

Global Bazaar

Shantytowns, favelas and *jhopadpattis* turn out to be places of surprising innovation

By Robert Neuwirth

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HE WOMEN MANEUVERED THEIR CRUDE canoes down narrow alleys of brackish water. They dipped their paddles lightly, gliding slowly past scrap-built houses elevated on spindly sticks that held the structures just beyond the reach of the tide. Here and there a head popped out of one of the homes to check who or what was passing. In the small harbor where the women beached their boats, the shoreline was a work in progress. People were filling the shallows, tamping down layers of trash to reclaim solid ground from the murky brown. Nearby, under a thatched-roof pavilion on one of those pounded patches stolen from the sea, a woman lit a match and put it to a pile of wood chips and sawdust at her feet. A lazy haze of smoke rose into the dusty air.

Greetings from Makoko, one of the most notorious squatter communities in one of the most notorious cities of the world: Lagos, Nigeria—a metropolis caught in a vortex between modernity and misery. With hundreds of ATMs, scores of Internet centers and millions of mobile phones, this bustling, maddening, overjammed city of between eight million and 17 million (depending on where you draw the lines and who does the counting) is fully plugged into the global grid. A hyperentrepreneurial interna-

IN BRIEF

One in seven people on the planet live in squatter communities or in shantytowns. More than half the workers of the world earn their living off the books. **These markets** and neighborhoods provide housing and jobs that governments and the formal private sector fail to. **Governments** need to work with these communities rather than neglect or suppress them.



Oshodi market, located at a major crossroads in the northern part of Lagos, Nigeria, was an entrepreneurial marvel—until a raid by security forces in 2009 demolished it.

STUART FRANKLIN/ Magnum Photos





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TIPPING POINTS

Less civified regions of the world, Asia and Africa, will witness their populations become more urban than rural in 2023 and 2030, respectively

SOURCE: UN-HABITAT

tional trading center and the commercial capital of Africa's most populous country, Lagos lures an estimated 600,000 new arrivals every year. Yet most neighborhoods, even some of the very best, have no water, no sewers and no electricity. Makoko—part on land, part hovering above the local lagoon—is one of the mega city's most deprived communities.

Neighborhoods like it—squatter communities—exist all over the world. Rio de Janeiro's 600 favelas dip down to Guanabara Bay and gallop up the steep hillsides from the famous beaches of Copacabana and Ipanema. Favelas are home to 20 percent of the city's residents. Mumbai's countless *jhopadpattis* line the banks of foul-smelling Mahim Creek, sit on the sidewalks of Reay Road and push against the tracks of the city's commuter rail lines. Half of all Mumbaikars are squatters, living on land they do not legally own. Kibera in Kenya—home to perhaps one million, making it one of the largest mud-hut neighborhoods in sub-Saharan Africa—is a short jaunt from downtown Nairobi, but it has no electricity, no sewers and no sanitation, and people who live there pay as much as 20 times what people in legal neighborhoods pay for drinking water.

Although 800 million to 900 million people—one in seven on the planet—live in such places, governments the world over have long looked down at these communities. When they have not been bulldozing or demolishing them, they have acted as if such places do not exist. One example: for decades, the official land-use map of the Nairobi city council showed Kibera, which is perhaps 100 years old and home to as many as one fifth of the city's residents, as a forest, not a neighborhood. With no city services and governments stuck in denial, these places have, of necessity, become hives of inventiveness, industry and self-made enterprise. Despite the hardship and deprivation, such illegal communities are the crucibles of our global future. Governments need to embrace them, not disown them.

FLOATING MARKETS

WHEN YOUR NEIGHBORHOOD sprawls over the water like Makoko, you cannot just open your door and walk to the store. Instead the products have to come to you, and the women sliding by on the listless Lagos Lagoon are the waterfront equivalent of a street market. Some carry staples such as *garri* (toasted, fermented cassava), *fufu* (another starch most often made from ground yam), bread and rice. Others sell soda and beer. Still others bring brooms and household supplies across the water.

