INSIDE INFORMALITY:
Poverty, jobs, housing and services in Nairobi’s slums

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NAIROBI’S SLUMS
“improving the lives of 100 million slum dwellers by 2020 …”

Millennium Development Goal


Cities differ. For each, we need to know:

– *What is the population of slum dwellers?*
– *How poor, ill-housed and/or underserved?*
– *What aspects should be improved first?*
– *What are their own development priorities?*
STUDY OF SLUMS IN NAIROBI AND DAKAR

Nairobi methodology:

- With CBS, weighted stratified random sample:
  - 88 of 1263 “slum EAs” (4700 EAs in Nairobi)
  - 1755 HHs surveyed (Mar 2004)
  - Focus grps in 10 sites; some HH interviews

Similar survey of 2000 HH in Dakar
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MAPPING THE SITUATION: BASELINE DATA AND DIAGNOSTIC
SLUM POPULATION AND POVERTY RATE

- At least 30% of the city’s population (0.6 million+)
- 73% are poor
  - Live on less than $42 (Ksh 3,174) per adult equivalent per month

*Four facets of poverty …*
SLUM DEVELOPMENT DIAMOND: DAKAR
SLUM DEVELOPMENT DIAMOND: NAIROBI AND DAKAR

Nairobi

Dakar

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ENCOURAGING NEWS: EDUCATION & ENTERPRISE

- **Education**
  - “Adults”: 95% literate; 78% primary/+  
    - But gender & welfare gaps wide by secondary school  
  - Children 5-14 yrs: 92% are in school  
    - Due to “free primary education” policy of 2003?

- **High unemployment: 26%** (Youth: 46%, Women: 49%)

- **But HH enterprises are helping**  
  - 31% of HH operate an enterprise; employ 19% of adults

*Education & enterprise: negative correlation with poverty*
QUALITY OF LIVING CONDITIONS: 4 “PRODUCT FEATURES”

1. Safety (crime)

2. Tenure

3. Housing units: quality, size, crowding

4. Infrastructure access

This is from a user perspective

Note: current slum upgrading programs focus on #4
QUALITY OF LIVING CONDITIONS: 4 “PRODUCT FEATURES”

1. Safety (crime)
   - 63% feel unsafe in their own settlement
     • 27% were victims of a criminal incident in previous 12 mnts

2. Tenure
   - 92% are tenants (vs. 82% in Nairobi, 26% in Dakar)
     • Yet, 50% say they feel tenure is secure
     • Landlords: 5% reside there; 95% “absentee”

3. Housing units
   - Crowded and impermanent
     • 1.2 rooms/HH; 2.6 persons/room
     • 88% have impermanent walls; 98% tin roofs

4. Infrastructure access index…
INFRASTRUCTURE HEXAGON: NAIROBI

- Piped Water: 22%
- Electricity: 0.9%
- Private Toilet: 25%
- Public Sewer: 15% (Y)
- Working Drain: 4% (H)
- Public Garbage Collection: 12% (P)
- Public Garbage Collection: 1% (S)

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INFRASTRUCTURE HEXAGON: DAKAR

- Piped Water: 74% (H), 82% (S)
- Electricity: 59% (S)
- Private Toilet: 51% (S), 9% (P)
- Public Sewer: 59% (S)
- Working Drain: 69%
- Public Garbage Collection: 4%

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INFRASTRUCTURE HEXAGON: NAIROBI AND DAKAR

Nairobi

Dakar

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SHATTERING THE MYTH OF LOW-QUALITY, LOW-COST HOUSING
LOW QUALITY, BUT NOT LOW COST

Rents are significant
- $11 or Ksh 790/month;
  (Per room: $10; Ksh740)
- 12% of income
- Small difference in rents paid by poor & non-poor
INCOME VS. RENT

Per Capita Income

Cumulative percent of slum households

Kenyan shillings

- Poor
- Non-poor

Monthly household rent

Cumulative percent of slum households

Kenyan shillings

- All
- Poor
- Non-poor

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WHAT DRIVES RENTS?

- Unit size & quality
  - No. of rooms
  - Electricity/water connection
  - Construction quality:
    permanent walls & floors

- Public school in vicinity

- Location, neighborhood

All the factors that effect rents in a formal market …
THE SLUM RENTAL MARKET

- Full-blown rental market…
- …with distortions
  a) Barriers to entry: who can own/buy/create slum housing?
  b) High rents, despite informality & bad infrastructure
- …and slums aren’t consolidating or improving
  • Unlike in Dakar/Delhi/Rio/Medellin, house quality & services aren’t steadily improving over time
- No one has incentives to invest?
STUCK IN A LOW-QUALITY HIGH-COST TRAP?

