEK of loan was given to 100 housing co-operatives
- Conditions for non-members:
  - ✓ Loan interest rate ca. 11 per cent
  - ✓ No interest support by Tallinn City Government
  - ✓ No free expertise

## **6.4. Insurance**

- Conditions for members
  - ✓ Competition was organised – Sampo, Salva, Seesam, Ergo participated
  - ✓ Insurance payment is 1.5 EEK per m<sup>2</sup>
- Conditions for non-members
  - ✓ Insurance payment is 60 per cent higher

## **7. Estonian Union of Co-operative Housing Associations – 6 years of development**

- Useful for the members
- Informative
- Defending the interests of the members
- Professional
- Institutionally strong
- Socially connecting
- Accepted by partners

**8. Estonian Union of Co-operative Housing Associations – International co-operation**

- 1997: ICA Housing member
- 1998: CECODHAS member
- 1999: BUCHA (Baltic Union of Co-operative Housing Associations) member
- 2001: Istanbul+5 “12 best practices of the co-operative housing world”

**9. Estonian Union of Co-operative Housing Associations – International projects 2002**

- NBBL, Norway – “energy saving in housing co-operatives”
- HSB, Sweden – “EKÜL housing development plan 2006”
- Latvia, Lithuania, Finland – seminars, study visits
- Bulgaria

## **Theme 2: The role of co-operatives in management, maintenance and revitalisation of the housing stocks**

### **Annex 13. Paper presented by Mr. Gert A. Gundersen, Chair, Advisory Network of the UNECE Committee on Human Settlements — “*The transition region – the role of co-operatives in management, maintenance and revitalisation of housing stocks*”**

#### **1. Introduction**

The transition of the countries in Central and Eastern Europe has proved to be a difficult process, imposing considerable hardship on the economy and on the population in general. The quick and efficient transformation from a centrally planned economy to a market economy once hoped for, has in fact proved to be time consuming and cumbersome. This is partly due to the problems of restructuring production to the requirements, both of the home and the world market, and partly because of the need to create rules and institutions in order to lay foundations for a market economy to start functioning, and to ensure its continuing stability. Both facts are now generally recognised in the countries of Central and Eastern Europe; the restructuring of production is well under way and the creation of rules and institutions is taking place at a considerable speed. Yet, in spite of such efforts, the process is a slow one and it will take several years before it is completed. Meanwhile, pressing economic and social problems call for immediate solutions.

Also, in the housing sector, the legacy of the centrally planned economy tends to create particular problems during a period of transition. The juncture of parallel trends has proved to make the problems of the housing sector particularly aggravating:

*First*, the transition to a market economy has called for radically decreased state and municipal subsidies to the housing sector. The aim was, and is that the individual households in proportion to their housing consumption should mainly bear the costs of housing. However, the low income of the population makes it difficult to carry out such a policy. The raising of rents even to the level of costs has proved impossible in the short and medium term. An increase of rents to a – by Western standards – “reasonable” level, i.e. 20 – 30 per cent of disposable family income, would not even be sufficient to pay for heating and maintenance of the buildings, let alone capital

costs. Further, the raising of rents even to such a “reasonable” level has led to protests, particularly in view of the simultaneous increase of prices of other consumer goods, the combined effect of which leaves the citizens very little room for consumption, even of the bare necessities of life. In some countries the attempts to increase rents have even led to mass refusal to pay rents at all. The result of these developments may well still be a rapid deterioration of housing and in consequence a risk of ultimate loss of great amounts of capital invested in housing.

*Secondly*, the decline of housing production creates tensions in the housing market. This decline is largely due to the low paying capacity of the population. Only a few are able to pay the costs of new production, and new production tends to concentrate at the highest price segment of the housing sector. However, there is a need for new production also for the less wealthy. The causes are summarised as follows. In the first place there is a need for new production for demographic reasons. Without a reasonable and continuous flow of new production, family formation will be stifled. Housing production must also continue for the labour market reasons. The formation of new enterprises in particular, as well as the expansion of old enterprises, will be hampered unless there is sufficient housing production to provide the employees with decent and affordable housing. Furthermore, without new production, demand will eventually push the prices of housing beyond the reach of a great part of the population.

*Thirdly* the rapid privatisation of housing which has taken place and is still ongoing in most of the countries of Central and Eastern Europe creates its own problems. The privatisation was partly seen as a measure to promote the willingness of the households to shoulder the responsibility for housing. Privatisation was mainly seen as a measure to provide the citizens with some amount of capital in order to keep the market economy going and to give the citizens some compensation for many years of state ownership. State property is consequently given back to the citizens through various privatisation schemes (free, through vouchers or checks, at a reduced price etc.)

The dilemma of Central and Eastern Europe as far as housing is concerned is one of finding solutions to social problems in the face of scarce economic resources. In crude economic terms the population in many of the countries, in spite of crowding and inadequate housing, is over-housed. It cannot afford to foot more than a fraction of the costs of housing. Hopefully, however, this is not a permanent situation. In the not too distant future economic developments will create sufficient wealth for the population to afford decent housing. Meanwhile, however, measures must be taken to preserve the housing stock and the invested capital from sheer destruction or from decay beyond repair.



The experience of Western Europe is that, in spite of much more favourable economic development since the Second World War, housing problems cannot be solved through the mechanisms of the market economy alone. There should be almost always some degree of state and municipal intervention in order to secure access to decent housing for the population. Governments in the transition countries must also face this fact. The main challenge is to find adequate solutions, which are practically possible within the existing economic constraints.

## **2. The present state of housing tenure in the transition region**

In western European market economies the housing sector is characterised by a pluralistic structure of ownership forms. Amongst those, the most important ones are:

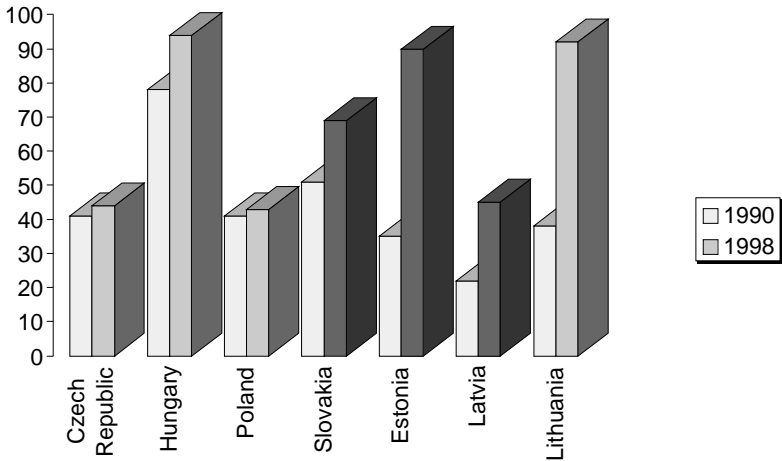
- Housing co-operatives for rental and owner-occupiers.
- Privately owned multi-apartment housing for rental purposes.
- Non-profit housing associations run by churches, trade unions, etc. operating rental, low-cost housing.
- Owner-occupied flats in multi-apartment housing (condominiums) organised (legally) as home-owner associations.
- Municipally owned rental housing for social purposes.

This distribution of different forms of housing tenure, whilst reasonably constant over time within the countries of Western Europe, is changing dramatically in the transition countries. The principal reason for this change is the rapid privatisation of publicly owned multi-flat housing property in these countries.

The degree of privatisation of former public-sector rental housing varies considerably between transition countries. The transformation of the housing sector of these countries from public to private ownership has however been dramatic. A large part of these countries can today be characterised as nations of “home owners”. Hungary, Estonia and Lithuania have reached ownership levels above 90 per cent, well above the average of 56 per cent in the EU countries. The Russian Federation has reached the EU average, whilst Latvia, Poland, and the Czech Republic still have below 50 per cent private ownership.

This very rapid introduction of privately owned, multi-unit housing as a very significant part of the total housing stock, creates a range of important new challenges in the transition countries. It is important to be aware that this transitional development does not have previous parallels in the western Europe. This concerns both the rates of change and in particular the absolute and relative volume of new owner-occupied multi-unit housing. There are therefore no existing examples from the west on how to tackle this formidable

**Figure 1. Development of owner-occupied housing in transition countries (1990-1998)**



Source: Tsenkova 1999

transformation of housing tenure. Practical solutions must be developed and tried out within the transition region itself.

The challenges to the transition countries represented by this new owner-occupied housing are therefore of significant proportion and importance. A large part of the value of the infrastructure of these countries is represented by the existing housing stock. Prudent management and maintenance of this stock is therefore of considerable national importance, both economically and socially.

It is therefore my considered opinion that this privatised multi-flat housing must remain the first priority within the housing policies of all the countries in transition.

Within this problem area the issues of management, operation, maintenance and revitalisation of the housing stock are vital. It is within these areas I see the most interesting inter-linking between the large new owner-occupier housing stock and the co-operative housing sector.

**3. Co-operative and condominium housing competition or co-operation?**

I would argue that the two main challenges facing the housing sector in the transition region is:

- To create a more diversified housing tenure; and
- To reverse the ongoing trend of physical decay of the housing stock

Both challenges require urgent attention.

In addressing these two challenges the co-operative housing sector should be able to play a major role. There is no competition between the interests of private owners and co-operatives in the transition countries. Rather there exist large areas where co-operation and exchange of experience, good and bad, would be mutually beneficial. Let me give a few ideas on where such co-operation and exchange should be possible:

### ***3.1. Housing policy level***

- Slow down further privatisation of housing stock where possible. Continue privatisation where existing tenants are informed on, and allowed to choose co-operative ownership as a result of privatisation.
- Encourage, inform on and assist already privatised multi-flat housing stock to be reorganised as co-operatives.
- Stop privatisation of housing co-operatives. Break up large co-operatives and encourage and assist introduction of democratic and efficient management and operating rules and procedures.
- Remove national framework conditions which discriminate against co-operative and condominium ownerships, specifically in funding and taxation.

### ***3.2. Practical level***

- Establish local, regional and national associations and information and assistance centres on housing management and operation where both co-operatives and condominiums can participate.
- Allow condominiums to contract management services from efficiently operated co-operatives.
- Establish common handbooks and manuals on operation, maintenance, repair and renovation of the housing stock.

The challenge is not to find arguments for why co-operatives and condominium ownership of housing cannot co-operate in the transition countries. The true challenge is to realise that without real co-operation between these two sectors the social and economic goals of housing reform in these countries will be much harder, and take much longer to achieve.

## **4. The Norwegian co-operative housing sector – a brief overview**

In the following paragraphs it is set out some central milestones in the development of the housing co-operative sector in Norway. The purpose is,

through a brief description, to point out central changing points in this development, which may also prove to have some general information value outside Norway.

### **1929:**

The founding of the first House Building Co-operative with individual associated operative Housing Co-operatives in Norway. The new creation is based on the Swedish model established in 1923.