Their canoes are manufactured by local artisans who sculpt the rough boards by hand to ensure that they can withstand the corrosive seawater. The houses, too, are a cottage industry, built by specialists who know just how far to pound the stilts and just how much weight those flimsy supports can hold. Filling in the shoreline is also an organized

operation: just ask the young men who arrive several times a day in boats piled high with silt, which they spread over the compacted garbage.

And that smoky fire—which, if untended, could engulf the entire community—is a business, too. Here operating three large grills without a government license on land that until recently did not exist, Ogun Dairo smokes fish. She does not catch the fish herself but buys them from a cold-storage facility near her home. Nor does she sell the fish herself. She simply tucks the tail into the mouth, creating a compact, ring-shaped item that does not have to be flipped as it is smoked, exposes it to the smoldering chips for a few hours and then packs it in boxes. Those boxes—she typically fills between five and seven a day—go to a distributor who, in turn, sells them to women (the street sellers of smoked fish are always women) who peddle the catch all over the city. “The profit margin is not all that much,” she said, using terms that a small businessperson anywhere in the world would understand. “The profit is made by the turnover.”

I asked where the fish came from, figuring she would say that the lagoon, so polluted right there, was cleaner upstream or farther out to sea. Or perhaps the fish came from elsewhere in Africa, from other nations up or down the coast, or even from far inland. But I was not prepared for her answer: “Europe.” The fish were caught in the North Sea, frozen and shipped to Lagos, where they were transported from the port to one of the most noxious neighborhoods to be smoked and then sold for a few naira of profit each (a few U.S. pennies) on the roadsides of the mega city.

These businesses are not registered, not licensed and not counted in official employment statistics. They lurk in the political and economic shadows. Yet they have become the global norm. Today more than half the workers of the world, or approximately 1.8 billion people, earn their living off the books. And their numbers are growing. By 2020 the informal economy will encompass two thirds of the global workforce, according to the Organization for Economic Co-operation and Development. What is more, estimates are that almost half the world's economic growth over the next 15 years will come from the top 400 cities in emerging economies. The urban center of gravity—indeed, the global center of gravity—is shifting to the developing world, and these massive do-it-yourself street markets and self-built neighborhoods are a vision of the urban future.

ON THEIR OWN INITIATIVE

TO PLANNERS and government officials, that sounds scary. They worry that ungovernable neighborhoods and off-the-books enterprises will become metastatic, spreading disorder, dysfunction and even outright criminality, dragging entire cities over to the dark side. And as residents themselves



Dharavi is one of Mumbai's most famous shantytowns, familiar to moviegoers from *Slumdog Millionaire*. As many as one million people live in an area about the size of Prospect Park in Brooklyn or Jackson Park in Chicago. Residents reclaimed the land from a mangrove swamp and earn their living from recycling and light manufacturing. Two fifths are Muslim; the rest are Hindu. Some communal lodgings sleep 35 to a room. The area is the target of controversial redevelopment plans.

5

Most populated cities in ...

1950

1. New York
2. Tokyo
3. London
4. Paris
5. Moscow

2010

1. Tokyo
2. Delhi
3. São Paulo
4. Mumbai
5. Mexico City

SOURCE: United Nations,
Department of Economic and
Social Affairs

will openly admit, living over a polluted estuary or without running water is not the 21st-century ideal. "It is not our wish to be here," Erastus Kioko told me as darkness enveloped his one-room dwelling in Kibera. "If we had money, we would not stay here." He stared at the misshapen mud walls of his home, then added, "I cannot say I have a future."

Still, despite the difficulties, his prospects are actually better in Kibera than if he lived elsewhere in Nairobi. That is because the cheapest single-room apartment in a legal neighborhood of the Kenyan capital generally costs four times more than the average mud hut in Kibera. Sadly, no government or private developer is prepared to build housing that Kioko or almost anyone else in Kibera (or, indeed, in all shantytowns the world over) can afford. Only squatters, building for themselves, have the ingenuity and desire to make these communities work.

