

Decision Intelligence Document Constrained Opportunities in Slum Economies

Search Cycle 2
November, 2013


Problem Statement and Key Messages

Slum economies play a critical role in fulfilling slum dwellers' livelihood and consumption needs, while also making important contributions to the growing urban economies in developing countries. However, the economic opportunities of slum dwellers are constrained by significant barriers, including unsupportive – and in some cases, hostile – municipal environments, which fail to protect informal workers' rights and provide sufficient infrastructure in slums; information asymmetries in the labor market that prevent equitable access to jobs; and insufficient access to resources (for example, skills, finance, and markets) that enable growth. These barriers constrain the income generation and economic mobility of slum dwellers, and limit access to affordable goods and services within slums.

Key Messages

1. Slum economies support the day-to-day product, service, and livelihood needs of the 830 million slum dwellers in developing countries. Slum economies also make important contributions to broader urban economies, representing a large share of the informal labor force, providing urban services (e.g., waste collection), and producing goods for local and export markets.
2. Despite their importance, slum economies are negatively impacted by entrenched economic, political, and social systems in developing countries, resulting in limited economic opportunity and mobility for slum dwellers. These constraints are shaped by a complex and interrelated set of root causes that include social isolation, lack of legal power, and insecure access to public and private property.
3. The challenges associated with slum economies are increasingly pressing. Looking ahead, as slum populations are projected to continue to grow, slum economies may play an increasingly important role in serving slum dwellers' needs and providing livelihood opportunities. Potential slum economy contributions to livelihoods are particularly important in Sub-Saharan Africa where youth comprise a larger share of the urban population.
4. Across geographies, there are emerging areas of dynamism around solutions that can address these challenges. These include the increasing availability of slum data to inform urban decision making, private sector engagement with slum dwellers as consumers and in value chains, and improved slum dweller connectivity to economic opportunities.
5. A number of actors are implementing solutions that address the challenges and opportunities in slum economies. However, many are not targeting slum economies specifically, instead focusing on the closely related perspectives of informal employment, the urban labor market, or slum upgrading. This suggests that interventions in this space likely require partnering with a range of organizations with broader focus areas, working with them to more specifically target slum economy issues where possible.
6. To demonstrate opportunities in this space, two high-level approaches have been considered: i) directly reduce barriers to slum dwellers' economic advancement; or ii) increase appreciation of slum economies. These two approaches imply trade-offs in terms of likely reach, depth of impact, and risks.

Definitions of Key Terms and Concepts

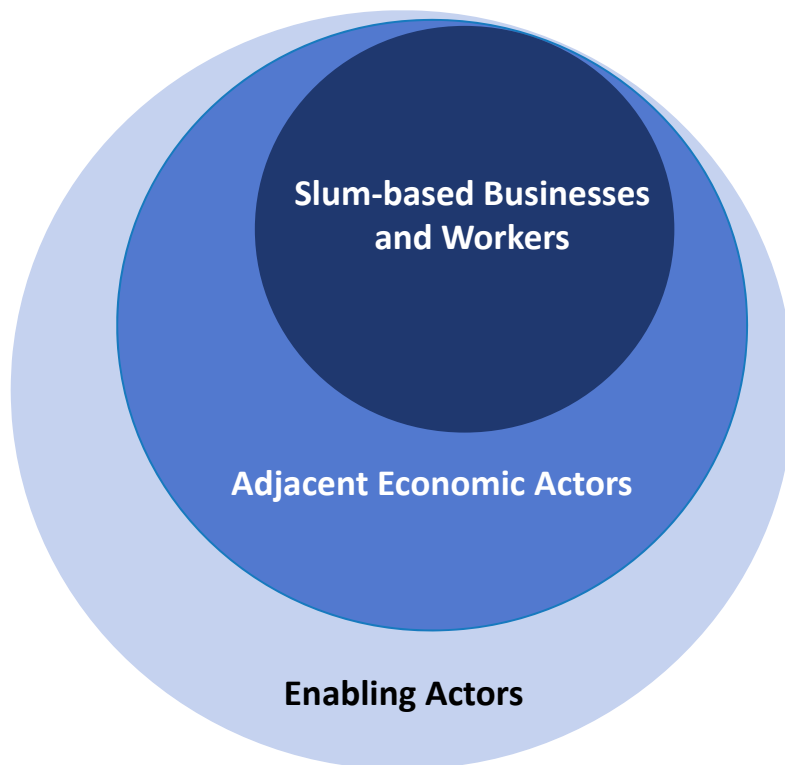
Term	Definition
Slum	An urban or peri-urban neighborhood where more than half of all households live in slum conditions, as defined by UN-HABITAT
Informal Employment	A job lacking, in law or in practice, basic social or legal protections or employment benefits, as defined by the International Labour Organization; may occur in the formal sector, informal sector, or households
Informal Worker	A person engaged in informal employment, as defined above
Own-account Worker	A person who is self-employed without hired employees; may have unpaid family members working for him/her
Industrial Outworker	A person who carries out paid work on behalf of an outside employer, most commonly from his/her home
Informal Enterprise	Unincorporated unit (i.e., not constituted as a separate legal entity of its owner) that produces goods or services for sale or barter; generally small, unregistered (i.e., not registered under specific forms of national legislation), has unregistered employees, and/or does not maintain a complete set of accounts
Slum-based Business	A business maintaining primary operations in a slum; may serve slum dwellers or greater urban populations
Slum Economy	Slum-based businesses, slum dwellers engaged in wage work (both inside and outside of the slum), and the broader network of economic actors and institutions (for example, suppliers and consumers) that participate in and enable this economic activity
Harvey Ball Key	 “Very High” “Moderate” “None”
[Organization][†]	Indicates organization with a past or existing Rockefeller Foundation relationship