### **1940–49: State Regulation – Housing as a national priority:**

The Norwegian Association of Housing Building Co-operatives was established in 1946. In the same year the Norwegian State Housing Financing Bank was founded:

The basic policy goals were:

- housing co-operatives as a protection against housing sharks and speculators
- create affordable housing for the majority of the population
- housing regulated and governed by the public sector (the Bank)
- planned housing development based on commonly agreed solutions

### **1950–59: The great period of new construction:**

- new construction : 89 units /1,000 pop
- 1953/54 : New construction : 9.7 units /1,000 pop. (European record)
- radical improvement of overall housing standard
- 1958/59 : Reduced state economic resources into housing

### **1960–69: Period of Concentrated housing development:**

- Parliament approves new Law on Co-operative Housing
- Parliament unanimously approves National Housing Policy with strong emphasis on increased new construction and housing co-operatives as a central policy tool
- The state of concentrated, large-scale new housing developments (16-18,000 people on 3,500 m<sup>2</sup> development area)

### **1970–79: Criticism of the “housing silos”:**

- Focus on total housing and environmental quality, criticism of concentrated housing development
- 1975 : New construction : 11,25 units/1000 pop.
- Introduction of new state Policy Tools:

- ✓ Subsidised financing schemes
- ✓ General rent regulation
- ✓ Favourable tax regimes
- Increasing tension between sum of housing support and subsidies and on emerging free-market movement

***1980–89: End stop for the social housing policy:***

- Political controversy on rent regulation and co-operative members “first right of refusal” to buy new and old flats.
- total housing costs reaches up to 70 per cent of households income
- new construction : 6,2 units/1000 pop.
- 1981–86: Further reduction in State money for the Housing Bank. Housing co-operative members voice strong protest
- 1988–89: New, liberal State economic policy. Housing prices explode

***1990–99: The collapse of the property market:***

- Prices in the housing market collapse at a point where the co-operative sector is responsible for approximately 90 per cent of all new construction.
- The State approves USD 10 million to restructure the housing co-operative movement into a sustainable, private, membership-based organisation
- Financing conditions in the State Housing Bank are adjusted to market conditions
- 1996: 568,000 members in the co-operative sector of a total population of approx. 4.3 mill.

***2000: New legal framework and new momentum:***

- New law on Co-operative Housing approaches Law on Condominium Ownership
- 2001 : 652,000 members
- 1997-2001: 100,000 increase in membership. Largest increase since the 1970s
- The future : Optimistic!



## **Annex 14. Paper presented by Mr. Vladimer Vardosanidze, Director, Habitat-Georgia — “Condominiums and home owners associations in Georgia – complexities of formation”.**

Problems of housing are typical to most of the developing countries. Simultaneously, each country has its own hierarchy of priorities in this sphere. For Georgia a priority is not the new housing development but management of already existing housing stock.

This kind of vision is quite understandable, as on the background of country depopulation when the building of “new-generation” houses for upper social group still continues, supply of flats always exceeds real, economically supported demand on the real estate market and building of moderate “social” flats in some places is three-to-four times expensive than purchasing of already existing ones.

In general, the Georgian national housing stock is large enough – 101.5 million square meters, when population in Georgia by nonofficial estimation is about 4,5 million<sup>1</sup>. Most of housing stock comes on the depopulating, mainly rural areas. Before the Tbilisi earthquake (on 25 April 2002) officially there were 2,248 damaged houses in the capital, and 124 of them were subject of demolition for extremely poor technical conditions. After the earthquake 20,000 badly damaged houses have been counted in Tbilisi.

On this background the following factors, which obstruct the adequate management of housing stock can be distinguished. These factors are:

- During the years of independence state/municipal housing policies in Georgia were not of well-considered, determined or systemic character;
- Rapid, unconsidered and free of charge privatization of flats deprived the inhabitants from the motivation for developing home owners associations as the precondition of privatization;
- Inappropriate psychological readiness of the inhabitants, common conscience of dependants;
- Total urban poverty background and incapacity to pay;
- Home owners associations are not supported by any kind of financial help, assistance or privileges;
- Mixed (private, state/municipal) property in the multi-flat houses; along with this, the state/municipal administration, as a share-holders in this

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1. Last census took place in January 2002. First official data we shall have only by the end of the year 2002.

premises, does not express any desire to participate in establishment and management of condominiums;

- Poor conditions of engineering infrastructure;
- Low level of the technical knowledge of population;
- Way of life based on the traditional value system due to the exceeding number of rural migrants;
- Barbarous attitude towards the supplied natural resources especially water;
- Collapse of so-called urban development discipline; inadequate administration and shortcomings of the municipal services;
- Gaps in the appropriate legislation and poor law-obedience of population;
- Cessation of local self-governance traditions during the soviet regime;
- Numerous problems with the land plots to be allotted for condominiums;
- No strict borders among the state, municipal and condominium property;
- Absence of special banking products for Home owners associations;
- Improper propaganda and lack of information;
- Ignoring the housing *problematique* in the programs of international assistance for Georgia.

To fully understand the matter in housing sphere and problems mentioned above it is better to recall the Soviet period. After the revolution of 1917 the housing as one of the major sectors of real estate, turned into the mechanism, which fitted best for establishing the Soviet ideology and manipulating the society. Enough to mention the fact, that on the very next day of the October revolution the Bolshevik leader Lenin introduced the idea on **redistribution of flats** according the principle of social origin of inhabitants. It is worth to mention that the first movie dedicated to the one-year anniversary of the revolution was named “Condensation”; it was telling the story of proletarian family moving from the basement to the bourgeois’ flat.

Afterwards, during the decades the whole generations of the Soviet urbanites grew up in so-called “communal flats” – with common kitchens and bathrooms. This was the social environment, which significantly helped in emerging *homo sovieticus* so greatly favorable for the regime from the social point of view. One’s psychology was totally free of any social responsibilities, aggressive, violent, informer, and what is most important one was a dependant. Soviet criminal law used some draconic methods for demolishing any kind of individuality and even the smallest occurrence of private ownership among them, which on its turn was classified as the “counterrevolution felony”.



The first attempts for humanization of housing sphere in USSR were made during the “Khrushchev’s Thaw” (1956-1964). Huge multi-flat blocks of houses developed in suburbs of cities and, shortly, acquired enormous scales. In spite of all these faults in the urban development policy, for the first time during the Soviet history by thoroughly reversing the ideological vector, more significance was given to individuals and families, at least formally, instead of the illusive “public interests”. Consequently most of the “communal flats” were abolished. As a result of allocating the separate flats to the families, the housing stock became consistent with the demographic composition of urban population. Sanitation conditions were distinctively improved, though the housing management still remained in hands of the State. Although the administration formally had right to evict the dwellers from the houses easily, from that moment the state houses were *de facto* considered by inhabitants as their own property.

Parallel to state, social housing construction process, housing construction associations, co-operatives and during the last period of USSR – so-called youth housing co-operatives emerged. Some liberalization was observed in the 1970s, when the so-called “garden-co-operatives” were also allowed. This in its turn allowed some of city inhabitants to become the owners of real estate – small houses, not land yet.

Due to the further weakening of the ideological pressure, and as related to the tendency of economizing in the public life it was observed the emergence of the real estate market as a first step, and as in the form of “black” (that is illegal) and defected. Improving living conditions, changing or selling the flat were mainly possible by means of bribery. It may sound paradoxical, but it was the corruption with its “transparency”, common and secure nature and impunity that helped this trend to develop its “human face” and become the way of life – at least in Georgian society.

Thus the existence of even “black” market helped the formation of an adequate social system, by way of the underground institutionalization of this sphere. Gaps in professional services in these activities were merely filled with brokers (“maklers”). A broker was a professional who was operating according certain customary law, the code of professional ethics, tariffs and who was enjoying the protection (“roof”).

During the “Perestroika” there were some more vigorous attempts to solve housing problems. The final step in the USSR was the All Union panama - “Housing - 2000”, the objective of which was declared to provide each Soviet family with a separate flat or an individual house. The project was utopia from the very beginning; its implementation became impossible, as no private initiation was involved. That’s why the Georgian communist government

issued the special resolution in 1987, which practically was the first attempt that certain private initiation from the population was permitted in the field of housing.

It was very likely that the resolution will stay on the paper if not the notorious events of 9 April 1989, when the soviet punitive troops massacred anti-Soviet demonstration in Tbilisi did not take place. For calming the situation, in order to “let the steam out” the last communist government made further decision in just one month to permit the population to build loggias, verandas, balconies, and other supportive constructions in the multi-storied houses (up to 9 floors) by their own money. The resolution included rules for building and controlling such constructions.

But in the period of political radicalisms, for the embezzlement of public property no order could be obeyed. Tbilisi became full of ugly extensions, which mainly remained unfinished until today due to the economic collapse of the country. This kind of practice is unknown for the rest of the post Soviet countries not to mention the other Eastern or Central European countries. Together with architectural and aesthetical degradation of the urban environment the problems of technical condition and seismic sustainability of this extensions emerged.

Besides, curious was the legal side of the processes. First in the Soviet reality strange symbiosis of state and private ownership on real estate emerged, since formally the constructions built on dwellers’ money still belonged to the state.

After the independence in 1991, the draft law on “Apartment Privatization” was prepared by the first National Government. The draft law implied redeeming the apartments off by the residents’ money or state loans. According to this act, apartments (in damaged houses) were not liable to privatization. “The Associations of Individual Owners” should be established in order to exploit the housing stock. The apartments were to be finally transmitted to the individual owners after covering all value of flats. The income raised from the privatization would have to be transferred to a special Fund and directed for housing management. It can be seen the draft law was fully meeting the organizational and financial demands of the new form of housing management.

Today nobody can say what would be the way the housing stock would develop in the hands of that Government. The life of Georgian society was radically changed by the so-called “Tbilisi War”, when the first President was expatriated and the Military Council was formatted (January 1992).

Immediately, in February 1992 the new government took an unconsidered step, which was entirely populist – the Decree on “Apartment Privatization (Transmit Free of Charge) in the Republic of Georgia” was issued. This step of paramount importance caused the creation of massive social layer with unprecedented status – real estate owners. The apartments were distributed practically free of charge, with minimal formalities. Tbilisi housing stock was almost fully privatized and by May of 1999 has reached one of the highest levels in the world practice, which was 86.6 per cent. There occurred total metamorphoses, since in Soviet times almost entire housing stock was social (municipal), after privatization Georgia lost this sector of housing, which is so vitally important for poor countries.

Simultaneously, the demolition of, though unsuitable but still functioning, municipal services (heating, hot water supply, etc.) started. The population obtained nothing instead. Today it is obvious that the privatization of flats was implemented without proper preparation, and very hastily. No technical estimation, no documentation of apartments and houses were maintained and badly damaged houses were also privatized, even in the zones of immediate urban reconstruction. No informational on legal issues was provided to residents. The apartment privatization was not clearly connected to the obligation of establishment of such kind of housing management as home owners associations are. No consideration was given to financial issues of management. And finally, the privatization was not linked with the one of the most complicated issues, which is delimitation of urban land plots and allocation to condominiums. The population was not ready for realizing widely acknowledged Western maxima – “**property obliges**”. To cut long story short – what we got was **neither lash nor honey-cake**.

The responsibility of arrangement of already privatized housing was laid over the Civil Code of Georgia (1997). The Article 4, paragraph 216 that was on “Apartment Ownership on Multi-Flat Houses” established the term of Home owners associations and laid down the principles of managing the common property.