In the developed world, people leverage their wealth to get mortgages that enable them to buy materials, hire contractors and build their homes all at once. Squatters do not have that luxury. Their mortgage is the time they are willing to put into building and rebuilding their homes. In Mumbai, hut residents sometimes spend years making and remaking their homes one wall at a time—and scavenged billboards, rusty fence posts, salvaged bricks and half-worn tiles are all valuable resources.

When governments deny these communities the right to exist, people are slow to improve their homes. For instance, when authorities in Rio de Janeiro waged war on the favelas back in the late 1960s, people feared that they would be evicted or burned out of their homes and were slow to invest. Most of the favelas remained primitive—scarcely different from the mud and wood huts of Mumbai and Nairobi. But as the politicians dialed down the hostilities and began engaging with the communities, the favelas rose into the open.

With acceptance, residents rapidly ripped down the old shacks and replaced them with multistory homes made from reinforced concrete and brick. Fly-by-night installers—called *gatos*, or cats—offered favela residents the opportunity to steal electricity from municipal lines (and you can still see their handiwork on utility poles topped with teased-out tresses of wires). Starting in 1997, however, the local power company recognized that squatters do not want the diminished service and short circuits inherent in pirated hookups. Today the utility has struck a bargain with many communities, offering to wire favelas as long as residents accept meters and pay for the electricity used. The program has been a huge success. Having stable electrical service has also worked wonders for public health, because squatters in Rio use plastic pipes and electric pumps to pilfer water from municipal mains. That may also be theft, but it has provided more than a million people in the city with access to safe drinking water.

UNDER THE UMBRELLAS

JUST AS SQUATTERS have been building the neighborhoods of the future, street vendors and other unlicensed operators are creating the jobs of the future. No government, no global nonprofit, no multinational enterprise can seriously claim to be able to replace the 1.8 billion jobs created by the economic underground. In truth, the best hope for growth in most emerging economies lies in the shadows. In Lagos, for instance, street markets have scaled up into huge roadside enterprises. Alaba International Market, Ikeja Computer Village, Ladipo, and the Auto Spare Parts and Machinery Dealers Association Market have established sophisticated networks for international trade. Merchants voyage to far-flung places (these days most trade is with China) in search of products and profit. They import most of the mobile phones, consumer electronics and car parts sold in the country—and their businesses have burst the boundaries usually associated with street operations. Remi Onyibo and Sunday Eze, two of the leaders of the merchants association in Alaba, told me that the market does more than \$3 billion in business every year.

Given that kind of economic power, many major corporations have recognized that they, too, can harness the might of unlicensed entrepreneurship. The mobile phone industry is a good example. In Nigeria the mobile market is led by multinationals such as MTN (based in South Africa), Zain (based in Kuwait) and Globacom (based in Lagos but offering service through much of West Africa). These multibillion-dollar outfits make most of their money by selling phone-recharge cards through a huge, haphazard force of street vendors in impromptu booths under umbrellas at the side of the road. "The umbrella market is a very, very important market now," said Akinwale Goodluck, now corporate services executive for MTN's Nigerian operations. "No serious operator can afford to ignore the umbrella people."

Indeed, one umbrella stand operator told me that there was good money in the trade. She started with just \$34 in recharge cards and within six months had increased her business 60-fold, netting a profit of \$270 a month, five times the minimum wage then established by the government. But successful and responsible vendor though she is, the multinationals whose cards she sells keep their distance. They sell the cards to distributors who resell them to the umbrella stand operators and claim that this potent street force is actually an army of independent contractors with whom they have no relationship and for whom they have

Favela Santa Marta, also known as Dona Marta, is one of the steepest—and, once, most dangerous—in Rio de Janeiro. It has mellowed out as the state has gradually extended public services there.