What you will find in this section:

- An explanation of how this problem affects the daily lives of the poor or otherwise vulnerable.
- A description of the broad scope and scale of the problem, including graphic representations that demonstrate its nature and urgency.
- An identification and analysis of the root causes of the problem and the system failures that cause or exacerbate it.
- A survey of the prevailing perspectives on the problem and which groups or institutions tend to hold them.

What is a slum economy?

Slum economies are comprised of slum-based businesses and workers and the complex network of economic actors and institutions that participate in and enable this economic activity.



Slum-based Businesses and Workers

Slum based-businesses and workers include:

- Slum-based businesses – employers and own-account workers.
- Wage earning slum dwellers – employment inside or outside of the slum.

Adjacent Economic Actors

Defined as economic actors directly engaging with slum-based businesses and workers:

- Employing slum dwellers – employment may be based inside or outside of the slum.
- Engaging in slum economy supply chains – includes supplying inputs to or purchasing from self-employed slum dwellers.
- End consumers based inside and outside of the slum.

Enabling Actors

Defined as other actors that support and enable the slum economy by:

- Providing supporting goods and services such as finance and equipment.
- Influencing the business environment (e.g., policy makers, infrastructure providers).

What is the impact on the lives of poor or vulnerable people?

Impact on the Lives of the Poor or Vulnerable



Nearly all slum dwellers are engaged in informal employment, sustaining poverty and reducing resilience among poor slum households.

- The majority of poor slum-dwellers are engaged in informal employment, which is linked to lower resilience. For example, studies indicate that average earnings in most forms of informal employment are lower than those for formal employment, limiting slum dwellers' ability to accrue savings and absorb future shocks. Without job protections, informal workers are typically the first to lose their jobs during downturns.^{1, 2}

Lower profits experienced by slum-based businesses further decrease poor slum dwellers' income.

- The unique challenges faced by slum-based businesses, such as lack of physical addresses and poor information about non-slum markets, often generate a reliance on middlemen. These middlemen can receive as much as 60% of the businesses' profits, decreasing the earnings available to business owners and employees, many of whom are poor.³
- Due to their small size and informal status, slum-based micro-enterprises are typically not served by traditional financial institutions. Instead, many of these entrepreneurs are forced to borrow from moneylenders who charge exorbitant interest rates, limiting profits and growth.

Barriers to slum-based business growth reduce the availability of goods and services for poor slum dwellers, increasing real and opportunity costs.

- Slums are often characterized by insufficient service provision from the public and private formal sectors. For example, infrastructure availability is significantly lower in slums as compared to broader cities, with access rates in slums often comparable to or lower than those in rural areas.^{4, 5} Inadequate infrastructure can reduce economic productivity by increasing the time required to access basic services and resources (e.g., water collection outside of the slum) and by shortening the workday (e.g., due to lack of light and electricity).
- Slum-based enterprises are important suppliers of goods and services to slum populations. For example, slum-based kiranas (small grocery stores) in India provide slum dwellers not only with convenience, but often interest-free credit and smaller, more affordable packages of goods (e.g., in Dharavi, unpackaged lentils and rice are available for half the price charged in other parts of Bombay).⁵ Social enterprises are also increasingly entering slum markets to provide water, sanitation, and other basic services. However, slum-based businesses often face barriers, including limited access to finance, markets, and information, that constrain their ability to expand reach and to offer even lower prices.

