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ASSESSING COOPERATIVE - DEVELOPER PARTNERSHIP FOR HOUSING DEVELOPMENT

THE CASE OF *SEMAY-TEKES* COOPERATIVE, *SARBET*, ADDIS ABABA, ETHIOPIA

Thesis submitted to the Graduate Programs Director of the Ethiopian Institute of Architecture, Building Construction and City Development (EiABC), Addis Ababa University, in partial fulfillment of the requirements for the Masters of Science Degree in Housing and Sustainable Development

By: Amaha Tigabu Yigzaw

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Title of Thesis:

Assessing cooperative-developer partnership for housing development

The case of *Semay-Tekes* Cooperative at *Sarbet*, Addis Ababa, Ethiopia

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Declaration

I, the undersigned, declare that this thesis is my own and original work and has not been presented for a degree in any other university, and that all sources of material used for the thesis have been duly acknowledged, following the scientific guidelines of the Institute.

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Abstract

Addis Ababa as one of urbanizing cities of developing countries is facing a serious housing challenge. Currently in Addis Ababa low & middle income housing is mainly 'addressed' by the public funded integrated mass housing development program which is way back when compared to the scale of the problem. This study had explored a housing development alternative through cooperative-developer partnership by assessing a case, *Semay-Tekes* housing cooperative located in Addis Ababa, *Sarbet* area. The housing cooperative had developed a B+G+5 apartment building in partnership with a developer. The findings of the research revealed that the cooperative-developer partnership was unique win-win model where both the parties interests had been maintained, risks had been minimized and authorities had been distributed. In addition the research had identified the following main findings (1) the arrangement was an internal one between the developer and the housing cooperative not officially recognized by the government (2) there were three actors government, cooperative and developer, and (3) land and finance were the key elements of the partnership. Finally the study recommends a cooperative-developer partnership for housing development to be included in the housing strategy of the city as one important low and middle income housing development alternative to address the current housing problem in Addis Ababa. This is recommended considering the need to diversify housing development options in the city and the contextual similarity between Addis Ababa's current context and the context of the case with regard to the key elements, land & finance. The approach could be used for onsite re-housing inner city residents that are located in the renewal areas and to other low and middle income residents of the city with housing problem.

Key terms: housing, housing cooperative, cooperative developer partnership for housing

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Abbreviations

BDE: building design enterprise, a government of consulting firm

CBO: Community base organizations

CO-OP: Cooperative

E.C or e.c: Ethiopian calendar

EPRDF: Ethiopian people's revolutionary democratic front

FIG: International Federation of Surveyors

GSS: Global strategy for shelter

HSB: Housing and saving bank (lately renamed construction and business bank during EPRDF,
Finally it was merged to the commercial bank of Ethiopia)

ICA: International cooperative alliance

IHDP: Integrated Housing Development Program

LDP: Local development plan

MUDH: Ministry of Urban Development and Housing [during the derg regime & early EPRDF]

MWUD: Ministry of Works and Urban Development [during EPRDF]

NCF: North county cooperative foundation

NGO: nongovernmental organization

NHD: Neighborhood design

ORAAMP: Office for the revision of the Addis Ababa master plan

PPP: public private partnership

SSP: site and services provisions

USDA: United States department of Agriculture

Local Terms

Birr: Ethiopian currency

Woreda: A local administration at a higher level than Kebele

Kebele: the smallest local administration in urban areas since 1975

General notes

- According to the Ethiopian naming system, for Ethiopians, first names are given in the citations of the text; while first names followed by father's name are given in the reference. In the reference, both first and father's names appear in full; for the easy identification of the author by both Ethiopians and other readers.
- All the pictures are taken by the author.

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Chapter 1: Introduction

Urbanization process is a global phenomenon that has resulted in many new problems and challenges like: congestion, pollution & housing shortage. These problems still persist and are given serious attention in most of the current urban areas especially in the fast urbanizing developing countries. The need for a housing is among the top problems in urban areas and urbanization coupled with poor economy has made it difficult to solve the problem. (Ethiopia, 2011). To address this throughout the period of history there have been different housing development approaches (Tibaijuka, 2009). Among these approaches cooperative housing and partnership are key elements of the global housing development strategy, sustainable human settlement. (O.Ibem & B.Aduwao, Spring 2012). This is based on assumption that the huge challenge of housing could be solved by a participatory action of different actors. (UN HABITAT, 2005).

1.1 Problem statement

The primate city of the country, Addis Ababa is facing a serious housing problem. The housing demand and supply is unbalanced. On July and August 2013 the city government of Addis Ababa had undertaken a housing registration program for those who have not house. It has three different mass housing schemes named 10/90, 20/80 and 40/60 (named after the minimum amount of initial saving to get into the lottery system) that are targeted to address the middle and lower income group. When looking to the figure 945,160 had registered for the three schemes.

(www.mwud.gov.et). And according to an officer at land transfer office 100 cooperatives (2400households) had registered for the cooperative program. (www.mwud.gov.et).

Coming to the supply side before the above new schemes and programs low income housing provision is '*addressed*' mainly by the public funded integrated housing development program (IHDP) that started 2004. After a decade of implementation until March 2015 the IHDP program in Addis Ababa had transferred only 143, 487 units via 10 rounds of lottery system unit allocation. (Ministry of Urban Development, Housing and Construction (MUDHCo) & Ethiopian Civil Service University (ESCU), June 2015). This is unbalanced to the scale of the problem.

Having an accumulated huge backlog demand stated above isn't the only serious challenge but also there is another equal serious challenge, the new demand created as a result of the fast urbanization process. The newly created demand in Addis Ababa annually was 25,000.0 for the period 1997-2006 (Ashenafi, April 2001). This indeed is an old figure one can witness the demand will increase much more than this with the current situation. Currently the city administration is focusing in regenerating the inner city areas since pocket space and the fringe areas are consumed (UN HABITAT, 2010) and fact that most of the inner city area is slum, about 80% of the population of Addis Ababa lives in slums. (Elias, February 2008).

The current housing policy and strategy was adopted in 2012. It states five main housing development approaches: mass housing programs, real estate housing development, cooperative housing development, public - private partnership and self-help housing development at individual household level. It seems the document has tried to diversify the mechanisms. But, looking at the practice currently there is no public-private partnership program or project, the no of household participating in cooperative program is limited (only 2400have registered) due to the 100% requirement, the real estate development is targeted to the high income class and the land lease and construction costs are high making it difficult for individual households to engage in self-help approach. With a limited application of the other approaches currently the main housing development is through mass housing program by the government. And this current practice in Addis Ababa where the government is the main housing provider is not in alignment with the global housing strategy. It is not helping as compared to the scale of the problem and thus the city is in need of housing development alternatives. In addition to this limited applications the 2012 strategy document does not recognize a cooperative-developer partnership and even the application of cooperative housing is limited in contributing to the housing solution. Therefore, the problem of this research was exploring a housing development alternative, a cooperative-developer partnership for housing development.

1.2. Objectives

General objective

The general objective of the research is to study and analyze about cooperative-developer partnership for a housing provision and explore for a possible alternative win-win housing provision mechanism through cooperative-developer partnership for housing development in Addis Ababa. To accomplish this *Semay-Tekes* cooperative is studied as a case.

Specific objectives

Within the above broad objective, this study had the following specific objectives:

- ❖ To identify stakeholders involved in the cooperative - developer partnerships and explore their interests and roles in the Addis Ababa context.
- ❖ To study the development process of cooperative - developer partnerships for a housing development in the Addis Ababa context.
- ❖ To explore challenges and potentials of cooperative - developer partnerships for a housing development in the Addis Ababa context.
- ❖ To recommend possible win-win additional housing provision strategies through cooperative - developer partnership for housing development in Addis Ababa.

1.3. Research question

Throughout the process the research had answered three main questions. The last question is a normative question.

1. Who are the stakeholders and what are their interests and roles in cooperative - developer partnership housing development in the Addis Ababa context?
2. How is the development process in cooperative - developer partnership housing development in the Addis Ababa context?
3. What are the challenges & potentials of cooperative - developer partnership in housing development in the Addis Ababa context?
4. Could there be any possible alternative win-win strategy of cooperative - developer partnership for housing development in Addis Ababa?

1.4. Scope and Limitation of the study

The main scope of the study in spatial terms is the city of Addis Ababa and the thematic scope: is housing development through cooperative - developer partnership. It does not include other forms of partnerships like public-private partnership that are used for housing developments. A detail situational analysis of the problem is addressed by studying a case, *Semay-Tekes* cooperative which is located at *Sarbet*, Addis Ababa, Ethiopia.

Limitations

The research is conducted within two limiting factors. The first limitation is the difficulty to find a similar case to the *Semay-Tekes*, cooperative-developer partnership case. Thus, an example which can correspond to the *Semay-Tekes* case in terms of context and theme of partnership is included in the literature section to cover up this limitation. The second limitation of the study is the complication & difficulty of accessing data in collecting data about *Semay-Tekes*. This was due to situation where the housing development took place roughly about 20years ago. Which created difficulty in pin pointing dates and finding government officials who were involved during the development. To cover up the limitation of getting specific information about the case from government officials a review of the record which is in the hands of the government about the cooperative is conducted.

1.5. Significance of the study

In order to solve the housing problem of Addis Ababa diversifying and scaling up housing development effort is needed. There has to be alternatives of housing development that has to be implemented alongside the mass housing program to correct the imbalance of supply and demand. By exploring a housing development alternative through a cooperative-developer partnership the outcome of the research has great importance and input to the future government actions showing alternative direction of cooperative-developer partnership as part of the solution.

1.6. Organization of the study

This study is organized into seven chapters. The first chapter is an introduction to the study which discuss the problem of the study, the objective of the study, research questions that are expected to be answered by the research, the scope and limitation of the study, significance of the study and this part, organization of the study.

The second chapter discuss about the research methodology applied. Here the general approach which is a case study method is discussed, case selection parameters, data collection methods, data organization and analysis methods & finally the overall research design diagram is included.

The third chapter, literature review is a part that reviews and creates theoretical backgrounds about the issues. The discussion topics are: urban development & housing, housing development strategies and approaches, cooperatives, housing cooperatives, and cooperative-developer partnership for housing development with a review of similar international case.

The fourth chapter, contextual review is a part that creates the contextual background for the study by raising different issues mostly to the city scale and some time to national scale. Here it discusses about: urban development of Addis Ababa, housing development of Addis Ababa, cooperative

housing development in Addis Ababa and about partnership for housing development in Addis Ababa. It also a discus the legal and institutional framework for housing development.

The fifth chapter, case study is about the selected case, Semay-Tekes cooperative- developer partnership. This is the part where mostly qualitative primary data is collected and presented. Here in this chapter it discusses the general context and background of the case, the actors involved in the process, the interest and role of the actors, the financing mechanism, the development process, challenges and finally potentials of the development.

The six chapter, findings and discussion is about stating and discussing the major findings of the research. The seventh chapter is about concluding issues and recommending a possible alternative housing development through cooperative - developer partnership for the current Addis Ababa setting.

Chapter 2: Research Methodology

One of the main ways of knowledge acquisition is doing studies or researches. In doing researches many researchers agree that the knowledge acquisition process should be scientific and shall use an empirical approach, an evidence based approach which is determined of collecting the most possible available data, undertaking factual analysis, decisions and propositions (Marczyk, DeMatteo, & Festinger, 2005). So, in the course of time researchers have developed different methodologies to conduct researches within this empirical framework, which have different forms or methods suited to conduct different researches in a more responsive way. Thus, a researcher should take care in selecting a research methodology that is responsive to the subject of the research in order to make sure that the research does not fail to fulfill the basic concepts and intentions of doing research with an empirical approach or framework.

2.1 General approach

Methodology Selection

As it is said above the selection of a research methodology is critical and the first important task before conducting any research. Selecting an appropriate research methodology which is suited to the topic / content and goal of the investigation is necessary to get the desired fact based outcome. In conducting a research the researcher selects from the five types of research methodologies: experiments, survey, archival analysis, histories and case studies. Each of these types has their own character, merit and demerit that makes them priority strategy to be suited for a specific

research topic. Thus, the selection of one from these different types of research methods has to be rational, convincing and suited to the topic. In this regard there are three major factors used in the selection of research methodology: the types of questions to be answered or the research content, the extent of control over behavioral events, and the degree of focus on contemporary as opposed to historical events or the time frame((Yin, 2003).

The type of questions to be answered or the research content is the first and main criteria. Researches concerned with answering: WHO, WHAT (partially) and WHERE questions that are more concerned with the outcomes that could be number of frequency or incidences or identifications shall be investigated through documents, archival analysis and surveys. Whereas, researches concerned in answering the questions HOW?, WHY? and WHAT (partially) that are concerned about the underlying issues or operational links or the deeper meaning of a subject matter shall be studied using a case study, history or experiments methodologies (Yin, 2003).

The second criterion in selection of research methodology is the extent of control over behavioral events which is also a critical factor since the outcome of the research is highly dependent on this issue. Here in this regard experiments and survey (partially) method is preferable in conditions where one can manipulated or control events. Whereas, archival analysis, history and case studied are used in a condition where the researcher has no space to control or manipulate the events or factors which are dependent on multiple issues of the context.

The third criteria, the degree of focus on contemporary as opposed to historical events or the time frame. Here a distinction between the strategies arise; archival analysis and history dealing with the dead past and experiment, survey and case studies deal with contemporary phenomena.

The contribution of the historical method is in dealing with the 'dead past' - that is when no relevant persons are alive to report even retrospectively. what occurred the and when an investigator must rely on Primary documents, secondary documents, and cultural and physical artifacts as a main sources of evidence. (Yin, 2003)

Coming to this specific research, throughout history to date different housing development approaches had been practiced, tested and are still being practiced. From these multiple approaches cooperative-developer partnership for housing development is one which is the focus of this research i.e the aim of this research is to understand a housing development process through partnership between a housing cooperative and private developer. Such development process is complex phenomena which is dependent on multiple factors like the general context of development, the legal and institutional framework of the development, the partnership arrangement, the background of cooperative members & developer and the interest/role/responsibilities of the different actors.

These factors are beyond the control of the researcher instead are more interwoven to the contextual conditions. The interaction and response of these factors in their real life context also create deep and intricate phenomena of a housing development process. The complete understanding of the issues like identifying the interests/roles/responsibilities of actors and how the development occurs is understood more accurately and meaningfully by studying the contextual conditions also. So, to understand the development process and identify the interest and roles of the actors a case study research method is selected. A case study research methodology is used when there is a need to study phenomena within its context. It is based on an assumption that the contextual conditions have a significant stake and contribution to the study phenomena. In other words, the basic aim of case study is to provide an in-depth, accurate and complete description of the case. (Marczyk, DeMatteo, & Festinger, 2005) (Yin, 2003). This nature of case study makes it the priority method suited for this specific research.

In the other categorization based on the type of data to be collected this research is a qualitative research since it is dealing with process, interests and roles that are related personal sense of life or experience and difficult to quantify. In other words, this is a research that explores and describes a phenomena of cooperative-developer partnership for housing development mainly in a qualitative way. As result of its qualitative nature the data, findings and discussions are presented logically in a narrative way which focused on the main issues in a clearly comprehensible form.

Another major issue in research is validity, which is "the extent to which an account accurately represents the social phenomena to which it represents" (Zetter & Sauza, 2000 as cite by Elias, 2008). This accurate representation of a phenomena builds on the accuracy and relevance of the collected data and the methods used in the research. i.e an accurate data has to be collected in order to fulfill an evidence based and accurate outcome. And this data collection process by itself has three major sub components that contribute to its totality of accuracy; the type/relevance of the data, the data sources and the technique or methods. The detail descriptions of the issue is stated in the following subtopics.

2.2 Case selection

The case study is focused on a housing cooperative named *Semay-Tekes*, which has managed to develop housing with partnership approach to a private developer. It is located in *Nifasilk Lafto* sub city woreda 03 commonly known as *Sarbet area*, specifically the Fantu supermarket building. The main reasons for the selection of the case are:

- It's uniqueness of being the first of its kind; it is the first housing cooperative of its kind by developing a B+G+5 apartment in the inner city of Addis Ababa. Before and during the *Semay-Tekes* cooperative time cooperatives build either G+0 or max G+1 and were assigned plots on the outskirts of the city.

- It's uniqueness of engaging in partnership modality, a partnership between a housing cooperative and a developer [private sector] for housing is not a common case. At the time the mainstream cooperative housing development uses subsidized loan from government to build their house on the contrary to *Semay-Tekes* cooperative that had devised a partnership arrangement with a developer to fund the project.
- The nature and experience of the case is worth to study and share to show direction or add an additional housing development alternative approach to the context of Addis Ababa.

2.3 Data collection

As it is described earlier the subject of cooperative-developer partnership for housing development is a complex matter and to appropriately respond to this context mainly a qualitative research method is used. This research was conducted from January 2015 up to May 2016. Empirical data collection was conducted between October 2015 and January 2016. Before that literature and contextual studies were carried on. It was conducted by the researcher himself through physical observation at the site [the location described above in the case selection topic], archival reviews and interviews conducted mostly at the work places of the informants. The first link to the cooperative was created by a friend who is a co-workers to some of the cooperative members that are still working at BDE.

Type of data: both primary and secondary data is collected in general. To understand the theoretical background, review international experience and study the contextual background secondary data is used with some exceptions of collecting primary data for some issues of the contextual review part. For the empirical part of the study mainly qualitative primary data is collected but for some issues like project cost quantitative data is also collected. Applying such flexible approach was important strategy to make sure that all possible relevant data is collected. It was aimed at understanding the phenomena deeply with special focus on answering the research questions. A deeper understanding of the phenomena was important since the research is a qualitative research where the full image of the case is created by reconstructing the different qualitative data collected from different sources.

Data sources: since the case of the research is identified, a housing development through partnership between *Semay-Tekes* cooperative and a developer/ Ato Fantu Weldeyes which is located in Addis Ababa, all possible information from stakeholders and documents related with the project from inception of the project to occupancy are used as data source. Especially attention was given to the data from key informants that are purposefully selected based on the following three parameters in order to answer the research questions: their involvement, interest/ role in the

development and for data triangulation purpose. And thus, the cooperative, the developer and the government are selected as the key formants of the study.

The cooperative which includes the members and the committee was selected to understand the issues from the cooperative side. The cooperative committees are the one who represents the cooperatives collective interest and was also the main responsible body for the development in the partnership model. This implies to understand about the development process and the collective interest of the cooperative in the partnership the information from the committee is vital. On the other hand the information from cooperative members as an individual is also vital in identifying individual member's interest/background/roles.

The developer is one main actor in the development with his own interests and responsibilities in the partnership. So, in addition to collecting primary data about the developer from himself he was also important in checking some of the data given from the cooperative committee, especially about the partnership arrangement. In addition, the government was also the responsible body that shaped the general context where the partnership/development occurs and has its interest and role in the development. So, data was also collected from government sources.

Data collection and organization: different kinds of data collection techniques are applied like literature review, review of archival documents related with the case, interview with key informants and observation which was important in collecting physical data about the building and verifying related data collected from the other sources.

To collect the data from the key informants a semi-structured interview questioner was prepared in a way to guide the interview and collect the relevant information without limiting the boundary which helped to create a deeper understanding of the issue. The questioners were organized in a way to answer the research questions. The necessary data was collected sufficiently from key informants especially from the developer and the cooperative even if there were some difficulties encountered that demanded crosschecking the information to avoid misinformation that may arise as a result of blurred memories of the informants. Care has been taken in cross-checking the data from the sources by considering the level of confidence of the informant on the data and the logical interrelations with other data of the phenomena.

2.4 Data presentation, findings and discussion

Data presentation: before the collected data was organized and presented the sufficiency of the collected data was checked and in times of visible information gap remaining data was recollected or official confirmation of the source was conducted. The organization of the data was guided by the theoretical review made before and was structured in a way to correspond to the research questions. Before stating the findings and a subsequent discussion the data collected from different

source was triangulated and is presented in a narrative form due to its qualitative nature. This has increased the accuracy of the data and has avoided possible errors from the different source. Especially in correcting possible wrong information that may arise as a result of memories of the interviewee.

Analysis: after the data is presented in a qualitative narration the different aspects of the findings are singled out and described. These findings are structured in a way to corresponds to the research questions and are then subjected to scrutiny to understand their meanings by benchmarking it against theories and practices outlined in earlier sections of this report, against its context and finally against currents context which help to make sense of the findings out of its context and understand its implications/significance in addressing the research problem, the aim of the research. Finally based on the data, screened out findings and the subsequent discussion the conclusions of the research are stated. Based on all the above issues and the specific current context of Addis Ababa recommendations is forwarded.

2.5 Research design diagram

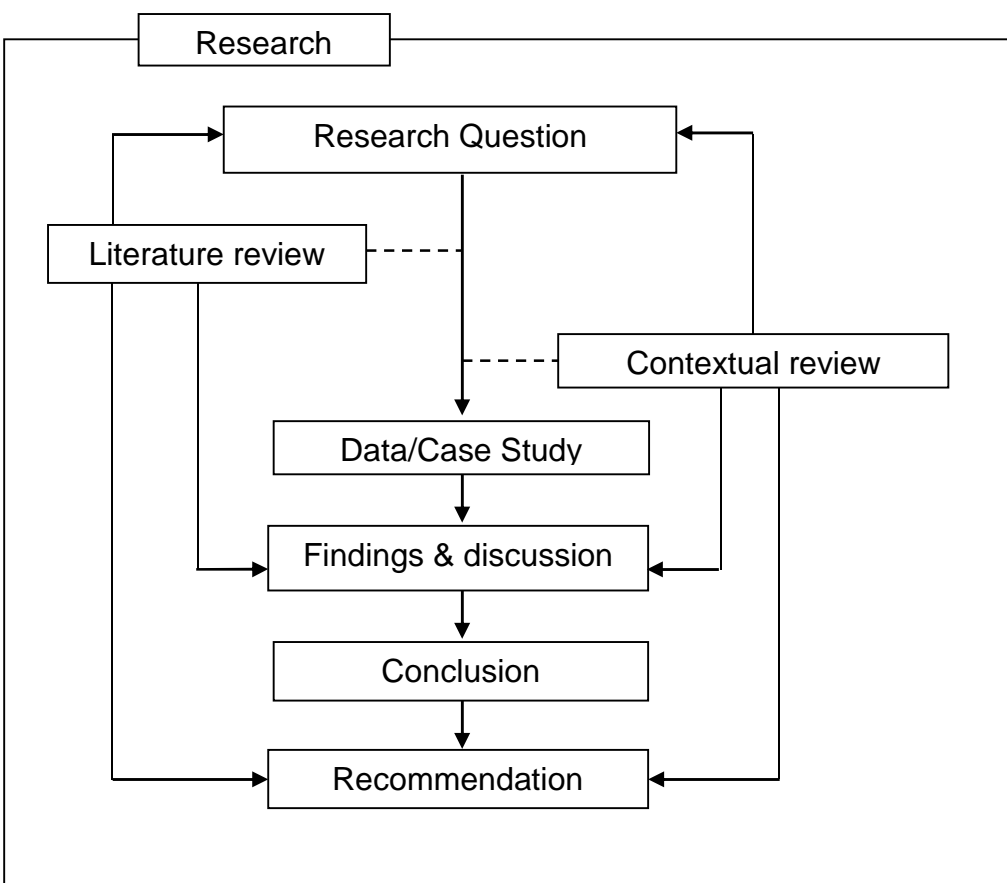


Figure 2-1 Research design diagram

Chapter 3: Literature Review

3.1 Housing and urbanization

Urbanization

Urbanization is the process of shift in population from a rural to a more urban civilization. In other words, it is the increases in the number of the population that resides in urban areas because of a net rural to urban migration (UNFPA, 2007 as cited by Ethiopia Wondimu, 2011). Urbanization is a major change taking place globally. The urban global tipping point was reached in 2007 when for the first time in history over half of the world's population 3.3 billion people were living in urban areas. It is estimated that a further 500 million people will be urbanized in the next five years and projections indicate that 60% of the world's population will be urbanized by 2030. (The International Federation of Surveyors (FIG), January 2010). The economic development and wealthy generation opportunities in urban areas attracts people to cities. About 30% of urban populations in developing countries are living in slums or informal settlements, i.e. where vacant state-owned or private land is occupied illegally and is used for illegal slum housing. In sub-Saharan Africa, 90% of new urban settlements are taking the form of slums. (The international Federation of surveyors (FIG), January 2010). Meaning, there is a high housing challenge in urban areas especially in developing countries having a fast urbanizing cities.

Housing

Housing is a term that can have two different meanings when used as a noun and as a verb. Thus, the word 'housing' means both the stock of dwelling units (a noun) and the process by which that stock is created and maintained (a verb). (Turner, 1976) When it is used as a noun it describes the product or outcome which is mostly related with the physical components of a single or multiples houses. It includes the layout and services of the neighborhood, such as open space, playgrounds, streets, walkways, utilities, nursery and elementary schools, shops, and other neighborhood facilities. Housing as a verb describes the overall activities and interaction between stakeholders in the housing development process. (Mundelker & Montgomery, 1973 as cited by Tibaijuka, 2009).

3.2 Housing development strategies and approaches overview

The increase in population and urbanization of the world especially in the last century has increased the demand for housing. Throughout the period of history there have been different housing development approaches to address the issue, housing. The evolution of housing policies, objectives and policy instruments has been shaped by economic ideologies, experiences and international development agendas and other contextual issues. (Tibaijuka, 2009). There have been four major approaches:

1. Housing as social good: 1960 and early 1970

This was a period where industrial development and urban development were sought as a major means to achieve national development. (Bekele, 2003). In housing it was a period of physical planning, production of shelter by public agencies. Governments build "low cost" houses, standardized dwelling units directly by investing large amount of resources and delivering it as a social good to the urban poor through massive public housing programs. Slums are cleared and housing is constructed directly by governments. (Tibaijuka, 2009).

The intention of the strategy, governments must intervene in the formal housing market to support the lower income groups to have a dwelling which have *good* quality, fully serviced with permanent construction material (Wakely & Riley, June 2011), is a positive idea. But, the strategy have proved to be inadequate to address the issue due to the following two main reasons:

- Governments faced difficulty to provide adequate shelter due to economic, social and political pressures. Especially, in the rapidly urbanizing cities of the developing countries with a huge amount of housing demand and limited resources.
- The cost of the houses raised beyond the expected, the poor's were excluded and only the middle income and high incomes afford the houses. This created serious social displacement and disruption for the residents of the slums, imposing transportation cost to the relocated society from their work place, the center of the city. (UNCHS, 1987: as cited by Bekele 2003)

2. The self-help approach: 1970s-mid 1980s

A critique on the previous development ideology, it was not human centered and has not alleviated poverty and inequality inspires new thinking on how to distribute growth benefit to the poor. (Bekele, 2003). In this period the first global effort to call attention to the deterioration of human settlement in developing countries, Habitat I (1976) was held in Vancouver. The conference emphasized and suggested on the need to improve the existing settlements instead of replacing them with the new ones, and also it aims at distributing available economic resource based on priority issues instead of targeting a fixed standard of housing and infrastructure. In other words, it prioritized providing necessary facilities and utilities instead of *narrowing* housing condition to the dwelling unit only. (UNCHS, 1981: Yeung, 1996 cited by Bekele 2003).

So, based on this international consensus states had developed strategies to support self-help ownership on project basis through two programs: slum upgrading programs and site-and-services provisions (SSPs). The first is intended to improve housing conditions of existing slum settlements whereas the second is intended to address new demands and backlogs. It was a shift from direct public-sector house provision to self-help, to distribute the burden of the government to other actors, mainly to the people. (Tibaijuka, 2009). The programs had brought positive changes and outcomes like maintaining the economic organization and social networks of the society, avoiding relocations, empowering the poor to decide on housing priority/type and give the chance to incremental development i.e more affordable shelter for the urban poor.

But, with all the positive changes and outcomes the programs had faced one basic problem, continuity. i.e The programs were put in place through a huge amount of subsidy sometimes reaching 65% or more (Keare and Parris, 1982 as cited by UNCHS(Habitat), 2001). This had paused resource limitation which created difficulty to address the whole housing problem. In general, the projects of slum upgrading and SSS of the 1970s proved to be inefficient use of scare government or international resources, fund which was mainly acquired from World Bank, donors and low credit facilities. (UNCHS(Habitat), 2001) It also failed to be replicated by private sector [market] in order to eliminate housing subsidies and be sustainable. (Bekele, 2003) In addition, even with such subsidies it has been observed that it was still inaccessible to the poorest households.(Bamberger, 1982 as cited by UNCHS(Habitat), 2001)

3. The enabling approach: late 1980s-early1990s

At this period the developmental discourse was focused on poverty reduction and capacity building. (Bekele, 2003) In the housing case to avoid the shortcomings of the previous strategy, subsidy dependent and non-replicable a new thinking was developed, the *enabling approach* instead of providing subsidy.