Better Health for the Uncounted Urban Masses

By Gordon McGranahan and David Satterthwaite

Most of the people who moved to London, New York City, Chicago, Berlin and other big cities during the 19th century traded away their health to make better wages. Crowding, unsafe drinking water, bad sanitation, harsh working conditions and industrial pollution made them sicker than their cousins back home in the countryside and shortened their life spans.

But starting in the middle decades of the 1800s, government reforms and urban leaders began turning the health of these cities around by investing in water, sanitation, waste removal, education and more. Today affluent cities are among the healthiest places to live. Even in many middle-income countries urban dwellers go about their lives largely unthreatened by the classic epidemics.

Yet the 800 million to 900 million people living in the informal settlements that make up modern-day slums still await such miracles. They suffer the effects of overcrowding, contaminated water and lack of affordable health care. In many of these places one in six children dies before the age of five, and life expectancies are less than half as long as those in the healthiest cities.

The situation will not get better until governments take greater responsibility for the wellness of the poorest residents. Governments are often a large part of the problem, however. Most of the poorest settlements are on land that is illegally occupied or subdivided, so urban bureaucracies may ignore their existence. In addition, formal laws and institutions tend to assume that people can afford to live in sanitary homes and therefore often do more to marginalize communities that are at the edge of subsistence than to help them. Governments may also shy away from engaging with activists who encourage impoverished residents to organize around demands for improvements, but these organizers must be engaged if government programs that are put in place can hope to succeed.

Bright spots exist, however. Some local governments are now acknowledging the informal settlements and are collaborating with the inhabitants to install the health infrastructure and services needed. One of the most effective initiatives is the secure housing program run by the government of Thailand's Community Organizations Development Institute, which has supported hundreds of community-driven upgrading schemes, including paying for better water and sewage infrastructure and lending money to shack dwellers to improve their homes. Federations of slum dwellers are working with local authorities to change conditions in more than 15 other nations.

As these programs show, poor people's health and their economic status both benefit most when governments, international agencies and slum dwellers work together to plan, implement and manage changes. More cities must see their "uncounted, unhealthy masses" as partners with resources and capacities if they want to complete a meaningful urban revolution.

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no responsibility. And sadly, the Lagos state government has embarked on a campaign to destroy many roadside markets. This campaign has made it much more difficult for umbrella people and vendors of all sorts to do business on the street. This policy seems punitive and counterproductive given that, according to the government's own estimates, 70 to 80 percent of the working people in the city are part of the informal economy.

Still, the firms of the shadows continue to grow. Mumbai's formerly largest squatter community, Dharavi, has its own links to global trade. Here well-established workshops stitch leather bags and sew shirts for sale throughout the world. In Kenya, although they may not have tapped global markets, Kibera residents own or run many successful small businesses. The community's mud roads are lined with stores, bars, beauty salons, bakeries, tea shops and churches (even houses of worship can function as businesses)—and there are Kibera residents who own successful downtown firms. These outfits are innovative socially as well as economically, and many of the most successful entrepreneurs are women, who traditionally have had no opportunity to establish a degree of independence and power.

OUT OF THE SHADOWS

THE STANDARD CONSENSUS regarding the informal sector—whether squatter communities or street markets—is that it is a zone of criminal enterprise and the enemy of civil society. Yet apart from occupying land that is technically not theirs, most residents of squatter communities are law-abiding citizens. Similarly, although they may be avoiding taxes, most people who work off the books are productive members of society.