Certain vulnerable populations, including women and youth, are disproportionately affected by these issues.

- **Women:** Women are generally more likely than men to be informally employed.⁶ Within the informal economy, women typically have lower income and a higher risk of poverty than men. This is largely driven by their overrepresentation as own-account workers and industrial outworkers, informal worker segments that experience lower average earnings.¹ Women also tend to have lower average education levels and greater household and childcare responsibilities relative to men, further constraining their economic opportunities.⁷
- **Youth:** Urban youth are two to three times more likely than other groups to be unemployed.⁷ For example, the unemployment rate for youth (15-24 years old) in Nairobi slums is 46%, more than twice as high than other groups.⁸ Youth inability to secure sufficient, steady employment can create sentiments of disillusionment and social exclusion, often leading to increased crime, conflict, and violence.^{9, 10}

What is the scale and scope of the problem? Why is the problem pressing?

Slum economies are critical sources of employment, products, and services for 830 million slum dwellers worldwide, as well as important drivers of urban economic growth.

Scale: Why It Is Important

Slum economies support the day-to-day needs of more than 830 million slum dwellers, representing over 30% of developing countries' urban population, and are the primary source of employment for the estimated 400-580 million working slum dwellers. Nearly all of this employment is informal, taking place both inside and outside of the slum.^{1,2}

- More than half of informal workers are engaged in *informal self-employment*, ranging from one-person enterprises to businesses employing hired labor. Regardless of size, these informal enterprises face numerous barriers that limit scale, including unsupportive policies, and lack of access to finance, markets, and skills. The remainder are engaged in *informal wage employment* at formal and informal enterprises, and generally susceptible to low wages, poor working conditions, and other forms of exploitation.

While the economic value of slum economies is typically small in the context of cities' total output – for example, Dharavi's estimated \$600M-\$1B in annual output represents less than 0.5% of Mumbai's GDP – these figures fail to reflect the full extent to which slum economies contribute to the growth and vitality of broader urban economies.

- Slum dwellers comprise a significant share – as much as 90% in some countries – of the urban informal work force.^{3*}
- Slum economies also provide important urban services. For example, waste pickers, many of whom are slum dwellers, are estimated to perform 50-100% of waste collection activities in most developing countries.⁴ Auto-rickshaw drivers, often living in slums, serve 10-20% of daily motorized road transport trips in Bangalore, Mumbai, Pune, and Rajkot, India.⁵
- In many slums, slum-based businesses produce goods for local and export markets. For example, Dharavi houses an estimated 5,000 leather shops that produce goods for Indian and export markets.⁶

Scope: Global Relevance

Seventy percent of the world's 830 million slum dwellers live in Sub-Saharan Africa (200 million), South Asia (191 million), and East Asia (190 million); this population is youngest and growing fastest in Sub-Saharan Africa.

- Between 2000 and 2010, the global slum dweller population increased by more than 60 million (nearly 10%), primarily driven by a net 55 million (38%) increase in Sub-Saharan Africa, where slum dwellers now comprise approximately 60% of the region's urban population.⁷

The employment compositions of slum economies vary across countries.

- Among non-agricultural informal workers, of whom a significant share live in slums, self-employment is most prevalent in Sub-Saharan Africa, accounting for approximately 2/3 of total informal employment.
- Slum economy composition also varies based on slums' expectations of the state, and availability of local resources. For example, as compared to Southeast Asia, South Asian slums are typically characterized by larger gaps in state-led provision of basic services, spurring relatively high levels of entrepreneurship to meet slum dwellers' basic needs.