The Civil Code describes the **subject**, which is the Home Owners Association, when the **object** of management, which is world widely known as the **condominium** is not comprehended as a whole. According to the Code the Home Owners Association is not a legal entity – but on the other hand it is obvious that it is not a Natural Person either. No distinct obligation to participate in house management of multi-flat buildings for the owners of non-residential units is defined. The issue of delineation land plots of multi-flat

houses is inaccurate<sup>2</sup>. At the same time the paragraph 1512 of Civil Code stipulates “... *housing co-operatives, as legal entities, are to be regarded as abolished ... Instead the home owners associations are to be created...*” This kind of decision has caused a great disappointment among the members of former co-operatives. The majority of them still own some formal juridical attributes and makes efforts to protect their rights. In fact they still continue to manage the multi-flat houses as they did in past. There are also numerous technical and terminological misspellings in the Code. All attempts to set apart the condominium problematique from the Civil Code and elaborate specially designed Law confront the obstructions from the authors of the Civil Code, who are having huge weight in Georgian political establishment.

The above short review of housing in Georgia comes to conclusion that searching for problem solution only inside the housing sector itself is a waste of time. Only complex approach will let us settle the problem and avoid the upcoming housing disaster.

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2. From this point of view it is worth to mention the paragraph 208, which stipulates: “Parking places are considered as isolated, if their borders are determined during the long period of time as the result of their using” (?!).

## **Annex 15. Paper presented by Ms. Tatiana Lykova, The Institute for Urban Economics, Moscow — “Housing co-operatives in Russia: challenges and perspectives”**

The topic we are to discuss during these two days of Colloquium is rather actual for my country. The housing co-operation as an economical occurrence appeared in the Soviet Union after the Second World War and still plays a significant role in the housing sector of Russia and other former Soviet republics.

Participation in Housing Construction Co-operatives (HCCs) (that is the legally correct name of this form of tenure used in Russia) was a very prestigious and rather popular way to obtain a dwelling during 1950s and 1980s. The majority of Russian coops existing today were built during that period.

Those years were characterised by an overwhelming state presence in all the areas of economy including the housing sector. Nationally 67 per cent (in urban areas up to 90 per cent) of the housing stock was state owned, managed by either municipalities or state enterprises, and by government agencies. Both construction and housing maintenance were extremely monopolised by state organisations. Distribution of housing units was also state-operated through waiting lists. A family could wait for a dwelling for years or even decades, but after all the families received units together with extremely strong rights of occupancy, which could be bequeathed to others registered as residing at the same address.

HCC was a form of co-operation in the field of construction between citizens, enterprises and the state. Citizens paid their share in co-operatives and obtained the dwellings to reside in. Large enterprises financed the biggest share of construction expenses and then sold stakes to their employees to provide them with dwellings avoiding the official waiting lists. The state financed the gap between the price of stakes and the cost of construction.

Participation in HCCs, which owned about 7 per cent of the housing stock, gave to more or less well-to-do families the opportunity to improve their dwelling conditions by paying some portion of the price of a dwelling unit according to an instalment plan. As a result a family could get a dwelling much sooner than by standing in a waiting list.

Housing in HCCs was characterised by obviously better quality by several reasons:

- Construction process was financed by “real cash” funds paid by stakeholders;

- Representatives of stakeholders could control the construction process;
- Stakeholders who paid their own money for dwellings maintained their buildings more carefully.

Commonly co-operative stakeholders regarded the units they resided in as their own estate because of the legally very strong rights of occupancy. However the stake paid by a co-operative member was not equal to the unit price and units were owned by HCCs, not by their members. Co-operatives as companies (legal entities) possessed buildings, distributed units between stakeholders and represented their interests in the area of management, maintenance and provision for utility services. As a rule each co-operative owned one building.

Running coops were subject to special regulation and procedures. *First*, HCCs were regarded almost as private property. (It was correct from the legal point of view because buildings were owned by coops as corporations, not by the State).

*Second*, those buildings were managed and maintained also by coops, not by the State organisations. Special enterprises were created in many cities, i.e. in Moscow, to manage coops. Majority of HCCs managed their buildings themselves, with the help of a board, or just its president hiring very limited personnel for janitor and plumbing services.

*Third*, stakeholders of co-operatives paid not only for maintenance and utility services but they also allocated annuity to future rehabilitation funds. On the contrary, tenants of state owned housing never paid for rehabilitation that according to the law ought to be totally financed by the State.

Early 1990s are remembered for the beginning of major transformations of the housing sector in Russia. The main component of reform, which is the shift of ownership rights from the state to private owners lead to dramatic changes in running rental housing and co-operatives. The early phase of reform involved ownership adjustments through two decisive elements: the shift of ownership of state housing stock to municipalities, and a law permitting and encouraging free mass privatisation of housing, allowing sitting tenants to claim ownership of their units.

Privatisation law gave tenants of rental housing the right to choose whether to privatise or not. On the contrary, stakeholders of HCCs were automatically transferred to the class of homeowners by another law. Russian Civil Code (1994) declared that each co-operative member who paid off total price of his/her stake becomes the owner of the unit he or she resides in. Besides, the Civil Code says that each unit owner (in both former state rental or co-operative housing) owns a proportionate share of common spaces.

In this way co-operative ownership in Russia disappeared from the legal point of view. Before the reforms co-operatives owned buildings entirely, with all the units and common spaces. After 1994 ownership turned out to be shifted from co-operatives to co-operative members. Taking into consideration that already in 1980s co-operative construction almost stopped, now we do not have co-operatives in their pure sense because all the stakeholders paid off their stakes long ago.

Now we in Russia have to solve several major issues:

- What to do with co-operatives, which functionally have lost their role but are registered as legal entities
- What a new form of management can be introduced in those buildings
- How to finance rehabilitation of old co-operative buildings
- Whether the co-operative form of tenure can exist in Russia at all.

We strongly need to find a solution of these problems and fix it at the level of federal laws but today it is not very easy to do that.

Current Russian legislation actually transferred co-operatives into a form of condominiums. What co-operative members are supposed to do in such a situation? Russian laws separate conceptions of “legal entity” and “ownership”. A co-operative is no more the owner of any part of the building or the housing estate, all the dwelling units, common spaces and other built-up features are owned by residents, therefore it is in the form of a condominium. The co-operative as a legal entity had lost all the rights to possess and dispose its property but it is still in charge of maintenance and provision for utility services. Co-operatives as legal entities are not liquidated, they are still registered.

The Condominium Law (1996) offers the unit owners to register as a condominium association (homeowners’ association). It could be logically justified to run all the condominiums equally which means to liquidate coops and re-register them into condominium associations. But the law does not force anybody to do this. Such measures can not be taken automatically but only by the decision of all the unit owners, as required by the Condominium Law, the Civil Code and the Constitution.

Since it depends on the decision of all the unit owners the process goes extremely slowly. Re-registration causes significant expenditures of time (procedures take pretty long), emotions (it requires for all the unit owners to make the same decision), money (fees for re-registration, manufacturing a stamp, registration in tax bodies, copying services, etc.). Former co-operative members as a rule do not resort to such actions if their gains are not transparent and obvious.

What can be offered to co-operative members as an advantage is the solid legal basis of the organisation representing common interests of unit owners and the rights guaranteed by the Condominium Law. Unfortunately it rarely outweighs the losses mentioned above. There are also some popular scares, for example to lose a couple of tax privileges that are still granted to HCCs or to lose social benefits after re-registration of ownership rights.

There could be several ways to solve the co-operative problem in Russia.

The *first* way is through the partnership relations between official bodies and non-governmental organisations. Careful and fastidious work is taken in many cities by administrations and NGOs to clarify all the “pros” and “contra” and to persuade co-operative residents to take some efforts in order to get much wider rights. Such work would bring good results but much slower than one wishes to. Governments of several Russian cities provided to former coops some sort of financial support for re-registration. For example in the city of Ryazan before 1996 only tenants of municipal housing received budget subsidies for maintenance. Then the administration approved a new regulation providing for maintenance subsidies also to condominium associations. Therefore co-operatives have got an incentive to re-register into condominium associations. It resulted in a number of coops that wanted to re-register. In Yaroslavl administration decided to partially finance the procedure of re-registration from the city budget. They did it during two years and it resulted in more than two times increase of amount of condominium associations registered in the city.

The *second* way is to oblige co-operatives to re-register by a new law. But such a law might, first, fail to be met properly by coops, second, it will require mechanisms of control such as penalties for violations, etc. In this case additional administrative resources will need to be involved. Such measures have been taken in Moscow couple of years ago but they did not bring proper results.

The *third* way is to leave co-operatives as they are, i.e. to permit them to keep their old names, not to change title “HCC” to “Condominium association” but to oblige them to fulfil the requirements of the Condominium Law and the Law on Non-Commercial Organisations. This way looks today the most reasonable one because, first, resistance of people always has some reason, and, second it is no matter how the organisation is named if it works well and fulfils its tasks. But it is important for unit owners to register their deeds and come to an agreement on management issues.

One more challenge Russian coops face today is the financial problem. During the last decade inflation devoured all the savings which were allocated for rehabilitation of co-operative buildings. Economic crisis of 1998 caused the collapse of many banks where savings of many coops were kept, so ever traces



of the money were wiped out. At the same time the age of the majority of co-operative buildings is about 30-50 years. It means that co-operative buildings, which were regarded as elite parts of the housing stock some time ago are in a very poor physical condition today. More to that people who joined the co-operatives thirty years ago are pensioners now, and many of them still live in their coops (Russians are not very mobile by nature and often live all their life in the same building). So they are not able to pay for the rehabilitation of their buildings and consider it unfair.

This situation looks not very easy to be solved. Issues linked to the rehabilitation of the housing stock are within the responsibility of municipalities. Today there is perhaps no other way to help old co-operatives with rehabilitation but to provide them financial support. Practically all the city governments admit that it is not housing co-operatives to be blamed for losing savings for major repairs and rehabilitation. But in fact a few local governments are ready to agree to finance rehabilitation of co-operative buildings even by taking into consideration that coops are in charge of not more than 6-7 per cent of total housing stock of Russian cities. It is understandable because, municipal housing in majority of cities face a similarly serious problem of rehabilitation.

All the measures and decisions mentioned above concern the existing housing stock that we call out of habit “co-operatives”. This form of housing in Russia is facing lots of legal, economic and physical problems. But the practice of other countries such as Sweden, Germany, the United Kingdom and others demonstrates that co-operatives represent sustainable and successful housing which brings benefits, and provides affordable dwellings for a significant part of population. The question is if the co-operative housing can become similarly successful in Russia? I suppose that western models of co-operative housing could germinate well in Russian cities if the necessary economic and legal conditions are created. I see a future Russian HCC as a large corporate developer and owner of the housing stock that provides its stakeholders with dwellings for rent. A stake does not reflect the price of a unit but it “works” like deposit or investment in the development of the co-operative. If a stakeholder leaves a co-operative he or she gets the stake back, perhaps, with some return. The cost of maintenance, repairs and utility services should be covered by rent. I should emphasise that a co-operative should be the owner of its housing like it was in our country before 1994.

To implement such a model we need to introduce some major amendments in our legislation. We strongly need for a new co-operative law, which is supposed to define conditions for existing organisations called “co-operatives” and for future actual co-operatives as well.

This idea served as a benchmark for the work of the working group so called “Foundation for Support of Housing Co-operatives” which was gathered in Moscow in the year 2000. The working group was granted by Know-How Foundation to study foreign experience and to elaborate a project of a co-operative law. Unfortunately the project is not developed by this time because it is necessary to change some basic Russian laws first including the Civil Code. Taking into consideration that co-operatives should act as developers, significant changes should be made concerning the affordability of financing construction and repayment of mortgage loans by their members, and legislative support for co-operatives should also be secured. It all does not look very optimistic but I believe that co-operatives will take their role in the provision of sustainable and affordable housing in Russia tomorrow, if not today.