Here the main focus was to secure an enabling framework for action by people, private sector & markets. It revolves around three principles: affordability, cost recovery and replicability. It was a shift from direct state housing or infrastructure delivery towards facilitative role which reduce public sector burden. Hence, in this approach government's major role was facilitating public-private partnership, community participation, land assembly, housing finance and capacity building. (Tibaijuka, 2009). In general the government is responsible for creating the legal, institutional and economic framework in which efficient settlement development can then flourish. (UN HABITAT, 2005). The ideas of this enabling approach gained wide acceptance and were introduced in a formalized way in the Global strategy for shelter in 1987, a global document adopted by UN general assembly in 1988 to guide human settlement actions globally till the year 2000. It was a shift from project-based approach towards settlement-wide and participatory action. (UN HABITAT, 2005)

This enabling approach has the following key elements that are raised as the positive sides:

1. One of the basic changes in the enabling approach is the role of governments. Withdrawing from the direct provision of housing **governments focused on establishing legal and institutional frameworks** that create comfortable grounds to facilitate and the efforts of others and enable them to mobilize their full potentials and resources. Some of these enabling schemes are: governments reduced policies and regulations that impede the production of housings, preparing incentives that invite and attract different actors to engage in housing production. (Bekele, 2003).
2. The approach laid **partnership as a fundamental element** for the success of the strategy. (UN HABITAT, 2005) It stress on new partnerships to be developed between different actors in the housing development process: governments, the private sector, NGOs and community based organizations (CBOs) and the people/household themselves to maximize efficiency.
3. Under the concept of partnership the approach also intends to **engage the private sector** and encourages **reliance on market actors** for housing production. (UNCHS(Habitat), 2001) (Umoh, 2012) This address one of the basic drawbacks of the previous strategies, replicability.
4. Under the concept of partnership the approach also aim at **promoting self-administered CBOs, NGOs ...** as one of the major actors. The following paragraph describes about the issue and in general about enabling approach:

..... Thus, since the 1980s, an increasing importance is given to different CBOs such as cooperatives as effective strategies in housing provision. (Yeung, 1996:UNCHS,1989:2001 as cited by Bekele,2003)

This enabling approach gained a wide acceptance and also proved the fact that self-help endeavors of households play a crucial role to alleviate housing problem especially when they are organized into housing cooperatives. The underpinning fact for this is that *"people's energy is the greatest resource and that people do things best together"* (Yeung, 1996 as cited by Bekele 2003).

4. Sustainable settlement development since 1990s on wards

As it can be inferred from the above literatures, housing strategies and approaches were highly influenced by the general development paradigm. In the course of time the day for economical paradigm changes and fades due to two factors: firstly it fails to meet its goals even if it was applied for decades and secondly a new and expanding concern and knowledge about environment emerged and accumulated. This leads to the crystallization of a new developmental paradigm, sustainable development, a general global development consensus. (Sachs, 1999). This sustainable development paradigm includes multiple issues of which housing is one.

In 1992 at the UN conference on environment and development a global sustainable development document, Agenda 21 was adopted redefining the general development and environmental concern of the globe. But, it was after four years where a clear document to guide sustainable housing or settlement was developed on the UN conference held in Istanbul in 1996, the Habitat Agenda, a global action plan to realize sustainable human settlements. It is a an action being taken by the global community to better deal with the problems and challenges of the housing sector along with environmental management & poverty alleviation endeavors. The Habitat Agenda has become the major guide for countries to improve the quality of life and promote the sustainable development of human settlements. (UN-Habitat, 2012).

This habitat agenda, "*the basis for international and national housing and urban development policy for the 21st century*" was not as such brand new document instead it was simply a consolidation of the *Global Strategy for Shelter to the Year 2000 and Agenda 21*, (UN HABITAT, 2005). Meaning, sustainable housing development approach is capitalization on the previous enabling approach. This can be clarified from the following quotation extracted from Agenda 21, chapter VII, promoting sustainable human settlement development section:

7.4. The overall human settlement objective is to improve the social, economic and environmental quality of human settlements and the living and working environments of all people, in particular the urban and rural poor. Such improvement should be based on technical cooperation activities, partnerships among the public, private and community sectors and participation in the decision-making process by community groups and special interest groups such as women, indigenous people, the elderly and the disabled. (UN conference on Enviroment and development, 1992)

So, here we can see that the sustainable human settlement is an approach that engulf the previous enabling approach and that added new dimensions to make it more holistic and integrated with other development endeavors.

3.3 Cooperatives: definition, origination, essence and principles

▪ Definition - cooperatives

The word cooperative is an adjective derived from the verb cooperate meaning to work with another person or group to do something or to be helpful by doing what someone asks or tells you to do or to associate with another or others for mutual benefit. And cooperative refers to relating to a business or organization that is owned and operated by the people who work there or the people who use its services. ¹

So, cooperative refers to a jointly owned and collectively operated business institution. In today world the application of cooperatives is vast and subjected to customization which results in having different definitions by different parties. But, there are two definitions that are mostly used by scholars; the international cooperative alliance (ICA) definition and the United States department of Agriculture (USDA) definition.

The ICA (ICA-an independent, non-governmental organization established in 1895 to unite, represent and serve co-operatives worldwide. It provides a global voice and forum for knowledge, expertise and coordinated action for and about co-operatives) definition states "*An autonomous association of persons united to meet their common economic, social, and cultural needs and aspirations through a jointly - owned and democratically-controlled enterprise*". (kimberly & Robert, 2004)

Whereas, the USDA definition states "*A cooperative is a user-owned, user controlled business that distributes benefits on the basis of use*". (kimberly & Robert, 2004)

Both definitions raise different interesting concepts of cooperative. The ICA definition raises the concepts of voluntary association, joint owner ship, democratically control or management. whereas, the USDA definition reinforce the above by stating that the voluntary associations is not simply any kind but, it is an association of users who democratically control it . The third concept in the USDA definition is that the intention of this is not profit making instead it is distributing benefit to its user/owners in the form of use.

In Ethiopia the recent proclamation about cooperative [Proclamation 147/1998] states "*cooperatives society*" means a society established by individuals on voluntary basis to collectively solve their economic and social problems and it is democratically managed. Cooperative members may come from all walks of life, all ages and belonging to all income groups.

¹ (<http://www.merriam-webster.com/dictionary/cooperative>)

Combining the different but important components and concepts of cooperative from the above definitions for this research purpose we redefine it as follows:

"An autonomous association of persons united to meet their common economic, social, and cultural needs and aspirations through a jointly - owned and democratically-controlled enterprise that distribute benefits to its owners mainly in the form of use".

▪ **The origination and essence of cooperatives**

The birth of a formal cooperative organization is in 1844 where a group of industrial workers, in the city of Rochdale, England established the so called first modern cooperative. This a point where cooperative take a consistent form and have principles. (Kimberly & Jamie, 2005) (kimberly & Robert, 2004).

The industrial revolution and the agricultural revolution have resulted in a major shift in the society's structure and organization. The traditional, self-reliant, agrarian (with one's own plot) and rural community was transformed into an industrial worker urban community that is dependent on industrial owner and products. This creates suffering and survival challenges to the majority of the community which initiates new thinking and solutions that consequently lead to the establishment of self-help organization like the Rochdale consumer cooperative. A cooperative where members combine resources and established a cooperative store that provide/sell household goods primarily to the members solving consumption problem and empowering the community with one's own effort.

▪ **The principles and fundamental concepts of cooperative**

The international cooperative alliance (ICA) which was founded in 1895 and has members from more than 95 countries² had adopted seven principle of cooperative (North county cooperative foundation (NCF), 2004).

- 1. Voluntary and open membership:** cooperatives are voluntary organizations, open to all people able to use their services and willing to accept the responsibilities.
- 2. Democratic member control:** cooperative are democratic organizations controlled by their members, who actually participate is setting their policies and making decisions. In primary cooperatives, members have equal voting rights (one member one vote)
- 3. Member economic participation:** members contribute equitably to, and democratically control, the capital of their cooperative.
- 4. Autonomy and independence:** cooperatives are autonomous, self-help organizations controlled by their members.

² <https://ica.coop/en/directory>

5. **Education training and information:** cooperatives are platforms for education and training for their members, elected representatives and employees.
6. **Cooperation among cooperatives:** cooperatives serve their members most effectively & strengthen the cooperative movement by working together through local & international structures.
7. **Concern for community:** cooperative work for the sustainable development of their communities through policies approved by members.

Three fundamental concepts are embedded in cooperatives that make them different from other similar business models. These are its philosophy, purpose and structure. (Cooperative federation of victoria Ltd , 2001).

1. **The Philosophical difference:** the user-owner principle - a cooperative is owned by the users of the cooperative who are shareholders in the cooperative.
2. **The purpose difference** - distribute benefit in the form of use - cooperative members join resources to solve a common problem, the main reason for its formation, to serve its members with some kind of product or service where the members have got difficulty to get it from the market. (Kimberly & Jamie, 2005)
3. **The structural difference** - the user control principle - this concept that solves one of the basic short comings of capitalism, the capitalist is free to take whatever decision he wants [to get profit] that could create challenges to the users of his product.

To summarize, cooperatives are organization where members of the cooperatives are the one who owns, control and benefit from it.

3.4 Housing cooperatives; definition, types, financing, legal & institutional framework, development process, challenges and potentials

A. Housing cooperatives - definition

A housing cooperative is simply, one type of cooperative that exists primarily to provide housing and related service to its members to live in through a cooperative corporation where they purchase shares of stock in the corporation which entitles them the right to live perpetually within a specific unit and participate in the decision making and governance of the corporation as far as they abide to the rules and regulations of the cooperative for occupancy. (Chikago mutual housing, 2004).

Usually the housing cooperative owns the land, the buildings, & any common areas. The members/residents does not have direct ownership title of the real property itself rather they own it indirectly through the cooperative corporation (Chikago mutual housing, 2004) Thus, as a legal

owner of the property, the cooperative corporation is responsible for meeting its legal and financial obligation. The first establishment equity is contributed directly by the members initially. In addition, the corporation has operating expense, maintenance cost, management cost, tax, insurance cost, reserve money ... which is covered by a sum amount of money collected from the members on a monthly basis. (North county cooperative foundation (NCF), 2004)

B. Types of housing cooperatives based on tenure system

As it is known one of the key elements in housing is the type of tenure system adopted. There are three types of tenure arrangements in cooperative housing: (1) limited; (2) multiple mortgages; and (3) continuing (or global mortgage). (UN HABITAT, 2006)

- 1. Limited housing co-operatives:** is a short lasting type where the collective efforts of the members and the organization itself are needed only up to the completion of the construction, usually service and superstructure. After this the members subdivide their share including the land and thus individual members will have a legal individual/private plot or property right. The cooperative existence is limited up to the completion of the construction. (UN HABITAT, 2006)
- 2. Multiple mortgage housing co-operatives:** this is an intermediate type between limited and continuing cooperative types where the cooperative own and maintains the common areas and the members own their separate units. Each member has a separate loan agreement [multiple mortgages] with financial institutions in long term basis. The members can sell their unit in a market price. This type is sometimes known as condominium and is used particularly for apartments. (UN HABITAT, 2006) The transfer of the private property is similar to condominiums or single family home and for the remaining communal property the buyer buys a share in the cooperative.
- 3. Continuing housing co-operatives:** this is a type where the cooperative is designed as a long lasting more powerful organization. Here the cooperative owns all the land, houses and common areas. Members do not own their units as individuals but through their membership of the cooperative. They own an equity share in all the assets of the cooperative. Members cannot sell their houses. When a member leaves the house is transferred to the cooperative which finds a new member to occupy the unit. These co-operatives are sometimes called single or global mortgage co-operatives as there is one long-term loan to the co-operative. (UN HABITAT, 2006).

C. Housing cooperative financing

It is clear that housing finance is one of the key components in housing development as it can be inferred from previous pages. It is one of the basic reason for changing housing development strategies even in the global scale. It is a critical factor that determines the types, the process and success of the housing to be developed. There is no single type of cooperative housing finance

system; it varies from country to country. (UN HABITAT, 2006) In many countries like Jamaica, India ...Institutional cooperative housing finance system is developed. Whereas, in others it may not. (UN HABITAT, 2006). Indeed the type of financial system could even vary with in a country depending on the type of income group making the cooperative and the goals of the cooperative. (UN HABITAT, 2006).

Raising the necessary finance: cooperative fund raising relies on two main components: funds contributed by members and loans/grant/supports from outside sources. The members contribute funds/equity in the form of share capital during the establishment and monthly charges [are of two types: membership charges and occupancy charges] after establishment that is used for mortgage payments, taxes, maintenance, and insurance as well as contributions to the reserve fund. (UN HABITAT, 2010). The members could use different strategies to develop this fund like: investing their personal savings, borrowing from family and friends, credit union, even they may design income-generating activities to raise the capital of the co-operative. In the worst case scenario if the members are not able to raise their total share at a time by any means the cooperative may design a regular saving mechanism over a defined period of time. (UN HABITAT, 2006). The sum total contribution of members is usually a fixed amount which is some proportion of the loan expected. Generally members contribute 30-50% of the capital required to finance the enterprise. (Kimberly & Jamie, 2005).

As an organization formed mainly from individual with some degree of financial difficulties usually the cooperative members cannot afford the full cost of the project and are forced to borrow all or some part of the cost.. (UN HABITAT, 2006). For this the usual source of money is bank loan which is usually in the form of a blanket mortgage loan on the entire property, based on the value of the building. (UN HABITAT, 2010). Cooperative could also raise equity capital through inviting investors. But, there is a limitation on the amount that could be raised in this way. And also, the investors may not be granted any voting right and their return from the investment could be limited by state cooperative laws (Kimberly & Jamie, 2005).

Administering the finance: Management: like any business financial administration is a serious issue in cooperative housing development especially when there is money borrowed. It has to be managed efficiently so that the project will not end up on bankruptcy, which may lead to closing the cooperative venture. (CHF, International - South Africa, 2002).

D. The Cooperative Housing Development Process

Housing development through cooperative is complex process involving different factors and stakeholders. Even if there is variation from context to context for this specific topic a guide book prepared by (The Cooperative Housing Foundation) CHF international-south Africa is used as a

main source of information, ' *A model for cooperative housing development in South Africa* '. The overall cooperative housing development has five major parts: Cooperative formation, Business plan preparation, applying for support, Design and construction and occupancy/Managing the cooperative

1. Cooperative formation : is the first major activity in the process and it consists of three major sub processes: Mobilization - initiation, Formation meeting - approval of the by-law and Register the cooperative - acquire legality

1.1 Mobilization - initiation

- **Share the idea:** is creating understanding about cooperative housing concept through discussions and informal meetings. (UN HABITAT, 2010)
- **Better to have a common bond:** the common bond or factor between members could be different: religious, work place, membership of a common institution, neighborhood ... such kinds of communalities support and facilitates the success of the housing cooperative. In many instance housing cooperatives based on work place have shown to be successful. (UN HABITAT, 2006).
- **Enough members:** After the gathering of enough interested members more discussions and meetings will be conducted to clarify the issue and the coming responsibility, develop/shape the cooperative based on the interest of the members and check whether the members are still interested or not. (UN HABITAT, 2010).
- **Steering committee:** delegated members to facilitate the process and clarify more issues. It assess effectiveness of the cooperative and is responsible to prepare proposal of necessary documents like by-laws and procedures. (UN HABITAT, 2010).
- **Contact supporting institutions:** the steering committee prepares the by-law, and in order to get support in drawing the cooperative by laws, understand the requirements for cooperative formation they will contact supporting institutions.
- **The cooperative by-law:** The cooperative by-law is the constitution of the cooperative that state explicitly the rules of the cooperative, procedures of activities, the rights and responsibilities of the members and leaders. (UN HABITAT, 2010). It is a legally binding document to the cooperative and the members. (Shapiro, 1998).cite by (UN HABITAT, 2010)

1.2 Formation Meeting: is the first official meeting of shareholders where the by-law is approved and the leaders of the cooperative, board of directors are elected accordingly. In this formation an officer from the concerned authority will be present to witness the process of meeting.

- **First meeting of the board of directors:** officers elected for the board members: president, vice president, secretary and treasury are responsible for running the day to day activities of the cooperative.

1.3 Registration: registration of the cooperative by the relevant body is the necessary finalizing step in the establishment of the cooperative which carried after checking the cooperative's fulfillment of requirements. Registration gives the cooperative a legal status. (UN HABITAT, 2010).

2. Business plan preparation: business plan is an important document to manage the cooperative and to apply for financial supports to convince the mortgage lender that what the cooperative envisioned is feasible. It includes a description of loan security assets or mechanism, financial management, which includes a sound revenue collection policy, account management and fiscal overview. (Kennedy, Jermolowicz, Lambert, Reilly, & Rotan, 2004). This is because these are critical issues that any lender wants to check before giving the loans. In the plan the main elements of cost are land, service and construction costs. From these land and construction are costs that will contribute/determine the affordability and in general the success of the project. (CHF, International - South Africa, 2002)

3. Applying for support/finance: in different countries there could be different structures and institutions or systems organized to assist cooperative housing like providing loans, grants, subsidies, land, construction materials,....etc.

Prepare technical document: to apply for the support a technical document that includes the profile of the applicant which is a background information about the cooperative and its members, the business plan, details of the project is prepared. (CHF, International - South Africa, 2002). There could also be some other additional requirements by the supporting institutions since the supporting institutions want to make sure things are on the right track and the resource are used for the intended purpose.

Obtain approval and conclude agreement: after the review and confirming the compliance of the technical document submitted by the cooperative the supporting institutions will approve the document and provides the support. Finally a legal agreement will be tied between the supporting institution and the cooperative.

4. Design and construction: after cooperative formation and mobilizing the necessary resource [usually money] the next step is housing project development, the physical structure development process. There are four main elements in housing project development process: Acquire land, design & construct the houses and allocating housing units (CHF, International - South Africa, 2002).

Acquire land: the cooperative obtains a land and concluded legal agreement that entitles it the legal rights to own and develop the land.

Design and construction: after the land acquisition the design of the building is prepared and its feasibility is checked because the design is affected by the budget, site context and building regulations. After design the implementation options and plan is prepared and based on that the process starts by organizing project office [equipped with staff and resource] before the commencement of construction. The construction could be on force, if not the cooperative is expected to choose a developer with a clear, fair and transparent process of selection.

Allocating housing units: after the completion of the houses and necessary facilities housing allocation is carried on. This could take different formats like lottery system in Ethiopia.

- 5. Occupancy - Managing the cooperative:** management is a continuous activity that begins from the onset of the cooperative up to occupancy. The Management before occupancy mainly includes the following activities: land acquisition, design preparation and construction. Whereas, in management during occupancy there are four major task: conclude use agreement, carry on maintenance, manage finance and manage members.

E. Potentials of cooperative housing

Cooperative housing development has lots of advantages and potentials that can be exploited. Some of the major one's are describe below:

- 1. Cooperative provides an alternative and additional way of housing provision:** it is known that governments [especially in developing countries] have been always striving to solve the housing problems in their own way especially through direct housing construction programs. But, this has not yet solved the problem after many decade long efforts and projects. (UN HABITAT, 2006). So, searching for alternatives is not an option but a must and for this housing development through cooperatives is one of the many.
- 2. Cooperative provides a special permanent type of tenure system between owning & renting:** cooperative members who have difficulty to secure permanent tenure individually get the chance through cooperatives. This provides huge relief to the members to have a stable life. Housing cooperative bridge the gap between owning and renting enable those who are incapable to own. (CHF, International - South Africa, 2002). In housing the usual types of tenure system are owning and renting and the low income of the society get difficulty to reach ownership tenure system and thus are subjected to rent. Which is followed by tenure insecurity and other lots socio economic challenges. But, in cooperatives with continuing tenure types the members have the right to live permanently even if they own the houses indirectly through the cooperative.
- 3. Cooperative tap and mobilize local skills and resources:** Cooperative mobilizes human and financial resources within communities to an economic scale [a state of accumulation to be used

for a desired purpose] which has little or no role at individual level and which may be unused or wasted within that circumstances. This is an additional resource to the housing development. (UN HABITAT, 2006).

- 4. Cooperatives increase affordable housing provision:** It is a long story that governments build low-cost house through public housing programs with the low income group of the society as a target. But it has been observed that some of them have missed their target groups, the constructed units were affordable only by the middle or high income group of the society. (Bekele, 2003) . In cooperative this kind of surprise is minimized or avoided because of the very nature of cooperatives since members know their capacity and have the chance decide and plan accordingly. i.e cooperative give the power to decide the type of affordable house i.e low initial cost, low monthly cost since the aim of the institution is not profit and the cost to future new coming residents remains low in continuing types of cooperatives. (Kimberly & Jamie, 2005).
- 5. Cooperatives are ideal instruments to empower, develop and transform communities:** Sustainable development is a broad concept mainly revolving around environmental, economic and social developments in an integrated mode. Cooperatives are ideal organizations meet all the development agendas together. (CHF, International - South Africa, 2002). It is clear that cooperative members are empowered by the securing a permanent tenure through cooperatives. They can control their life, the type of services they need and feel responsible to address these needs. They are also empowered to elect their leaders in a direct democracy. (Kimberly & Jamie, 2005). Cooperatives build community's human capital, social capital, and financial capital in the process. (Kimberly & Jamie, 2005). This is because the process shapes the community how to channel their energy and resource to solve a problem which is community empowerment. (Bekele, 2003). Thus, cooperative society provides opportunities for millions of people to escape poverty in a sustainable ways. (Moruf, 2013).
- 6. Cooperatives build community spirit and positive environment:** Working together to achieve a common goal, housing definitely helps to create bond between the members and develop community spirit. It could also lead to development of creation social structures that are designed to meet their needs. (Kimberly & Jamie, 2005).
- 7. Cooperative have adaptability potential to different contexts:** Cooperative have proven to feet and be functional to different socio economic contexts be it capitalist or socialist government ideology. (Solomon 1985 as cited by Bekele, 2003).

F. Challenges of cooperative housing

Cooperatives are useful and important institutions that helps to lift up the life of low and middle income groups of the society to a better condition. The nature of cooperative varies from country to country. Some could be NGO supported others could be government supported or there could also be other ways. (UN HABITAT, 2006). Thus, the challenges of cooperatives are also different like

the context. But, there are also some common challenges that are shared by housing cooperatives and that has significant role in determining the success of this institutions. These are: tenure /equity arrangements, financing, human capital, social capital and legal / institutional framework.

1. Tenure and equity arrangements

There are issues related with the tenure status that are the concern of peoples that may create challenges. The first is related with culture, values and norms that plays a huge role in societies and in many society land ownership is given high value. Thus, the tenure arrangements in cooperatives may not be accepted even if it offers security equal to freehold title. (UN HABITAT, 2006) There is also a desire for sole ownership of property and make personal improvements. (CHF, International - South Africa, 2002) (Dawod, 2012). The second concern is the resale policy. Peoples may accept the tenure arrangement but may not accept the resale policies.

..... One of great concerns especially to continuing cooperatives. On the one hand, many co-operatives have an objective of providing affordable housing. On the other hand, members become aware that in a period of inflation the market value of their units can exceed the fixed value. (UN HABITAT, 2006)

So, restrictions on selling price are viewed negatively. *But for lower income residents, the affordability and empowerment aspects of cooperative housing are usually more important than resale value. (Kennedy, Jermolowicz, Lambert, Reilly, & Rotan, 2004)*

2. Financial challenge

The impact of finance as a challenge could vary from cooperative to cooperative depending on the income conditions of the members and the level of support given by the institutional framework. But, with its variations it is a serious challenge in the housing cooperative development process.

Financial resource constraint: is a major challenge for all cooperatives, especially to cooperatives in low income communities where members do not have the surplus financial resources to invest in a business venture, cooperative that has no immediate return or not related to their daily routine. (Kimberly & Jamie, 2005). Thus, for a housing cooperative mobilizing additional resource is a necessary condition to succeed.

Difficulties in mobilizing additional finance: usually the additional resource is borrowing money from financial institutions. In lending money financial institutions want to make sure that their loans are paid and they are not lending more than the members can afford to repay (UN HABITAT, 2006). Usually commercial banks are not interested to finance cooperative housing because they are not familiar with the system, blanket mortgage which is typically used to finance cooperatives. (Kennedy, Jermolowicz, Lambert, Reilly, & Rotan, 2004). And also they view them as a high risk

business. (Chikago mutual housing, 2004). Lending institutions are not interested in cooperatives since they are not profit oriented business. (Kimberly & Jamie, 2005). Another concern for these financial institutions in lending money is that they want to make sure the construction is up to the standard so that the value of the house (the security to the loan) is maintained, especially within the loan period. (UN HABITAT, 2006). This may force the members to go for a house types that they may not afford, which may limit the cooperative to reach to its goal.

Financial administration: members might not have the knowledge and skill of financial administration which is another challenge for the development. This demand help from the institutional framework that should device methods, procedures and prepare trainings to help the cooperatives to overcome this problem (Chikago mutual housing, 2004). Another challenge in administering cooperatives finance is failure by some members to fulfill their financial responsibility, default. The cooperative has to be prepared in advance to minimize negative impacts of such situation.

3. Human capital challenges

The term human capital here refers to *the collective skills, knowledge, or other intangible assets of individuals that can be used to create economic value for the individuals, their employers, or their community*³ Housing development, especially cooperative housing development is a complex process that demands a considerable amount of dedication, expertise, knowledge, coordination skills and experience. Cooperatives are community organized, owned and operated institutions meaning they demand a serious dedication, knowledge & expertise starting from organizing till occupancy especially by the organizers and leaders to be successful. (Kimberly & Jamie, 2005).

Unfortunately such type of human capital may not be present in cooperatives for two reasons: Firstly housing is almost ones in a life activity, (UNCHS(Habitat)/ICA, 2001) and thus, the chance for a previous experience and knowledge is minimal. Secondly, cooperative members are low income groups who struggle to meet their basic demands it could be hard for them to give time and energy to the cooperative which has no immediate result in their life. (Kimberly & Jamie, 2005). And also, being a community with a resource limitations usually does not come alone as a challenge there is also a good chance of being accompanied by limitation of business and leadership experience. (Kimberly & Jamie, 2005) Citing Darby 2000; Richardson 2000). So, to overcome these challenges the co-operatives need training, guidance and support from an organization with capacity and experience. (UNCHS(Habitat)/ICA, 2001)

³ <http://www.dictionary.com/browse/human-capital>

4. Social capital challenge

Social capital refers to " *the network of social connections that exist between people, and their shared values and norms of behavior, which enable and encourage mutually advantageous social cooperation* " ⁴. In any group work the success of the task depends on the members understanding, agreement and commitment to the goals. But, these are not the only factors, there has to be also understanding, trust and positive and active interaction among members. Trust between the members and the willingness to cooperate in the process is a fundamental element in a cooperative development. (Kimberly & Jamie, 2005). So, there is a possible chance for the social capital within the community to be challenge to success if it is not in good state. Communities with established networks and common bonds that bind them together like religion, neighborhood and work place has good chance to build trust and make organizing efforts easier. (UN HABITAT, 2006). (Kimberly & Jamie, 2005) Citing Tolbert et al. 2002). Participation of members is the forefront element of social capital necessary for achieving the goals of the cooperative. As it is said " *a cooperative is a living organism, it thrives on participation* ". Participation is an important issue because housing cooperatives are institutions organized by the members in order to solve their common problem by combining efforts and resources. If this is so, lack of participation by members in a housing cooperative means a lot which may lead even to shutting it down. (CHF, International - South Africa, 2002).

5. Legal and Institutional framework

Cooperative housing development is one of the key tools in the enabling housing strategy. As part of the enabling approach in general and considering the income/resource limitations of the members the creation of enabling environment that helps the housing cooperative to succeed their objective is a necessary condition. This enabling environment is created by conducive legal and institutional frameworks. So, lack of this enabling legal and institutional framework is a serious challenge to cooperatives housing development. (UN HABITAT, 2006).

3.5 Cooperative-developer partnership for housing development

It has been difficult to get a literature about cooperative-developer partnership for housing development. But, with this challenge to create the overall background for the topic the following issues are discussed: Partnership, Public private partnership, who is partnering in housing, what is the role of the partners in housing development, housing development partnership modalities in developing countries and finally important issues in partnership that affect its success.

⁴ <http://www.dictionary.com/browse/social-capital>.