The composition of a slum economy is also affected by slum characteristics, including size, location, and permanence of settlement; despite some inward-facing activity in large slums, most slum economic activity targets outside consumers.⁸

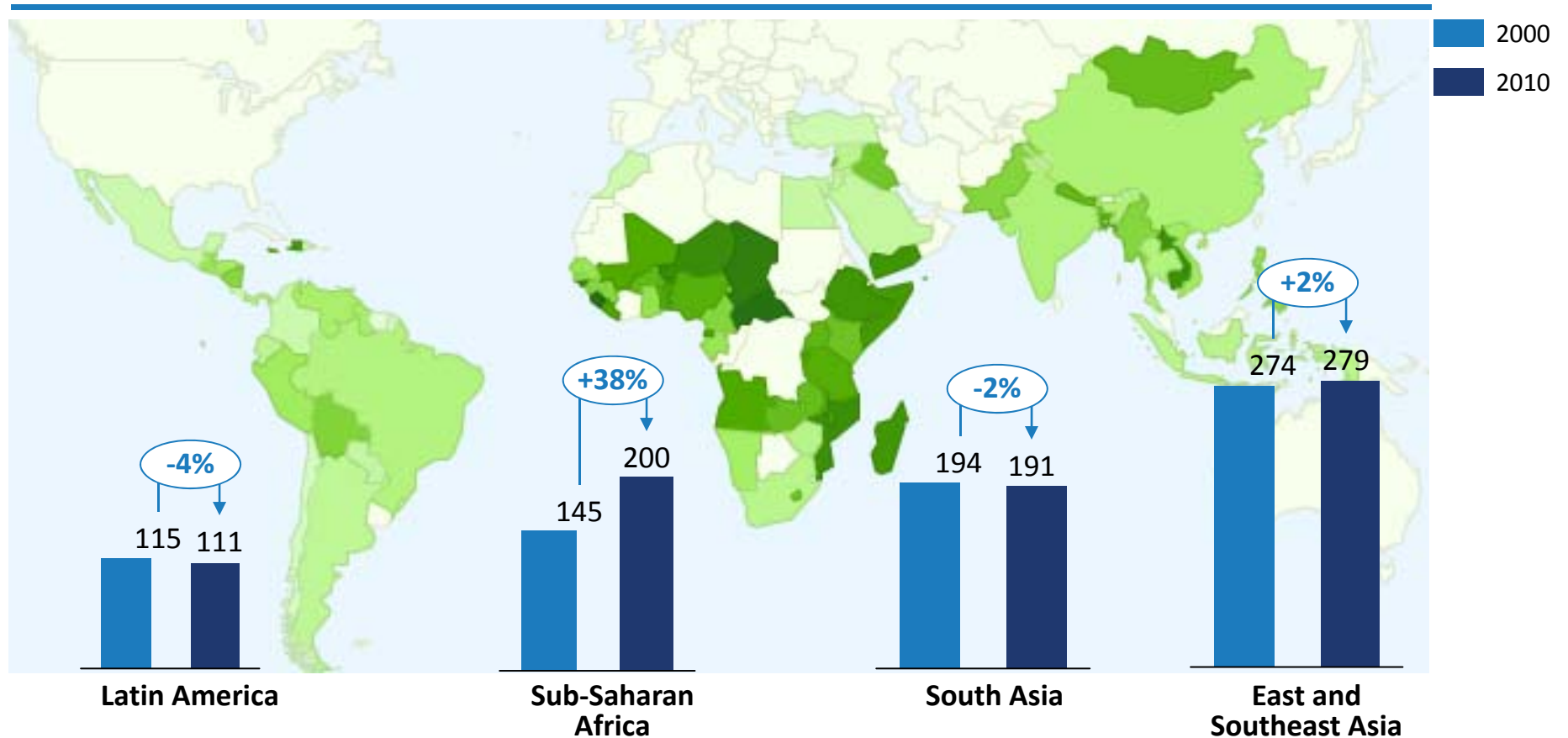
- With viable internal markets, up to 40% of residents in large slums can find employment serving other slum dwellers' needs. However, most slum dwellers residing in smaller slums rely on outward-facing activity.
- Slums easily accessible to city centers offer ready access to outside and outward-facing employment and market opportunities.
- Residents of slums on the urban periphery lack easy access to city center resources and are more likely to be self-employed, engaged by middlemen, and incur higher costs and barriers to doing business.

*Note: According to experts, slum dwellers' share of the urban workforce corresponds to their share of the total urban population; slum dwellers account for a relatively higher share of informal employment.

What is the scale and scope of the problem? Slum population growth by region

Between 2000 and 2010, the net slum dweller population increased by ~10% to nearly 830 million slum dwellers, representing more than 30% of urban populations in developing countries.

% of Urban Population Living in Slums <5%  >90%
Slum Population, 2000-2010 (millions of slum dwellers)



Note: 830 million estimate also includes small slum populations in North Africa, West Asia, and Oceania; Slum dweller population is net, including total number of new slum dwellers less those that moved out of slum conditions. Data source is UN-HABITAT.