## **Theme 3: Contributions of housing co-operatives to community development**

### **Annex 16. Paper presented by Mr. Charlie Baker, the Confederation of Co-operative Housing, United Kingdom — “*The contribution of housing co-operatives to community development*”**

To understand the contribution of housing co-operatives to community development, it might help first to look at it within the context of the Habitat Agenda key objectives, which are:

- adequate shelter for all; and
- sustainable development in an urbanising world.

In the United Kingdom, during the 1960s it was argued that developing communities was a distraction from the primary objective of maximising the number of people housed that resources allowed. I lived in the results for a decade.

It is when you try and fulfil the second objective that the need arises for a wider view, to generate social sustainability.

The story of affordable housing provision in the United Kingdom has been a baleful one. Millions of pounds of public funds have been poured into deprived areas in the vain hope that this would stabilise communities so that this endless flow of money could cease. It hasn't and largely because there has been no sincere attempt to tackle the roots of the problem – lack of engagement with society, high levels of disillusionment, lack of control over their lives or environment, very low self confidence and therefore no real feeling that anything can be done to get out of the spiral of dependency that creates the siphon effect on the public purse.

United Kingdom regeneration programs that try and involve local people can usually be characterised by the following failings:

- they often cover areas that are much larger geographically than many people would relate to;
- they are professionally driven, giving limited control to ordinary community members, who become disillusioned and vote with their feet, which can lead to the representativeness of community nominees being called into question;

- even where representatives are genuinely representative, they struggle to get their voices heard around a table with professional workers unused to working with local residents; and
- most of activities are time limited and cease when the programme comes to an end.

The tenant controlled housing movement has been pointing this out to those in power for a very long time. I've been doing this for 15 years and still find myself saying the same things. Partial understanding of the problem has created funding streams for involving tenants, but too frequently these projects are attempts to disguising the tokenism of real efforts made.

In the 1994 Housing Act local authority tenants gained a statutory Right to Manage their estates through democratic Tenant Management Organisations (TMOs) and continued the funding begun in 1986 to train and support tenants to set up TMOs. There are now over 200 TMOs in England, some managing estates of over 2,000 properties in high crime areas.

The most successful attempts have been co-operative models, which represent most of the tenant controlled housing movement in the United Kingdom . The co-operative option is currently only demonstrated in less than 2 per cent of the nation's housing stock, but where we've done it, we've done it well.

The most qualitative and important research relating to tenant control was carried out in 1995,<sup>1</sup> on behalf of the Department of the Environment by accountants Price Waterhouse. This research compared the performance of a range of tenant controlled organisations with that of local authority and housing association sectors over three years and concluded that:

- *“Most .... co-operatives outperformed their Local Authority and Housing Association counterparts and provided more effective housing management services with usually better value for money”*
- Tenant controlled organisations *“delivered wider non-quantifiable social and community benefits”*
- *“The most effective organisations were those whose members had greatest control over their housing management, finances and environment.”*

Two other reports assess the benefits and success of tenant-controlled organisations. In 1999, the Housing Corporation, a government funded quasi-

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1. Tenants In Control: an evaluation of tenant-led housing management organisations” - Price Waterhouse 1996

NGO, commissioned the Office of Public Management<sup>2</sup> to review resident controlled housing. They concluded that *“resident control brings clear benefits in terms of better housing management, capacity building and community sustainability”*

In research published last year by the CCH<sup>3</sup> the United Kingdom government’s strategy for tackling declining neighbourhoods in the United Kingdom was examined in the context of co-operative models. In the case studies it becomes apparent that co-operatives tackle this agenda head on and the results are impressive.

This lines up a persuasive argument that the co-operative model is the most effective in tackling the underlying causes of urban decline.

## 1. Community

Over 40 years ago, Jane Jacobs defined community as “a group of people with shared experiences and common assumptions”.<sup>4</sup> Simply in the way they run, housing co-operatives make housing socially sustainable by encouraging the growth of community, by creating opportunity through the structure of the management body for people to come to know their neighbours and work out common solutions to common problems together.

A rather nice story cut straight from a local paper in Walsall illustrates what ordinary people can gain:

### ***“The best move we ever made”***

*“Eighteen months ago I saw an article about Redditch Co-operative Homes, which was planning to build 17 bungalows on a piece of land not far from where we live. As my husband’s health wasn’t good, we decided to inquire about the possibility of acquiring one. And I can now say it was the best decision we ever made. For eighteen months we were involved in not only the planning and designing of our homes, but got to meet our neighbours from the start. I’m sure many of us remember the days when our neighbours were our best friends and we could go to anyone on the street in times of need. Unfortunately today most of us don’t know our neighbour, let alone class them as a friend. Well, here is an organisation that has reinvented the old ways and brought them back into the 21<sup>st</sup> Century. On Monday, we all start moving into our new bungalows that we have all helped to plan*

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2. “Models of Resident Controlled Housing” - Gillian Gillanders and Bob Blackaby 1999

3. Tenant Control & Social Exclusion – Prof. David Clapham, Philippa O’Neill, Nic Bliss

4. The Death and Life of Great American Cities – Jane Jacobs 1961.

*and design. My social life has taken on a whole new meaning and I don't have to go far because all my best friends are my neighbours."*

This was written by a member of Breedon Housing Co-operative, one of six primary housing co-operatives in the Redditch Co-operative Homes development, built specifically for elderly people.

## **2. Resourcing wider action**

It is important to point out for those with an eye on the financial outputs of co-operatives that the process described above encourages and sustains high levels of voluntary input, producing outcomes usually beyond the staff budgets of all but the most wealthy regeneration projects.

The sorts of projects that co-operatives work with or set up directly are:

- credit unions;
- health and fitness clubs;
- after school clubs;
- care for the elderly;
- food co-operatives; and
- workspaces.

Additional but less tangible activities also take place, members of co-operatives by their definition learn and distribute key life skills that in many cases set otherwise disempowered people off on far more successful and economically viable paths. The most frequently noted skills are: inter personal skills, public speaking/presentation, computing, basic bookkeeping, capital finance and resource management.

## **3. The state's perspective – the Social Exclusion Unit**

On election, the United Kingdom government set up the Social Exclusion Unit (SEU) to take a new look at the run down areas of the country. In September 1998, it published its strategy for neighbourhood renewal.<sup>5</sup> The report set out a need to “*develop integrated and sustainable approaches to the problems of the worst housing estates*”. In his foreword to the report, the Prime Minister recognised that –

*“Too much has been imposed from above, when experience shows that success depends on communities themselves having the power and taking the responsibility to make things better. And*

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5. “Bringing Britain Together: a national strategy for neighbourhood renewal” – The Social Exclusion Unit - 1998

*although there are good examples of rundown neighbourhoods turning themselves around, the lessons haven't been learnt properly."*

The SEU set up policy action teams (PATs). PAT 4 looking at Neighbourhood Management argued in their report *"that local intelligence is best gathered, that community motivation is harnessed and renewal momentum achieved"*.<sup>6</sup>

PAT 9 looking at community self-help investigated what works in generating community commitment in poor neighbourhoods. 2 of its key findings are:

- *"without effective self-help, it is unlikely that any other measures of community regeneration, however well-resourced, will provide long-term solutions to long-term problems"*; and
- *"community self-help is not something that can be imposed – by definition, this is activity done by local communities, not for or to them"*

It has to be said that our movement's attempts to take Mr Blair at his word have been somewhat less enthusiastically received than we did these words. As a demonstration of the just how far we have to go, the report gives credit for the projects it praises such as my own, to the nearest public agency rather than the community based groups that actually did it.

I have described above how the co-operative model addresses the basic first stage in community development. PAT 9's report then lists 10 principles for developing that further into making a **good** community:

- **A learning community**, where people and groups gain knowledge, skills and confidence through community activity.
- **A fair and just community**, which upholds civic rights and equality of opportunity, and which recognises and celebrates the distinctive features of its cultures.
- **An active and empowered community**, where people are fully involved and which has strong local organisations and a clear identity and self-confidence.
- **An influential community**, which is consulted and has a strong voice in decisions which affect its interests.
- **An economically strong community**, which creates opportunities for work and which retains a high proportion of its wealth.
- **A caring community**, aware of the needs of its members and in which services are of a good quality and meet these needs.

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6. "Report of Policy Action Team 4: Neighbourhood management" – DETR - 2000

- **A green community**, with a healthy and pleasant environment, conserving resources and encouraging awareness of environmental responsibility.
- **A safe community**, where people do not fear crime, violence or other hazards.
- **A welcoming community**, which people like, feel happy about and do not wish to leave.
- **A lasting community**, which is well established and likely to survive.<sup>7</sup>

#### 4. Case studies

Most of these case studies are from the CCH research where large numbers of tenants were interviewed. Given that co-operatives are about people, it seems appropriate to simply quote these tenants in their own words to demonstrate how the above objectives are fulfilled by co-operative housing management.

##### **4.1. Appletree Court Tenant Management Co-operative – Salford**

Appletree Court is a tower block with 96 flats. Appletree Court Tenant Management Co-operative took over responsibility for lettings, repairs and maintenance in 1994, following a ballot where 92 per cent of the tenants supported the setting up of the TMC. Most of the tenants are elderly.

The block was surrounded by concrete but, since the setting up of the TMC, has been transformed into a garden that grows organic fruit and vegetables, a green house and a duck pond. The TMC has added a community café and a large conservatory, used by a number of different groups and open to everyone in the block and neighbours.

*“When you live on your own, it can be too much trouble to cook a meal. If you have a little problem, you talk to the co-ordinator and then she’s on the phone to the doctor.”*

Crime and the fear of crime have been almost totally eradicated from the estate despite the high crime statistics of the immediate area.

*“I feel very secure. There is no crime on here like on the other blocks where there are drug addicts.” “You can go away and know that it will be secure. I have a mate who lives nearby and he is scared to go away.”*

The TMC organises a range of activities, including a savings club, social outings, a local history club, an old people’s club, bingo, social evenings and

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7. “Report of the Policy Action on Community Self-Help” – the Home Office Active Communities Unit - 1999.



new year's eve parties. These events encourage people from the surrounding area to use the centre.

Canon Wyatt, the rector of St Paul's Church in Salford sees the TMC having a very significant impact –

*“Appletree Court has the best quality of life of any block of flats in Salford. The TMC attends to the most basic set of problems by providing food, breaking down the isolation of older people and providing a secure environment. There is a pride amongst the people there that means that people invite family and friends there. The TMC has given people a sense of responsibility for their own environment, for their own peace and tranquillity; the residents recognised that nobody was going to do it for them, so they would have to do it for themselves.”*

#### **4.2. Belgrave Neighbourhood Co-operative Housing Association – Belgrave, Leicester**

Belgrave Neighbourhood Co-operative Housing Association is a par value ownership housing co-op, set up in the 1970s. In 1972, the growth of the Uganda Asian people led to growing demands on the housing stock in the Belgrave area. The co-operative now has 333 homes in seven streets, housing some 450 people. In Belgrave Neighbourhood Co-operative Housing Association, 63 per cent of the tenants are of Asian origin and 33 per cent are white. 57 per cent of co-operative members are in receipt of housing benefit.