A. Partnership

The word partnership is a noun describing a relationship between partners, "*a legal relation existing between two or more partners contractually associated as joint principals in a business or a relationship resembling a legal partnership and usually involving close cooperation between parties having specified and joint rights and responsibilities*".⁵ To understand the full meaning of the definition we shall zoom into it and we find the following key elements of partnership: it involves two or more partners, the relation between the partners is legal or contractual, and it demands cooperation between the parties and the partners that has specified rights and responsibilities within the scope of the contract.

Understanding the concept of partnership starts by understanding and acknowledging the fact that each partner is different and has its own comparative strength, weakness, principles and interest. (UNCHS(Habitat), 2001 citing O.Ibem & B.Aduwao, Spring 2012). So, partnerships are platforms of collaboration where the interest of the partners is maintained with a win-win condition and the potential of the partners is merged/complemented to maximize efficiency and outcome.

B. Public-Private Partnership, PPP

Public-Private partnership is the most common and widely known type of partnership (UNCHS(Habitat), 2001). But, even if it is common there is no common binding definition in understanding the term. (Moskalyk, 2008) (R.Riley & Kraft, 2010). Some define PPPs as a partnership between government and private sector. e.g. the World Bank define PPPs as "*a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance*".⁶

The Canadian council for public private partnership defines PPPs as "*a cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.*" (Moskalyk, 2008) (R.Riley & Kraft, 2010).

"PPP is seen as an institutional arrangement consisting of interdependent partners who play different roles according to their strengths and weaknesses in achieving common goals in a win-win situation" (UN-HABITAT, 2006b). Cited by (O.Ibem & B.Aduwao, Spring 2012)

From the above definition we can point out some common features that help us to understand PPPs in a more descriptive manner. The first point is that it is an association of a public sector with a

⁵ <http://www.merriam-webster.com/dictionary/partnership>

⁶ <http://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

private sector. Here the term public sector is mainly used to describe the government. The second point is intention of the venture, to provide a public service. The third point is about the roles of the partners, they play roles that are stated with due consideration of their comparative strength. The fourth point is that in the association there is a clear description of necessary resources or input from the partners and the rewards to their contribution.

At a global scale PPPs are celebrated as a viable solution to address the problem of increasing disparity between demand and supply of public service provision especially in the developing world. (O.Ibem & B.Aduwao, Spring 2012).

C. Partnership for housing development

In earlier periods, before the enabling approach governments aim to solve the housing problem through project based approach. But, that was limited to solve the issue and so an enabling approach was devised where the role of governments changed to the creation of legal, institutional and economic framework for economic productivity and social effectiveness, in which efficient settlement development can flourish through cooperation of actors. One of the key elements in this enabling approach is partnership. This is based on assumption that the huge challenge of housing could be solved by a participatory action of different actors. (UN HABITAT, 2005). So, partnership in housing is just part of the current global housing strategy and a cooperative-developer partnership is just one modality. Below there are five points extracted from (UNCHS(Habitat), 2001) explaining the importance of partnership in housing.

- 1. There has always been need/demand gap in housing provision*
- 2. Partnership enables different sectors to gain access to the skills and resources (i.e. to the comparative advantages) of each other. The potential of the commercial private sector to generate funds far exceeds that of the public sector (Lanier et al 1986). And a similar point could be made about the capacity of the third sector to generate 'social energy' and initiative among the poor themselves.*
- 3. Partnerships are excellent way of reducing and spreading the risks associated with investment in low income housing, particularly in relation to finance, construction, marketing and management (Peddie.1991) As Lanier et al (1986 pi) point out " in structuring public [private partnerships care must be taken not to remove completely the market risk aspects of the proposed undertaking, as this would undermine the basic force behind management efficiency " however this does not mean risk should not be reduced*
- 4. Partnership provides a mechanism for maximizing returns on investment by achieving a better balance between the complementary capacities of different sectors.*

5. *Partnership can increase the output of housing by creating economies of scale (Suchman, 1989) Finance, expertise and skills can be pooled and responsibilities shared.*

D. Who is partnering in housing

In understanding partnership for housing development one of the key elements is identifying the partners. This helps to avoid any possible confusions of terms in the whole literature. Earlier we have seen that the term PPPs is mainly used to refer a government - private sector venture or the term public was not clearly stated what it is referring. In general observation the definitions refer to the association of two actors but according to (UNCHS(Habitat), 2001) there are three bodies/partners that can partner in housing development. This seems to be a more elaborate description that clarify what was left in the above definitions. So, for this research the three body classification of the partners is used since it is a more descriptive arrangement. The three bodies that can partner in housing development are describes as follows in (UNCHS(Habitat), 2001):

- 1. The public sector:** *refers to the institutions and responsibilities of the government at different levels.*
- 2. Private sector:** *refers to institutions, firms and individuals active in different aspects of the shelter process but always organized to generate a profit on the investment of their resources. The commercial private sector includes actors of widely varying size and scale, from large developers and housing finance institutions, to developers operating on a very small scale in building a few houses or providing services to a small number of households.*
- 3. The third sector:** *refers to organizations of people which have as their objective the promotion of the good of their members (community based organizations, CBOs), and to institutions which support and mediate on behalf of these organizations (nongovernmental organizations, NGOs). **The third sector includes housing cooperatives, community organizations, collectives, women's groups, and common interest associations, individual men and women, and the households** they make up are of course the key actors in low income housing development in most cities in developing countries, building between 50 percent 75 percent of all new dwellings(Turner 1988 p.8) They are also included in the third sector, though most poor people do view their properties in terms of exchange vale(potential profit) as well as use value.*

According to Turner [1988 cited by (UNCHS(Habitat), 2001)] these three bodies are representatives of the state (public sector), market (commercial private sector) and people (third sector) that are closely interacting and interrelated components in a development process and that coexist and blend to each other.

E. The role of the three partners in the housing development partnerships

Actor	Role of the actors in public private partnership for housing
Public sector	<ul style="list-style-type: none"> ▪ Establishing the overall legal and institutional framework (sound financial environment encouraging the private sector, liberalizing standards ...) within which other actors can play their part more effectively. ▪ Supply of land for low-income housing ▪ Provision of services and infrastructures
Private Sector (commercial)	<ul style="list-style-type: none"> ▪ Provide finance for development with motivating investment return. ▪ Increase efficiency since it has good record of efficiency in production since it has been in a competitive environment, market which demands efficiency and quality. ▪ Have the capacity to produce and supply construction materials.
Third sector	<ul style="list-style-type: none"> ▪ Mobilizing people for collective action. ▪ Mediating between people, government and the commercial private sector representing the interest of the community in negotiations. ▪ Producing shelter at the lowest possible cost, responsive to different income levels circumstances.

Table 0-1 :The role of the actors in partnerships for housing development, compiled from (UNCHS(Habitat), 2001)

F. Housing development partnership modalities in developing countries

As it is stated earlier partnership modalities vary from context to context and below there are four partnership modalities applied in the shelter process in developing countries. The first three of the models involve mainly two actors from the above three possible partners in the housing development. The fourth type of model involves all the three actors together. The information in this section of the literature review is mainly extracted or compiled from (UNCHS(Habitat), 2001). Each of the models are describe below.

1) Public vs. third-sector partnerships: is an arrangement between governments and third sectors. Such kinds of partnerships are likely to happen since there is a more interest alignment between public/government and third-sectors. As it is said earlier third-sector organization can play huge role in mobilizing collective actions. CBOs play an important role by organizing the community to take collective action, fighting for their rights, and engage in a dialogue with NGOs and government representing the interests of their members. Whereas NGOs have the potential

in facilitating the supply of inputs into the housing process, playing a role mediating between people and the wider political system, coordination, networking, information-dissemination and policy reform. With all the potential in the third sector it has been observed that such partnership face two limitations, sustainability and scale. This induces the necessity of government engagement in creating an enabling framework of laws, economic and political conditions for the third sectors to play their roles and solve their limitations. In such partnership between government and third sectors focuses on three important area: facilitating the supply of inputs into the shelter process [the major inputs to housing access to land, finance and construction materials], mediation, and scaling-up/policy reform.

2) Public and commercial private sector partnerships: is an arrangement between the government and a commercial private sector for low income housing production. In general the main interest of the government is to tap additional input to the low income housing production whereas the private sector is interested in getting a convincing incentives from the venture or investment return. A detailed interest, roles and responsibilities of both parties vary from context. And also the financing mechanism and development process may vary from one project/program to another.

3) Commercial private sector and third-sector organizations partnership: it seems difficult to expect such third sectors and commercial private developers to form partnership just from the diverting interests the two parties have. The commercial private sector is interested in making or exploiting profits. Whereas, the third-sector organizations are value based and does not easily submit to activities which seem exploiting their members or the community they are representing. In addition mostly the third-sectors are related with low income communities which is not attractive for the developer who has the interest of get good return in shorter periods. As a result of this usually such partnerships exist with private sectors that have philanthropic perspective, that believe that they have moral/ethical commitment to the community. Such developers involve in the partnership in two forms; the first is by reducing their investment return or profit. The second is by granting some amount of money to charitable foundations which gives grant or loan to the third-sector organization/members. On the other hand, in terms of issue the most common type of partnership between commercial private sector and third-sectors is in the field of credit, *because it is here that returns can be more easily guaranteed.* or the repayments made to loans provided there is a more likely repayment performance when CBOs are involved in the loans given.

Commercial financial institutions can also help to promote the sustainability of NGO credit schemes by integrating them into the existing banking system, a tactic employed by many

of the most successful lending programmes initiated by third-sector groups in developing-country cities (Mitlin and Satterthwaite, 1992). FUPROVI. (UNCHS(Habitat), 2001)

It has been a huge challenge to find an international case with the theme cooperative-developer partnership for housing development. So, two cases that are more close to the theme are presented below:

Exemplary case 1: EVGL, Chilean NGO which supports community action and participatory planning

" EVGL, a Chilean NGO which supports community action and participatory planning in urban areas, receives much of its funding from the Dayton Mining Corporation. It has also been successful in attracting involvement by commercial banks in administering (and later in making) loans to low-income households (Arrossi et al, 1992, p. 76). EVGL coordinates the contributions of a range of private financial institutions in authorizing loans, providing construction materials at wholesale prices for their "materials banks", and supplying technical assistance. Once the banks are convinced that their borrowers are a reasonably secure source of repayments, they are prepared to risk their own capital for further loans. All in all, EVGL's programmes unlock an estimated 200 per cent more resources (in labour and materials) than the value of the credit provided." (UNCHS(Habitat), 2001)

" EVGL offers loans through commercial banks with the objective of persuading the banks to take on its members after a trial period during which they can satisfy themselves about the creditworthiness of the borrowers." (UNCHS(Habitat), 2001)

Exemplary case 2: Involving private sector in Casablanca re-housing program, Morocco

Casablanca's experience is present here though it has some unique distinguishing features from cooperative-developer partnership. This case study is published on PROPARGO'S MAGAZINE which focus on Private Sector Development on N° 19 / July 2014, under a specific topic: Involving third-party/Private partners to finance the re-housing of Morocco's slum dwellers. The article is written by Olivier Toutain, an expert in urban issues and local development. Additional supporting reference are used to reinforce the case.

Background: Morocco is a country with a constitutional monarchy political system located in the north-western corner of Africa. It is a country with 32.5 million people. Casablanca is the largest city of Morocco with 3 million resident. Casablanca is considered the economic and business center of Morocco⁷. Like many countries it has come across to major housing challenges, the first is the

⁷ Source: Infoplease, UN-Habitat, World population review, 2014

increase in urbanizations and the new housing demand along it. "By 2030, two thirds of Morocco's population will be living in towns and cities, as compared with 59% today." (Toutain, 2014). This new demand is expected to be about 150_000 units a year. (Center for Affordable Housing Finance in Africa, september 2013). The second challenge is addressing or eliminating the existing substandard housings, slums. Estimates suggest that 8.2% of Morocco's population are living in slums, particularly in Casablanca (UN-Habitat/ MHU, 2012) cited by Toutain, 2014).

To address this extensive housing challenge in 2004 the government of morocco launched a national program, Villes sans Bidonvilles (VSB, or literally, "Cities without Slums"). The program was launched in 2004 to eliminate substandard housings, slums. (Toutain, 2014). It is a creative and very comprehensive program aimed at involving multiple stakeholders and applying multiple mechanism or programs. Different actors participate and play different roles in the different schemes. The government had been providing incentives to private developer before this program and as part of this program. The government is willing to let the private sector play a key role in social housing. The government organized Al Omrane⁸ to implement the program. The cities without slum program has devised three schemes: in-situ slum restructuring, Re-housing in multi-dwelling units and resettlement and allocating serviced plots for development via assisted self-build housing schemes (Toutain, 2014)

Along with this comprehensive housing development the different official programs in the re-housing scheme under the cities without slums program there is a special kind of innovative project worth to share its experience. It is a *Private Partner'program* that took place in Casablanca. It was an arrangement where a developer and slum dwellers form partnership this innovative initiative was recognized and regulated by the authorities. (Toutain, 2014) . The projects main aim is enable the low income residents of the slums through partnering them with a private sector by creating a win-win condition.

The partnership: The partnership comprise of three main actors: the developer, slum dwellers and government. In the program the slum dwellers are allocated a serviced plot at a subsidized price [1/5 of the market price] where they have to build their own home. The plots are prepared on public or stated owned land and are provided with roads and utilities. But, due to economical limitations to build their own house the slum dwellers get inter into agreement with a developer. In this private partnership model two slum families are given [buy at a subsidized price] a single plot where they get in to a contract with a developer who " *guarantee the construction of a four-storey residential building and to supply a housing unit to each family as well as covering the cost of the land ordinarily*

⁸ Al Omrane: a public organization supervised by the Ministry of Housing and Urban Policy. State-controlled but financially autonomous, it runs slum clearance, land-use planning and urban development projects. One of its key remits is implementing the VSB program

payable by the slum dwellers. In return, the developer is allocated the two remaining storey – either for their own occupancy, for renting or selling – allowing them to benefit from heavily subsidized land costs". (Toutain, 2014)

Legal framework: the agreement entered between the parties is legally binding and recognized by local authorities. In the agreement the developer guarantee the construction of a four-storey residential building and supplying a housing unit to each family as well as covering the cost of the land ordinarily payable by the slum dwellers – MAD 70,000 in total, equivalent to around EUR 6,200. In the agreement the developer guarantee the financing and construction of the project that cost about EUR 70,000. He also guarantee the realization of the project as per the stated quality and time. He is obligated to complete construction within a maximum of six months and undertakes to meet temporary rental costs for the families concerned in the case of any delay.

Lessons learned: from the case

- The program has enabled slum dwellers that have no money to build their house.
- This arrangement is working because the resale rate is significantly lower than the average observed in standard resettlement operations which is a problems in resettlements
- This private partner mechanism represents a useful experience for other cities in developing countries, especially in Sub-Saharan Africa. But, its replicability will depend public incentives for access to land, a regulatory framework for the scheme, dynamic local real-estate markets and endorsement by local people.
- Land is the prime incentive that attracts the developer to enter in to the partnership.
- The legal framework protect the program and slum community from abuse by forcing the developer to get into officially recognized contracts.

4) Mixed partnerships in low-income shelter

The above three modalities engage mainly two actors but, it is difficult to say the remaining third partner has a zero participation. Commercial private sector and third-sector partnership definitely occurs in an environment that is shaped by the government. On the partnership between government and the commercial private sector the target population is the community even if it is not recognized in the partnership as one actor. On the third modality, partnership between third-sector and the government even if large commercial private sector may not participate there is a possible room for local small scale entrepreneurs to engage in the project. Thus it is understood that the interest and activities of government, commercial and third-sector is mixed together, often in a form which is difficult to draw clear lines. In this specific mixed partnership modality for low-income housing we are referring to a partnership arrangement that recognize/represented all the three sectors as a direct actor that has some responsibility and interest in the association.

G. Important issues in partnership

Sometimes partnerships may not be successful or easy arrangements. Considering the fact that *success* or *failure* are relative terms and there are different partnership modalities and context it is difficult to generalized success or failure factors for partnership. But, one can state some common important factor/elements that have huge influence on the process or effectiveness of the partnership. Some main important issues that need attention in creating effective partnership that helps to increases efficiency of the outcome are stated below:

1) Partnership composition

From the start partnership arrangement is created to merge strength of partners and minimize weakness through a joint action. In this regard it is necessary to make sure that the intended vision of the partnership is achievable with the composition of the partners in the arrangement. In addition it is also necessary to make sure that all partners are necessary and there is no redundant partner in the composition. The partnership shall be formed from necessity collaboration by the partners or the right partner must be involved if the partnership is to be successful. (R.Riley & Kraft, 2010). It is necessary to understand the implication of the number of partners in the process. For example, a multiple stakeholder's arrangement could have a positive effect in resource mobilizing but may increase complexity which might have negative effect on the project if there is no coordination and mutual understanding. So, optimal number/composition of partners shall be defined to achieve effectiveness. But, this does not mean the number of partners is the only factor instead it could be the coordination and communication which in turn depends on the organization and governance structure. (Bouma & Berhout, 2015). Here one shall understand that there is a possibility to have more than three actors in housing if there are multiple partners of each in a single partnership arrangement.

2) Understanding and trust between the partners

Trust between the partners is a one of the core elements needed for effective partnership. It has positive effect, it builds confidence and motivate the partners to increase their contribution to the partnership (Bouma & Berhout, 2015) (R.Riley & Kraft, 2010). This trust between the partners is not established easily instead it needs a long period communication between the partners. In fact the partners get into the partnership if there is some degree of trust between them. But the main issue here is that it has to reinforced and maintained in the agreements of the partnership and the operation phases. In this regard a balance of roles and responsibilities between the partners, conflict resolution_mechanisms, negotiation skills and attitudes of the partners play important roles in reinforcing understanding and trust between partners. Transparency about the partnership objective, operational activities and accountability of partners is also critical factor in building trust

between the partners. Indeed a true partnership is an arrangement where the partners shares the risks and rewards of a project, share power and decision makings. (UN HABITAT, 2011)

3) Alignment of interests and sharing vision

Partnership is an arrangement where partners join to achieve one own interest while helping the other to achieve in a mutual arrangement. If this is so the interest of the partners is critical to the individual partner which in turn would affect their trust, contribution, to the venture. Indeed successful partnerships are those that bring concrete benefit to all concerned parties. This issue is even more critical when a private sector which (even if it is more philanthropically minded) requires an adequate return on its time and investment. (UNCHS(Habitat), 2001). So, aligning individual and collective interests shall be a critical element in the agreement. (Bouma & Berhout, 2015), (UNCHS(Habitat), 2001). If this is not the case the partners may focus on their individual interest only which weaken the venture and the partnership would face different problems like conflict between the partners.

Reaching to a non-conflicting arrangement of interest is not the limit in this concept, it extends to the balance between the benefit and responsibilities/risks of a partner which is also important in setting a fair deal. This because fulfilling responsibilities requires an outlay of resource by the partner which should be in proportion to distribution of benefit in order to avoid complaint and encourage commitments to the partnership. So, partnership agreements shall be designed paying attention for a fair distribution of benefit and responsibilities/risks, and also in a way to provide incentive mechanisms for partner's commitment. (Bouma & Berhout, 2015)

4) Communication

Even if it is difficult to imagine partnership without communication the type of communication is one of the critical factors in determining the destiny of the partnership. The organizational structure of the partnership, the trust and understanding between the partners, negotiation skills and attitudes of the partners are critical factors in bring a communication culture that contributes to the effectiveness of the partnership. Indeed communication & trust has a reciprocal effect. The organizational structure of the partnership shall lay a system for transparency of the objectives and the enforcement which is important in avoiding corruption and building trust and understanding between the members. (Bouma & Berhout, 2015). And also, the structure should lay an inclusive system that promote discussions/dialogues and participatory decisions which are critical in increasing or decreasing the commitment of the partners in the venture. The role of communication can be easily understood from the following quotation:

..... As John Turner (1988, p. 16) has pointed out, partnerships among the "three, interlocking systems of market, state and people" imply negotiation. In turn, negotiation (over

resources, over terms and conditions, roles and responsibilities and so on) requires the existence of strong mediating structures which are able to ensure that the partners talk to each other, and that they listen. (UNCHS(Habitat), 2001)

In addition, open and kindly communication between partners minimize potential risks and resistance to the development by helping the partners to have reasonable & similar expectations.

5) The detail of the contractual arrangements

The contract of the partnership is the legal binding document for the partnership formation and operation. It is the framework for the development. The details of this document are critical in determining the effectiveness of the venture. It should clearly define the business case. Having unclear business case could cause problems like limiting contract enforcement and limiting partners commitment. (Bouma & Berhout, 2015). It's importance is not only from operational (laying enforcement system) perspective but also from a addressing possible tension between the interests of the individual partners with the collective interest. To solve such problems it should clearly define and allocate the risks, interests, benefits, incentives, expectations and responsibilities of the partners with a contingency or conflict resolution mechanism to handle unexpected situations or conflicts. (Bouma & Berhout, 2015), (R.Riley & Kraft, 2010). Especially for the housing case it should clearly state about the inputs/resources and operation by describing who is responsible for land assembly, financing the project, construction of the project and administrative procedures/organization. Having a clearly stated internal organization [governance], decision making process, monitoring of individual responsibilities and evaluation procedure helps to have a coordinated activities reducing time and resource costs that clearly affects the effectiveness of the partnership.

Here one thing not to forget is even if the contract is a legally binding and enforcing document it should be prepared in a way to encourage commitment and self-enforcement by the partners. The legal/bureaucratic procedure have time/cost implications which in overall implies ineffectiveness. One of the strategies for this is to design incentive mechanisms. In general a detailed contract allows the members to reach on a consensus about what is expected from them and what they could expect from the partnership.

6) Enabling environment

As it is said earlier partnership is a key element in the enabling approach which implies it demands an enabling environment, supportive legal and institutional framework to flourish and be efficient. Whether government is directly involved or not the government is the one that shapes the economic and political environment for the partnership to exist. This enabling environment is important first for the existence of the partnership and second for increasing the efficiency of the partnership by

helping the partners to focus and fulfill their responsibilities. In deed successful low income housing partnership require an enabling environment. A partnership could fail due to political or economic reasons. (UNCHS(Habitat), 2001) The legal framework can play an important role in resolving conflicts and abuses by some dominating partners in a partnership. For example if a private sector is given too much power in the partnership. There is a danger of speculation in the market and a shift to commercialization of the situation in the cost of the expected service to be given to the poor. (UNCHS(Habitat), 2001).

7) Committed Leadership

With all the important issues addressed it seems to be not complete if there is a gap in leadership to implement. So lack or deficiency of committed leadership presents a huge challenge to the effectiveness of the partnership. (R.Riley & Kraft, 2010) The leading body of the co-op is the one that coordinate most of the above issues like facilitating communication about the project. It is an important body in creating trust and understanding between the partners.

Chapter 4: Contextual Review

4.1. Addis Ababa: Urban development

Ethiopia is a country of different ethnic groups, different land features, different climatic zone and many historical heritages sites. It is located in the horn of Africa covering an area of 1.2 million sq. mile. It follows a parliamentary system of government called Federal Democratic Republic of Ethiopia. With a population of 79 million, Ethiopia is the second most populous country in Africa. It is growing rapidly; the annual growth rate is 2.6 per cent, equating to two million births per year. It is one of the fast urbanizing countries at a high annual growth rate of 3.49 per cent. The population is very young with 45 per cent under 15 years of age. The country's main economic activity is mainly agricultural. (UN-HABITAT, 2010).

Addis Ababa the capital of Ethiopia, and also of Africa hosting the AU headquarter office is located at the center of the country. It was founded by emperor Minilik II and his wife, Taitu in 1886 (ORAAMP, August 2002). It has undergone different development periods in different regimes and times.

Currently it is facing multiple challenges due to: increase in population, high urban growth rates, prevalence of urban poverty and lack of competitive city to share the pressure of urbanization. It has a population of approximately 3.4 million, ten times larger than the second largest city in the country, Dire Dawa. From the multidimensional problems the shortage of housing is one of the major

problems. The city government of Addis Ababa has launched a grand housing project in order to solve the housing shortage in the city in 2004. (UN HABITAT, 2010)

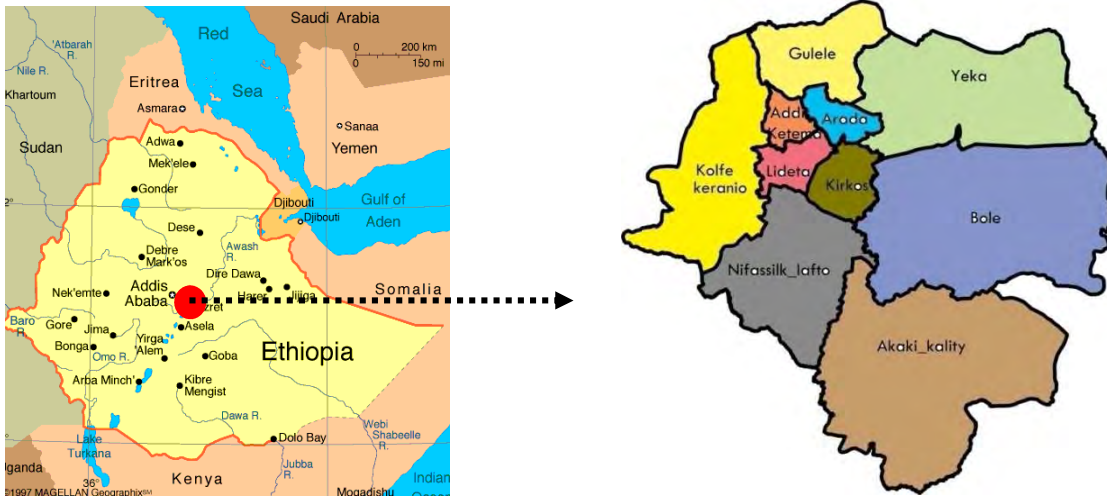


Figure 4-1 Location map of Addis Ababa

Map of Ethiopia

Source: www.infoplease.com

Map of Addis Ababa

Source: Nortech, 2006 modified

4.2. Housing development in Addis Ababa

Housing development overview

Before directly studying about housing cooperative development in Addis Ababa it is necessary to put the general historical context about housing development of the country. In order to study the historical overview of housing it seems reasonable to categorize the study in accordance with the governmental changes since it is highly influenced by the political ideology.

I. Before 1974 –monarchial rule

This is the period before 1974 Ethiopian revolution. At that time the government was a capitalist government where land was owned by landlords or feudal for example; according to a census conducted in 1961 about 60% of the houses in Addis Ababa were rental houses. (Bisrat, 2008). The government has no significant role in either establishing the legal and institutional framework or housing production. There was no comprehensive urban development and housing policy or strategy. Housing development was left to the market. It was fulfilled either by the rent from the land lords or buying a land in the market. There was no such a thing called cooperative housing at the time.

II. Between 1974 – 1991 ‘*derg*’

Derg, a military junta assumed power in 1974 as a result of the Ethiopian revolution that threw the monarchical regime. In 1975 *derg* declared (Proclamation No. 47/1975) which state ownership of all urban land and extra houses with the perspective of creating fair distribution of wealth across the country (Zelalem, 2012). As a result, housing development was carried on either by a self-help effort only for one's own consumption or by the government.

During this regime progress has been observed starting from preparing legal and institutional framework to the production of mass housing development. Some of the notable features of the time are:

- Urban and housing development policy was put in place:
- Responsible governmental body, MUDH was set up to support and facilitate the urban and housing development.
- HSB -housing and saving bank was established to support the housing development.
- Housing Construction Corporation which was responsible for construction of new houses and supply of construction materials was set up.
- Cooperative housing development was introduced and given an emphasis as the major program of housing provision process.

Observing the above features and comparing it to the previous it is possible to say it was awakening period of housing issue in the country. The establishments were not the only positive but also a continued efforts were also observed. This can be easily understood by referring to the Proclamation No.292/1986 in 1986 that specified “residential buildings could be produced only by state enterprises, municipal governments, housing cooperatives and individuals who build dwellings for their personal consumption”. (Zelalem, 2012). The proclamation was a result of monitoring and evaluation of 11 years efforts.