What is the scale and scope of the problem?

Additional slum economy defining factors

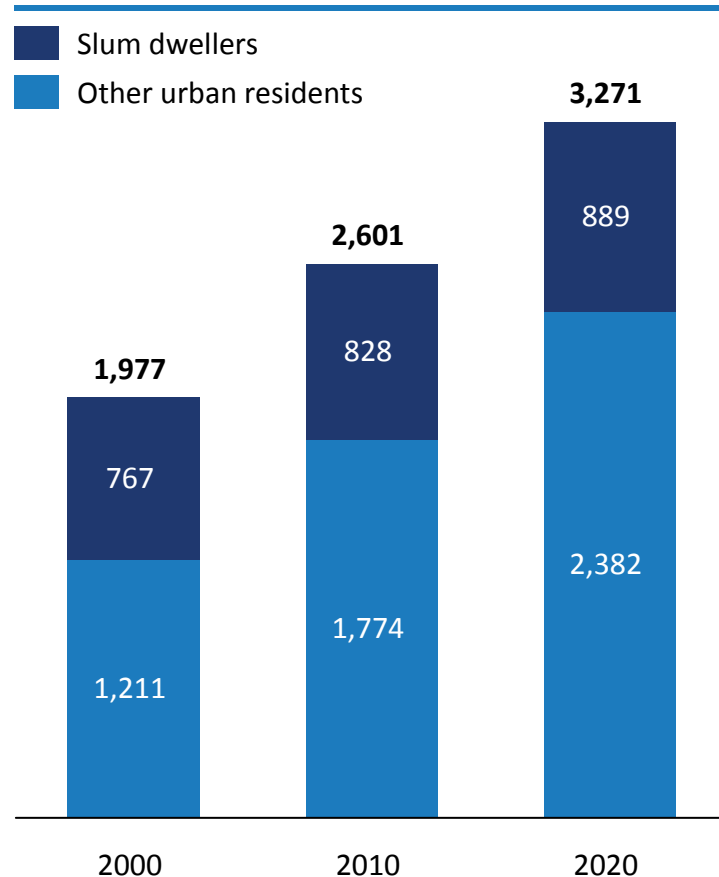
Other factors, for example slum size and location relative to the city center, also affect slum dwellers' economic opportunities and slum economy composition.

		Slum size		
		Large: >100,000 households	Mid-size: Neighborhood-sized slums	Small: As few as 8-10 households
Slum location	Metro Core: Located in or close to city centers	<ul style="list-style-type: none"> Benefit from both large internal markets (estimated to support livelihoods of up to 40% of residents) and closer proximity to non-slum employment opportunities and markets <u>Example slums:</u> Dharavi (Mumbai), Sadr City (Baghdad), Amukoko (Lagos) 	<ul style="list-style-type: none"> Greater need to pursue economic opportunities outside of slum, but benefit from close proximity to informal wage work opportunities in urban centers <u>Example slums:</u> Lunga Lunga (Nairobi), Kisenyi (Kampala), North Cemetery (Manila) 	<ul style="list-style-type: none"> Greatest need to pursue economic opportunities outside of slum, but benefit from close proximity to informal wage work opportunities in urban centers <u>Example slums:</u> Pavement Dwellers (Dhaka), Cortiços (Sao Paulo), Conventillos (Buenos Aires)
	<i>Rising real estate values in metro core areas may imply higher risks of slum razing or relocation</i>			
	Peri-urban: Located close to or just beyond city limits	<ul style="list-style-type: none"> Large internal markets support livelihoods for many residents; however for those pursuing economic opportunities outside of slum, poor access to city centers increases transport costs and exploitation risk by middlemen <u>Example slums:</u> Heliopolis (Sao Paulo), Cité Soleil (Port-au-Prince), Manshiyat Naser (Cairo) 	<ul style="list-style-type: none"> Greater need to pursue economic opportunities outside of slum, and poor access to city centers increases transport costs for informal workers and exploitation risk by middlemen for slum-based businesses <u>Example slums:</u> Annawadi (Mumbai), Mahwa Aser (Sana'a), Kennedy Road (Durban) 	<ul style="list-style-type: none"> Greatest need to pursue economic opportunities outside of slum, and poor access to city centers increases transport costs for informal workers <u>Example slums:</u> Invasões (Rio de Janeiro), Ngozi Mine squatters (Bulawayo)
<i>Newer slums prevalent in peri-urban areas more likely to lack access to infrastructure, hampering productivity</i>				

What is the urgency of the problem?