The three main players are not investing

Policy goal: Break impasse
CONCLUSIONS AND IMPLICATIONS: WHAT SHOULD BE DONE?
Bad news

- At least 30% reside in slums and 73% are poor
- Mostly, tenants crammed in poor quality units
- Appalling infrastructure access
- High unemployment

But, there is hope. Slum dwellers:

- Are educated & entrepreneurial
  - Negative correlation with poverty
- Their incomes appear to increase with time
- Enfranchised: 69% registered, 82% voted in 2002 election
WHAT SHOULD BE DONE? SEVERAL OPTIONS

Slum Development

Infrastructure

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WHAT DO THE FINDINGS SUGGEST?

- Slum dweller’s top priorities:
  - Toilets, water, health, electricity
- Poverty analysis suggests:
  - Infrastructure, education, HH enterprises, gender
- Overlap: Infrastructure
- Our recommended “minimum” to improve lives:
  - Infrastructure + education
- How?

Standard infrastructure upgrading won’t work
CURRENT UPGRAADING APPROACH ...

Infrastructure leads and is key entry point ...

- Infrastructure
- Tenure
- Unit quality
To unlock the tap and improve housing, need deal-making between govt, structure owners and tenants.
KEY CHALLENGES IN NAIROBI

- Tenure and land issue, means:
  - Difficult political economy; hard to implement upgrading
  - If infra upgraded, rents will rise; will displace the poor
  - Units may not improve (investment incentives)

- Citywide distortion in housing market: gentrification?
  - Nairobi-wide: 82% rent, 18% own
    • Gentrification pressure; poor may not benefit
  - Need govt action to reduce housing supply constraints
    • Serviced land & finance; facilitate production for all groups
  - In slums, small interventions are insufficient
    • Either “leak” to non-poor or remain “boutique” projects
NEED A DIFFERENT APPROACH

- Entry point: land/unit tenure and infrastructure
- Scale: city-wide (not small scale)
- Medium-term program (not project)
  - Reach all slums
  - Transparency in phasing & settlement selection
- Multi-sectoral (not one sector at a time)
- Trunk infrastructure + network upgrading in slums

A city-wide and programmatic approach…
… to integrate slums into the city
GOING TO SCALE: PROGRAM PRINCIPLES

- Channelled through government
  - Donors pool resources
- Govt. offers a package of services
  - Within a budget: cost caps per capita/per hectare
- Slums participate voluntarily, but to “qualify”
  - Landlords and tenants need to come together
  - Agree on investment priorities—i.e. their service package
    ... and sharing of benefits and costs
    e.g. Pamoja’s work in Huruma

*Improving conditions by responding to demand within budget and political constraints*
BREAKING THE LOW-QUALITY HIGH-COST TRAP

Main stakeholders take lead, others support

- Government
- NGOs
- Donors
- Pvt Sector
- Tenants
- Landlords
THANK YOU
STAKEHOLDERS AND THEIR ROLES
SUMMARIZING THE GOVERNMENT’S ROLE

- Agree to invest
  - Mandate utilities & municipality to serve
  - Provide budget
  - Set principles, incentives
- City-wide program for upgrading slums
- Deal-making with landlords & tenants
  - wrt tenure, benefits, costs
- Actions to augment supply city-wide
TENANTS …

- Adjust “temporary resident” mentality
  - 9 yrs avg. stay in a slum
- Self-organize basic improvements:
  - e.g. garbage collection; community policing
- Resident associations can ask for govt support
- Use votes to hold govt accountable
LANDLORDS …

- High returns to investment in quality
- What other factors will help you invest?
- Collaboration with tenants can improve value of asset
- If, you do nothing
  - Others will
  - Competition may increase
  - Asset value may decline
APPENDIX
CORRELATES OF POVERTY

- Larger HH size; higher proportion of women
- Economic base:
  - Unemployed adult in HH
  - No HH enterprise
- Lower educational attainment in HH
- Fewer yrs in settlement. With time,
  - local networks↑ and/or ability to survive in big city↑?
- No home outside of Nairobi: weaker ext. asset base
- Infrastructure: no electricity; no water connection

In slums, potential for poverty alleviation in: Education, HH enterprises, Infrastructure, Gender
IMPLICATIONS FOR PRACTICE

Returns to action are potentially very high