III. EPRDF, After 1991 – on wards

The Ethiopian People’s Revolutionary Democratic Front (EPRDF) that overthrew the *Derg* regime assumed power in 1991. The new government follows a free market system as opposed to the previous, socialist system. As a result, in 1993 the government introduced new lease hold land tenure system for urban areas which has been revised in 2002 and 2011. It is believed that transferring the tenure of urban land through fair-priced leases is helping the expansion of the housing market. (Zelalem 2012). But, the market system only does not address the issue of housing alone and demanded the intervention of the government in the housing development. Considering urban development challenges and to improve urban areas of the country the government

established Ministry of Works and Urban Development (MWUD) as a responsible body for urban management and development issues. As part of its responsibilities MWUD developed Integrated Housing Development Program (IHDP) as a major housing provision mechanism especially for the low and middle income group of the society. It is a mass housing program run by the government to build multi-story, low cost housing. The program has four major objectives: increase housing supply for the low-income population, address the problem of urban slum areas and mitigate their expansion, increase job opportunities for micro and small enterprises and unskilled laborers which will in turn provide income for their families and enable them to afford their own housing and improve wealth creation and wealth distribution for the nation (MWUD, 2007, cited by Zelalem 2012).

The program is still running as a major tool for housing provision with a recent modification of categorizing it into three schemes: 10/90, 20/80 and 40/60 designed to fit to different income groups of the society. The first numbers 10, 20 and 40 refers to the expected initial saving of the beneficiaries in order to get in to the lottery system of house allocation. (MUDHCo, February 2012). Along with this mass housing program other housing development mechanisms like: cooperative housing, self-help construction, real estate market are also in place. But it seems the role of these strategies is not as such significant especially to the low income group when considering the high cost of land and construction material in the market.

The current housing strategy document adopted in 2012 states multiple approaches to housing development. Five main housing development approaches are stated: mass housing programs, real estate housing development, cooperative housing development, public - private partnership and self-help housing development at individual household level. It seems the document has tried to diversify the mechanisms but still we can see that in the document there is no recognition or description of housing development alternative through third sector/cooperative and private sector partnership.

Currently the main housing development is through mass housing program by the government. This is because the application of the other approaches is limited. Currently there is no public-private-partnership program source or project, the number of household participating in cooperative program is limited due to the 100% requirement, the real estate development is targeted to the high income class and the land lease and construction costs are high making it difficult for individual households to engage in self-help approach. And this current situation in Addis Ababa with government being the main housing provider is not in alignment with the global housing strategy and is not helping as compared to the scale of the problem. Instead it is on the contrary to the global housing strategy, sustainable human settlement that is described in habitat agenda. Which promotes participatory approach and puts the following points as key elements in housing development: partnership, mobilization of resources from all possible stakeholders especially

private sector & community, changing the role of government to a facilitator instead of engaging in the direct housing production or delivery.

4.3. Cooperatives Housing development in Addis Ababa

As it is said above cooperative housing was introduced to the country in general and the city in particular in 1975 as part of the extensive reforms in the political, urban and housing context of the country at that time. It is reasonable to study cooperative housing development of Addis Ababa in two periodical classifications: during the *derg* regime and EPRDF. This is because of two distinctive features of the two governments. The first is the economic and political ideologies, *Derg* was a socialist regime while EPRDF follow free market economy. The second reason is even the emphasis, supporting legal and institutional frameworks for cooperative housing has clear difference between the two regimes. The detailed issue will be described in the coming pages.

Cooperative housing during the *derg* regime

Cooperative housing during the *derg* period was the major public housing program and it accounted more than 30% of the total urban housing production from 1976 through 1992 (Bekele, 2003) citing Eyob, 1993).

Legal and institutional framework: The legal framework for cooperative housing was initially laid by the 47/75 proclamation which nationalized urban lands made available for developments. After about eleven years in 1986 a new urban housing policy, proclamation No 292/1986 was declared which states that “residential buildings could be produced only by state enterprises, municipal governments, housing cooperatives and individuals who build dwellings for their personal consumption”. (Zelalem, 2012).

This new urban housing policy "*provided a substantial structure for the support of housing co-operatives including the provision of land, infrastructural services, building materials, finance, technical assistance and support to cooperative organization.*" (UN HABITAT, 2006)

Trying to address the different challenges the new housing policy took the following measures with respect to cooperatives: (UN HABITAT, 2006)

- a. *The MUDH co-operative division was expanded to a full department with four divisions; technical, training, organization and finance divisions.*
- b. *Interest rates were cut from 9 per cent to 4.5 per cent for co-operatives;*
- c. *Standard house plans were to be given without charge to co-operatives;*
- d. *A government enterprise was created to provide building materials to co-operatives at controlled prices;*

- e. Attempts were made to reduce bureaucratic delays*
- f. There is now a comprehensive system of training and orientation for housing cooperatives;*
- g. Special attention is given to underprivileged groups such as low-income earners and the handicapped in terms of land acquisition and building permits so that NGOs can provide financial assistance;*
- h. Physical and social infrastructure is provided by the Government.*

As a result of these comprehensive changes the rate of housing production through cooperatives has made clear progress. In specific terms before 1986 within the eleven years 798 cooperatives having 32,742 members were organized but after the new housing policy and the changes within six years 2525 cooperative having 73,383 members were organized throughout the country. (UN HABITAT, 2006).

There are different institutions that make up the overall institutional framework for cooperative housing development. These are: the cooperatives themselves, the Housing Co-operatives Department of MUDH, the Building Materials Supply Enterprise (BMSE) of MUDH, the Housing and Savings Bank, the municipal councils, the Ethiopian Electric Light and Power Authority and the Water and Sewage Authority. (UN HABITAT, 2006)

- Housing Co-operatives Department of MUDH: was responsible for technical, training, organization and finance divisions.
- Building Materials Supply Enterprise (BMSE) of MUDH: responsible for material supply.
- Housing and Savings Bank: Provide long term loans
- Municipal councils: Provide land and building permits and co-ordinate infrastructure provision
- Ethiopian Electric Light and Power Authority: responsible for the respective provision of utilities.
- Water and Sewage Authority: responsible for the respective provision of utilities.

Financing of the housing cooperatives: there have been three types of cooperative housings based on their financial sources: (UN HABITAT, 2006)

- 1. Normal housing co-operatives:** those financed by HSB loans at a prevailing interest rate. This type of cooperatives constitute the majority of cooperatives.
- 2. Aided self-help housing co-operatives:** those receiving subsidized financial support/full grant.
- 3. Pure self-help housing co-operatives:** those financed entirely by the members who are not eligible for an HSB loan. These are peoples who have low and irregular incomes and do not fulfill the regular income requirement of HSB.

Even though the financial support given to these cooperative types vary they all get the supports given by MUDH. HSB has developed a formal lending procedures and requirements. Borrowers will receive loan from the bank if they fulfill the requirements and get approval. The approved loans are released in four disbursement stages: 15% for foundation, 50% for superstructure, 15 for doors, windows and finally 20% for finishing works. (UN HABITAT, 2006)

The interest rate of the loan has been 9% before 1986 new housing policy with a special rate of 6 per cent was available to build a minimum standard house. (Bekele, 2003). In the new housing policy the rate was reduced to 7 per cent for individuals and 4.5 per cent for co-operatives, encouraging cooperative housing. And the repayment is calculated at 4.5 per cent interest rate over 30 years. (UN HABITAT, 2006)

In addition to the subsidized loans some of the cooperatives were funded by NGOs to benefit very low-income groups or disadvantaged groups such as the handicapped.

"Loan repayments are made monthly and include principal, interest, the 2 per cent administration and appraisal fee, and the mortgage redemption and fire insurances. Loans can be repaid in one of two ways. Employers, whether government or private can deduct from salaries and remit to HSB. Alternatively, the co-operative can collect the repayments and repay to HSB collectively. There is a grace period of one year after disbursement on the principal although interest must be paid" (UN HABITAT, 2006)

Development process of housing cooperative: the development process for the housing cooperatives is composed of 10 steps: (UN HABITAT, 2006)

1. The potential members cooperative members decide and contact MUDH
2. The members carry on detailed discussion about the housing cooperative
3. The organizer request the members to fill the requirement forms
4. Site will be selected and plot will be prepared by coordinated activities of the organizer and Town Planning and Urban Land Administration (a part of MUDH).
5. The loan capacity of the members is assessed by the accounting and audit division. the members will select standard house plans according to their capacity.
6. Site plan is prepared by Housing Research and Service Department of MUDH. The cooperative obtain title did and building permit from the local authority.
7. The co-operative is then registered and issued a "certificate of legal personality".
8. The cooperative apply for loan at HSB. Agreement is concluded after training and orientation program by HSB about financial system.

9. The cooperative hire contractor and sign agreement in the presence of a representative of the Housing Co-operative Department;
10. After completion the houses are allocated by drawing lots in the presence of all the members and a representative from the Housing Co-operative Department.

Challenges in of the cooperative housing: with all the positive things the program still had the following drawbacks:

- It excludes large portion of the society low income group with its two major requirements to benefit from the subsidized loan given by HSB: members shall have a formal and stable employment and a minimum salary of 200birr. (Ashenafi, April 2001)
- Even the source of finance was not sustainably organized, the fund was collected through a forced deposit from state organization, which was not profitable to the depositors. (UN HABITAT, 2006)
- The cooperatives do not have any formal contact with each other through federations at town or provincial level, or at the national level. . (UN HABITAT, 2006)
- The program was slow *'the process of forming cooperatives , securing loans and acquiring a building permit were slow and administratively cumbersome'* (Ashenafi, April 2001)
- It failed encouraging self-help efforts. Builders were required to construct standard plans which close the option for design adaptability and the fact there was strict inspection of the construction demanded contractors closing the chance of incremental construction by the users. (Ashenafi, April 2001)
- The supply of building materials is the greatest constraint. (UN HABITAT, 2006)

Cooperative housing during the *EPRDF*

As it is described the *derg* regime has given emphasis to the cooperative housing development by providing institutional and legal supports to the housing sector. This context was outlawed as result of the change in government in 1991 by a free market following regime, *EPRDF*. The new government gave emphasis to agriculture and prepared Agricultural development Led Industrialization (ADLI) as a development strategy for the nation. As a result, urban center were given little recognition as part of the overall development. (Bekele, 2003).

In laying the legal and institutional framework for the housing sector in general and cooperative housing in particular the government has enacted different documents that has some relation with housing. A detailed urban housing policy and strategy was enacted in 2012. The other regulation and rules before this do not clearly state the policy and strategies for the housing development. As a result of these vaguely defined issues like housing finance, low cost housing investment and other

related service by the housing strategy the urban centers had faced different challenges. The different regulations are:

- a. The 1991 economic policy describing governments stand concerning urban land and housing development. It describes the emphasis given to the market system and the roles that can be played by the private sector in the housing development. (MUDHCo, February 2012); (Bekele, 2003 citing Tadesse, 2000).
- b. The 1993 urban lease holding policy where the government introduced new leasehold land tenure system for urban areas. This policy has been revised in 2002 and 2011. It is believed that transferring the tenure of urban land through fair-priced lease is helping the expansion of the housing market. (Zelalem, 2012) (MUDHCo, February 2012)
- c. The 2005 urban development policy, article 4.2 stating government's direction and role in the housing provision. (MUDHCo, February 2012). In 2005 the government established Ministry of Works and Urban Development (MWUD) as a responsible body for urban management and development issues. (Zelalem, 2012)
- d. The cooperative proclamation No.147/1998: by far this is the most comprehensive and main legislation addressing the establishment and operation of cooperative societies. It is not a specific legislation; it is general proclamation for Agricultural Cooperative Societies; Housing Cooperative Societies; Industrial and Artisans Producers' Cooperative Societies; Consumers Cooperative Societies; Savings and credit Cooperative societies, Fishery Cooperative Societies and Mining Cooperative Societies. One of the interesting issues related with the research topic, cooperative developer partnership is that it states that " *A society may sell some of its shares to persons outside its area when the society faces shortage of capital.*" But it also states that " *No member shall hold more than 10% of the total paid up share capital of such society.*"
- e. Condominium proclamation No 370/2003 was enacted with the concept of laying the legal framework of multi housing structure in order to use urban land in a more efficient way and creating favorable conditions to private developers and co-operatives, which have a major contribution to the housing development.
- f. The fast, sustainable development and poverty eradication program, 1998-2002 document states integrated housing development as one of the four major development goals in urban development and construction is section. (MUDHCo, February 2012)
- g. The 2012 Urban housing provision strategy document is the first policy and strategy document enacted for the purpose of defining the housing sector. The detailed issues about housing in this document are discussed below in a broad level since it is the current policy and strategy document.

The government understands that one of the reasons for the multiple challenges of the housing sector in Addis Ababa is lack of detailed urban housing provision and strategy. As a result the government enacted the 2012 urban housing provision strategy document. This current urban housing policy and strategy prepared by MWUD include tight and discouraging requirements about housing cooperative development. The policy and strategies described in the document about housing cooperatives are as follows:

The **policy** clearly states the following points:

1. Land for cooperative housing development is allocated by government for free.
2. The government will provide design options to meet the different income levels. But, if the members are not happy with the standard design they have the right to bring their own design.
3. The total project cost, 100% of the finance is covered by member's contribution in two steps before construction begins. 50% of the project cost will be deposited during organization of the cooperative and 50% will be deposited after getting building permit before construction.
4. The government will provide infrastructure service up to the plot boundaries.
5. The government will support and encourage housing cooperatives to extend the cooperation to other activities also understanding the role they can play in regulating market

The **strategy** clearly states the following points:

1. Previously organized cooperatives will be given priority in the developmental process if they fully fill the financial requirements and solved their internal problems.
2. New housing cooperatives are organized as workplace housing cooperatives, neighborhood housing cooperative and diasporas housing cooperatives. The cooperatives will be served based on the order of the list of registration.
3. The construction of the houses for those who have completed their payment is carried on either by a government construction enterprise or private contractor chosen by the cooperative members. In both cases the government is responsible for construction by entering agreement even with private contractor.
4. Modifying and applying the earlier cooperative housing bylaw.

According to an officer at land transfer office of the city administration the total number of cooperatives registered in the recent housing registration program was only 100. Each cooperative has 24 members and the plot allocated for each cooperative is 1020m². This means only 2400 households are engaged in the cooperative housing. This is insignificant when compared to the other low income mass housing programs which register a close to one million list. One of the critical issues for such number of participants in the program is the 100% deposit requirement before construction required by the government. Even though this requirement is placed to avoid abuse and assure the project completeness as per the schedule it has caused limitations on addressing

wider group of society. In addition the ground floor of these cooperative apartments is expected to be non-residential i.e. commercial or service. Hence households are indirectly obliged to invest in a business floor but this pauses an extra cost in addition to the housing cost.

In addition currently the construction of the cooperative building is not carried on or supervised by the city administration as it was stated in the strategy document. The cooperatives are carrying on the construction by themselves.

Housing cooperatives in the renewal program

As it is stated earlier most of the inner-city of Addis Ababa is expected to undergo renewal. The renewal process is currently applied in different areas. To guide the operation of this program the city administration of Addis Ababa has prepared an operational manual called 19/2006: Operational manual for compensation payment and relocation land provision for displaced private owners for the interest of the public. (*Translated from Amharic*)

In the operational manual there is section about defining plot size and allocating land to those displace from their private land. It states a person with a private ownership title and displaced from his plot for the interest of the general public (which include the urban renewal program) has the right to receive a one year rent cost, compensation payment for his property on the land and a replacement plot as per the standard set on the table below.

Legally acknowledged existing plot area	For onsite relocations			For offsite relocations	
	Building regulations	Plot area in m ² provided for individual	Plot provided for cooperative of 12 members	Building regulations	Plot area in m ² provided for individual
Y≤50M ²	As per the plan (LDP and NHD of the area)	-	25m ² /person=300m ²	As per the plan (LDP and NHD of the area)	75m ² /person: row house/shared wall
50<Y≤100 M ²		-	30m ² /person=360m ²		90m ² /person=row house/shared wall
100<Y≤150 M ²		-	35m ² /person=420m ²		125
150<Y≤200 M ²		-	50m ² /person=600m ²		175
200<Y≤250 M ²		105 M ²			200
250<Y≤300 M ²		150 M ²			250
300<Y≤350 M ²		175 M ²			300
350<Y≤400 M ²		200 M ²			350
400<Y≤450 M ²		225 M ²			400
450<Y≤500 M ²		250 M ²			450
>500 M ²		350 M ²			500

Table 0-1 Standard for replacement residential plot allocation (Addis Ababa city Administration, April 2014)

'Y' represents the existing plot area of the person to be displaced

4.4. Partnership for housing in Addis Ababa

It has been really difficult to get literature on public private partnership for housing in Addis Ababa. As it is discussed earlier during the emperor Haileselese I regime the government, housing was left to the market, meaning there was no such partnership for housing. During the socialist *derg* regime housing was carried on either through self-help or government programs. In the current context there is a room for partnership since the economic system is a market system. But, it seems there is a lot to do so in order to tap the potentials of partnership in housing.

The legal and institutional framework (not detail) for PPPs in housing is stated in the recent 2012 urban housing provision strategy document. The document states that considering the situation land is owned by the people and government with a legal system to pay compensation and displace an owner if the land is needed for a much larger value of service especially for public service creates favorable condition for PPP development activities. And also, currently real estate developers are spending large amount of money to buy land, especially in the inner city. Considering the above issues there is a possible line of partnership where the government can undertake land preparation for the private developer relieving him from costly land acquisition. And the private developer contributing his money (saved from land & additional), knowledge and technology for housing production.

Even if the idea is interesting it is not presented in detail stating the detail responsibilities and interest of the parties leaving it to negotiations. The idea needs to be refined more because if we go by the above generic roles and share of parties, the partnership would fall in danger because of the possible incomparable shares of the partners. This is because even if the land costs high in the inner city the land use demands large projects development making the proportion of the shares of the parties incomparable. As a result, the private sector may not be encouraged to be partner instead may be interested in paying the 10% initial lease payments for the land even if it costs high.

Chapter 5: Case study, *Semay-Tekes* cooperative

Here under this chapter the empirical data collected about the specific case of housing development partnership between *Semay-Tekes* cooperative and Ato Fantu Weldeyes, a business man engaged in supermarket is presented. As it is stated in the methodology part of this report primarily qualitative data was collected by using semi-structured interview (Annex 01) from three key informants; the cooperative, the developer and the government. In addition, observation and document review was conducted for further information. Three types of semi structure interview questions were prepared to each one of the key informant in order to collect the relevant information from each and cross check validity of issues. Especially a more in-depth interviews was conducted with the committee members of the cooperative. In general, for all the key informant the interview questions were structured in a way to extract the information needed to deeply understand the case and answer the research questions.

The data collection was carried on mostly as per the plan. Data from the developer side was collected from Ato Alemayehu Fantu, the son of the developer and who was also the contractor of the project. A sufficient amount of data was also collected from the cooperative side even though it was difficult to contact all the cooperative members since some of them are outside the country and some of them does not respond to repeated calls. (N.B: Most of them do not live in the cooperative building) The main body of data from the cooperative side was collected from the committee. An interview was conducted with: the chairman, the secretary, the finance head, the cashier and 2 technique committee members. For the part to understand the individual cooperative member's

personal reflections and issues with respect to the cooperative. 10 members are interviewed, which is 50% of the total cooperative members. (bear in mind the developer is not included in this group). The most challenging part of data collection was finding government officials that were involved in the development process could give data about the specific case. Few government officials are interviewed about the legal framework of cooperative housing development at the time even though it was difficult to get detailed specific data about the *Semay-Tekes* cooperative. To cover this gap of information about the specific case from the government side the researcher had the access to the document of the cooperative which is in the hands of *Nifasilk Lafto* sub city land development and administration, documentation and record section. The official at the above record office allowed only reviewing and taking notes from the archive, copying was not allowed. Indeed this was important element in filling information gaps and validating the data from interviews that has some concern with regard to exact dates and statistical information. In addition to this, reports of Addis Ababa city administration that are pertinent to the subject matter are reviewed.

It has been really difficult task to classify the study in to topics since the issue is intricate and difficult to subdivide. But, for the sake of clarity, drawing findings and answering the research questions the data presentation is structured with the following six topics (1) background and context which describes the introduction about the project, the pertinent national and local context during the development and the socio-economic condition of the cooperative members, (2) Stakeholders interest and roles which identifies the involved stake holders, their interest and respective roles in the development. (3) financing which describes the funding structure and other financial issues in the development (4) the development process which presents the different activities from initiation to occupancy, (5) challenges of the development (6) potentials of the development.

5.1. Background and context

Background

Semay-Tekes housing cooperative (the name *Semay-Tekes* is an Amharic phrase meaning sky scraper) is located in *Nifasilk Lafto* sub city, woreda 03, house number *new or* in the former address coding zone 2 woreda 23 kebele 12. It is an innovative and unique type of cooperative organized in March 1992 initially by 15 members who are mostly employees of building design enterprise BDE, a government consulting office.⁹ The group had common problem of having a descent house to live in which initiated the idea of multi-story (more than 2) inner city cooperative housing at a tea break in their work place.

⁹ Cooperative committee

The idea was elaborated and presented to the government in the form of a proposal and was appreciated by the high ranking government /MUDH officials because it promotes the government interest in vertical densification which increase land efficiency and minimize infrastructure cost¹⁰. It was unique because it was the first G+5 cooperative housing located in the inner city on the contrary to the main stream cooperative development of the time where cooperatives build G+0 or G+1 houses on plots allocated at the outskirts of the city.



Figure 5-1 *Semay-Tekes* cooperative-case location, Sarbet area, Nifasilklafto sub city, Addis Ababa

¹⁰ interview with cooperative committee and archival review about the cooperative

In May 1996 six new members, including the developer joined the cooperative making the total number of members 21.¹¹ The developer, Ato Fantu is simply one member of the cooperative i.e. the developer joined the cooperative like any member, having similar or equal right and responsibility with the other members in the cooperative on the terms outside the partnership arrangement. He was not a detached partner. The arrangement between the developer and the cooperative, the 20 remaining members was an internal agreement. The cooperative together with the developer had managed and developed a B+G+5 multistory cooperative housing. The building accommodates 20 two bed room units with a commercial ground floor and basement store.

The national context

In may 1991 G.C the former regime *derg* was overthrown by EPRDF. Before its down fall the *Derg* had adopted a mixed economy policy promoting investment by revising its socialist ideology. The first phrase in the special decree on investment describe the situation easily as follows:

"Whereas it is believed, after due consideration of the stage of development of the country and the overall world's situation, that the adoption of the mixed economy policy to guide the country's economic development direction can help raise the economic development of the country and the living standards of the people." (Council of state special decree no. 17/1990)

The decree also release the restrictions made by Article 11 of the government ownership of urban lands and extra houses proclamation no 47/1975 which puts limitations on business and home ownerships. This had paved the way for investors to get land in the inner city for development if they can guaranty completion of the project by showing a deposit which is some proportion of the project cost¹².

Social conditions of the cooperative members

Except the two merchants (from the 20 cooperative members) the remaining 18 members of the cooperative were government employees that have a diploma or more educational status. All the cooperative members believe the educational status had a positive effect in the process starting from preparing the initial proposal document, administration of the cooperative, design preparation and construction supervision. If this had not been the case they believe the innovative idea might not even exist, the project could had been more costly and may not even be successful.¹³ Concerning common bond between members out of the first 15 cooperative establishing members 11 of them are coworkers at BDE, core team. The remaining 4 (2 doctors and 2 merchants) are

¹¹ interview with cooperative committee and archival review about the cooperative

¹² Interview with government officer, head for housing and cooperative organization division, 1996 -1999, at the city administration urban development and works bureau

¹³ Interview with cooperative committee

friends to one of the core team. All the members had a housing problem. The 2 merchants joined the cooperative with the assumption to guaranty financial problem in case the cooperative was requested to deposit some amount of money beyond the capacity of the members. The 11 members from BDE comprise of the following different professions: Architects, quantity surveyor, sanitary engineer, draftsman and business administrator.

With a letter dated in July 1996 the cooperative had requested the government for official recognition of new members joining the cooperative. A question was raised on the new members by some government officials. But, considering that they are legitimate to join any cooperative (i.e having no houses by the name according to the cooperative committee) and the cooperative does not required any additional area from the previously assigned plot the government approved the new members.¹⁴ So, the cooperative was joined with 6 new members: 1 is an architect working in BDE, 1 is a developer and the remaining 4 are friends from different government offices. The committee members agree with the idea that the friendship and being coworkers has contributed to the process by creating smooth communication environment. Especially the coworker's close and day today contact has helped in elaborating ideas, sharing responsibilities and easing communications.

Economic conditions of the members

Except the two merchants and the developer the other members of the cooperative are government employees whose income is salary based. From the interview it is difficult to exactly state the income of the cooperative members since the members had expressed their doubt on the exact figure. But, reviewing the collected figures excluding the merchants [they are only two] all the 9 members interviewed used to have an income below 900birr per month salary during the cooperative establishment. And during the construction phase of the project the member's salary had grown to about 2000 birr per month. Detail income classification analysis is not conducted since it is not important as one can clearly understand the gap between the 20 cooperative member's income and the scale of the project, a multimillion birr project.

Legal framework

After the down fall of *Derg* on May 1991 the country was ruled by a transitional government until a legitimate government was formed in 1994. The cooperative, *Semay-Tekes* initiation and organization period was during this time where the country was trying to settle down and build a new government body. Within this context the previous government organs and regulations related to cooperative housing development were still functioning.¹⁵ Thus, the cooperative was established

¹⁴ Interview with cooperative committee

¹⁵ Interview with government officer, head for housing and cooperative organization division, 1996 -1999, at the city administration urban development and works bureau

within the legal framework that was set during the *Derg* regime. But, the government organs related to cooperative were becoming less functional.¹⁶

The new government follows capitalism ideology and thus housing sector was liberalized. Consequently, the financial sector was also liberalized and measures were taken to restructure the economy. HSB was restructured to function in the market without subsidy and named as Construction and Business Bank. But, it had continued to give loans to housing in addition to other sectors. (Ashenafi, April 2001).

According to the cooperative committee members they had established the cooperative following the legal procedures and fulfilling all the requirements. Concerning the partnership with the developer there was no legal framework to recognize and guide such partnership which forced the developer to join the cooperative like one another member and reach on an internal partnership agreement between the cooperative and the developer. It was highly dependent on mutual understanding between the parties. There were no other institution that provide support to the housing development through the partnership.

The members say they have a cooperative bylaw which is a modified version of the standard bylaw prepared by the government for cooperatives. The modification was carried on by the members themselves but they do not remember the details. It was difficult to get the copy of it.

Institutional framework

The responsible institution for cooperative organization was MUDH cooperative organization division till 1993. After this point the responsibility was transferred to Addis Ababa city Administration, urban development and works bureau.¹⁷ Thus, the cooperative registration was carried by housing cooperative organization department of MUDH. From the interview the cooperative and from the letters exchanged between government bodies the cooperative have got some minor privileges than the cooperative of the time.

- During establishment the cooperative was allowed to have members that are not permanently employed, the merchants.
- The site was allocated in the inner city unlike the other cooperatives that are allocated plot in fringe areas. In addition the plot was picked from the cooperatives proposal options. At the time land for cooperatives was still provided for free by the municipality.
- Cooperative had prepared its own design on the contrary to the others who chose from typologies prepared by government.

¹⁶ Interview with the cooperative committee

¹⁷ A report on cooperative housing, September 1997 [1990e.c] prepared for discussion by the city administration.

- The cooperative manage the construction on its own way without the involvement of the government.
- After completion the houses are allocated by drawing lots in the presence of all the members without a representative from the government/cooperative department of MUDH.
- Building code: design approval and construction permit was given by the municipality.

5.2. Stakeholders, interests and roles

Stakeholders in the development

Starting from initiation to occupancy stages of the development the following stakeholders were involved: the cooperative, the developer, MUDH, Addis Ababa city administration, commercial bank of Ethiopia and BDE.

Stakeholders interest in the development

Cooperative: the members of the cooperative, excluding the developer in general are interested in having one's own house¹⁸. In detail, they are interested in acquiring a plot in the inner city location which is closer to their work place than the outskirts development to build a G+5 multistory housing, find a partner to finance the project which cannot be achieved/imagined with the income levels of the members and make sure the quality of the construction by themselves. The cooperative was also interested in having all the finance for the project to be in one account in the name of the cooperative and control the operation.

Developer: the developer's interest was acquiring a commercial space for expanding his supermarket business in one of the city's diplomat residential area of the city which has high potential for his supermarket business¹⁹. And also, he was interested in minimizing his risk by: demanding to be one of the members who could sign on account related issue, to engage his civil engineer son as a contractor of the project and release the main part of the fund after construction permit. With an increased trust between the developer and the cooperative the account issue was left to the cooperative while his son was hired as a labor contractor of the project which gives him the status to supervise the financial status of the project and construction quality.