As slum populations grow, slum economies will continue to play an increasingly important role in meeting the livelihood and consumption needs of slum dwellers. In many countries, the youth bulge will also magnify slum economies' role in generating livelihood opportunities and mitigating broader urban social risks.

Historical and Projected Slum and Urban Growth¹
Millions of Slum Dwellers and Others Living in Urban Areas



Slum economies will be an increasingly important source of urban employment, employing up to 630 million slum dwellers by 2020.²

- Urban slum populations will continue to rely heavily on informal slum economies for employment, as the formal sector will be increasingly unable to provide sufficient opportunities. For example, in 2011, Nairobi's informal sector created six times more jobs than the formal sector.³

The "youth bulge" in many developing countries, particularly in Africa, will magnify slum economies' importance in providing livelihood opportunities.

- Nearly three billion people globally – half of the world's population – are under age 25, and the majority live in developing country cities.⁴ Youth thus represent a significant proportion of the developing world's potential labor force, particularly in Africa, where youth account for more than 30% of the working age population.⁵
- Experts emphasize that youth can and should be a significant driver of urban economic development, yet are far more vulnerable than adults to under- or unemployment.⁵ This represents not only a wasted economic opportunity, but a looming social cost for cities as unemployed urban youth are at higher risk for mental health issues, drug abuse, and involvement in violent or illicit activity.⁶

As slum growth outpaces government ability to expand the provision of basic services, slum economies may also play a bigger role in filling this gap.

- Without significant changes to municipalities' approach to basic infrastructure and service provision, urbanization will continue to outpace government capacity to provide adequate infrastructure and services in urban areas. For example, the urban population lacking access to improved sanitation services in Africa is expected to double from 150 million to 300 million by 2020.⁷
- Increasingly insufficient access to basic services can restrict slum dwellers' economic productivity and perpetuate the likelihood of health, economic and environmental crises, threatening slum and urban resilience.

What are the root causes at play? What systems failures are causing or exacerbating the problem?

The political, economic, and social systems prevalent in developing countries fail to adequately support slum economies, constraining economic opportunities for slum dwellers.

System Failures: Underlying constraints that exacerbate the problem

Political System

Due to limited capacity, poor coordination, persistent corruption, and misaligned incentives, institutions fail to foster inclusive enabling environments and, in some cases, deliberately constrain slum economies.

Economic System

The abundance of low-cost labor in slums often supports the growth of developing country economies, limiting urban decision maker incentives to reduce inequalities or to promote slum worker access to more equitable economic opportunities.

Social System

Due to ingrained social norms and challenges to self-organization, slum dwellers lack voice and influence among employers, supply chain actors, policymakers and other urban stakeholders.

Root Causes: Main forces that directly contribute to the problem

Lack of Legal Power

Slum-based informal workers are often ineligible for formal legal protections and often lack political voice and power, increasing their susceptibility to exploitation by both employers and regulators.

Insecure Public & Private Property Rights

Whether private homes or public roads, slum dwellers often lack secure access to the spaces in which they conduct business. This insecurity discourages long-term investment, reducing economic productivity.

Social Isolation

Non-slum dwellers typically have negative views of slum environments and perceive slum dwellers as “outside” the mainstream urban population, sustaining inequitable access to opportunities and resources.

Inadequate Infrastructure

Slum dwellers typically lack sufficient access to basic infrastructure and services, including electricity, water, and sanitation, reducing the time and capacity available for productive economic activity.

Insufficient Access to Finance, Skills, and Market Linkages

Slum dwellers often lack access to formal finance, literacy and skills, and linkages to non-slum markets, limiting both employment and enterprise growth opportunities.

Poor Information Availability

Little data is available about slum economy dynamics and contributions. Consequently, policymakers and urban planners typically make decisions inconsiderate of and often harmful to slum economies.

Fundamental root causes

What are the prevailing perspectives on this problem?

Three major prevailing perspectives emphasize different barriers to slum economy development, though nearly all stakeholders acknowledge that municipal policies, investments, and in many cases, inaction, are significant contributors to the problem.

Unsupportive and hostile municipalities

“Municipalities fail to implement policies and make investments supportive of slum economies.”