*“people have not had the privilege to have their say, to raise their issues, to get involved with running the organisation – they are used to officers are officers and tenants are tenants. In our organisation, we say to the officers – we don't want to do it that way, we want it this way. Find the solution. We have a different style.”*

This culture is also beneficial in that it allows tenants to discuss their concerns in their own language.

#### **4.3. Burrowes Street Co-operative – Birchills, Walsall**

Burrowes Street Co-operative was set up as a tenant management co-operative in 1994, and now manages 312 properties, in local authority flats and warden-supported bedsits. The co-operative saw the need for more family housing and arranged for housing associations to develop 29 family homes, which the co-operative now manages.

The Birchills area is one of the “most deprived” areas in the Walsall borough, with at least 5 or 6 indicators of poverty to be found in upper quartiles.<sup>8</sup>

The co-op’s approach to the housing service is valued by tenants –  
*“People were fed up with the service they were getting from the local authority and we formed a tenants association to try and get our voice heard. As a tenants association it was a struggle. Once we started to look at tenant management, people could see a future. It was a case of working together to get things done.*

The local Police Station confirms that crime has become “*virtually negligible*”.

The co-operative supports the Birchills and Beechdale Credit Union and co-operative committee members are on the board of governors for the local school. A wide range of events are run from the co-op’s Tenant and Management Resource Centre and in the warden-supported flats.

*“the area is improving all the time – benches flowers and trees”* – confirmed by the co-operative being awarded a Britain in Bloom trophy in 1999 for “*exceptional community achievement*”.

#### **4.4. West Whitlawburn Housing Co-operative – Lanarkshire**

The 543 flats that make up West Whitlawburn Housing Co-operative were transferred to it in 1989 from Glasgow City Council. Prior to the co-operative being set up, the estate was characterised by high crime rates, a poor quality housing service “*Glasgow City Council couldn’t do all the repairs*” and all the consequent problems of social exclusion.

A focus group referred to the remoteness and impersonality of the services provided by Glasgow City Council –

*‘the Council used to make decisions, but did not have to live with the consequences’ ‘before with the Council, we had caretakers. They finished at 6pm and that was that.*

The co-operative has taken an approach that has impacted on all areas of life on West Whitlawburn. The early priorities were to refurbish homes and improve the housing service and security for residents.

The Bonus Ball Resource Centre, set up by the co-operative through national lottery funding, lies at the heart of the estate, from which a large

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8. “A Profile of Poverty & Health in Walsall” – Steve Griffiths – Public Management Associates.

number of community activities take place – such as a fitness centre, a healthy eating café – *“the café is a great thing; you can go and get a meal if you are not cooking”* – a newsletter, two youth clubs, a senior citizens exercise club, a mother and toddler club, a fruit-selling operation and a junior gardening club. The co-operative has future plans to set up an agency to help young people find housing, to set up a food co-operative and to develop a local health service facility.

The value of the co-op’s self-help approach to tackling health issues was recognised in 2000 by the Scottish Parliament when they chose to launch their White Paper *“Towards a Healthier Scotland”* from the Bonus Ball Resource Centre.

The co-operative has set up a youth committee on the estate – *“if you target fourteen to seventeen year olds now, they’ll take on the responsibility of running the estate when they’re in their twenties”*. It is run from the community centre and has its own budget. The co-operative supports the local credit union. It provides a welfare rights advisor and support for those suffering from domestic violence. It also supports football teams, sponsors people to get higher education, gives donations to bereaved residents and provides disability adaptations.

The co-operative employs thirty five members of staff and the community centre eighteen, mostly local residents. The co-operative won an award for health at work, which particularly recognised the staff satisfaction, health and continuity as a measure of the health of the community and the co-operative itself.

Bill Bonnar, the local community worker on the estate, is clear that – *“the housing co-op has improved the quality of the environment and has built a sense of community into the area ... On comparable council estates, the population is atomised and the place where they live has no sense of identity.”*

#### **4.5. Homes for change and work for change, Hulme, Manchester**

Homes for Change is a housing co-operative of 75 flats. Work for Change is a service co-operative providing 1,500m<sup>2</sup> of workspace under the housing to its 22 members business who are largely local ethical and cultural businesses ranging from an urban design consultancy to a dressmakers. The scheme arose out of the lack of provision for those households from the condemned system built housing who did not wish to embrace what was perceived as the threat of a new suburban isolated existence. The founding businesses largely arose from small businesses started in those same flats.

The scheme is arranged around a central courtyard with tiered galleries providing access around the inside face. The density is 150 dwellings to the hectare (90/ha if roads are taken into account). This figure would be enough to ensure that United Kingdom cities did not have to expand over the green land in trying to provide the estimated 4 million new homes needed over the next 20 years.

A widely piece of architecture, the scheme won the government sponsored Housing Design Awards in 1997 among others. The project itself also won a Best Practice award from the British Urban Regeneration Association in 1998.

The scheme has the lowest crime rate of any housing in central Manchester. Front doors are left open all day – weather permitting. The extraordinary birth-rate and high proportion of women living alone in an urban area is testament to the secure environment that has been created here. The children themselves enjoy a freedom to roam and explore that is rapidly becoming a dream from the past for most United Kingdom families.

The workspace is 15 per cent ahead of the ERDF outputs agreed as part of its funding with the businesses there turning over £1.5 million pounds and employing 75 people.

Decision making instead of being rarefied to a committee is broadened across a series of working groups through which all member are able to get there voice heard and contribute to the running of the place.

Visitors are usually stunned by the fact that such a place exists and envious of the rich yet safe existence possible in a tightly knit but varied community.

While I have argued that co-operatives by their very nature engender sustainability through creating stable communities, very few have been able to explore the extent to which co-operatives can encourage physical sustainability beyond the fact that a well looked after building last longer. This project was fortunate enough to win funding to explore issues of energy and resource efficiency. Everyone takes part in the scheme's recycling initiative. We put extra efficient glass in the windows; the walls of the second phase are insulated with recycled newspapers. The mixed use nature allows some of us to enjoy a stress free journey to work of at most 2 minutes. The roofs are turfed to make best use of all available space as well as increase the thermal mass of the building.

The scheme was also used as the starting point for a dream researched as part of a BRE / EU project to look at whether neighbourhoods could be made

self sufficient for all their resources except food. Known as the Sustainable Urban Neighbourhood, we believe this points the way to a feasible future for the cities of the globe, and we believe that the co-operative model is the best way to make it happen.

As was the common thread in all the case studies, community development happens as a matter of course in co-operatives not as an add-on with extra workers as is often the case in traditional management models. People on low incomes don't have to pass their days isolated in impersonal estates but can be part of a community, with support from neighbours when it was needed. They don't have to sign on at the local benefit office for special programs but can build their own confidence and self-assurance, both individually and as a whole community and invariably receive real training as they go.

We are working on a program called the Community Gateway Model with the United Kingdom Co-operative Union to create a model to give many more people access to the great benefit that co-operation offers as their housing is privatised.

One day all housing will be done this way.



## **Annex 17. Paper presented by Mr. Jerzy Jankowski, President, National Co-operative Council, Poland — *“Housing co-operatives in the development of local communities in Poland”***

Polish housing co-operative movement is more than 100 years old. The first co-operatives – called then “housing societies” – were established at the end of 19<sup>th</sup> century. Poland did not exist at that time as an independent country – it was divided into three zones annexed by Austria, Russia and Germany. In the territory that was occupied by Germany, Prussian (German) officials founded first housing societies; the majority of their members were Germans, representatives of the occupant. And in spite of the fact that until World War I about 40 co-operatives of that kind operated on the territory of Poland, they did not play in fact any role in the improvement of the housing condition of Polish people and in the development of Polish local communities. However, they created an example for the solution of the housing problem, and those co-operatives had been a practical model to be used in later years when Poland gained independence.

After the World War I, the concept solving the housing problem on a social basis became more and more popular in the independent Poland. The Polish Society for Dwelling Reform was founded with the aim to elaborate the rules for sound housing policies as well as to co-ordinate the efforts of social institutions and individuals in that matter. On the other hand the government established the Society for Workers’ Housing Estates, which was responsible for the building of single dwelling houses, and even whole housing estates for employees of limited means.

Simultaneously to these actions of the State, the partisans of the co-operative movement invented two types of housing co-operatives: the “lodgers’ co-operatives” (where dwellers only rented flats from the co-operative which owned the whole real estate) and “housing-building” or “property” co-operatives (in which dwellers, usually more well-off than in the first type, were at the same time owners of their flats and co-owners of the whole real estate). Such co-operatives, often in close collaboration with trade unions, employers or various social associations, aimed at improving the living standards mainly of workers and town population of limited means. Their visible effects on Warsaw’s and other cities’ landscape were modern blocks of flats, smaller or bigger dwelling units or housing estates composed of small family-houses. They usually represented higher standards than other apartment houses constructed on purely commercial basis.

Nevertheless, the general image of co-operative housing potential was rather moderate, and in fact it had no perceptible influence for the improvement of the general housing situation in the whole country. The great economic crisis in the years 1930–1935 affected most housing co-operatives, as they were forced to stop their construction works and to postpone their investments. As a result during the last few years before the World War II, out of the total number of 240 housing co-operatives that existed at that time, only 4 were able to conduct new constructions. No more than 0.8 per cent of the total urban population dwelled in co-operative flats. The co-operatives constituted a model that was difficult or almost impossible to follow in small towns and in the communities at the poorest regions of the country. This model, however, was becoming more and more popular among people who were dreaming about changing their standard of life.

It also was the effect of the fact that the founding fathers of co-operative housing in Poland were always associating the concept of securing dwellings for the members of a community with the idea of the general development of the whole community. According to these concepts, a co-operative housing estate did not only mean concrete (or rather brick at that time) blocks of flats, but it also encompassed the whole system of social services, the development of social structure, and social coherence.

The most famous example of such an approach was a co-operative from Warsaw, called simply “Warsaw Housing Co-operative”. Founded in early 1920s, thanks to the possibility of obtaining a bank credit with the repayment period of 50 years, it constructed in Warsaw’s quarters Zoliborz and Rakowiec two housing estates with the total number of 3,132 apartments, rented mainly to white-collar workers, industry workers and representatives of pauperised “intelligentsia”. What is worth to stress is that the rents for that co-operative dwellings were much lower if compared with other non-co-operative houses. It was of great importance mainly for industry workers who constituted about 40 per cent of all dwellers and belonged to the poorest group among them. Simultaneously with the investment activities and managing existing premises, the Warsaw Housing Co-operative initiated and conducted a rich blend of social activities. It organised in its housing estates various kinds of social clubs, cultural and educational centres, public libraries as well as shops and restaurants. A special attention was paid to the children for whom a puppet-show theatre was founded that was transformed finally into an important youth education centre. Many of these initiatives were organised on a co-operative basis; the Warsaw Housing Co-operative also had close relations with Warsaw Consumers’ Co-operative, one of the leading co-operatives in the country. Many other associations of various goals were active in the housing estates and were supported by the co-operative.



The World War II brought about enormous destruction of the housing stock everywhere Poland. Housing co-operatives were continuing their activities in the first years focusing mainly on rebuilding from ruins or reconstruction of the dwellings. The existing and newly founded co-operatives were accompanied in fulfilling that objective by the State enterprises being established according to the requirements of the new political system introduced after the war. Some of the new co-operatives – called “housing-administration co-operatives” – were receiving from the municipalities partially ruined premises on condition that their members would restore them by their own means. They were authorised to exploit the houses until the restoration costs would be amortised. Then many of these co-operatives were liquidated.