Government: the government officially recognize only the cooperative, not the partnership arrangement between the developer and the cooperative²⁰. And was interested in promoting the cooperative's proposal which provides alternative, housing development that could be replicated to house middle income groups in the inner city. The proposal provides efficient use of land through

¹⁸ interview with cooperative committee and cooperative members

¹⁹ interview with the developer

²⁰ interview with cooperative committee and archival review

vertical densification strategies which also minimize infrastructure cost which is a necessary cost for fringe area cooperative housing development (the main stream cooperative housing development at the time). In addition, the government was also interested in making sure the land resource it provided for free is not abused. Based on this main frame concept and the unofficial information by some of the government officials about the partnership arrangement between the cooperative and the developer the government put a special agreement for the cooperative which states that the official or legal title deed of the allocated plot will be given after the cooperative constructed the structure of the building and if the cooperative fail to do so the government would claim the land and the structure above it without any compensation.²¹

BDE and Commercial bank of Ethiopia: does not have any visible interest in the project.

Stakeholder's role in the development

The required initial deposit from the city administration to give construction permit and the total project cost was beyond the capacity of the cooperative. Thus, the cooperative invited a developer and agreed with him to contribute 2.8m birr for the project in return to owning space for his commercial activities.²² From the different government bodies that have involved in the development process MUDH's housing cooperative organization division was responsible in registering the cooperative. Addis Ababa city administration with its urban development and works bureau, woreda and kebele administrations organs was responsible in providing land to the cooperative for free, design approval and construction permits to the development. Commercial bank of Ethiopia was involved when the cooperative created an account in the bank to deposit 20% of the project cost, 454,000birr²³ in order to get the construction permit for the project. The bank had written a letter describing the deposit in the name of the cooperative to the Addis Ababa city administration. BDE, the employer of the core team has helped them in the electrical design preparation and soil investigation requesting the minimum possible cost for the service they get.

In distributing role during the construction period the cooperative was responsible for material purchase, construction supervision and payment for the contractor. In general the cooperative was responsible in controlling the overall operation and communication with government.

To summarize, in order to accommodate the interests and distribute the responsibilities the parties main tool was negotiation. The cooperative accepted the contractor from the developer side. The price for construction was set at a market rate price after negotiation on the financial proposal from the contractor.²⁴ It was easy for the cooperative since they were working in a consulting firm. The

²¹ interview with the cooperative committee, construction permit document

²² Interview with cooperative committee and the developer

²³ Archival review, letter from the bank

²⁴ Interview with cooperative committee and the developer

developer accepted the cooperatives interest of having one account in the name of the cooperative and the quality supervision of the project by the cooperative. And also, he had relived his interest in controlling the account and the account was created by the cooperative members (chairman, finance head and auditor). Concerning the demands from the government with respect to ownership entitlement after building the structure of the building the cooperatives had accepted and signed the agreement.

5.3. Financing

There is no exact data about the initial capital of the cooperative. But, the members used to contributed 50birr per month during the discussion phase and after the formation till the construction begins where the members agree to change the amount to 100birr per month which is used to manage running costs like security and common space cleanings. The members had also contributed larger sum of money like 1,000., 5,000., 10,000. at different times on different occasions especially in acquiring different utility service and building common elements like septic tank and internal finishing work for the common space of the apartment. The last major contribution of the cooperative members was 10,000 birr for the carrying on finishing work of the apartment lobby and staircase. Summing up all the above contribution, an individual cooperative member had contributed about 37,000 birr for the common interest, to the cooperative.²⁵ The contributions were made at different times and except two members the contribution was not beyond the capacity of the members. The two members had faced difficulty in fulfilling financial responsibility specifically during the final major contribution of 10,000 birr needed to cover the cost for the common space internal finishing of the apartment floors. As a result, the two members were not included in the lottery system to allocate the units between the members.²⁶

As a cooperative institution the cooperative didn't get any loan to fund the project. The idea of engaging the private sector was raised to solve the mismatch between the financial capacity of the members [who earn a monthly salary below 900birr and a multimillion birr project. The cooperative do not have a documented business plan but, they had a proposal about the project which has some of the contents of a business plan. Looking into the financial part of the proposal from the beginning the design for the proposal was prepared with a commercial ground floor space to sell out to subsidize the residential part. To sell this out the cooperative members had approached different developers including Fantu and most assumed that it may not be successful one. But, Ato Fantu, Fantu supermarket owner accepted the idea with a discussion with his engineer son Alemayehu Fantu. The cooperative and Ato Fantu Weldeyes reached an agreement, he will own the ground

²⁵ Interview with committee and a paper on inner city housing solution prepared by one of the members, Architect Assefa Gebeyehu about the cooperative

²⁶ Interview with the cooperative committee and one of the two members not involved in the lottery system

floor in return to contributing 2.3 million birr to the cooperative.²⁷ This figure was reached by negotiation.

On the other side in contributing this money the developer had not any proper feasibility study or business proposal. It was out of personal judgment by taking into account the following factors: its location where the areas is a diplomatic zone with potential supermarket users, and he is going to own the full ground floor which is the prime space for business and the fact that it was not easy to get land to develop at the time.²⁸ The cooperatives also accepted this figure by professionally guessing (from bill of quantity) that the amount was enough to cover most of the cost of phase one.²⁹

The soil investigation carried after acquiring the necessary financial source demanded a 3m deep mat foundation. The design was revised resulting in the addition of basement floor. The cooperative and the developer negotiated and the developer agreed to cover the basement cost in return to owning the basement floor, according to the cooperative the estimation of the additional cost was 500,000birr which makes the developer's total contribution to 2.8m birr.

The contribution of the developer was in two steps where the first was 454,000.00birr initial deposit [blocked account which is 20% of the project cost] required by the municipality to give construction permit. The second and remaining part was directly injected to the cooperative account from the developer after construction permit and released of the blocked account. All the fund from the developer was collected before construction.³⁰ There is no clear data about a regular auditing of the finance in the process of development. But, in the structure of the cooperative there is an auditor.

It is difficult to get the exact project cost due to the unknown phase two project cost. This is because two reasons: it was difficult to collect all the information from each members and there is a significant variation of phase two cost from member to member. For example one member has spent 30,000birr and another has spent 110,000birr. To summarize, we can state the phase one cost of the project which is 2.8m birr from the developer contribution and 37,000 birr contribution per member from the cooperative side.

²⁷ Interview with the developer and the cooperative committee

²⁸ Interview with the developer

²⁹ Interview with the cooperative committee

³⁰ Interview with the cooperative committee

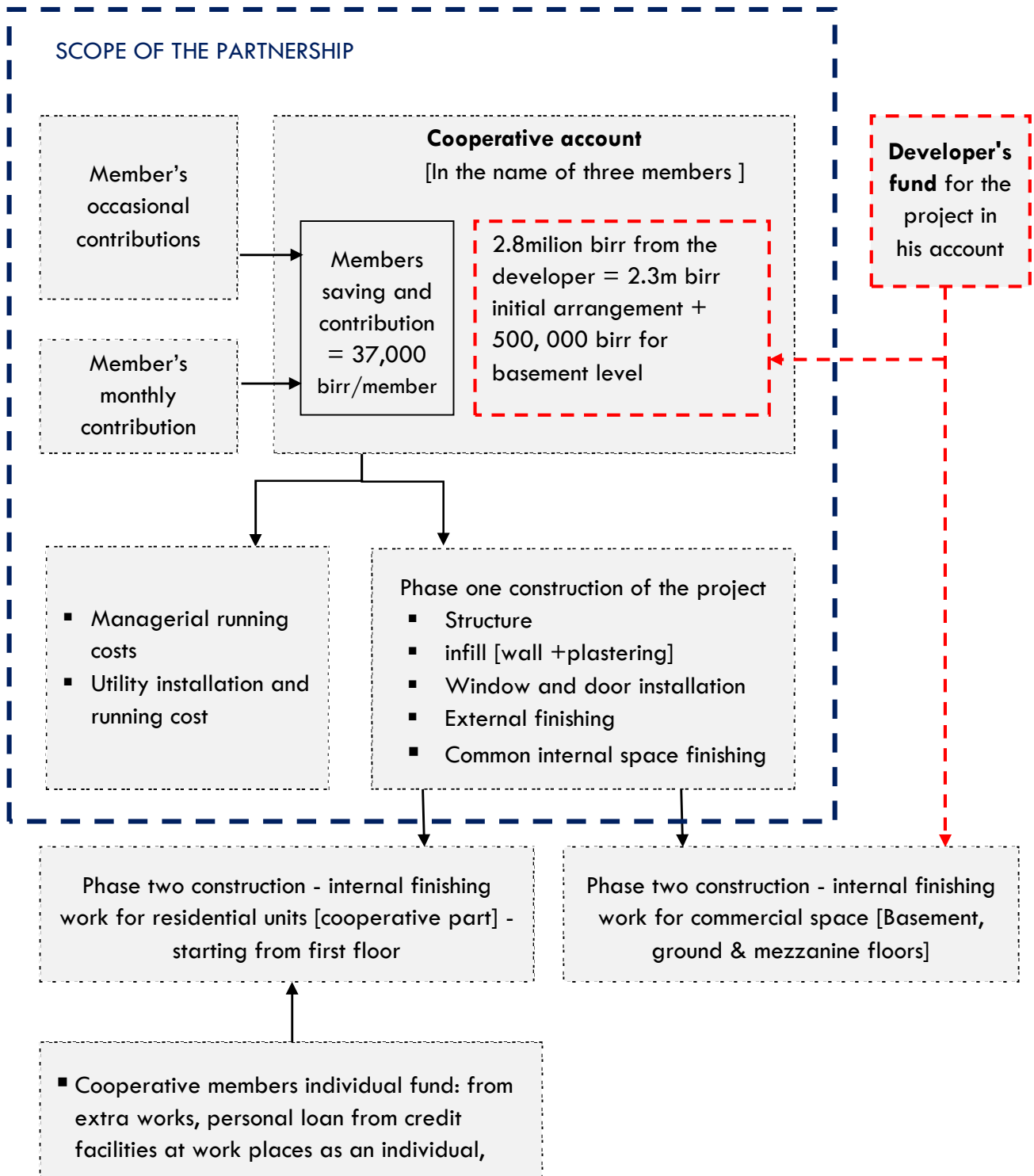


Figure 5-2 Financing structure of the partnership between *Semay-Tekes* cooperative & the developer
 Source: interview with the cooperative committee and the developer

5.4. The development process

The major steps of the development process are: cooperative formation, new members joining the cooperative, internal arrangement with the developer, design finalization and construction permit, phase one construction, phase two construction and occupancy.

a) Cooperative formation

Cooperative formation is the first major activity in the process and it is as follows:

- 1. Initiation and discussion** - the idea was initiated in 1992 at a tea break in their work environment of the core team. And it was elaborated in subsequent discussion secessions and was crystallized in to a proposal describing the idea and benefits of inner city multi story cooperative housing. The proposals main idea was to develop a housing that improves land efficiency/increasing housing density which is also an alternative self-help housing development especially to government employees. In the process there was no a such clearly visible steering committee, responsibilities were distributed spontaneously to the members but, Kasa Biru, Architect, who become the first chairman had a notable contribution starting from preparing the proposal.
- 2. Members identified:** at the end of the discussions 15 members were identified to form the cooperative. There was no clear determining factor to the number 15, it was a result of the spontaneous process from idea to formation including those who participated and were willing to be part of it. But, according to the committee even though there was no internal criteria to join the cooperative, the criteria set in the legal framework for cooperative was respected and during the registration process the members had submitted minutes of formation and profiles of their members (citizenship Identification card, proof for not having a house, employment/income condition description).
- 3. Submission of the proposal document to MUDH:** the idea of the project which is in the form of proposal was submitted to MUDH in 1992. The higher officials at MUDH appreciated the idea and showed green light for the project. The ministry wrote a letter to Addis Ababa city administration to cooperate and provide them with the necessary service they need.
- 4. Preparation and approval of the cooperative by-law:** along with elaborating the idea the cooperative by-law was prepared and approved by the general assembly formation meeting in March 1992.
- 5. Formation meeting** - after the whole process finally the official formation meeting was held on March 1992.³¹ And the name of the cooperative become *Semay-Tekes* housing cooperative.
- 6. Organizational structure of the cooperative**

³¹ Archive review, minutes of formation

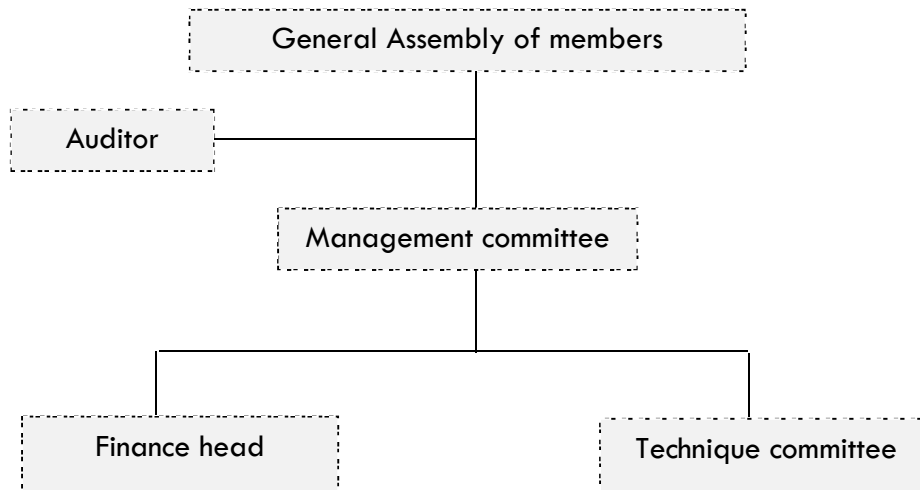


Figure 5-3: Cooperative administrative structure of *Semay-Tekes* cooperative
(Source: interview with the cooperative committee)

7. Registration process and acquiring legality: the cooperative applied for registration and was requested to submit the following documents:

- Citizenship ID card of the members
- Proof of not having a residence (from local authority), for the members
- Formation meeting minutes
- Cooperative bylaw

Finally the cooperative was registered and given a certificate of legality in 1992 [1984e.c.]

b) New members in the cooperative

Additional 6 new members from different government offices and a developer, Ato Fantu, had joined the cooperative in May 1996. And the members become 21 in number.

c) Partnership with the developer

The discussion about the partnership had been carried before the developer officially joined the cooperative. But for the sake of clarity the partnership issue is presented separately here. After accepting the invitation from the cooperative the parties [developer and cooperative] negotiated on their interests and roles and reached on an internal agreement which mainly states the developer will own the ground floor and will contribute 2.3million birr to the project.

After the above first arrangement new issues arise as a result of the addition of the basement floor in the design. The cooperative was ready to go for a developer who could use the basement and cover the cost. At this time Ato Fantu and the cooperative made an additional arrangement about the basement, he will cover the cost of the additional basement floor in return to own it.

The project has two construction phases. The main scope of the partnership was phase one. Other than this the developer has equal and similar rights and responsibilities like the other cooperative members. With respect to construction of the project the agreement between the parties is that the construction of the project will be carried first by the fund from the developer which allows the cooperative to get time to fulfill contribution responsibility. But, the interior of the individual units finishing is individual burden of the cooperative members. On the other hand about the construction of the project the developer demanded the contractor for construction to be his son. He demanded this for two reasons: to make sure the construction is carried on in a quality manner and also to make sure that his investment is not abused/risked and the project will not end up bankrupt.³² So, the cooperative hired a labor contractor, the son of the developer and provided materials. The unit rate contract prices for the labor contractor was set based on the market rates at the time with negotiation.

d) Land Acquisition

To describe the process from the beginning the cooperative first prepared a proposal paper on multistory cooperative housing with a G+5 schematic architectural design. This proposal was submitted to MUDH in 1992 along with a letter of request for a plot to develop in the inner city. It was appreciated by the high level officials. The officials directed the request to Addis Ababa city administration after the cooperative was officially established under the MUDH, housing cooperative organization department. The mayor of Addis Ababa was also inspired and have even requested them to mobilize similar kinds of cooperatives.³³ The city administration accepted the proposal of the project and asked the cooperative for location proposal. The cooperative proposed some sites at: *Sarbet*, *Mexico*, *Beherawi* and *Olompia* areas. The responsible body to give land to the cooperative, the city's administration (named as Region 14 Administration at the time) picked the *Sarbet* which had 1092m² area.³⁴ After long period in 2000 the title deed was provided by Addis Ababa city Administration, urban development and works bureau. Also, the *woreda* and *kebele* administrations were also involved during the process of land preparation. The cooperative did not pay any price for the land except for paper works, i.e they acquire the land for free.

It is difficult to easily state the period of land acquisition instead it should be described in breaks with mile stone issues as follows. The plot for the cooperative was assigned in the same year of cooperative formation, 1992 after a request. Within a year the tile deed was almost prepared. But, there were some clerical errors and the process has to be dealt again. While paper work of the

³² Interview with the developer

³³ interview with the cooperative committee and archival review

³⁴ Interview with the cooperative committee

official title deed was going again a land lease policy was ratified and process was almost frozen at the time.³⁵

According to the cooperative committee the main constraint during the land acquisition process was bureaucratic delay. And the basic reasons for the bureaucratic delays were the ratification of the new land lease policy, the context of the country being rule by a settling transitional government/new government and the uniqueness of the project/request which makes it difficult for government officers to easily administer the process by the book. A report on cooperative housing September 1997 prepared by the city administration for discussion on cooperative housing states the following in its introduction part:

... Starting from 1986e.c where the cooperative organizing and registering task was transferred to us (the city's administration) till recent time activities related with organizing new housing cooperative and land provision for earlier organized housing cooperative was stopped as a result of the new land lease holding system enacted to guide land use. And only other administrative works were carried on ... (translated from Amharic language)

Thus, land provision to housing cooperatives was officially stopped after the land lease policy. After 5 years from the cooperative establishment in October 1996 the city administration gives a construction permit for the project without a title of ownership. The government feared the abuse of the land provided to the cooperative for free put a responsibility agreement which states the official title deed will be given after the completion of the structure of the building and the construction permit that does not guarantee ownership.

As per the deal in 1998 cooperative requested for ownership title deed fulfilling the construction and completion of the building structure. But, the government officials (responsible for transferring the land) at that time refused to give the title deed unless the cooperative pays the lease price cost for the plot.³⁶ The cooperative sued the government in a court and the case run for about two years from 1998 to 2000. The court decided in favor of the cooperative reminding the plot to the cooperative was assigned before the land lease policy.

Finally the cooperative acquired official title deed after the completion of the court case in 2000 for an area of 1092m²of land at *Nifasilk Lafto* sub city, woreda 03 commonly called *Sarbet* area where currently Fantu supermarket is on ground floor on

³⁵ Interview with government officer, interview with the cooperative committee and archival review

³⁶ Cooperative committee and archival review

the road from Pushkin square to Karl square.³⁷ There is no clear factor known to determine the plot size. But, it was a continuation of the cooperative's initial proposal which describes about settling 20households on a plot of 1200m² area.³⁸

The cooperative committee members believe the process was delayed but considering the context they are not totally blaming the land providing authority. Currently the plot is reduced to 999m² due to road widening that took front parking. As a result of its front parking taken by the road the developer is forced to use neighboring plot for customer parking.

e) Design

The first schematic architectural design for a G+5 building was prepared as part of the initial proposal without a specific site. At this level the design does not have basement floor but the commercial ground floor with mezzanine floor was in place.³⁹ But, in preparing the final design after identifying the site and carrying on soil investigation it was discovered that the building demanded a 3m mat foundation. The cooperative transformed the challenge into an opportunity and incorporated basement floor in the design.



Figure 5-4 Frontal photo of *semay-tekés* housing cooperative building

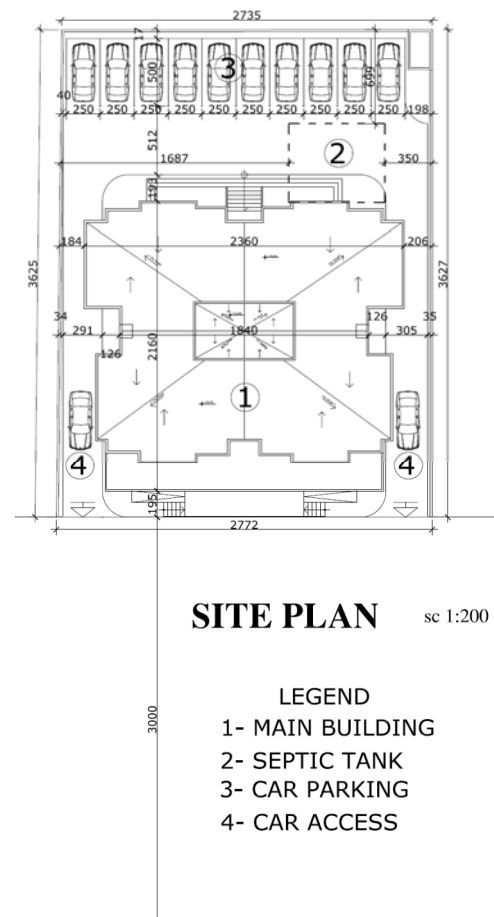


Figure 5-5 Site plan drawing of *Semay-Tekes* cooperative housing building

³⁷ Cooperative committee and archival review

³⁸ Cooperative committee and archival review

³⁹ Interview with cooperative committee

Since the members have the profession to carry on the different design tasks the design part was mostly carried by the cooperative members themselves for free, but there were elements like electrical design, drafting work of sanitary design, structural design calculation and soil test that were outsourced to BDE, the employer of the core team. They had paid the possible minimal cost considering their relation with company. The design had been changed from B+G+5 to B+G+6 as part of the argument to convince the government during the addition of the new members. After completing the design it was submitted to the municipality for approval. It is difficult to pin point the exact date of design completion but, there is a letter dated on December 1995 that describe the cooperative's request for permission to carryon soil test investigation and fence work construction. And the construction permit was given on October 1996 Meaning, the B+G+6 design was completed between the two points. The existing structure is a B+G+5 building, the last floor has not been constructed.

The site has back yard parking. The building is designed in such a way that residential units have a separate back entrance and a minimum circulation space. And also by the request of the developer the sanitary lines from the above residential units were directed to outside surface at first floor.

It is difficult to actually measure and state the design period due to the long land acquisition process. Concerning the design discussion among the members the 2 bed room unit decision is the



Figure 5-6 Side access to Apartment/back yard



Figure 5-7 Back yard space



Figure 5-8 Sanitary line on external wall of ground floor by the request of the developer

consent of all cooperative members but, the details are more influenced by the architects.⁴⁰



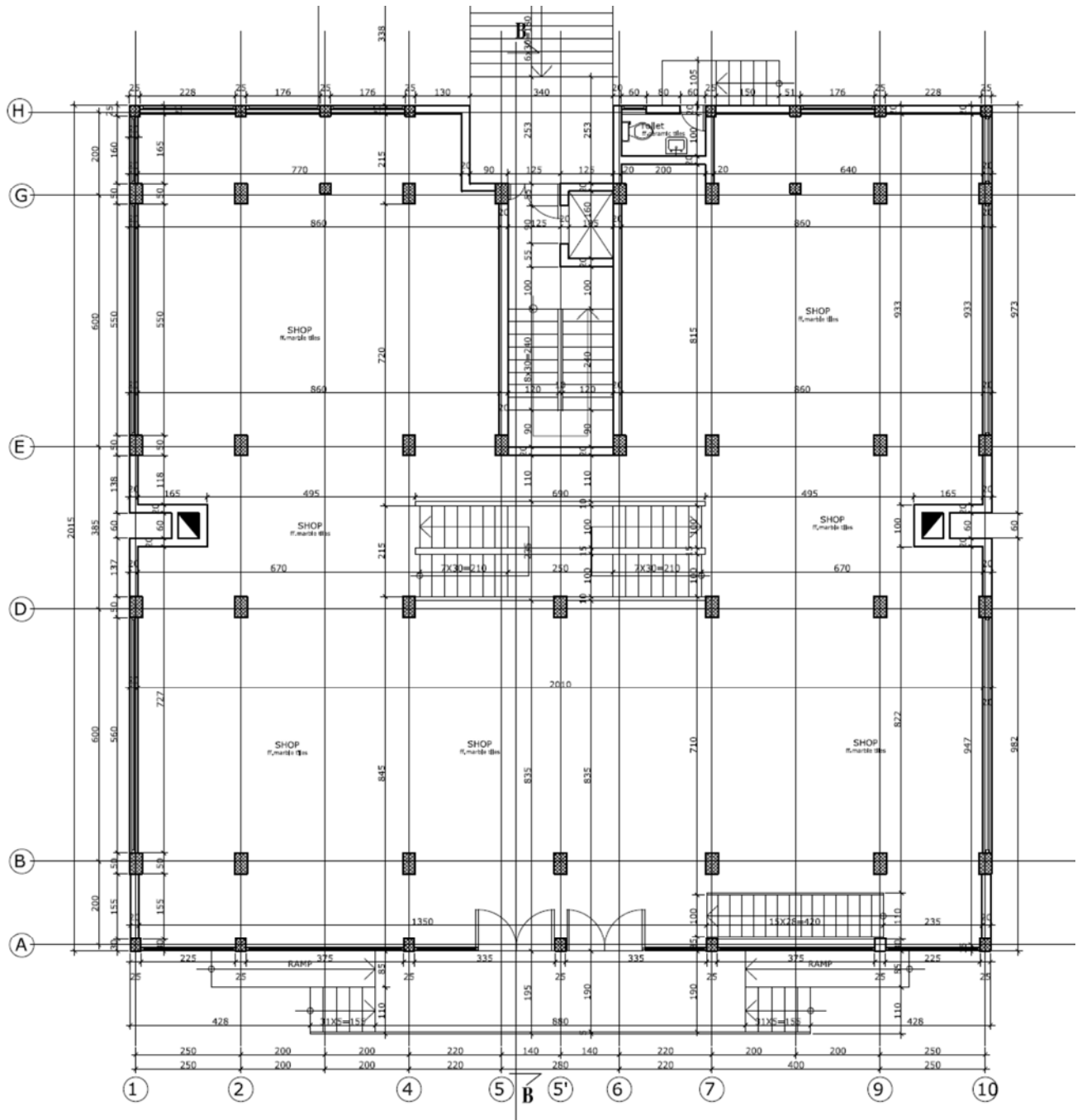
Figure 5-9 Pictures of the apartment part: external entrance, stair and small lobby at each floor

No	Function	Area in m ²
I	Developers space	
1	Basement floor - store	350
2	Ground Floor + Mezzanine - supermarket	550
	Total	900
II	Typical residential units (4 units per floor, 1st -5th floor)	
1	Living/Dining room with balcony	25.3
2	Master bedroom with bath + balcony	24
3	Children's bedroom	11.6
4	Toilet & shower	2.7
5	Kitchen & Laundry	9.8
6	Lobby	3.5
7	Maid's room or Store	3.2
8	Circulation	3.4
	Total Area	83.5

Table 5-1 Program of accommodation, *Semay -Tekes* housing cooperative building

⁴⁰ Cooperative committee

Figure 5-10 Ground floor plan, the commercial floor of *Semay-Tekes* cooperative



GROUND FLOOR PLAN sc 1:50

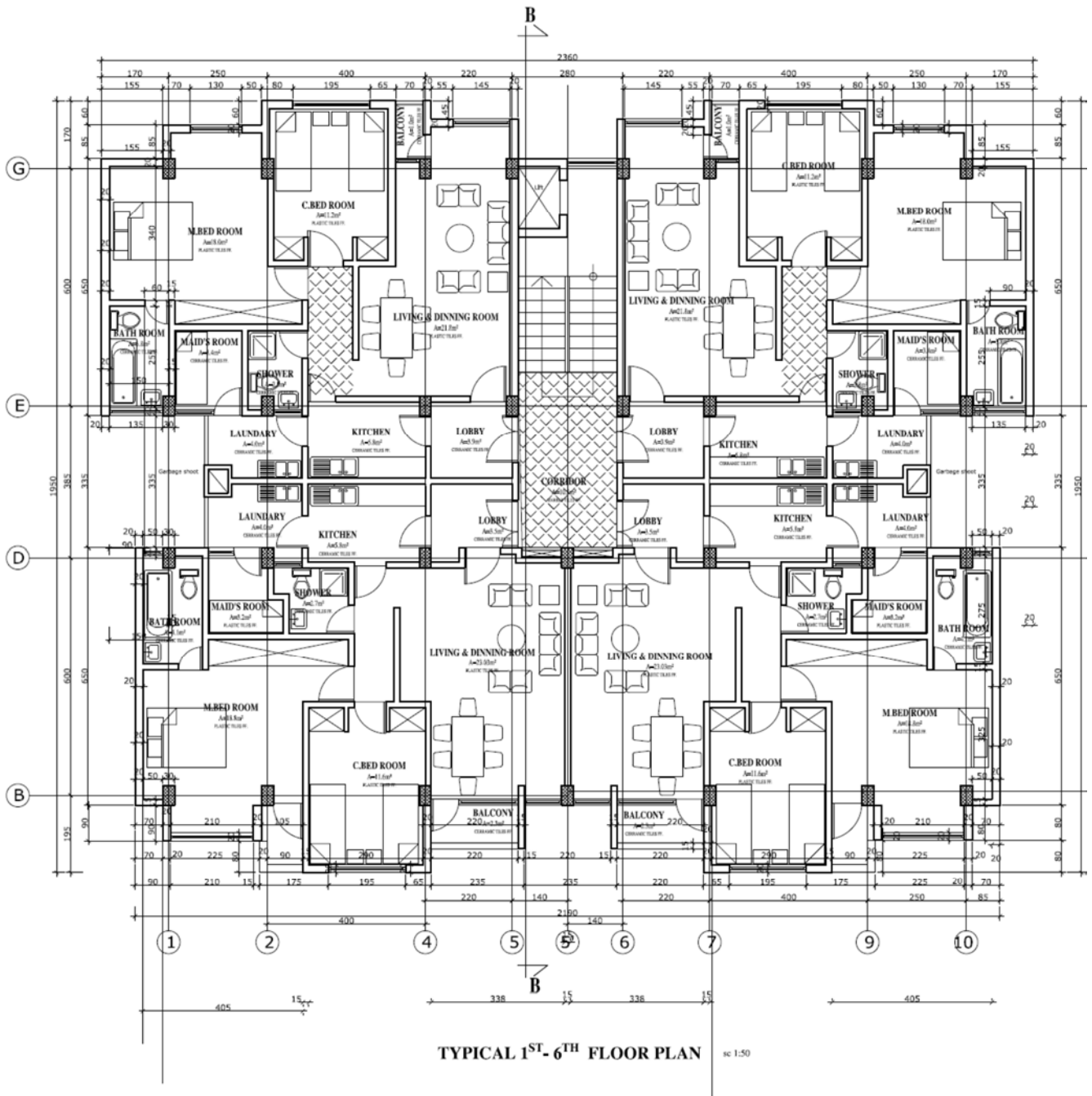


Figure 5-11 Typical floor plan , 1st-6th of the residential floor of *Semay-Tekes* cooperative

f) Building permit

The building permit process started after the design approval. In normal occasion designs are prepared and approved based on a legalized title deed but for the *Semay-Tekes* case the cooperative was given the building permit before acquiring the title deed for the plot. On July 1996 a fence construction permit was given. One major criteria the cooperative was requested was to deposit 454,000.00birr, which 20% of the project cost in a blocked account in the name of the cooperative. The developer contributed the money and it was deposited in the name of the cooperative at commercial bank of Ethiopia and the construction permit was given by Addis Ababa city Administration in October 1996.

g) Construction

After acquiring the building permits and before the construction the blocked initial deposit was released. Indeed the process was not easy because the bank requested confirmation from government, cooperative organizing body to release the money and the cooperative organizing body was also confused to write a letter since the cooperative was unique one different from the others.⁴¹ But, finally the letter was written & the money was released. The labor contract was given to the son of the developer, a civil engineer educated in India as it is part of the deal with the developer. The construction has two major phases: phase one is within the scope of the cooperative while phase two is individual responsibility of the members.