- Due to corruption, misaligned incentives, and poor information availability, developing country municipalities typically fail to consider slum economies and their contributions in policy, infrastructure investment, or urban planning decisions.
- Municipalities also often believe that slums and the informal economy hamper, rather than support, urban growth. Consequently, urban planners’ visions for “world class cities” typically exclude slum economies, leading to actively hostile local policies and decisions.
- *Nearly all stakeholders agree that municipalities have generally failed to foster enabling environments for slum economies.*

Inequitable and inefficient labor markets

“Labor market inefficiencies in many urban economies, including overly abundant low-cost labor, insufficient job availability, and information asymmetries, sustain poor working conditions for slum dwellers.”

- In most cities, the supply of unskilled labor exceeds the availability of formal low-skill jobs, resulting in an abundance of informal, low-cost labor in slums. Many urban companies benefit from this imbalance as they can employ informal slum-based workers at low cost. As a result, employers and policymakers often lack incentives to address this gap and improve informal worker rights, sustaining the economic vulnerability of slum dwellers.
- Slum dwellers and employers often lack information required to identify employment opportunities or potential employees, and to establish mutual trust. This information asymmetry prevents slum dwellers from accessing improved jobs, often increasing competition for low-skill work.
- *Economists, multilaterals, and increasingly, social enterprises and businesses promote this view.*

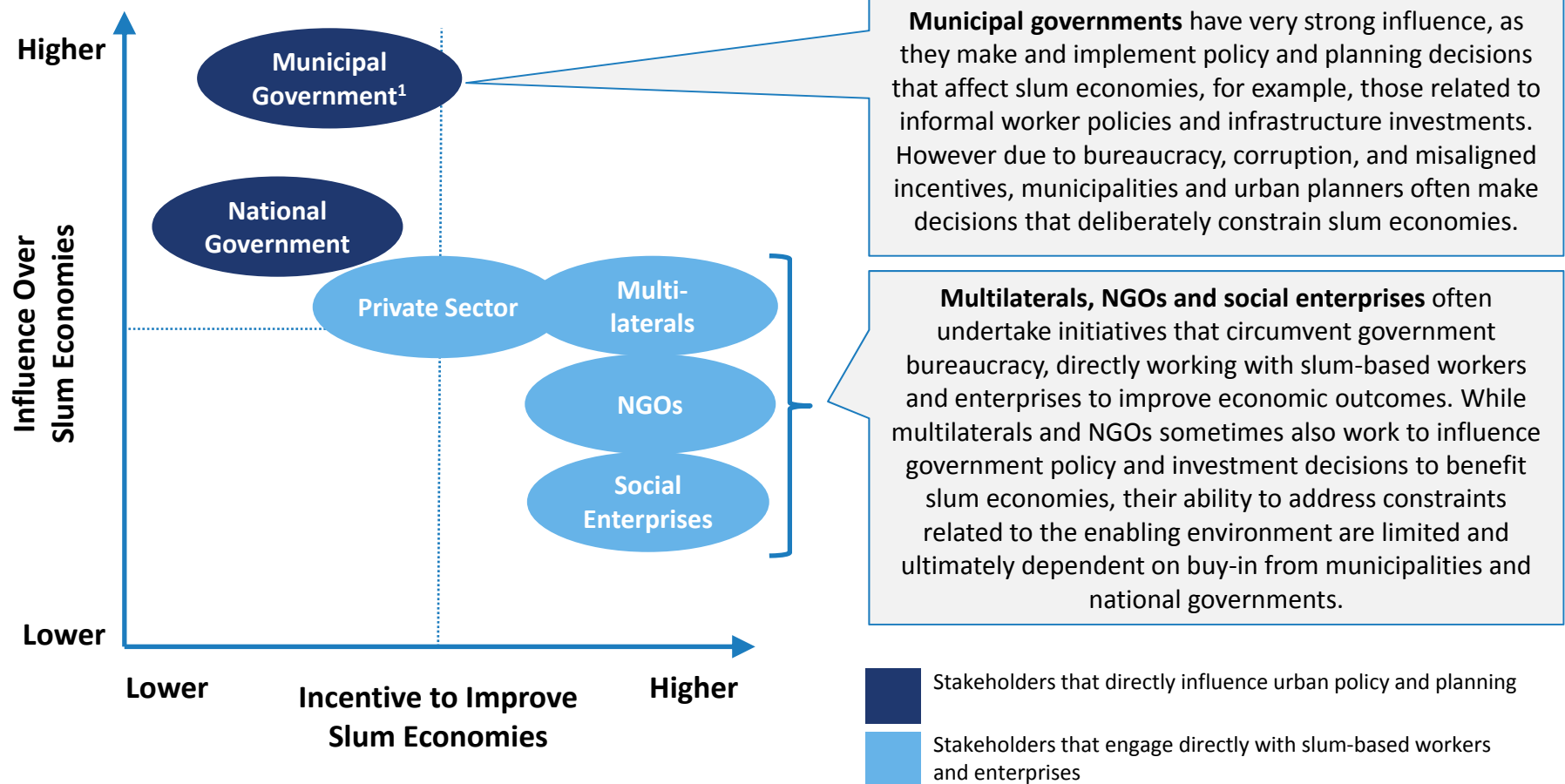
Lack of access to infrastructure and other enabling business inputs