In the 1945-1949 period housing co-operatives of all types restored a total number of 40,000 apartments; at the same time they constructed for their members 5,300 new apartments that constituted 2.5 per cent of all new apartments in Poland or 5.6 per cent of new apartments built in towns. These figures, although seem to be rather modest, meant indeed an important contribution to the improvement of the housing stock with respect to the need after the enormous destruction caused by the war.

Unfortunately, due to more and more orthodox economic policies in the following years and the centralisation that went on in the national economy, fulfilling the dogma of the “superiority” of the state ownership over co-operative or private ownership, activities of housing co-operatives became very limited. Their role was more and more minimised, and between the years 1950-1952 all Polish co-operatives constructed only 610 apartments.

Only after 1956, when economic policy became a little bit more liberalised, the housing policy was also reformed. In the frameworks of these new policies housing conditions in general were improved in a short period of time together with developments in the local social structure. As the top-level authorities decided, housing co-operatives were to be the main actors in that field.

We must notice that in Poland as well as in all other countries of the “real socialism” block, the only existing system of fulfilling meeting dwelling needs was still a highly centralised one. Of course it brought about some improvement in the housing conditions of people, but at the same time it did not allow adjustments to be made in the plans of newly built apartments according to social preferences and individual needs of families, and it did not develop shopping and service centres, which are indispensable in large housing estates. Individual initiatives of people were inhibited, as there was indeed no way to use properly own resources of those who disposed them of. The industrial construction technologies based on big prefabricated concrete

elements that co-operatives were forced to use were often unpractical, non-durable, expensive, too much energy-absorptive and before all deprived of the “human face”.

Nevertheless a credit system was created and developed, a new system of State guarantees for long-term individual savings in order to collect money for the ownership of a co-operative flat was introduced, transfer of land to housing co-operatives by local authorities in order to build new dwellings or housing estates was facilitated and the sale of new houses that had been constructed by the State to co-operatives was made possible in that period, all of which affected a very dynamic development of housing co-operatives, not only in big cities, but also in smaller towns and even in large villages. From year to year the number of the apartments newly built by co-operatives increased quickly, and in many towns one could see new very big co-operative housing estates or even whole co-operative quarters. Already after few years of the new housing policy, the housing co-operative sector became almost a monopolist in building new apartments and managing the existing ones all over the country. Co-operatives became the main and decisive organisations in fulfilling dwelling needs of urban population. For instance in 1980, out of the total number of 829,000 recently constructed apartments almost 80 per cent of them were co-operative housing.

Besides solving housing problems, co-operatives contributed to the establishment of the new social infrastructure or the development of the existing one. In collaboration with local authorities they started to plan and develop in their premises shopping and service units. In bigger housing estates co-operatives constructed special buildings for various kinds of social services like social clubs, libraries, cultural centres etc. The largest co-operatives founded and ran even big co-operative cultural houses with many sections. There existed co-operative kindergartens, sports-fields, and playgrounds for children. Housing co-operatives that conducted large investments contributed also to many local initiatives connected with the development of the municipal infrastructure. Architectural shape and the development of many cities, smaller towns in particular, were to a great extent or even decisively, the result of housing co-operatives' investments and activities.

The transformation of the social, economic and political systems in Poland that were initiated 12 years ago when the Polish economy was experiencing a deep crisis, caused a big fall in the total investment, including housing investments. Co-operative housing became the victim of that phenomenon. It was the result of mainly the lack of own financial resources of people and absence of credits that used to be made available by the State.

But in addition, in the opinion of the new authorities and political parties that were supporting them, the co-operative movement in general, which included housing co-operatives that had operated in the former “socialist” system, was the sector of the economy that was not able to subordinate itself to the rules of the market economy. The co-operative movement was treated as a relic of the past to be liquidated. Many actions, among them legislative ones, which were initiated by the government aimed at weakening or even destroying the organisational structure of co-operatives as well as individual co-operatives. Nobody took into consideration the fact that housing co-operatives had at that time almost 3 millions apartments where about 10 million people were living.

At the same time the ruling forces accepted the dogma that apartment was a commodity and should be treated in the same way as other market goods, according to the rules of the free market. That dogma was embodied by rigid economisation of communal and housing policies that affected dramatic increases in the prices of flats and all services connected with housing. Co-operative investments were dramatically restrained, and management costs of existing dwellings increased. Rising management costs were charged mainly on dwellers and on those who were hiring non-habitable premises (shops, offices etc.).

Housing co-operatives, as a result, found themselves in a very difficult, even critical position. Many of them had to limit or stop new investments and took responsibility only for managing existing housing. The rate of newly built co-operative apartments in relation to the total number of new flats greatly decreased. This trend also included big co-operatives that had at their disposal 50 or 80 per cent of the land in particular quarters of some cities. For instance in 2001 out of 106,000 newly constructed apartments all over Poland, only 26,000 of them were built by co-operatives. Poland found itself on the 24<sup>th</sup> place in Europe considering the number of newly built flats for one thousand inhabitants, which was 300. In Germany and France this figure was much higher with 470, and was about 340 in Hungary, Bulgaria, Czech Republic and Romania.

At the same time, together with augmenting difficulties and financial troubles, housing co-operatives had to limit or totally stop their social activities they had conducted, as they had simply no means to continue. Most of youth clubs, libraries, and cultural centres were liquidated, and their premises were leased to various companies for their commercial activities. The new designs of co-operative housing projects neglected all activities that were not directly connected with dwellings.

The phenomena that accompanies the transformation of Polish economy, and in particular the pauperising of various social groups, increasing

unemployment, still enormously increased needs for dwellings, all have affected in “re-discovering” co-operatives as the organisations that enable less wealthy families to become owners of their flats. Many social groups who are not able to afford building their own family houses or buying flats constructed by private companies have the only alternative, a housing co-operative, to fulfil their aspirations.

The present Government of the left and peasants’ parties coalition understands that fact and supports the co-operative movement, and its principles. The Government perceives the development of housing, including co-operative housing, as a motive power of the whole Polish economy. It gives new opportunities to housing co-operatives, including to enable them increase their contribution in solving the housing problem and develop local communities. However, making the most of that opportunity will not be simple or easy. First, as have been mentioned above, large parts of Polish society became pauperised, and their financial resources are very limited. This concerns in particular young people whose needs for housing are the most dramatic, as high unemployment rate, which attained recently 18 per cent, concerns to great extent young people, and unemployed people have no means to spare for housing. Secondly, hitherto prevailing financial system and tax policy have not created any possibility for the provision of cheap credits for the housing purpose. Investments credits are still extremely expensive in Polish banks and this is an important restraint in the production of housing, including co-operative housing.

The attempts initiated by some co-operatives in order to find some ways that could enable their members to become home owners still have not able to close the gap between their members’ financial possibilities and the construction cost of housing.

In such a situation, the Auditing Union of Housing Co-operatives, being the national representative body of housing co-operatives in Poland, has undertaken many actions and has presented various alternatives concerning public support for the housing sector and in particular for housing co-operatives.

Some of those actions have brought about positive effects. The bill on State’s support for housing credit was amended, and a special paragraph was added to the bill on renting dwellings, which gave equal opportunities to the members of co-operatives with the lodgers of non-co-operative dwellings in the access to State subsidies to the rents that are paid. The new bill on managing realties assured the co-operatives’ right to the land they had obtained in the past, and gave them the possibility of gaining new lands for social housing in preferential terms.

Unfortunately we have not succeeded in convincing our partners to maintain the hitherto co-operatives' rights to the subsidies from the States' budget to the removal of technological faults in dwellings as connected with faulty construction technologies the co-operatives had been forced to use in the past by the State authorities.

At present, the crucial importance for housing co-operatives in Poland, in order to assure them development possibilities and a greater share in fulfilling people's needs for housing than they have had in recent years, is associated with the amendment of legislative measures concerning housing policy and housing co-operatives as well as with the fight for the system of cheap investment credits. The positive point is that the dramatic increase of the housing construction cost has been recently stopped and – it seems – will be kept at more or less similar level as today.

Construction works are today charged in Poland with 7 per cent VAT tax. We are afraid that as a result of Poland's accession to the European Union this tax will increase dramatically. The former Government composed of the right wing parties, accepted in the negotiations with the European Commission the introduction of the general, i.e. 22 per cent rate of VAT tax also for all building works and related services. It means indeed the menace of the extremely high increase in the prices of apartments that would make them inaccessible for large groups in the society, most notably for the young people.

The Auditing Union of Housing Co-operatives, as many other Polish associations and social organisations, claims Polish government in its accession negotiations with the European Commission to demand for a transitory period of some years when the hitherto rate of VAT tax will be kept. Non permitting housing costs to rise, and assuring access to cheap credits may be in fact – as the present government's economic policy assumes – motive powers for the development of the national economy.

Poor level of housing production and too slow progress in this sphere at present contribute to the increase in unemployment rate, to the diminishing financial resources of the country. However owning a flat is one of the fundamental needs of every household.

This year, in autumn, we shall have local election in Poland. Co-operatives in various towns and communes are preparing themselves to this election. They are going to claim not only for public debate about the development of the co-operative movement and housing co-operatives and for the creation of more favourable conditions for them, but also some of the co-operative partisans will candidate in the election for the members of municipal

councils. If they succeed, they would have chances to embody such policies at the local level.

I am deeply convinced – and that conviction is shared by most of the members of more than 13,000 co-operatives in Poland, including almost 1,500 housing co-operatives – that in the forthcoming local election we shall succeed in leading into commune and town councils many devoted co-operators who will contribute to drafting sound policies of the development of local communities as well as to strengthening the role of housing co-operatives in that endeavour.

## **Closing session: Review of lessons learnt, conclusions and recommendations**

### **Annex 18. Closing statement by Mr. Yılmaz Odabaşı, President of TÜRKKONUT**

Ladies and gentlemen,

I thank everybody involved in the arrangement of this conference, particularly Mr. Selman Ergüden.

I also thank very much Repino Tourism Company, which carried out the secretariat function on behalf of TÜRKKONUT and its employees who provided solutions for our difficulties.

I am grateful to all the Representatives who have been attending this 2-day conference.

It is known by everybody that housing is one of the most important needs of the people in our world. The purpose of our Conference is to provide a platform for exchange of ideas on the economic, social, administrative, financial, technical and legal aspects of this matter and related legislation. I think that our conference has achieved its aim with yours views and ideas.

We have been honoured to host you in our country. We have benefited to the maximum extent from your valuable ideas and thoughts during this period. We have been happy to be with the esteemed representatives of participating countries. We feel sorry for your leaving our country starting from tomorrow.

On behalf of myself and my organisation, I wish you health, happiness and success.

We love you and hope that peace will reign in the whole world.

Thank you.





## Additional papers presented at the Colloquium

### **Annex 19. Paper presented by Ms. Margi O'Connell Hood — “Contributions of housing co-operatives to community development: some thoughts from the Australian experience”**

I wish to talk about the role of housing co-operatives in building a civil society. Firstly I will talk about social capital and housing co-operatives then look at the social capital provided by being a member of a co-operative, not just by being housed. Finally I would like to share some thoughts about what type of participation builds a civil society.

Civil society is a very topical subject in Australia. As we dismantle our welfare state, communities are being asked to take the place of government intervention in solving social problems. New strategies based on concepts of *community sustainability* and *capacity building* are being implemented to build new forms of social capital. *Social capital* is the intangible wealth that comes with good social networks, extended families, clubs and societies, and a healthy community life. It is the wealth generated by participation.