Phase one construction: includes structural part, filler (wall including plastering), external finishing, sanitary and electrical installation lines and window door construction. In general all basic construction except the finishing part for the interior of the residential units and the commercial space. The phase one construction started in October 1996 and ended in 1998 which implies it takes about 2.5 years although it is difficult for the cooperative and the contractor to remember the exact period. Finishing work for common spaces (lobby and stair) of the apartment was part of phase one but it was not completed in 1998 like the others. The cost of the construction for phase one was covered from the cooperative account (2.8m birr developer contribution +37,000 birr from each of the remaining cooperative members).

Phase two construction: phase two construction of the project has some unique features. The first is the developer completed his finishing work consequently after phase one without difficulty and got into business. On the other hand the cooperative requested for title deed since the structure is erected and the government refused, the case went to court which took about two and have year to get the result. Within this period the government does not prohibit construction but the cooperative

⁴¹ cooperative committee and archival review

members do not carry any kind of phase to construction.⁴² According to a development expert (from Addis Ababa city administration) who was part of the team studying feasibility for the current condominium houses they had visited it as an exemplary project in their study in 2002 and the apartment part was not finished yet.

According to the committee members the first task was to construct the remaining work of phase one, finishing for the common space of the apartment which was part of phase one. The cooperative members were requested to contribute 10,000 birr each to undertake the task. N.B it is part of the total contribution of the cooperative members which is 37,000 birr. The committee wrote a letter to each member requesting to contribute the referred amount with a dead line and stated those who do not contribute before the dead line (contribution is mandatory) will not be in the lottery system to subdivide the units among the members and will be entertained after those who full their responsibilities. Except for two members the remaining contributed before the dead line and the construction was carried on. The basic idea behind the finishing work of the common space was to make it functional for anyone who can finish his part and start living without being affected by the other unfinished units. After this by using a lottery system the member were allocated with the individual units.

The members started the internal finishing works of their unit and the first member who got into the house started living in 2002. The last member to finished his unit and start living was in 2007.⁴³ According to the cooperative project progress of phase one construction is normal but phase two construction was delayed due to the financial constraint of the individual cooperative members.

h) Occupancy

Lottery system unit allocation: individual apartment unit allocation was held after finishing for the common space of the apartment which was part of phase one. The rule of the lottery system is simple, members will be entitled to choose among the units in order of the number they draw. A member who draws number one is entitled to choose among the 20 units. And the order is kept going to the last person member who draw the last number choosing from the remaining units. In the lottery system 18 members were included, 2 members were left behind for not fulfilling the last major contribution on time as per the requirement. Indeed this decision has resulted in affecting the positive communication environment among the cooperative members.⁴⁴

⁴² Interview with cooperative committee and archive

⁴³ interview with cooperative committee and members

⁴⁴ interview with one of the two cooperative members not included in the lottery system

Occupancy stage

From the total 20 cooperative members currently only two members live in the building. Surprisingly only 4 members of the cooperative have lived in their house, the remaining have rented it from the beginning. The reason for renting was economical capacity. They have used the housing to reinforce their economical capacity instead of living in the units. 18 of the cooperative members have rented their unit and only 3 of them have other private house to live in which is acquired after the completion of the cooperative housing. The rest are living either by renting other house or with relatives. But, till now no one has sold his units. Since the most of members had not lived together it's is difficult to describe the development influence on occupancy stage. But, according to the committee the cooperative have started to diffuse or started disintegrating after unit allocation, every one focusing on his own interests. Managing the building or the cooperative was left to those individuals who are committed instead of a system.

One major thing that happened during occupancy phase is the diminishing of plot size from 1092m² to 999m² due to road widening at the front. This has taken the front parking space dedicated for the developer, supermarket. And the developer had purchased a neighboring plot for parking purpose.

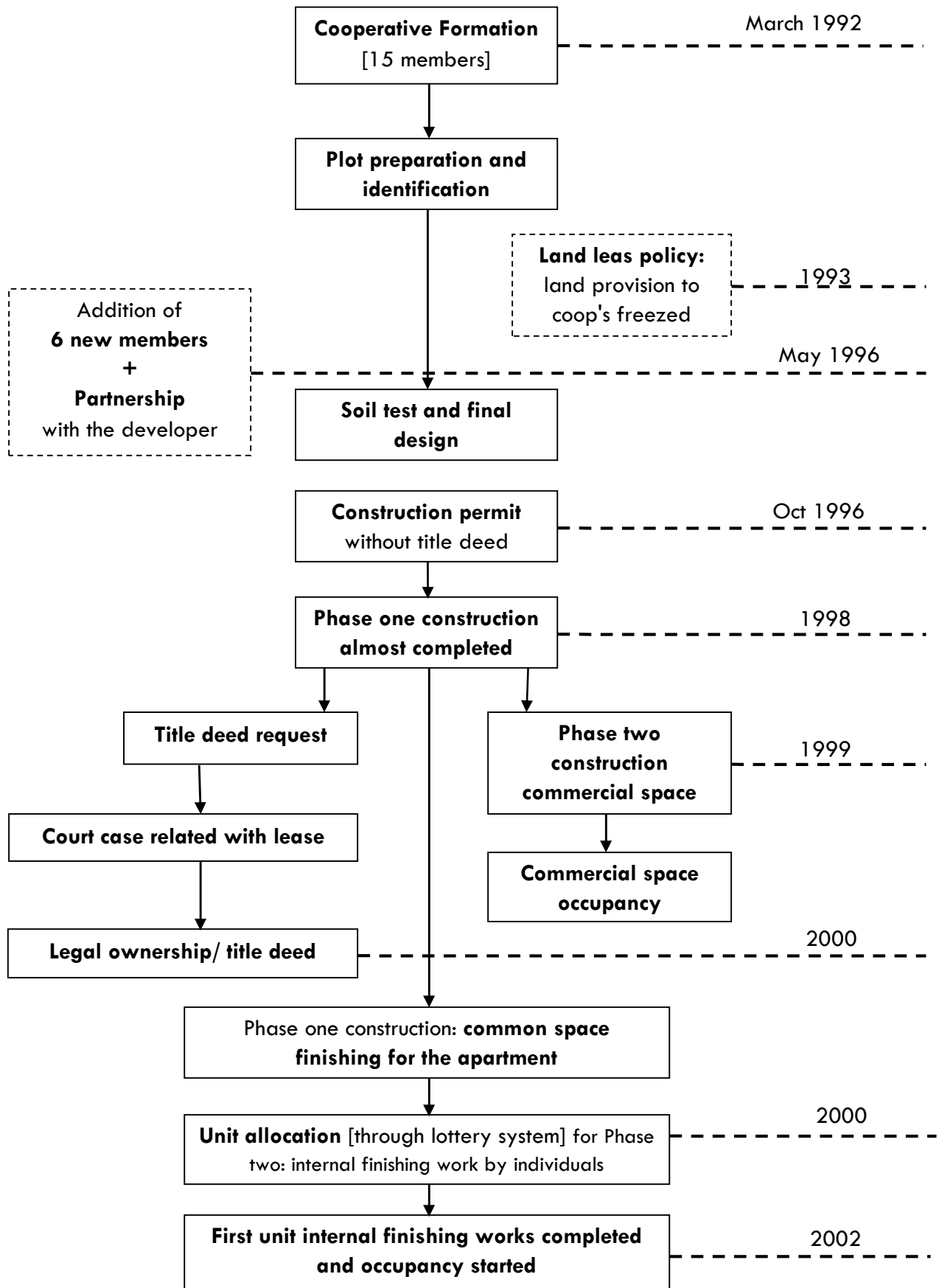


Figure 5-12 Housing development process; *Semay-Tekes* cooperative housing in partnership with a developer

5.5 Challenges of the development

The challenges in the development are; financial challenge faced by the cooperative, long land acquisition process, lack of legal and institutional framework to support and guide the partnership, poor outdoor space quality and finally poor occupancy management.

- **Financial challenge:** the cooperative members had faced financial constraint to undertake phase two construction. They had devised different methods to raise fund like getting loans from credit facility at work place, loan from relatives, extra work income and dealing advance payment with a person who want to rent the house. It took 4-9 years for the cooperative members to complete phase two.
- **Long land acquisition process:** even if it is due to the context the land acquisition process was one major challenge. Especially, the period till the construction permit was a waste. The cooperative members understand the process was delayed with bureaucratic reasons. Getting individual title deed is still a challenge.
- **Lack of legal and institutional framework:** the condition that there no legal and institutional framework to support the partnership was a potential challenge.
- **Poor outdoor space quality:** Ato Arega and his family who is one of the two members living in the building has raised some occupancy problems. He says when they initiate and start the project they already knew that they would lose some cultural activities that happened on the ground but, with that in mind they believe there are some issues that should have been included like traditional kitchen, cloth washing and drying space, green area, children play area and enough parking for all the 20 units. He believes this could have been solved easily if the municipality had added some 200m² on the plot.
- **Poor occupancy management:** After housing allocation it has been difficult to even have a general assembly and collect the monthly contributions properly. After unit allocation there was only one general assembly which was held due to the termination of some utility service as a result of not paying the bills. The management of the building was conducted by those who are committed until recent time. Indeed some of the members are outside the country or outside the city. It is difficult to collect contribution money from members to cover costs for compound security, common space (compound, corridor...) cleaning & utility bills of common elements. Currently they have hired an administrator to the building.

5.6 Potentials of the development

All the members are satisfied with the development process and feel are successful in the project. It has allowed them to address a housing problem with a less costs mechanism. According to the cooperative the advantage of getting into cooperative are access to land and cost minimization. The cooperative members believe the model could work in the current situation as a result of high land prices which could force private sector to get into such arrangements if the government provides land to cooperatives for free. The developer is also satisfied with project and is interested in engaging in similar arrangement in the future.

Social capital had positive contribution but it has also resulted in some minor challenges like not taking measures on friends and coworkers who are not paying contributions on time. The development has empowered the cooperative members economically. Out of the 18 members who are not living in the building only 3 of them have another personal house. The rest have rented their unit for economic empowerment purpose. The human capital of the cooperative, composed of Architects, sanitary engineer, draft person, quantity surveyor and business administrator was an advantage to the development.

Chapter 6: Findings and discussion

Here under this chapter the findings of the research is stated and discussed. The primary purpose of this section is to state what is found from the data and assess the performance of the case by analyzing and benchmarking it against the theories and practices outlined in earlier sections of this report. The format is structured in a way to correspond to the research questions and previous sections of this report with the following framing topics: the interest and roles of the actors in the development, the process of development and finally the challenges and potentials of the development.

6.1. The interests and roles of the actors involved in cooperative-developer partnership for housing development

Before discussing about the actors interest and roles it is important to state and discuss findings about the partnership arrangement and about identifying the main actors.

Cooperative - Developer partnership between Semay-Tekes co-op & Ato Fantu Weldeyes

The partnership arrangement between the developer and the cooperative is unique. Considering the parties involved that are officially recognized in the partnership arrangement, one can say the partnership arrangement is close to private sector and third-sector organization/cooperative partnership modality that was described in the literature study. But, when looking in detail there exist two things that makes it difficult to describe so. The first is the interaction between the partners where the developer is also member of the cooperative not a detached partner. Secondly, the government was involved in providing land for free, one of the critical input to the housing

development even though it is not provided directly to the partnership. The above second issue, the involvement of government specifically indicate that in terms of content the partnership is also close to mixed partnership modality where the public, private and third sectors actors have some interest and responsibility. But, the condition that the government is not an official part of the partnership agreement makes it difficult to conclude. On the other hand the condition that the developer joins the cooperative like any other member keeping his interest and roles makes it to be a variant of private sector and third-sector organization partnership modality which is mainly characterized by detached parties entering official agreement.

As it was stated in the literature earlier the common type of the partnerships between private sector and the third sector is in the field of credit. This is because private financial institutions are more guaranteed to give loans when the CBOs are involved. But *the Semay-Tekes* case is different from this common experience by which the private sector is a business man and there is no loan given to the cooperative. He funded the project in return to owning a commercial space. These described unique feature of the development makes it unique partnership arrangement.

Underlying reason for such unique partnership arrangement

Such unique arrangement is the outcome of contextual influence. It builds on the legal framework for cooperative making internal arrangements not recognized by the government. This internal arrangement, without official recognition by government was mandatory since the government provides a subsidized plot for free to cooperatives within the legal framework for cooperative housing development. Thus, if the developer had to participate in the project it was a must to join the cooperative like one another member. This influence from the legal framework was the main factor that resulted in uniqueness of the partnership, a developer partner who is a cooperative member not a detached one. Raising equity capital of cooperative by inviting investors by its self is not unique since there is such experience internationally according to Kimberly & Jamie, 2005.

Comparative strength and weakness of partners

As it is stated earlier in the literature review the essence of partnership builds on the existence of partner's comparative strength and weakness. In this regard the strength of the cooperative were access to land for development in the inner city location and human capital needed for the development. Whereas, the main weakness was financial constraint. On the developer side the strength was finance but he has weakness in accessing a developable land in the inner city. Thus the key pushing factors, weakness that result in the creation of such cooperative-developer partnership are finance and land.

The strength in accessing a land for development from the cooperative side is a result of innovative idea of the cooperative members to capitalize on the then legal framework for cooperative housing

development which allows land provision for free to cooperatives. And also the condition off difficulty in accessing land after the land lease policy which has also role in magnifying the value or strength of the land acquired with the above mechanism by the cooperative. On the other hand having strength in human capital is not common for cooperatives for two reasons: housing is almost a once in a life activity (the chance for a previous experience and knowledge is minimal) and cooperative members are low income groups who struggle to meet their basic demands it could be hard for them to give time and energy to the cooperative which has no immediate result in their life. (UNCHS(Habitat)/ICA, 2001) (Kimberly & Jamie, 2005). But, in the *Semay-Tekes* case the member's educational background and common bond has equipped the cooperative such a strength. The cooperative's financial constraint/weakness emanates from the gap between the income level of the members who are mostly government employees earning salary (most below 900birr during formation) and the scale/cost of the project, a multimillion birr project. Indeed this is excepted weakness shared by most cooperatives since cooperatives are usually formed by groups of people that has resource limitation as it is stated by Kimberly & Jamie, (2005).

Whereas, the developer's weakness/interest for land is also common as it has been seen in the *Casablanca* case. The difference is on the underlying issues resulting the need. In this specific case the need emanates from the context and location. The suitability of the location for the developer's supermarket business and the national context, the condition that land provision to was frozen at the time (i.e access to land was difficult) are key factors in pushing the developer to engage in such development.

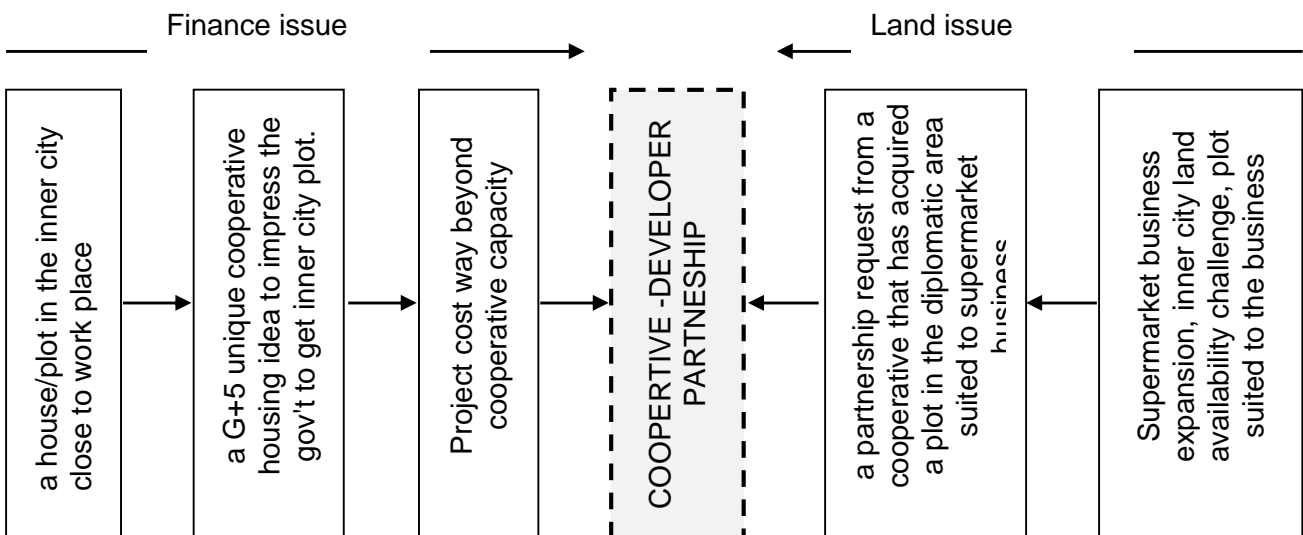


Figure 6-1 Pushing factors resulting to the cooperative-developer partnership formation

The international context at the time

Assessing the performance of the case with respect to the period's international context is also important in understanding the innovative level of the development. The development partnership was formed in 1996. This was a period of where the enabling approach (late 1980s-early1990s) was being modified and transformed to the current sustainable human settlement global strategy (since 1990s onwards). This current global strategy document, described in habitat agenda is the basis for international and national housing development policy for this 21st century. As to Tibaijuka (2009) and UN HABITAT, (2005) description it promotes a participatory approach and puts the following points a key elements in housing development: partnership or cooperation between actors, mobilization of resources from all possible stakeholders (especially private sector & community), changing role of government to a facilitator instead of engaging in the direct housing production or delivery. In this regard the experience of *Semay-Tekes* cooperative partnering with Fantu aligns to the main points of the global strategy in the period's (which is also current] global housing development strategy. Because, it was a multi-stakeholder development process engaging community [i.e. the cooperative members), private sector/ developer and government. The cooperative and the developer entered in to a win-win cooperation or partnership arrangement to carry on the development.

The government involved for land provision and cooperative registration, it was not involved in the implementation phase of the project. According to Tibaijuka (2009) one of the roles of governments in the global strategy is facilitating land assembly to low-income housing. Indeed this partnership arrangement has reduced the burden of the government since other mainstream cooperative used to implement their project through a subsidized loan from HSB. This also cements the alignment of the case with a global strategy which has a goal of reducing government burdens and distributing to stakeholders. And also, the engagement of a private sector for profit also brings replicability potential of the scheme within the market. This is also another important element stated in the global housing strategy. The phasing's in the project was also important in increasing affordability to the cooperative members and motivating individuals to fulfill their responsibilities.

The possibility of such partnership in the current local context

As it described in the contextual review the current cooperative regulation is tough even though it is a response to abuse experience encountered earlier in the past. This is in contrast to the very nature of cooperatives, association of peoples with resource limitation as it is stated by Kimberly & Jamie, (2005). What can be inferred from the current situation is that if the cooperative members had 100% project cost in hand by themselves then there is no need to cooperate with a developer, meaning there is no room for the cooperative-developer partnership according to the housing strategy document 2012.

The above description is for cooperatives that are provided with land for free by fulfilling the 100% requirement. But cooperatives formed in the renewal program it seems possible to have the above cooperative-developer partnership case since the plots are located in the inner city (where the private sector has interest) and the cooperative enjoys more rights [not obligated of 100% project cost beforehand and property transfer right before even construction] than the normal cooperatives. But, still there is no specific clear legal framework to guide such cooperative developer-partnership for housing development like the *Semay-Teke* case.

Actors in the development

- **Actors:** The main actors involved in the development are the cooperative, developer and government. But as it is describe above the interaction between the actors is different as shown in the figure below.

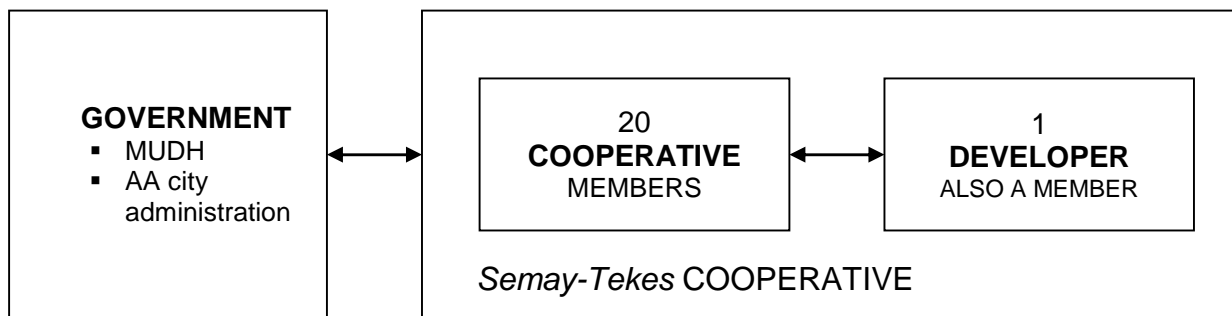


Figure 6-2 Actors interaction in the development

Even though the developer is not recognized legally as a detached partner his need/motifs and roles are different from that of the remaining cooperative members. And to recall the definition of cooperative "*An autonomous association of persons united to meet their common economic, social, and cultural needs and aspirations*". The need of the 20 cooperative members is common, to own a house and solve housing problem. Whereas, the need/interest of the developer who is the 21st member of the cooperative is business or profit not to solve a housing problem. These interests and roles of the developer are similar to that of private sector partner's interest and roles described in UNCHS, Habitat, (2001) which is to invest resource or money and earn profit from his investment. So, considering the above two major reason, it is logical to consider the developer as a different another actor from the cooperative even if the he is under the shade of the cooperative.

Similarly, considering its motif and the role it played by its different institutions the public sector or government was also another actor in the development process. Its motif was to support the self-help cooperative housing development. Even if the government does not officially recognize the partnership it had recognized the cooperative and had provided the necessary service expected from it to the cooperative. Especially the provision of land for free to the development/cooperative

which is an important element of the development process is a notable contribution to the success of the project. These are the interest and roles of the public sector actors as it is described in by UNCHS, Habitat (2001). Thus, the government/public sector was also another major actor.

Finally it is visible that in the development process all the three development actors stated by UNCHS, Habitat, (2001): state (public sector), market (commercial private sector) and people (third sector) were involved.

Interest of the actors in the development

- **Interest of the developer:** the developer is interested in acquiring a commercial space in the inner city where there is potential for his supermarket business. This is a universal private sector interest as it is described by UNCHS, Habitat (2001). On top of this main interest the developer was also interested in getting the opportunity to build additional floor by covering the additional cost. This arrangements had increased the profit margin of the developer from the project.
- Another major interest of the developer is minimizing his investment risk. For this the developer had released his contribution in two phases: first he inject 20%, the necessary block account required by the government to give construction permit. The remaining was injected in to the project after the construction permit was acquired to the project. This simple phase has saved the developer from storing his money while the actual implantation was not in place. It allowed him to use the money for his business till building construction permit was secured.
- On the other hand after injecting the full amount of contribution the developer was also liable to risk if the construction was not carried in quality and if there had been a financial flow problem which could end the project in bankrupt. Thus, he demanded two things: to be one of the team members who sign on checks and to engage his son as a contractor of the project. This is not actually only interest but also incentive, getting his engineer son a job to do so.
- Another interest of the developer and also the cooperative's was phasing of the project. This is one of the prime win-win arrangements, it was important for both partners. For the cooperative it increased affordability buying time to the cooperative members to mobilize financial resource without affecting the other partner. On the other side the developer was also relived from being pulled back by financial limitation of the cooperative if the whole project was to be carried out without a phase together. As a business man he wants to develop quickly and get in to business.
- **Interest of the cooperative:** the cooperative as an organization was interested in realizing the project within the interest of its members. Whereas, the main interest of the cooperative members as an individual is to solve a housing problem, acquire a house to live in the inner city area. Indeed the very essence of cooperative is to provide housing and related service to its members as it is described in Chikago mutual housing, 2004. This general main interest builds on sub interests. The first sub interest is to find a private sector developer who can share and

give some relief from the financial burden of the project in return to a reward for commercial space. This is one of the arrangements that exist between private sector and public /third sector partner. For example it is similar to the arrangement between slum dwellers and a private developer in Casablanca, Morocco described by Toutain, 2014.

- The second sub interest is to maintain the democratic nature of the cooperative while the developer joined it. As a result of this interest & the legal framework not allowing him to be a detached partner he joined the cooperative like any other member. He had equal rights and responsibilities like the other members with regard to the scope of the cooperative. This was an important element in maintaining one of the seven basic principles of cooperatives described in North county cooperative foundation (NCF), (2004), one man one vote democratic decisions. This had also protected one of the fundamental concepts of cooperative, user control from being influenced by individual developer whose motif is profit and whose equity contribution is more than the sum total of equity contribution made by all the other cooperative members. So even though the developer injected a large sum of money which is more than the total contribution of the remaining members he has one vote. According to Kimberly & Jamie, (2005) in other countries where investors are invited to raise equity capital of a cooperative there are legal limitations cooperative laws about voting rights and investment returns.
- The fourth sub interest of the cooperative is controlling the overall project operation especially controlling the finance and quality of the construction. Because, the partnership had allowed the developer to engage in the construction the cooperative was interested in supervising the work by using its human capital resource. This is actually a necessary matter since there was no other body to do so. In other countries for example in Morocco this responsibility is carried on by government on behalf of the community. But in the *Semay-Tekes* case this is not the option since the partnership is not recognized and there is no legal or institutional framework to do so. On the other hand in the main stream cooperative program the government used to take this responsibility.
- The fifth sub interest of the cooperative was extending the idea of affordability. In order to achieve this two arrangements were made in addition to the first idea referred above, inviting a developer to share financial burden. The first is by planning project phase. The second is by defining communal and individual responsibilities scopes. The project was planned to be constructed in two phases: phase one is communal responsibility and phase two is individual responsibility. The concept of work distribution among the two phases is interesting. Phase one included works necessary for the functionality of the building. It includes all works except the internal finishing works of the units. This relieved the cooperative from being stressed to contribute the total project cost in a bounded period. And also, the developer was also interested in it since it avoids possible risk that may arise due to failure of the cooperative to contribute the

total project cost. So in the development the project cost was broken in to two parts which in other words means the concept of incremental housing was fused in the development. Leaving the internal finishing works to the individual was an important strategy of increasing affordability since the members are allowed to decide on the quality of finishing works based on their economic capacity.