Indeed, one of the largest misconceptions about the informal economy is that it does not exist in the developed world. In truth, throughout history, squatters have been involved in building many of the world's great cities. Most European capitals were once ringed with large shack settlements. A century and a half ago San Francisco made the leap from a sleepy fishing village to a bustling gold-rush city by legalizing thousands of squatters. And in New York City, the Upper East Side and Upper West Side started life as squatter communities, as did many neighborhoods of Brooklyn. In fact, the last major squatter community in Midtown Manhattan, Sunken Village on West 62nd Street—in between Central Park and where Lincoln Center now stands—was not pushed out until 1904. In the developed world, the public associates the economic underground with criminal enterprises such as drug dealing—but most of the people earning money off the books are involved in benign businesses, from cash-under-the-table construction jobs to street food vendors to fashion designers who ply their wares online.

As a result of the misconceptions, policy makers have tended to create sharp divisions that lead to simplistic solutions: legal and illegal, productive and unproductive, good and bad. These binary oppositions endanger the livelihoods of more than a billion people and threaten to block an important stage in global development. There has to be a middle ground—one that does not endorse all quasi legality but allows multiple ways for economic markets to function.

Alfonso Morales, a professor of urban planning at the University of Wisconsin–Madison, offers one such proposal. Morales, who put himself through graduate school, in part, by working as a street vendor in Chicago, suggests that municipalities the world over should offer business licenses to street sellers—for a substantial fee—in exchange for not pursuing them for their taxes. In the current reality, unlicensed vendors run a risk every time they hit the streets. For them, a license would mean that the police can no longer harass them, and Morales suggests that they will be willing to pay dearly for that protection. The government would get a clear benefit, too—gaining some revenue from these subrosa street merchants who otherwise provide nothing to the public coffers. It would not be a perfect solution—and certain trades, such as food selling, would still have to comply with health regulations and other rules—but it would mark an important shift to engagement instead of criminalization. Morales says, “We need to go from a purely enforcement mentality to a mentality of ‘Let’s try to enlarge the pie and increase people’s share of it.’”

Martha Chen, a lecturer at Harvard University’s John F. Kennedy School of Government who works with informal enterprises through her position as coordinator at Women in Informal Employment: Globalizing and Organizing, puts it this way: “We need to come up with models that allow the street trader to coexist along with retail shops and along with large malls. The informal economy is not the problem. It’s part of the solution. Street traders, waste pickers, market women: these people really do contribute to the economy and to their cities. How can we manage our cities in a way that has space for them? What we need to do with the informal economy is to figure out how to help it become more productive, more efficient and more effective.”

To be sure, governments do not have a great track record in working with people whose survival depends on hiding their homes and earnings from official oversight. The Indian government, for instance, has a cabinet-level commission dedicated to the informal sector, but that has not prevented local governments from pushing punitive policies against squatters and street hawkers. Still, bottom-up initiatives offer hope. Squatter communities and street markets have developed their own coop-



erative institutions. In Mumbai women in the *jhopadpattis* and informal marketplaces are creating shared savings schemes and joint insurance plans. In the favelas bunches of families join to create *mutiroes*—mutual construction societies—that share labor and allow them to build their homes together. In Kibera women form “merry-go-rounds” to pool their money, and the stash goes to one member every week—an infusion of cash that has helped many women grow their businesses and develop financial independence. In Lagos every illegal market has a self-governing association and, often, a market court that handles disputes.

For enlightened governments, each of these homegrown institutions offers an opportunity. The *mutiroes* can evolve into cooperative construction firms that abide by building codes; the merry-go-rounds and savings schemes can morph into cooperative credit unions and microlending societies; and the market associations can move into infrastructure investments and provide their own public services, such as garbage pickup and street cleaning. These things may seem minor, but their cumulative impact would be significant. Even if these cooperative ventures stay small, the more institutionalized and permanent they can become, the easier it will be for them to forge fruitful links with government agencies. Conversely, only by working with local groups can governments bring a level of inclusive development to the most neglected and maligned parts of the urban world. Through a combination of bottom-up and top-down action, squatters and street marketeers can lead the fastest-growing cities into the future. ■

Industry amid misery: Fishers build their houses above the foul waters of the Lagos Lagoon in the district of Ebute Metta, north of central Lagos.

MORE TO EXPLORE

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