Academics studying social capital in the USA (Robert Putnam) and Australia (Eva Cox) have identified a number of characteristics of social capital that are relevant to us as co-operators, two of which I would like to raise with you. Firstly, social capital can be *bonding capital* or *bridging capital*.

*Bonding capital* ties people to each other in families, friendships, religious groups, cultures and nations. Bonding capital supports our intimate relationships but it is excluding. A person belongs to this family not that one, this religion or nation but not that one.

*Bridging capital* is strategic linking. Bridging capital is the social capital co-operatives build through the international co-operative principles of open membership, co-operation between co-operatives and participation in the community.

As we enter the era of the global village, bonding capital is being eroded and people are becoming isolated as Professor Münkner highlighted yesterday – families are smaller and children move away; secular society replaces religious ones, etc. There are many small reasons but one of the most powerful, discovered by American researchers after controlling for age, religion,

mobility, and working hours, among other things, was .... television. People are watching television rather than participating in their communities. And when the researchers looked at the people who watched a lot of television they found them more depressed and less trusting than other people – and ‘trust’, they believe, is the currency of social capital.

People participate in co-operatives not primarily for social capital but because, through co-operatives, they can acquire something tangible that they cannot otherwise achieve. This provides a motive to participate in co-operatives that is not found in other forms of social groupings. And the international co-operative principle of participation means you must interact to keep your membership. This way co-operatives are very powerful tools for building the social capital needed for a rich civil society – people are motivated and tangibly rewarded for their participation.

My second point is about the two forms of social capital generated by housing co-operatives. Much of what I heard yesterday was about the social capital generated by providing housing. In Australia we do this in a number of ways so it is possible to separate the social capital of housing from the social capital of co-operative participation.

Safe, secure and affordable housing, by any means, increases employment and educational opportunities for individuals, and enriches communities. But co-operative participation in housing also teaches success through solidarity. In co-operative housing a person, who may previously have been socially excluded, used the system successfully to provide for a very important need. They personally succeed. (Albeit with a little help from their friends.) This is an experience that changes and empowers them. They realise that they, personally, can change other things in their own lives and in their communities.

But not all forms of co-operative participation do this. The second important discovery about social capital is that it grows better in horizontal decision-making structures rather than vertical, or hierarchical, structures; that is, where members are actively involved in decisions at the policy level.

The international co-operative principle of democratic decision making highlights this but there are two forms of democracy – *representative* and *participative*. Participative democracy builds the social capital needed for a civil society. Participative democracy means involvement in the policy-making decisions of the organisation not just design of your own house.

This raises the questions of size and complexity in our co-operative models. Studies in altruism, (that is, people’s willingness to care for each other), show that the more people there are involved in something, the less responsible an individual person feels. This is a contributing factor to social

isolation in cities. It also works in organisations where there are so many people that ‘fairness’ is not transparent. When a person thinks someone is benefiting more than they deserve from their level of participation, trust is eroded and they, themselves, begin to participate less. So we need human sized groupings that stop people ‘free-riding’ without contributing fairly. We also need transparency in our decision-making processes so that our leaders are accountable and trust is maintained.

To achieve good policies though participation however, the international principle of education becomes critical, as a number of speakers have pointed out. A good education system helps build a strong organisation because when people understand why decisions are made and take responsibility for those decisions, they are more willing to co-operate – as members and as citizens in a civil society.



**Annex 20. Paper presented by Dr. Claus Jürgen Hachmann, Vice-President, ICA-Housing — “The future of co-operative housing: a discussion paper of the German Federal Working Commission of Housing Co-operatives”**

**1. Co-operative housing has a special importance for housing of people**

Historically and also at present co-operative housing has a specific function and a specific effect based on the co-operative principles of self-help, self-administration and self-responsibility.

The German housing co-operatives have 3 million affiliated members and offer a good and secure housing to approximately 4 million people in the co-operative dwellings. In total the co-operatives manage 2.1 million housing units, which means 10 per cent of the whole rental housing units in Germany. In the big cities and in Eastern Germany the percentage is significantly higher.

Housing co-operatives are employers: 21,000 full time jobs and many more are on a honorary basis. Each year they invest 1 billion Euro in new construction, further 2 billion Euro in rehabilitation and 2 billion in maintenance, securing a lot of indirect permanent jobs. There are 65 billion Euro in the balance altogether, and 3.2 billion Euro shares are brought up by the members.

The European Commission underlined the importance of housing co-operatives. All co-operative sectors together represent 83.5 million members, among them 10 million members of housing co-operatives.

**2. Housing co-operatives realise a special form of housing**

The aim of housing co-operatives is a good and secure living, and the supply of further services to contribute to their comfort and desire, e.g. in the environment. Therefore it is not only a permanent using right, but also a specific service and care for the members.

**Housing in co-operatives mean:**

- Generations of members are living in the housing units without any speculation by anyone.
- Housing co-operatives offer open membership for all people.
- The co-operative task to promote the members ensures a modern housing management in an attractive environment of a good neighbourhood.

- The members who are shareholders of the co-operative receive full information in the general assembly and by the bodies of the co-operative.
- Housing co-operatives are an excellent democratic form of organisation for housing and living of members with an active engagement of members/users. There is the principle of equality: one member – one vote.
- Housing co-operatives offer a multiple service package.
- According to the rental law the price for the use of housing units can be agreed upon without price increases resulting from an extraordinary shortage of housing.
- The obligatory membership to co-operative federations as auditing institutions offer a high economic security to the members.

*These basic advantages mean:*

- Each member determines the duration of the contract by himself/herself. There is no cancellation of contract due to the landlord, who needs the unit for himself/herself or his/her family.
- The rents of the members are for the benefit of their own co-operative and themselves as shareholders. The assets of the co-operative are strictly connected to the co-operative task of promotion.
- The members have using and participation rights. There is an active and a passive right for election as well as the right to speak, to ask for information, etc.
- Each member has just one vote, independent of his/her financial engagement. Therefore a co-operative cannot be dominated by single members, groups or third parties, neither can they be taken over or bought without asking the three-fourth majority of the members;
- Housing co-operatives have to be competitive as private companies in the market. If there is a need for sale or the pulling down of units, the specific interests of the members have to be taken into consideration.

### **3. How will co-operative housing look like in the future?**

The first housing co-operative in Germany was founded in 1862. The oldest still existing one was founded in 1871 in Munich. In their long history housing co-operatives had to face various challenges, but they keep on mastering them in an innovative and successful way. The legal framework of the existing co-operative law offers all possibilities for this task.

How will the co-operative housing develop?

Some visions can be formulated today:

### ***3.1. Mobility***

Social mobility will further increase and also the requirements for housing. Due to professional reasons young people with children will have to be very flexible in the future. Co-operative housing can develop list advantages in this respect. Members have a housing security, which is similar to housing property, but they can decide by themselves, if and when they want to move. There is a union of housing co-operatives, which recognises the member of another co-operative on the list.

### ***3.2. Housing for elderly***

Apart from an increasing mobility and higher rates of fluctuation in the future, satisfied members like to keep on living in their dwellings especially with an ageing population. Life expectation is increasing, too. There are consequences for housing quality and services. Housing co-operatives offer housing for a lifetime. Only first-class services and a good environment lead to satisfied members.

### ***3.3. Living in communities***

Perhaps the biggest challenge for housing co-operatives in the future is a good balance between young and old generations in buildings and settlements. There is also an important task of integration of members of different social and cultural groups of the population. This means a long-term management for the members, an appropriate occupancy of dwellings and an adaptation of the buildings to the demands of members.

### ***3.4. Management of whole settlements***

Not only the housing unit itself, but also the design of the living environment has an important effect on the satisfaction of the inhabitants. To feel at home is only possible with a good neighbourhood. Here social contacts are made. The identification with the co-operative is better with a good neighbourhood. Therefore housing co-operatives do care for the social contact of neighbours.

### ***3.5. Communication***

In the future social and intellectual needs of people will be more differentiated and more relevant, as the level of education is growing. New media, multimedia and especially the Internet will be a reality. For housing co-operatives there are new forms of contacting members.

### ***3.6. Self-determinate housing***

In no other legal form members and users have more influence than in a housing co-operative. The possibilities of member participation open new chances to develop innovative forms of housing and to look for new groups in the market in order to develop special housing concepts for them.

## **4. Political conditions have to secure the future of housing co-operatives**

Political conditions of the State have to be taken into consideration to devise specific forms of housing co-operatives for the future, more than it has been done in the past. Housing Co-operatives deserve a special support. Especially existing housing co-operatives possess a high potential of innovation.

### ***4.1. The sustainable principles of the co-operatives law are suitable for the future***

The basic structure of the German Co-operatives Law offers for more than 100 years secure conditions for the development of efficient companies. The actual debate on co-operatives makes sense, as long as the efforts and good results of co-operative housing are made more visible in the public and it leads to an efficient future development. The basic structure of the Co-operatives Law should not be endangered, and the conditions for the success of housing co-operatives should not be put in question. Implementation of the European Co-operative Statute into national laws also has to respect these basic principles. Experience with the European Co-operative Statute will be waited for.

Also in the future, the Co-operatives Law has to maintain the identity between the user and the member, based on the co-operative principles of self-help, self-administration and self-responsibility.

The co-operative self-administration should be strengthened, so that its honorary work is treated in an equal way as any other honorary work.

One of the basic principles, which have to be maintained, is the belief to Bye-Laws. A reform of the co-operative law may not leave it to the individual co-operative founders, if they want to transform the co-operative to a joint-stock company or to another legal form.

For a company, which is founded only for social objectives without any economic background, there are other legal forms than a co-operative. For example a foundation or an association freed from corporate taxes could realise a pure social work.



#### ***4.2. Housing co-operatives need more autonomy and adequate position in the rental law***

In order to avoid price imbalances and differently treating members, co-operatives need the possibility of determining housing value oriented rents and calculating their rents by adapting them to market rents. Housing co-operatives must have the possibility to cancel the permanent use contract, if there is no membership any more.

#### ***4.3. Further development of the Union of Housing Co-operatives***

The Union of Housing Co-operatives, where housing co-operatives are affiliated in order to offer their members a higher mobility within Germany, is an important instrument of co-operative self-help. The mobility is facilitated through the transfer of co-operative shares.

#### ***4.4. Additional private pension schemes: Housing co-operatives need a product of their own, and saving institutions of housing co-operatives should be strengthened***

Housing co-operatives with a saving institution of their own – these are just 40 out of 2,000 German housing co-operatives – developed already a private pension scheme following the model of the Minister for Labour and Social Affairs, Mr. Riester, after receiving the official certificate for it.

Housing co-operatives should have the chance to develop a private pension scheme of their own following the permanent use right in housing and their members' shares.

The possibilities for housing co-operatives to establish a saving institution by themselves should be facilitated.

#### ***4.5. Housing Co-operatives need adapted instruments for their promotion***

Housing co-operatives concentrate their efforts to maintain their housing stock for future needs. Modernisation is permanently taking place. For the maintenance of their stock they need adequate instruments for the promotion of the necessary work to be done, which could be either tax relief or some instruments within the framework of social housing or urban renewal. If there are still occupancy rules of social housing to fulfil, then these restrictions should be reduced favouring a socially balanced housing occupancy through the co-operative.