- **Interest of the government:** the government was interested in the realization of such innovative model self-help cooperative housing development which increase the land use efficiency though vertical densification in the city in addition to its contribution of alleviating housing shortage. Also infrastructure cost minimization was another interest in the innovative package. In addition the government was also interested in the subsidized land resource provided to the cooperative not to be abused. This later concern was important as it has been discovered that some cooperative have abused the system of getting free land to housing cooperative development by engaging in selling their share and making profit which is not in alignment to the aim of the cooperative housing development. To avoid such abuse the government has demanded the cooperative to sign an agreement which states that the cooperative will get ownership title deed after the completion of the structure of the building if not the government will reclaim the land with its property without any compensation.

To summarize, the developer and the cooperative have aligned their interests in a win-win arrangement and defined the scope of responsibilities. This was important part of the partnership as it is described in the literature by Bouma & Berhout, (2015) as one of the critical elements for avoiding conflicts and contributing to the success of partnership.

Roles of the actors in the development

- **Role of the developer:** the developer was responsible to finance 2.8m birr (2.3m+500,000, for basement) for the construction of phase one of the project, the scope of the partnership. This is well known common private sector role as it is described UNCHS (Habitat), (2001). On the other hand the son of the contractor, indirectly the developer was also engaged in the construction of the building. According to (UNCHS (Habitat), 2001) the reason for such engagement of the private sector in the construction is to increase efficiency by utilizing its experience in the competitive market which demands efficiency and quality. But, for the *Semay-Tekes* case the reason for engaging the developer side as a contractor was to avoid possible risk of the developer who injected a large sum of money to the cooperative account.
- **Role of the cooperative:** the cooperative is responsible for undertaking paper works in government office, undertake different activities especially design, supervision, financial administration for free using the human capital it has. And also to contribute some portion of the finance to fund the project. As it is described earlier the cooperative have mobilized

collective finance and human capital for the project. It was the legal body that negotiate and communicate both the government and the private developer on behalf of its members which in other ways means playing a mediating role between the community (individual members of the cooperative) and the other partners. The cooperative have also devised a way to produce shelter to its members at the lowest possible cost by inviting a private partner which played a great role in achieving this specific objective. Thus one can say the roles of *Semay-Tekes* cooperative is in alignment to what is stated in the earlier section of this reports stated by UNCHS, Habitat, (2001) that puts three main roles of third-sectors: mobilizing collective action, playing mediating role between community and other partners, and finally producing housing for different income levels at lowest possible cost.

- **Role of the government:** from the government, MUDH was responsible for registering the cooperative during establishment. Addis Ababa city administration was responsible for land provision, for approval of design and construction permit. The government had established a legal framework for the cooperative formation and cooperative housing development. This is not the full package government role according to UNCHS, Habitat, (2001) description which says the governments roles in establishing a legal and institutional framework environment that encourage the other actors the community & private sector to play their role more efficiently. But, in the specific case there was no recognition of the private sector or partnership with it as part of the housing solution. On the other hand the governments provision of land [to low income housing] and service to the cooperative are in alignment with those roles stated by UNCHS, Habitat, (2001).

Financing

The project had two phases: phase one was a joint responsibility but phase two was individual responsibilities of each member. The cost incurred by the individual members of the cooperative to carry on the internal finishing works for one's own unit vary greatly starting from 30,000 to 110,000 birr to complete the interior of each units. So, it is difficult to get the cost for phase two of the project but, it is worth here to describe the different funding schemes the members had used to complete the internal finishing's: loan from a bank by using relatives property as a collateral, loan from relatives, special agreement with a person who wants to rent who could pay in advance to carry on the finishing and some incomes from extra works incomes.

No	Partner		Financial contribution for phase one		Spatial share of the partners		Remark
			Amount	%	Area	%	
1	Developer		2.8m birr	79%	900	35%	The developer has taken the prime space for business making that compromise the proportional mismatch between finance & spatial share.
2	Cooperative	1 member	37,000. birr	1.05%	83.5	3.2%	
		20 members	740,000. birr	21%	1670	65%	
Financial contribution proportion			Cooperative : developer			1:4	
Spatial share proportion			Cooperative : developer			1.85:1	
Spatial share proportion			Member : developer			11:1	
Total project cost for phase one is 3.54m birr							

Table 6-1: Financial contribution for phase one construction and spatial share of the partners.

According to UN HABITAT, (2010) to cover financial incapability usually cooperative takes loans but for the *Semay-Tekes* case they didn't take any loan as a cooperative. Instead they invite a private developer to alleviate the burden. Another issue described by UN HABITAT, (2010) is the contribution of establishment fund by cooperative members where the *Semay-Tekes* has a different situation. The members does not contribute large sum of money during the establishment instead they contribute monthly charges starting from the establishment and contribute large sum of money whenever there is necessity.

To summarize, in the partnership we can see that the actors had contributed their strong part to the partnership which is the basic essence of forming a partnership. The developer contributed finance, the cooperative contribute human capital and a portion of finance and finally the government contributed a plot in the inner city even though it is not directly provided to the partnership. On other hand the interest of the actors were complimentary that contribute to the success of the project.

6.2. The process of development in cooperative - developer partnership housing development

It is difficult to describe the development process without the actors, their interest and roles. But this has been described earlier and to avoid redundancy the focus of this section is mainly about the major steps or components of the development which is believed to answer the HOW question of the research together with other parts.

One can clearly figure out that the development process of a housing development through cooperative-developer partnership is composed of at list cooperative formation, partnership arrangement and joint development actions are part of the development process. As it has been stated earlier in the literature review there is no single type of cooperative-developer partnership and it was difficult even to find literature for such development types. Thus, in this section the summary of the development process findings is stated as follows in table and diagram.

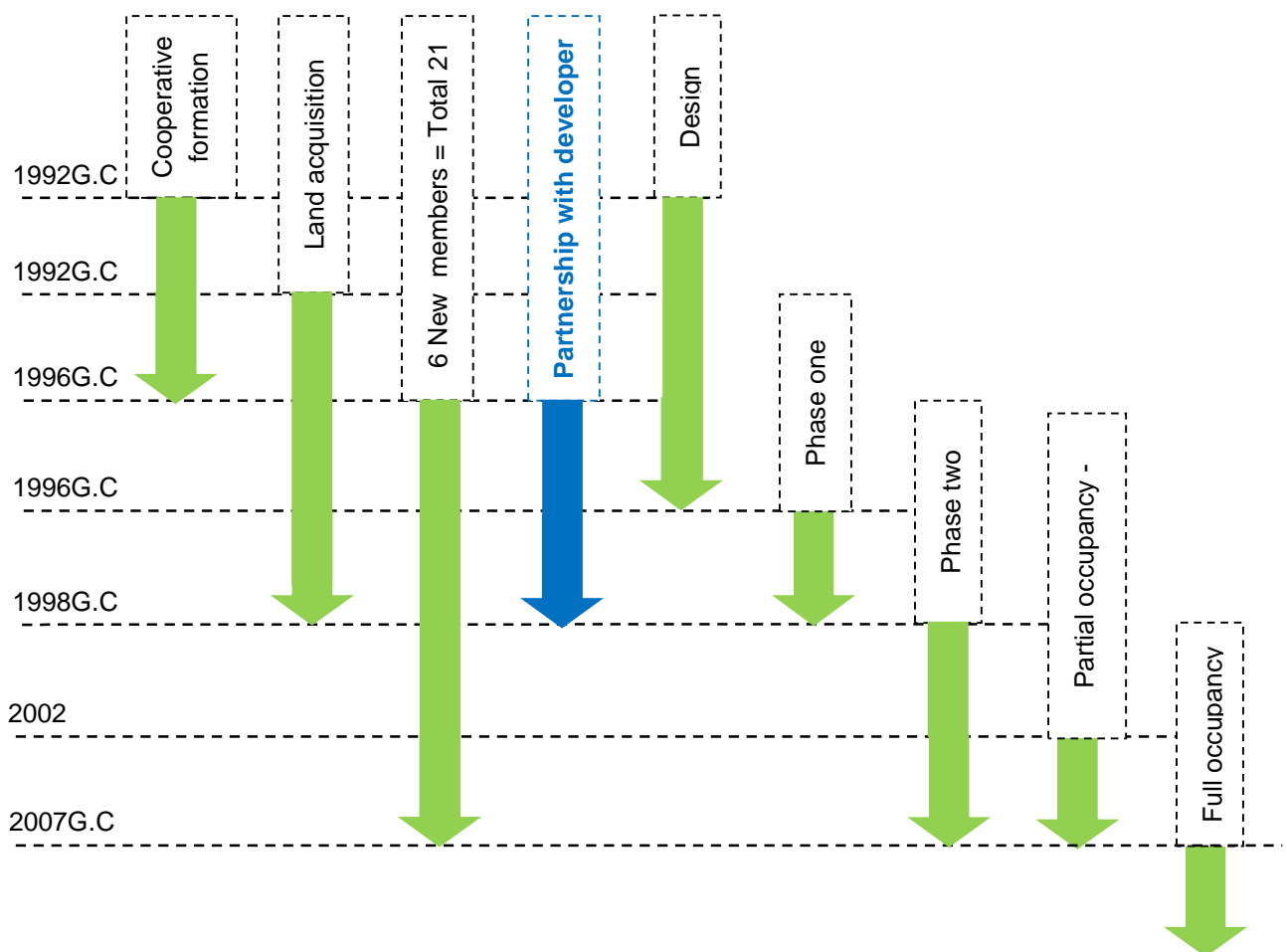


Figure 6-3 Diagrammatic summary of development process

Summary of development process findings

No	Main development activity	Period	Remark	
1	G+5 cooperative housing idea and proposal	Idea development, preparation and submission of proposal to MUDH	1992	- 11 of them are coworkers, BDE - Commercial floor is intended to subsidize residential units.
		Proposal appreciated by government, MWUD officials	1992	- considering it minimizes infrastructure cost and increase land efficiency/density
2	Cooperative formation	Establishment by 15 members	1992	- With legal framework that was set by <i>derg</i> & that continued.
		6 new additional members joined	1996	- The developer is one of the 6 new members. - G+6 building, one floor added
3	Partnership with developer	Initial agreement without basement floor - 2.3 m birr developer contribution	1996	- The scope of the partnership is phase one. - The agreement is internal not officially recognized by the government.
		Supplementary agreement about basement floor - additional 500,000 birr developer contribution	1996	- B+G+6 building, basement added.
4	Land acquisition	Sarbet - plot identified and allocated to the cooperative.	1992	- From choices forwarded by the cooperative
		Land leasee policy was ratified before title deed acquisition	1993	- Land allocation to housing cooperatives freed.
		Construction permit without title deed given	1997	- building the structure a pre-requisite to acquire title deed
		Official title deed acquired	2000	- After building the structure and a court case decision.
		Still no individual title deed acquired		- before 2003 the was no condominium proclamation
5	Design preparation	G+5 schematic AR design	1992	- part of the proposal, ideal site on 1200m ² area
		G+6 schematic AR design	1996	- to convince government about the new members
		B+G+6 full design package, AR, SN, ST, EL and Boq	1996	- After soil test result, which demand mat foundation.
6	Construction	Construction permit , without title deed	1997	- after 20% deposit in blocked account and special responsibility agreement
		Phase one construction	1996 - 1998	- joint responsibility - All works except individual space internal finishing's.
		Phase two construction, individual responsibility	2002-2007	- Developer complete shortly. - members complete 4-9 yrs. after phase one completed
7	Occupancy	Partial occupancy		
		Full occupancy	2007-	- all members completed phase 2

Table 6-2 Summary of development process findings

6.3. Challenges & potentials of cooperative - developer partnership in housing development

Here under this section the challenges and potentials of the development are stated.

A) Challenges of the development

There are different challenges in the development. As it was noted out in the earlier section of this report and by the nature of the challenges they can be classified in two to groups: those challenges faced by the individual partners [specially housing cooperative challenges] and those challenges faced by the partnership (the partners together). But they are stated below together since the individual partner challenges are also indirectly the challenges of the development through partnership.

1. Finance limitation of cooperative members

Even if the basic intent of inviting the private developer clearly implies the financial limitation of the cooperative there is also another layer of financial limitation observed even after the partnership. The fact it took 4 - 9 years to complete the second phase of the project after phase one was completed clearly indicate that the cooperative members had faced financial challenge. Even before phase two construction some of the members had faced financial challenge to fulfill their contribution on time for the phase one construction part, specifically for the internal finishing work of the common space of the residential quarter. This is had resulted in removing these two cooperative members from the lottery system unit allocation after the total completion of phase one construction.

To overcome this financial challenge the cooperative members faced for the phase two construction they had used different mechanism like getting loans from credit facility at work place, loan from relatives, extra work income and dealing advance payment with a person who want to rent the house. This is in alignment with what is stated earlier by UN HABITAT, (2006) about fund raising mechanisms in cooperative. One of the pushing factors for the members to rent the units from beginning seems to repay this loans in addition to other intentions. It is important here to remember that the building was in a state to function if some members does not finish their unit since the external and common space areas were finished in the phase one part of the construction.

Another major problem described in the literature is financial management, but for this specific case as a result of the human capital, having members with financial and management profession the administration was no problem.

2. Land acquisition

Land acquisition was also a prime challenge of the development. It has two parts, the first is the period from request for land to the construction permit [without title deed] which took 5 years. And the second is after construction permit till title deed acquisition which took 4 years. From the two the first had a critical influence on the development. This is because even if the plot was identified

in the early times the cooperative does not had the official ownership. But when construction permit was given the cooperative's ownership was officially acknowledged on conditional basis. And the cooperative was allowed to engage in action.

3. Legal and institutional framework

Lack of specific legal & institutional framework to guide, support and regulate the partnership was a potential challenge for the development. Luckily there was no conflict between the parties in the partnership as a result of the strong trust and understanding between the parties. But, if there had been such a case the overall project could have been jeopardized. And if such model is to be multiplied there is a potential to encounter conflict between parties. And also the fact that the developer is not officially recognized by the government is covered by the strong trust between the parties limits the replicability of the model to address the housing problem in a larger scale. This is because getting private developers who inject large sum of money in such conditions where the legality is not officially recognized by the government could be difficult. These issues makes the legal and institutional framework a potential challenge for the cooperative-developer partnership models. In addition, if there had been legal and institutional framework to support such partnership the development could had been faster. For example if there was condominium proclamation that recognize individual ownership the development specially phase two would had been more faster since the members could use the unfinished individual units to get loan to complete phase two in a shorter period.

4. Occupancy management

One of the major challenges the development had been facing and is still facing is occupancy management. The source of this occupancy management problem is to be linked two key issues: the fact that the building is not owner occupied and the tenure arrangement. After completing the internal finishing only four members had started to live in their unit and currently only two member lives in the building. The reason the members raise why they rent the unit is economical advantage/empowerment. The multiple-mortgage type of tenure arrangement has resulted in a defusing cooperative system after the construction was complete. It seems the members understand the essence of the cooperative is up to getting one's own house, more specifically up to the completion of phase one and unit allocation. Currently the cooperative is served by volunteers from the members in addressing issues related with the cooperative /partnership.

With the addition of non-owner occupied unit the cooperative/partnership is in a defused state which resulted in difficulty to address occupancy problems and routines. The major occupancy problems related with management are: it is difficult to collect regular [100birr per month] and occasional contribution for the common goods, the individual cooperative members still has not get individual deed and maintenance of building are not carried done in shorter periods. Indeed the issue of title deed had reasons to wait up to 2003 [1995e.c], where the condominium proclamation was ratified

before that there was no legal framework to give such title deed. But after the proclamation it has been 13 years and still the individual members does not have individual title deed. The members agree that one of the reason for such long delaying is the diffusion of the cooperative in addition to the government's bureaucratic procedures.

5. Outdoor spatial quality

As it is observed on the site the compound has no green area, children play area, cloth drying area, traditional kitchen and enough parking space for the 20 units. In general, the outdoor space quality is poor. This actually seems to be the outcome of the rush to get land shortly (without delaying the process with additional questions) and lack of futuristic thinking of the need for parking.

To summarize, in the earlier section of this report two types of challenges have been stated: challenges related with housing cooperative and challenges relate with partnership arrangements. In the housing cooperative section five challenges were referred: tenure/equity arrangements, financing, human capital, social capital and legal/institutional framework. Out of this five challenges the financing and legal framework challenges were observed in the *Semay-Teke*s cooperative. But as a result of its team composition the cooperative had passed human capital challenges that are common in other cooperatives as described by (UNCHS(Habitat)/ICA, 2001). They have not got any kind of training from any institute. And also as a result of the common bonds social capital was not a major problem. There was common understanding about tenure arrangement of the cooperative. Thus, there was no challenge from members or the legal framework in choosing a multiple mortgage type of tenure system. But, it has contributed to some extents to challenges in the occupancy phase of the project.

The other types of challenges are challenges of partnership or important issues for a successful partnerships. Both the cooperative and the developer believe that they are successful with regard to the project. The seven factors for a successful partnership that are stated in the previous part of this report are: partnership composition, understanding and trust between the members, alignment of interest and vision, communication, details of the contract, enabling environment and committed leadership.

- R. Riley & Kraft (2010) states successful partnership arise from necessity. In this specific case the partnership composition was an arrangement that evolve out of necessity from both sides: the cooperative needs financial support and the developer needs space for commercial business. So, we can say partnership composition was no problem or it had contributed to the success of the *Semay-Teke*s case.
- The second important element for a partnership, trust and understanding between the partners described by Bouma & Berhout, (2015) and R.Riley & Kraft, (2010) was also no problem to *Semay-Teke*s case. On top of the intangible trust and understanding developed through

communication the partnership had also laid a way of sharing responsibilities & authority to reinforce the trust and understanding between the partners. The partners had agreed on two critical issues that maintains the trust of the parties: from the cooperative side they had the power to control the finance and from the developer side he had the power to control the construction. With this arrangement both had the mechanism to check the quality of the development as well the financial status of the project.

- The third issue alignment of interest and sharing vision described by Bouma & Berhout, (2015) and UNCHS (Habitat), (2001) was also no problem in the *Semay-Tekes* case. One can understand the main interest of the partners, owning a house and owning the commercial space are non-conflicting or are aligned to some degree. In addition, it was described earlier in the literature that the concept of aligning interest extend to balance of benefits and responsibilities. For this reason the project was divided in to two phases which helps to align the interest of the cooperative to build slowly/with one's own desired quality of finishing and the interest of the developer to complete the project in a short period and run his business. This had avoided possible conflict that may arise if the full project was one package.
- The fourth important issue in partnership, the detail of the contractual arrangement described by Bouma & Berhout, (2015) was also no problem since there was a clear stipulation of the benefits and responsibilities of the partners. There was no issue that arise in the project progress that was ambiguous about which who is responsible or who is to benefit.
- The fifth important issue in partnership, enabling environment. The environment during the development could be regard as not enabling when we consider the time land acquisition process has taken. But, on the contrary the condition that land was given to the cooperative for free force make it difficult to conclude. And also considering the fact that the main part of land acquisition delaying was before the partnership makes also difficult to conclude.

B) Potentials of the development

The experience in the *Semay-Tekes* cooperative-developer partnership for housing development is full of potentials. Its potential are even more when one understands the current context of Addis Ababa and the current global housing strategies. These potentials can be stated in different ways but to focus on the main issues the following are the main potentials of the development:

1. Minimal government roles in the project

- In the development the government main contribution was land and there was no other direct involvement in the project. Although it was not intentional it is in alignment with current global stand on government's role with regard to housing development. As it is stated earlier in the literature direct government housing provisions had proven to be inefficient and the current

global stand is to have a minimized government's role which mainly focus on creating enabling environment for the other actors.

2. Involving all parties [partnership] and tapping all resources

- In the development all parties were involved and resource was tapped from all the three main stake holders. Resource constraint was the prime driving force in the evolution of global housing strategies. The current stand on the issue is that resource shall be mobilized from all possible stakeholders which makes the above *Semay-Tekes* case in alignment with global strategy. This because land was provided by the government, the private sector injected main portion of the finance to the project and the cooperative participated by contributing a small portion of the finance and professional service.
- The partnership is a win-win arrangement. The partnership framework helps to work on the common issue and avoid conflicts. All the parties main interests are respected and aligned together. Conflict potentials between the cooperative and developer are minimized by using phasing which allows the developer to complete phase two of his part.

3. Sustainability/Replicability

- As UNCHS(Habitat), (2001) and Umoh, (2012) note housing production that engage private sector and relies on market factors is capable of being replicated and sustainable. Thus, since the *Semay-Tekes* cooperative-developer partnership development is tied to a private sector has the potential to be replicated and be a sustainable approach. This replication potential is more interesting when one considers replication at different locations at the same time, replication at different time and replication in different scale.
- But there has to a training program to address human capital challenges of cooperatives which was no problem to *Semay-Tekes* cooperative.

4. Innovative schemes to increase affordability

- Cross subsidizing is the main innovative scheme of the project to increase affordability. Starting from the initiation the cooperative envisioned this idea of cross subsidizing the households by a commercial ground floor. This had minimized the huge gap between the project cost and the income level of the cooperative members. i.e it increased housing affordability of the individual cooperative members by minimizing amount of expected financial contribution from each households.
- Phasing concept is the second innovative scheme in the project to increase affordability. Dividing the project in to two phases had increased affordability in two ways. The first is by giving the decision on internal finishing to one's household. The households carry on the finishing works as per their interest and economical capacity. Cooperatives increase housing affordability to low income: As Bekele (2003) noted, cooperative housing developments are more affordable than the public housing program since it gives the power to decide on the

type of housing with reasons with respect to one's income level. The second is by giving the option to incremental housing. The households were free to carry on the finishing works any time they have capacity. This is because all the common issue are part the first phase and any lagging by a members has no clear impact on other members who finished their unit and start occupancy. Thus, the phasing idea increased affordability by excluding households internal finishing cost from the main arrangement or program.

5. Empowering community:

- The housing development has economically empowered the cooperative members. The fact that the cooperative members rent their unit with different reasons having another house or renting in another place clearly imply that they are using it to empower their economic status.

6. Suited to the current context of Addis Ababa

- **A need for additional housing development strategy:** the condition that Addis Ababa is in need of an additional housing development strategy to solve its housing problem implies the potential of such cooperative-developer partnership for housing development. Currently housing problem (specially low & middle income group housing) in Addis Ababa is mainly addressed with IHDP. But, the gap between delivery and the demand is huge which makes it difficult to imagine the solution only with this program in the current scale. As it has been discussed in the literature by UN HABITAT, (2006) such strategies had proven to be insufficient to address the problem. Thus, new approaches are needed and cooperative-developer partnership could be one of these which helps to tap private sector resource to low income housing development.
- **The urban renewal program; the land and finance context:** the condition that the main driving force of the partnership formation were land and finance matches with the current context of Addis Ababa increase the potential of the approach. Currently Addis Ababa is carrying on urban regeneration in the inner city area. These inner city areas have high land value and are preferred for business by developers. But, the market land price is very high and which brings high cost to the developers. On the other hand 80% of this inner city areas of Addis Ababa is slum occupied with low income groups. These condition of inner city land demand by the developer and the financial conditions of the existing dwellers matches with condition of the *Semay-Tekes* case cooperative developer partnership. This makes it potential housing development alternative even though still there is no legal framework designed for such cooperative developer partnership. But, there are two issues not to forget: 70% of the inner city is kebele (government owned) house and the current context of land issue as one of the prime corruption areas of the administration. This two issue demand a larger engagement of the government in terms of willingness to provide large areas of the

renewal area to cooperative for free and in creating regulatory framework to avoid the abuse of the program if the program has to be applied.

- **Cross subsidizing and mixed development:** the master plan of Addis Ababa promotes a mixed area development which pave the way to mix commercial and residential purpose in a building. On the other hand the concept of cross subsidizing low income housing by commercial ground floors is being applied in the government lead public housing program. These issues indicate that the concepts of the *Semay-Tekes* cooperative - developer partnership are in alignment with current situations and thinking.
- **Contribution to stabilize the volatile land market:** currently land price in Addis Ababa is unstable. One of the reason for this is the shortage of land provision in terms of scale and options. The cooperative-developer partnership approach provide the alternative development option for developer without entering into a competition in the land market. And this relives the market to some degree which could consequently result in the increased stabilization of the land market. But, this is not for sure since there other factors for the malfunction of the land market like corruption and rent seeking intentions.

Chapter 7: Conclusion and Recommendations

This section of the report is about concluding issues based on the findings and recommendation which proposed to answer the normative question: could there be any possible alternative win-win strategy of cooperative - developer partnership for housing development in Addis Ababa?

7.1. Conclusions

Base on the findings and discussion of the study the following conclusions are drawn:

1. The partnership is a unique win-win model where both parties interests had been maintained, risks have been minimized and authorities had been distributed.
2. The financial constraint of the cooperative and lack of access to developable land by the developer are the major pulling factors of both parties to enter into cooperative-developer partnership.
3. The fact that the developer cover the cost of the basement and foundation to own the newly added basement reinforces that developers are interested in getting opportunity to build more floor space to maximize their profit within a single project.
4. The social capital and human capital of the cooperative members had played a crucial role in minimizing professional cost that could be incurred by the cooperative and maintaining smooth communication between the members in the process of development.
5. In the condition where there is no legal and institutional framework to guide and regulate partnership between a housing cooperative and a developer the success of the partnership was built on understanding and trust between the parties with a balanced authority distribution and risk distribution and minimization made in the arrangement.

6. The multiple mortgage type of tenure system supported with the condition that the units are not owner occupied had resulted in the diffusion of the cooperative after construction.
7. Land acquisition and the economical capacity of the cooperative members are the two critical factors that contribute to the lengthy project period.

7.2. Recommendation

After all the aim of the research is to contribute to the solutions by the recommendation which answers the normative research question which asks the possibility of a win - win housing development alternative. The following recommendations is offered as an attempt to pass over the lessons learned, to minimized the challenges encountered and finally to adopt it to the current context to bring additional housing development alternative in solving housing problem in Addis Ababa. The current housing problem of Addis Ababa shall be solved more efficiently by participatory approach as UN HABITAT, (2005) states. So, from the outcome of this research the following general recommendation is stated:

A cooperative-developer partnership for housing development should be included in the housing strategy of the city as one important low and middle income housing development alternative to address the current housing problem in Addis Ababa.

Adopting a cooperative-developer partnership strategy should be achieved by modifying the current cooperative regulation in a way that government's interest of checking the project completeness & proper use of resources is not compromised while helping more actors/peoples to participate in the program. Modifying this cooperative regulation in to a framework which support flourishing of more cooperatives is the best way since it is not possible to imagine a cooperative-developer partnership without existence of cooperative and being in harmony to the cooperative regulation.

Two basic consideration for the above recommendation are its participatory potential which taps resources from the private sector and the third sectors minimizing the burden of the public sector and the contextual similarity of the case study with the current conditions. Currently the land market in the city is costing developers large sum of money. This implies getting a developable land is a burden to the private sector who has the finance. On the other side the city government is carrying renewal programs which paves the way for a free land to be developed in the hands of either the government or the community. Hence one can see that the private developer has the finance and the government/community has the land which were the main pulling factor to get into partnership in case study. So this model could be used for onsite resettlement of inner city renewal area households without relocating them to other place which affect their life in different dimension. And one can simply understand the high turnout in low income housing registration implies a partner with finance is necessary.

Detail proposals for the recommendation

As part of the above general recommendation the following five detail proposal are recommended:

1) Creating more favorable environment for cooperative housing: for a cooperative -developer partnership arrangement the existence of housing cooperative is a necessary condition. Because, without the housing cooperative it is difficult to imagine cooperative-developer partnership. But, in the current context is not that much conducive. To create conducive environment for cooperative housing the following measures shall be take:

1.1 Lowering the 100% deposit requirement to increase the domain of participants: This 100% deposit requirement shall be lowered to maximize the number of participants in the cooperative housing program. Without risking the project completeness or protection from abuse. The detail study shall be carried on to determine a feasible figure.

1.2 Project phasing to minimize economic burden on cooperative members: by dividing the project in two phases where phase one all the structural and finishing work except the internal finishing work of the residential units. Thus, by deducting internal finishing works of the unit from initial project calculation the initial financial load (i.e initial deposit) on cooperative members can be relieved by some degree. But, to make sure the project is completed 100% retaining title deed or prohibiting property transfer could adopted to avoid abuses of the program.

1.3 Allowing the cooperatives to sell out the commercial space from the beginning: the cooperative regulation needs to be modified to allow cooperatives to sell out the commercial space with a partnership agreement to a developer. This will increase the domain of households that engage in the cooperative housing development since this minimizes the expected financial contributions from the households. It minimize households cost as a result of two issues, first the direct construction cost of the commercial floor and secondly by getting an extra sum of money [profit] that subsidize the residential cost as a result of the income generating potential/value of the ground floor.

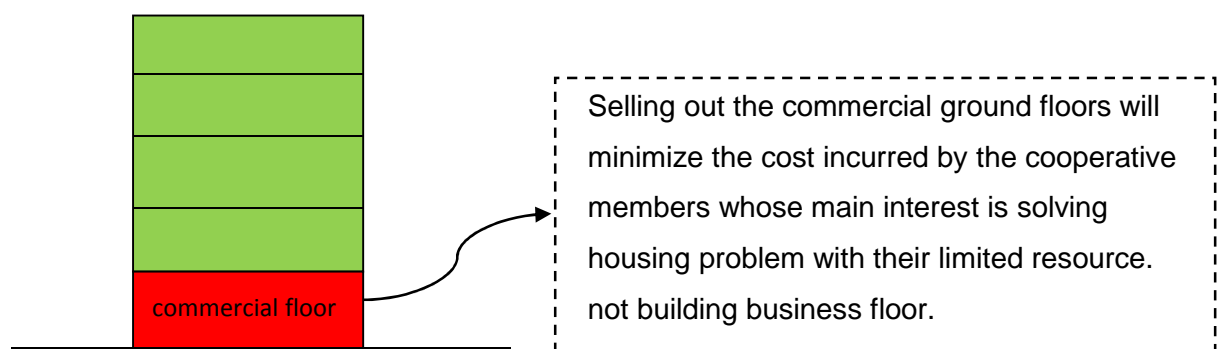


Figure 7-1 Allowing the cooperatives to sell out the commercial space from the beginning

2) Applying incentives mechanism to the developers to participate in the recommended cooperative-developer partnership:

the essence of incentives to developers is not only to attract the private sector only, but also to actually tap the most from the private partner and also to put some responsibilities along the incentive. If there is attractive incentive the private sector will be in competition to engage in the program which intern brings more economical and quality end product. In addition, it will lead to the flourishing of real estate developers who engage in low-income housing production and sustainability of the program will be maintained.

2.1. Acquire land without competition: the first prime incentive to the developers is getting a land through the cooperative without incurring the high market price.

2.2. Allow the developer to build more floor: allowing the developers to build additional story to maximize profit margin of their investment is also another incentive as it is observed in the case study. This can be applied by giving the cooperatives with the assumption that they will build/occupy the minimum / average building height assigned for the plot by the master plan. Thus, developer will use the remaining allowed floor up to the maximum building height as an incentive. This additional story could be of two forms as shown below in the diagrams.

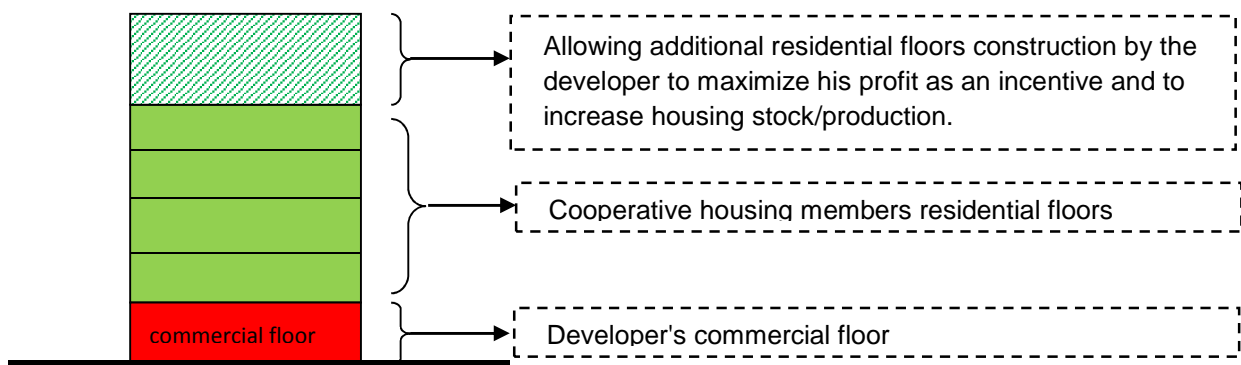


Figure 7-2 Allowing additional residential floor construction as an incentive to developers who participate in cooperative-developer partnership for housing

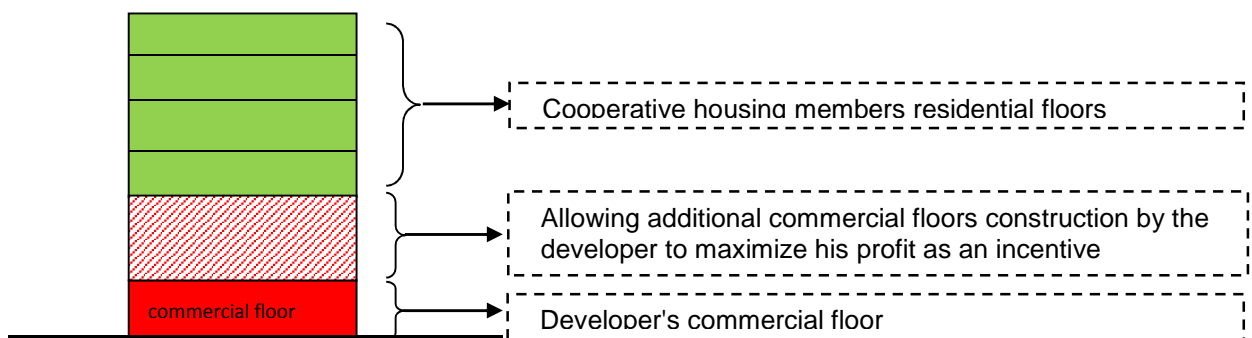


Figure 7-3 Allowing additional commercial floor construction as an incentive mechanism to developers who participate in cooperative-developer partnership for housing

The first one is shown in figure above is preferred since it adds to solving housing problem. But being flexible is suggested.

2.3. Arrange loan from financial institutions: with the necessary legal framework not to be abused will be helpful for the new real generation, low-income housing developers. But, it needs further study.

3) Contextualize cooperative housing building height - apply the concept of midrise/high rise cooperative housing buildings in areas that require high density for an efficient use of land: to make the utilization of the land more efficient cooperative shall be organized to build higher building accommodating more households. Currently housing cooperatives are building G+4 building on 1020m² plot given for 24households. But, if the cooperatives are expected to build more higher with larger number of households it will minimize land cost incurred by the government for contributing land for free. i.e the government indirect financial contribution to the program. This seems practical if one observes the following two issues. The first is building height changes the mass housing program is undergoing. It started with G+2 / G+4 and currently buildings up to G+12 are being constructed. Why not to cooperatives? The second is its alignment with the master plan and renewal program. The renewal program is carried in the inner city where the building height proposal is mainly midrise or high rise building. Thus, to engage the cooperative in such program of the city and utilize land efficiently, such approach is needed.

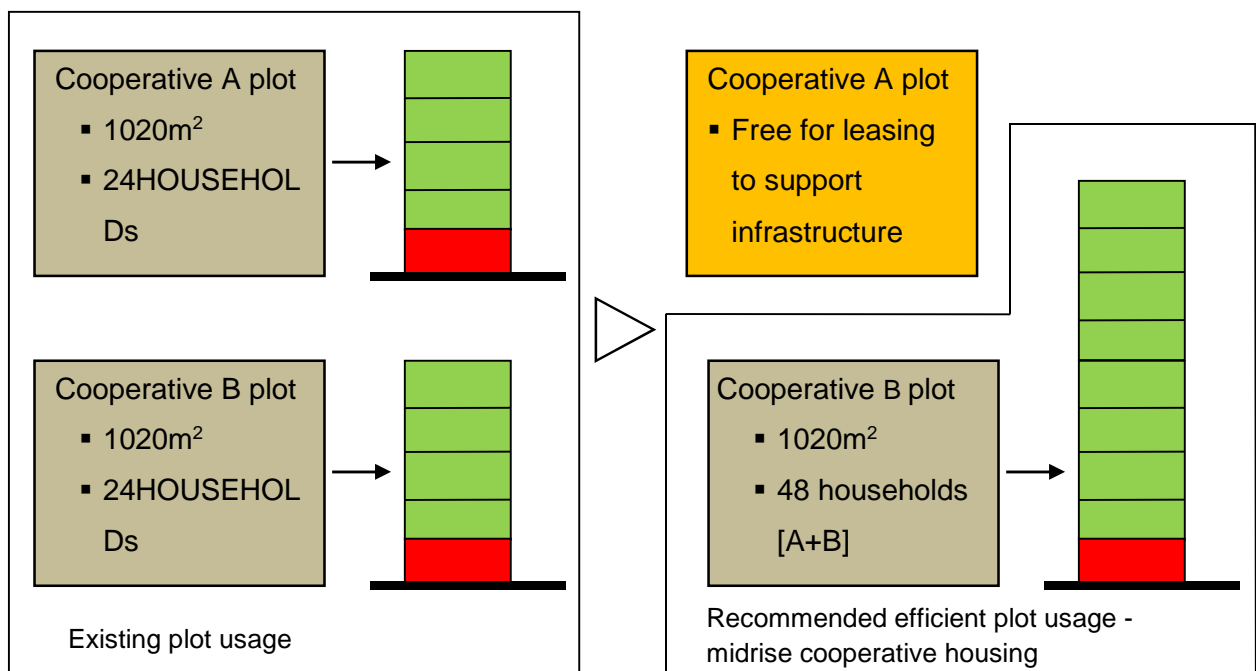


Figure 7-4 Conceptual recommendation for an efficient use of land in cooperative housing development, especially for inner city area redevelopment.

4) Prepare legal and institutional framework to cooperative-developer partnership for housing development: on top of the above major issue recommendations the legal and institutional framework shall be given more attention and modified to bring the desired outcome. Even if this needs further study the following points shall be included and highlighted in it:

4.1 Preparation of legal contractual guide lines for the partnership between the cooperative and the developer: to protect the program from abuse and facilitate and support in achieving the envisioned goals a guide line is needed. Some of the issues in the guide line should be: legibility requirements for both the cooperative members and the developer, standard components of the partnership agreement, a detail description of roles and benefits of the parties, liabilities of the partners, a description of the project schedule and conflicts resolution procedures and mechanism.

4.2 Establishing a responsible body for the specific program: currently cooperative housing development in Addis Ababa is under the Addis Ababa business and industry bureau which has many other issue to deal with. It is just one division from the many cooperative divisions and activities. For the future it is recommend to make it self-reliant branch of the city government concerned about housing cooperatives. This is necessary if the housing development through cooperatives and cooperative-developer partnership is expected to boost play a significant role. An example for such structure is AAHDPO, Addis Ababa housing development project office which runs the mass housing program. But, the expected new body's main task is to mobilize cooperative housing, control and oversee the program, not to engage in implementation like AAHDPO.

4.3 Land: is a limited resource which is critical element of housing development. Thus, the following points shall be considered:

- **Shall be provided by the government to the cooperative:** : currently the government is providing land to the cooperatives. In providing this land the government is dedicating its income that could be generated by leasing the land to developers through competitive bidding process. The money generated from such leasing is needed to undertake different activities including subsidizing low-cost housing and infrastructure provision. Especially inner city plots are more valuable as a result of the well-developed infrastructure and the potential of investment return. Currently the government is carrying renewal programs in the inner city. The government should give attention in injecting such cooperative -developer partnership for housing by dedicating some plots to minimize the demand for the public housing program. In addition to contributing to housing it will also contribute in stabilizing the land market as a result of being an alternative option to get land to develop by the developers.

- **Device safe and fast land provision system for the program:**
- **It has to be managed efficiently:** allocation shall consider the compatibility of the total floor area of the plot and the number of cooperative members, mid-rise concept. please refer recommendation number 3.

4.4 Protection from abuse

- a) **Install efficient and transparent land administration system:** device transparent land provision system for the program.
- b) **Apply strategies to discourage abuse:** use different mechanism
 - **Temporary title deeds/construction permit only:** giving a temporary title deed till the project is 100% complete, prohibiting ownership transfer during construction and for first 5 years after completion as it is in the case with the public housing program.
 - **State proportional limitations between the parties:** state the maximum allowed share of the developer in terms of space & finance to control the system from manipulation by developers.
 - **State a clear equity transfer regulation to discourage abuse:** anyone who would like to leave the cooperative will transfer the unit to the government based on a verified (from the submitted report and a committee study) cost incurred by the individual member.
- c) **Device project controlling system**
 - **Pre-construction project scheduling:** a detailed schedule of activities, responsible bodies, time lines of financial contribution by the parties and other elements that are important for the successfulness of the project shall be prepared by partnership and submitted to the supervising government body.
 - **Submission of periodical reports:** periodical report on the project progress, financial status and challenges faced shall be submitted to the supervising government body.

4.5 Finance: is also critical element of housing and thus the following points shall be considered:

- **Deposit requirement:** to make sure the users of the program are those who are in need and who are cable to realize the project the initial deposit requirement must be retained although the amount and methods needs further study.
- **Implement strategies to increase affordability:** to address financial challenges of the cooperatives strategies shall be devised.
 - Phasing the project, phase one being all works except the internal finishing work of the individual spaces. It will relieve the cooperative from single large sum initial deposit. Or a step by step deposit options for the cooperatives.

- Loan arrangements from financial institutions for phase two using phase one as a collateral.
- **Minimize financial risks**
 - Define the scope of partnership to be only phase one, phase two shall be the responsibility each partners.
 - State the financial contribution of the partners clearly and the respective measure on those who failed to fulfill the responsibilities.
 - The fund for the joint activities shall be deposited in a joint account by the cooperative and the developer.
 - Funds from the account to the realization shall be released step by step with the accomplishment of millstone tasks during construction. But, if the partnership hires a contractor it shall be released as per the normal practice.

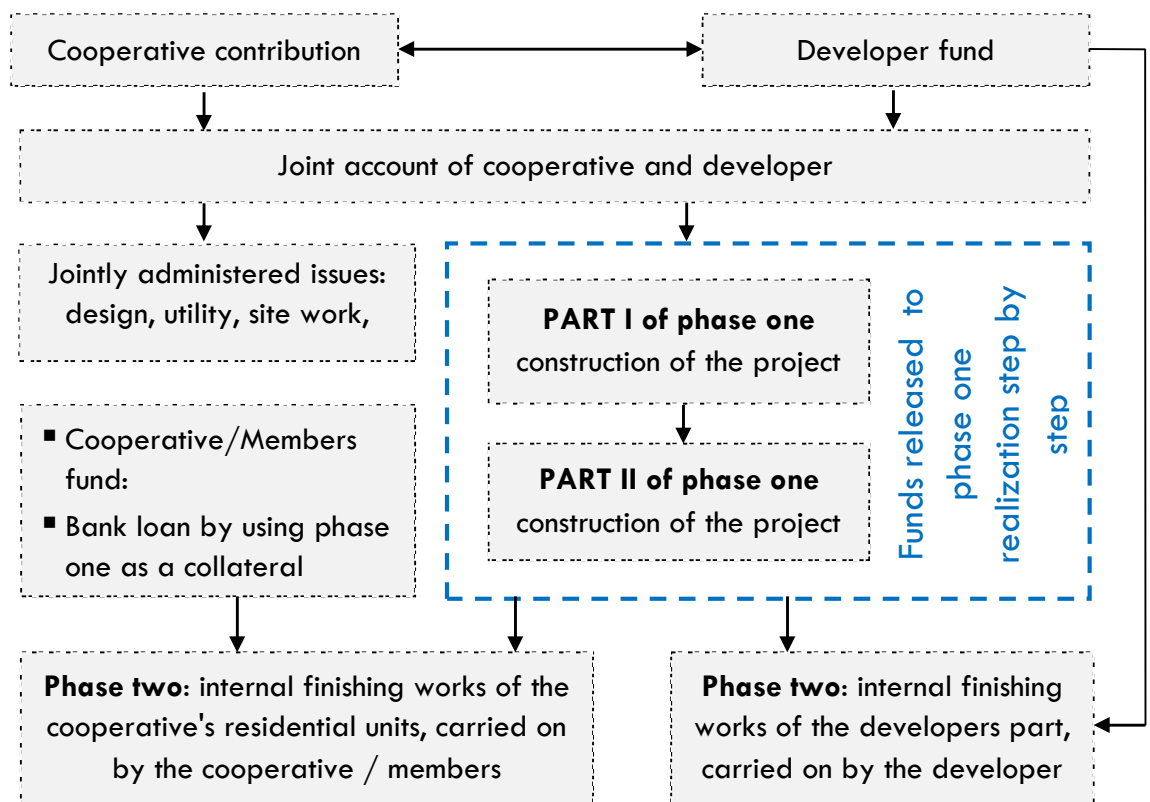


Figure 7-5 Recommended financial structure for a cooperative - developer partnership project if the developer is the builder

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Annexes 01 Interview Questioners

A: Questions for semi-structured interview with --- cooperative committee members

Part one: About the socio economic condition of the beneficiaries before the cooperative housing and its influence on the development

1. Describe the educational status of the members in figures?
Illiterate ___ certificate & below ___ diploma ___ degree ___ master degree & above ___
2. Do you think the members educational status has a visible effect, contribution or impact in the development process? Explain How? What could happen if you did not have that status?
1) Yes 2) No
3. In general what kind of social tie/common bond do the cooperative members have before the cooperative formation?
1) Relatives 2) Friends 3) Co-workers 4) Religious affiliation
5) Common neighborhood 6) other _____
4. Do you think this common bond has resulted in clear impact in the process? Explain How?
1) Yes 2) No

Part Three: about the interests and roles of the different stakeholders

1. Who are the different stalk holders that participated in the development process:
1) The cooperative 2) the private partner 3) the government 4) other _____
2. What was the interest of the cooperative?
3. What was the interest of the private sector?
4. What was the interest of the government?
5. What was the role or responsibility of the cooperative?
6. What was the role or responsibility of the private sector?
7. What was the role or responsibility of the government?
8. What kind of partnership do you develop to maintain the interests and distribute the responsibilities? Explain? What did you compromise?

Part Four: Legal and institutional framework for the development

1. What was the legal framework/basis to form the cooperative?
2. Does the legal framework/basis allow to form such partnership with a private sector? explain
1) Yes 2) No
3. Was there any institution that provides support the housing development?
4. What kind of support did you get from each?
5. Do you have a cooperative bylaw? 1) Yes 2) No
6. How do you develop your cooperative bylaw?
7. Who approves the cooperative by law?

- 1) The general assembly 2) the government 3) other _____
8. State the major regulations and issues of the cooperative bylaw?

Part Five: about the development process

1. List the major elements/steps of the development process

COOPERATIVE FORMATION

1. What is the name of the cooperative?
2. When does the cooperative officially formed?
3. How many members does it have during formation? What factor determines this number?
4. What was the criterion to join the cooperative?
 - 1) Income criteria 2) membership to credit facility 3) non ownership of a house 4) other _____
5. What were the criteria by the government to get approval for cooperative formation?
6. Summarize the major steps of the cooperative formation?

COOPERATIVE FINANCING

1. How much was the initial capital of the cooperative?
2. How much was the individual members contribution?
1. Do you feel that the amount is beyond the reach of cooperative members? Explain?
 - 1) Yes 2) No
3. Did you have a documented business plan? , if yes who prepared it?
4. How much was the total project cost?
5. Who were the expected finance source in the plan? (who are the financiers of the project)
Describe the proportion?
6. Did you get any loan? What was the criteria to get the loan?
7. Why do you come up with a private partner idea?
8. What was the process and criteria to select a private partner?
9. How long does it take to finish your loan repayment? _____Years _____ months, _____ weeks
10. Was there a regular auditing of the cooperatives finance? if yes how do you select the auditor?
 - 1) Yes 2) No
11. Was there any financial challenges encountered in mobilizing & administering? if yes explain
 - 1) Yes 2) No

LAND ACQUISITION

1. Who was the responsible authority to provide land?
2. What are the requirements to get the land? Did you make any payment? (excluding payments for office works) explain
3. How long did it take to acquire land after the cooperative was established?
_____ Years _____ months, _____ weeks
4. What constraints were faced by the cooperative in obtaining land?
5. What is the allocated plot size in square meters? How is it determined?

6. Do you think that the land providing authority is effective in providing land for cooperative?
Explain why? 1) Yes 2) no 3) do not know

DESIGN

1. Who prepares the designs of the houses?
1) Government 2) Consultant 3) members 4) other _____
2. Before the houses were built, did you discuss how the houses should look like?
For example program of accommodation, house plan, paint, and material etc.?
3. How much time does it take to decide on design issues in general

BUILDING PERMIT

1. How long does it take to get design permit for construction? ___Years ___ months, ___ weeks
2. Did you face any challenge in acquiring building permit? if yes describe the challenge?

CONSTRUCTION

1. How was the construction done?
1. By a contractor 2. By members and hired labor 3. Other _____
2. Why do you chose the above option?
3. If it was by contractor how did you select?
4. How much time does the construction take? ___Years ___ months, ___ weeks
5. What do you feel about the progress of the construction work in general?
1) Normal 2) delayed 3) faster
6. If you think it was delayed or fast, what were the main reasons for that?
1. Lack of commitment by the member 2. Financial constraint
3. Lack of building materials supply 4. Lack of infrastructure services in the area
5) Other _____

MANAGEMENT

1. Did you actively participate in any decision of the co-op?
1) Yes 2) No
2. If you do not participate, what was your reason?
3. How do you become a member of the executive committee
4. In average how many attended official meetings? Put in percentage.
5. Explain the organization/managerial structure of the cooperative?
6. Explain the responsibilities of the different bodies?
7. Explain the contribution and participation of residents in the process?
8. Do you think the cooperative members have participated actively as the expectation? Explain with reasons or examples [expectation]
1) Yes 2) No
9. Did you got training by the government or other supporting institution?

10. Describe the main issues that the whole cooperative members participate to undertake the activity or decide on issue?
11. What are the things you work or decide collectively in the housing development?
12. How did you allocate house after completion? 1) using lottery system 2) other_____
13. What kind of influence does the cooperative housing development process create on the occupancy stage?

Part Six: challenges and potentials of cooperative - developer partnerships

CHALLENGES

1. Did you face any challenge related with tenure arrangement selection and implementation?
1) Yes 2) No
2. What kind of challenge did you face with respect to finance?
3. What kind of challenge did you face with respect to land acquisition and design?
4. What kind of challenge did you face with respect to building permit and construction?
5. What kind of challenge did you face with respect to administering the process?
6. What is the most challenging task in cooperative housing?
1. Coordination and organization of members 2. Acquiring legal personality
3. Land acquisition 4. Others (specify) _____
7. Did you any challenge related with social capital? describe
1) Yes 2) No
8. How many cooperative members do have profession related with design, construction, management, accounting or other that can helps in the process. Human capita challenge
9. Did you get any kind of training or capacity development training?
10. Did you face any challenge related with human capital? explain
1) Yes 2) No
11. Did you observe any challenge that arise from the legal framework or institutional framework?

POTENTIAL

1. Are you satisfied being a member of the cooperative?
1) Yes 2) No
2. Do you think you are totally successful? If not explain the parts you failed.
1) Yes 2) No
3. What do you think is the advantage of getting into cooperative housing?
1. Participation 2. Access to credit 3. Cost minimizing
4. Land acquisition 5. Others (specify)
4. What measures do you think will help facilitate/promote cooperative housing?
5. Do you think this kind of development, partnering with the private sector could be applied in the current situation? Explain how? What should be done?
1) Yes 2) No

B. Questions for semi-structured interview with -- the cooperative members

1. Name of the interviewee: _____
2. The position/title of the interviewee in the development process: _____
1) Just member 2) committee 3) administrator 4) other _____
3. Household identification (current address)
Sub-city _____ Kebele _____ House No. _____
4. Educational status of the household head at that time?
Illiterate ___ certificate & below ___ diploma ___ degree ___ master degree & above _____
5. Do you think your educational status has a visible effect, contribution or impact in the development process? Explain How? What could happen if you did not have that status?
1) Yes 2) No _____
6. What kind of social tie/common bond do you have with the other cooperative members before the cooperative formation?
1) Relatives 2) Friends 3) Coworkers 4) Religious affiliation 5) Common NHD 6) other _____
7. Do you think this common bond has resulted in clear impact in the process? Explain How?
1) Yes 2) No _____
8. How much was the household's total monthly average income in birr:
1) During establishment _____ 2) during internal finishing phase of the construction _____
9. What are the income sources?
1) Salary from government 2) Salary from private, NGO 4) formal private business
4) Informal sectors 5) Other _____
10. How do you manage to get money to contribute to the cooperative?
11. How do you manage to get money for the finishing work of your unit?
12. Why do you rent you house? Where do you live now? (Renting, another house ...)
13. What kind of roles did you have in the development process?

C. Questions for semi-structured interview with --- the private partner

1. Name: _____ Profession: _____
2. Role during the housing development: _____
3. How do you approach the cooperative?
4. What were the main interests/issues you wanted when you approach the cooperative?
5. What were the main interests/issues of the cooperative members?
6. What were the risks you identify in the investment?
7. What did you compromise?
8. How do you manage the legal issues? Are you a member or a business partner? How do you manage ownership rights?

9. How much did you contribute? How do you reach on the figures?
10. Did you make any feasibility study before deciding to investment?
11. What was your role in the development?
12. Do you believe you are successful /profitable with regard to you involvement in the project?
13. If there is a similar opportunity in the current context of Addis Ababa are you still interested in similar engagement? If no why?
14. In your opinion do you think similar kind of partnership is applicable? Or could private investors be interested to participate in similar partnership to day? Why? What are the key issues?
15. Is there any challenge that you face in the occupancy [currently] stage of the project?

D. Questions for semi-structured interview with -- government officials

1. Name: _____
2. Profession: _____
3. Position/role during the housing development: _____
4. Position/role currently: _____
5. What were rules and regulation about cooperative that were kept to be applied or discarded by the transition or new government?
6. What (and when) were the new regulation ratified applied by the transition or new government that affect cooperative housing development? How does it affect?
7. Which government bodies were involved in the process? What was there role?
8. What were the requirements in registering the cooperative? Which institution registered them?
9. What were the requirement to give the land for the cooperative? When was it given? Why does it take long period? Why is building permit given before title did?
10. Why do you ask for an initial deposit?
11. What kind of interest do you have in the development process?
12. What were the unique features that *Semay-Tekes* cooperative differ from the mainstream cooperative development?
13. What was your response on the condition that a developer was involved on the land given for free? How did the legal framework accommodate this?
14. What were the main challenges of the development from government perspective?
15. What were the challenges of recent cooperative housing development that initiated a new regulation about cooperatives? How was it abused?
16. Please describe the process of current cooperative housing development? [Requirements, actors and their roles?
17. Do you think this kind of cooperative-developer partnership could be implemented in the current situation? Explain, especially from land regulations perspective? What kind regulations should be in place for such approach? What could be the challenge to implement it?

Annexes 02 List of the cooperative Members

The first establishing 15 members of the cooperative

1. Ato Alem AlemayehuDeputy chair man
2. Ato Araga TesfayeFinance head
3. Ato Habtamu Feqadu
4. Ato Terefe Agonafir
5. Ato Ketema Debebe
6. Ato Yohanes Eshete
7. Ato Tsegaye Hailemariam.....Secretary
8. Ato Gedion Demeke
9. Ato Kassa Biru Chair man
10. Ato Asefa Gebeyehu
11. Ato Mekonnen BitewCashier
12. Ato Mulugeta Yeshiambel
13. Ato Lemalign Mamo
14. Dr. Kibrebeal Meelaku
15. Dr. Daniel Benti

The new joining members of the cooperative

16. Ato Getnet Sahle
17. Ato Tesfasilasse Fishatsion
18. Ato Mersha Medemdemia
19. W/ro Marta Solomon
20. W/rt Elsabet Gebreegziabher
21. Ato Fantu WeldeyesThe developer