In developing such conditions, the specific character of housing co-operatives should be considered, which means that the autonomy of housing co-operatives should be respected. A new non-profit law, connected with

limitation of the co-operative self-determination (e.g. occupancy rights with too low income limits) are not accepted by the co-operatives. This has also to be considered when the new rules of social housing are implemented.

#### ***4.5.1. Housing co-operatives need a new § 17 in the Law for Homeownership Promotion***

For Housing Co-operatives specific instruments of promotion are necessary in order to remain competitive. This means for example, that § 17 of the Law for Homeownership Promotion has to be reformed urgently.

A concentration on the promotion of co-operatives, which are orientated to individual homeownership, is leading to two different classes of co-operatives, at a disadvantage of the existing ones. Instead of the actual rules the investment of the members should be treated in the same tax way like the individual homeownership promotion. The permanent use rights should be developed in a more practical way, so that this model may become interesting for middle income groups.

#### ***4.5.2. Promotion of housing co-operatives through social housing regulations***

The reformed Law of Social Housing, dated 1<sup>st</sup> January 2002 includes a special chapter for co-operative housing. Following the Housing Promotion Law (§ 38 Wohnraumförderungsgesetz) the Federal Government is offering adequate financial means, but the implementation is done by the Länder (regional governments).

It is necessary that within the administrative rules between the federal and the regional governments as well as in the rules of the Länder there should be specific considerations for housing co-operatives (like § 12 Wohnraumförderungsgesetz)

#### ***4.5.3. Housing co-operatives in difficult market situations***

Housing co-operatives are confronted with vacant dwellings in certain areas, most notably in economically weak regions. As a consequence some of the stock had to be pulled down. To maintain the remaining stock other measures like sales and pulling down some buildings can be appropriate solutions.

Also the possibilities of merging and co-operation have to be evaluated. For the fight against vacancy specific measures, programs and assistance will be necessary. Supporting federations, especially the auditing federations cannot be sufficient. Promotion possibilities can, for example, be found in the programs such as “urban renewal“ and “social city”.

#### ***4.5.4. Housing co-operatives need a liberation of the Real Estate Transfer Tax***

Especially in the case of economic difficulties there is the need for merging co-operatives. In many cases this cannot be done, because Real Estate Transfer Tax has to be paid. If the merging is necessary in the case of a very critical economic situation, the real estate transfer tax of 3.5 per cent becomes a real obstacle. Housing companies are tackled in a very tough way, as their assets in most cases are 100 per cent land and buildings. This is quite different in other sectors.

The Real Estate Transfer Tax should not be an obstacle for the development of economically sound structures. Therefore the housing sector needs an exemption, which would not cause less income for the State, because otherwise the merging would not take place and tax income would not occur.

#### ***4.5.5. Collective application for avoiding income tax for small income limited to 150 Euro***

At present there is a collective application procedure in order to avoid income tax on dividends. At the moment 51 Euro limits it, and since 1977 this limit has not been changed, although it is no more realistic. To improve the administrative dealings of tax authorities, this limit should be raised to 150 Euro.

#### ***4.6. Newly founded housing co-operatives need support***

New housing co-operatives could play a vital role in the process of privatisation of the big municipal housing stock. In this context it has to be considered that adequate dwellings are selected and the new co-operatives are formed based on a solid economic structure.

The instrument of newly founded co-operatives of homeowners cannot be used to save that part of the housing stock, which cannot be administered economically, any more. State promotion has to be adequately tailored to the necessities of co-operatives if this instrument is to be used for that purpose.



## Other

### **Annex 21. Message from the United Nations Secretary-General Kofi Annan on the occasion of 80th International Co-operative Day / 8th United Nations International Day of Co-operatives (6 July 2002) — *“Society and Co-operatives: Concern for Community”***

The theme for this year's International Day of Co-operatives “Society and Co-operatives: Concern for Community” highlights the important contribution co-operatives make as associations and enterprises through which citizens can improve their lives while contributing to the economic, social, cultural and political advancement of their community and nation.

Co-operatives support social cohesion and stability and give life to the concepts of corporate responsibility and citizenship. They provide essential services, ranging from housing to health care, that strengthen community development. They respond to social challenges with a people-centred approach that helps to create opportunities for the disabled and to protect the environment. And through training, business assistance and credit, they empower individuals and communities.

In an age where community involvement and partnerships with civil society are increasingly being recognized as indispensable, there is clearly a growing potential for co-operative development and renewal world-wide. The new United Nations Guidelines proposed by the General Assembly last year to help create a supportive environment for co-operatives are designed to facilitate that process. On this International Day of Co-operatives, let us resolve to make the best and widest possible use of the co-operative spirit and experience, in the service of our global community.



## **Annex 22. Message from the International Co-operative Alliance on the occasion of 80th International Co-operative Day / 8th United Nations International Day of Co-operatives (6 July 2002) — “Society and Co-operatives: Concern for Community”**

Co-operatives are enterprises that operate under the values of solidarity and social responsibility – they care about their members and their communities. As market leaders or simply responding to the needs of a small local community, co-operatives demonstrate on a daily basis their concern for people whether it be by addressing environmental issues or strengthening the capacities of their communities to better cater to economic, social or cultural needs.

Societies around the world are increasingly confronted with rampant unemployment, environmental degradation, and the need to focus on economic realities and needs at the expense of human values. Co-operatives provide the human face of development. As such they contribute to addressing many of society’s most pressing issues by putting in practice the newest of the seven co-operative principles – concern for community. Co-operatives have a special responsibility to ensure that the development of their communities is sustained.

Ethics and caring for people have guided co-operatives during their over 100 years of existence. Co-operatives concretely contribute to making our society more just and more respectful of human values. Housing co-operatives are physically building communities; they provide people of all income brackets quality housing that in many cases are built with environment-friendly materials. Groups marginalized by society at large also find that housing co-operatives take into consideration their specific needs – needs of single parent families, the disabled, elderly and multi-ethnic communities. Ethical co-operative banking too has become a norm in a number of countries. Co-operative members can contribute to a more just society simply by ensuring that their money is not invested in the arms trade and environmentally unsustainable activities. Environmental concerns also are widespread in consumer co-operatives in all continents as demonstrated by early programmes for recycling and waste disposal in addition to environment and health education for members and customers. Urban renewal and cultural activities are only some of the activities in which insurance co-operatives are investing to provide service to their communities, while issues of safe and healthy food are addressed by agricultural and consumer co-operatives. The building of sustainable communities is also promoted by workers’ co-operatives which create new and decent jobs.

Co-operatives are also focusing increasingly on the social needs of their members. Those that deal with health and day-care are flourishing, even the leisure needs of people are finding expression and support in co-operatives. Co-operatives are sponsoring sporting and cultural events, enhancing not only their members' lives but all those people that a co-operative touches – its community.

However, concern for community is not limited to local communities. Co-operatives have demonstrated over and over their solidarity. They have raised funds and provided support to the victims of natural disasters in Japan and Central American countries as well as victims of terrorist acts in Kenya and the United States. Thus, the co-operative movement has reiterated its concern for the world community.

If co-operatives are able to be concerned with and have an impact on the community, it is because they are competitive and effective enterprises. Their success in the market allows them to make a difference in people's economic, social and cultural lives. It is for this reason too that it is in the interest of governments to provide an enabling environment for the development of co-operatives. Government must respect the autonomy of co-operatives as well as understand the Co-operative Principles so that co-operatives can help people help themselves, for co-operatives can and do fulfil peoples' dreams and aspirations for a better life.

The ICA calls on its members to demonstrate their co-operative difference by putting into practice this important 7<sup>th</sup> Co-operative Principle – “Concern for Community”!



## Annex 23. Programme of the Colloquium

### Wednesday 26<sup>th</sup> June 2002

18.30 Welcoming Reception (Hotel Ankara Hilton)

### Thursday 27<sup>th</sup> June 2002

9.00 am **OPENING STATEMENTS:**

TÜRKKONUT President, **Mr. Yılmaz Odabaşı**

HDA President, **Mr. R. Tuna Turagay**

ICA Director-General, **Ms. Elena Chavez**

UNECE Representative, **Mrs. Christina von Schweinichen**

UN-HABITAT Executive Director, **Mrs. Anna K. Tibaijuka**

State Minister for Housing, Turkey, **Mr. Faruk Bal**

Deputy Prime Minister and State Minister, Turkey, **Mr. Mesut Yilmaz**

10.00 am *Coffee break*

10.15 am Introduction: **HOUSING DEVELOPMENT AND THE CO-OPERATIVE APPROACH**

Chairperson: **Hikmet YILMAZ**, General Director, Ministry of Industry and Commerce, Turkey

Rapporteur: **Şule ÖNGEL**, Expert HDA

Keynote addresses by:

**Hans-H. MÜNKNER**, Professor, University of Marburg, Germany

**Ali TÜREL**, Professor, Middle East Technical University, Ankara, Turkey

12.30 pm *Lunch break*

14.00- Theme 1: **ENABLING ENVIRONMENT FOR HOUSING CO-**

17.30 pm **OPERATIVES: LEGAL, FINANCIAL AND INSTITUTIONAL FRAMEWORK**

Chairperson: **Hans-H. MÜNKNER**, Professor, University of Marburg, Germany

Rapporteur: **Claus J. HACHMANN**, President, ICA Housing (Europe)

Presentations by:

**Ivan PRIKRYL**, President, Union of Czech and Moravian Housing Co-operatives

**Roy Berg PEDERSEN** Deputy Managing Director – Norwegian Federation of Co-operative Housing Associations (NBBL)

**Andres JADLA**, Chairman, Estonian Union of Co-operative Housing Associations Board

**Friday 28<sup>th</sup> June 2002**

- 9.00 am Theme 2: **ROLE OF CO-OPERATIVES IN MANAGEMENT, MAINTENANCE AND REVITALISATION OF HOUSING STOCKS**  
Chairperson: **Doris ANDONI**, Housing Department, Ministry of Public Works, Albania  
Rapporteur: **Elena SZOLGAYOVA**, Ministry of Construction and Reg. Development, Slovakia  
Presentations by:  
**Gert GUNDERSEN**, Human Advisory Network  
**Vladimer VARDOSANIDZE**, Architect-Urbanist, Director, Habitat-Georgia, Georgia  
**Tatyana LYKOVA**, Urban Economy Institute  
Moscow, Russian Federation
- 12.30 pm *Lunch break*
- 14.00 pm Theme 3: **CONTRIBUTIONS OF HOUSING CO-OPERATIVES TO COMMUNITY DEVELOPMENT**  
Chairperson: **Gun-Britt MÅRTENSSON**, Chairperson, Union of Housing Co-operatives, Sweden  
Rapporteur: **José MATEUS**, President, CECODHAS, Portugal  
Presentations by:  
**Charlie BAKER**, The Confederation of Co-operative Housing, United Kingdom  
**Jerzy JANKOWSKI**, President of the National Co-operative Council (NCC), Poland
- 15.30 pm *Coffee Break*
- 15.45 pm **REVIEW OF LESSONS LEARNT, CONCLUSIONS AND RECOMMENDATIONS** (Panel Discussion)  
Chairperson: **Selman ERGÜDEN**, UN-HABITAT  
Rapporteur: **Inge JENSEN**, UN-HABITAT  
Panel members:  
Chairpersons of earlier sessions and representatives of organising agencies
- 17.30 Closure of the Colloquium
- 18.00- **RECEPTION BY HDA**

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