“Slum dwellers lack access to the resources required to improve their economic opportunities.”

- Slum-based businesses typically lack sufficient access to physical infrastructure, markets, finance, skills, and other resources, inhibiting growth and scale. These disadvantages stem in part from slums’ social and often physical isolation from city centers of commerce and enterprise.
- Slum-based workers often lack access to training and therefore have fewer skills, limiting the types of employment available. For some slum workers, particularly those in peri-urban slums, poor physical connectivity to city centers (e.g., insufficient or poor quality roads) further restricts employment opportunities and time available for productive economic activity.
- *NGOs and academics are proponents of this perspective.*

Who are the most relevant stakeholders?

While municipal governments have the greatest influence through their control over slum and broader urban policies and investment decisions, they often lack the incentive to make choices that benefit slum economies.



¹ Municipal governments are often working in partnership with urban planners who have similar influence and incentives.

What you will find in this section:

- Descriptions of the three areas of dynamism that demonstrate movement towards solutions in the space.
- An analysis of each of the areas of dynamism, including a judgment of their relative strength and a description of the evidence that supports it.
- Descriptions of what would need to happen to reach potential tipping points, which could be near-term, longer-term, or even non-existent.
- An analysis of the potential risks or uncertainties in the space that could inhibit transformative change.

What areas of dynamism demonstrate movement towards a solution in the space?

While overall dynamism in the slum economies problem space is low to moderate, relatively stronger dynamism around the increased availability of slum data and increased private sector engagement in slums present opportunities to shape interventions that improve slum economy outcomes.

Increasing Availability of Slum Data to Inform Urban Decision-making

Technology advancements and uptake are enabling a better understanding of traditionally hard-to-reach populations in developing countries, including the urban poor. Researchers are increasingly leveraging these technologies, including geographic information systems (GIS), global positioning systems (GPS), and mobile, to collect data about slums and slum dwellers. To increase the usability of this data by urban stakeholders (e.g., urban planners, municipalities, private sector), academics and researchers are also developing new analytical tools and approaches. As data about slums improves and government and donor resources become more constrained, multilaterals, NGOs, and slowly, governments, are beginning to realize the potential of data to inform important decisions that affect slum economies, such as those regarding potential slum infrastructure upgrades, or choices between in-situ slum upgrading and slum re-location.

Private Sector Engagement with Slum Dwellers as Consumers and Workers




Private sector enterprises, ranging from multi-national corporations (MNCs) to social enterprises, are progressively engaging slum dwellers as both consumers and participants in their value chains, including as distributors, franchisees, or direct employees. As developed markets reach maturity, MNCs, in particular, are quickly moving to sell products and services to low-income customers, including slum dwellers. Additionally, as urban populations grow and governments are unable to keep up with their basic needs (e.g., water, sanitation, electricity), social enterprises are moving to fill basic service supply gaps in slums. While the risk of negative unintended consequences exists, private sector engagement in slums can help to improve access to goods and services, and thus free slum dweller time for productive economic activity. Moreover, to facilitate entry into slums, some private companies are also beginning to adopt innovative business models that create employment.

Improved Slum Dweller Connectivity to Economic Opportunities

The informal sector is an increasingly significant driver of economic output in developing countries. Given that the majority of urban informal workers live in slums, efforts are underway to improve linkages between slum and broader urban economies. In particular, different models have emerged to connect urban informal workers with employers, ranging from technology-enabled platforms that leverage mobile technology prevalent among slum dwellers, to traditional skill bridging programs focused on reducing information asymmetries between potential employers and informal employees. Municipalities are also slowly beginning to support slum dwellers and informal workers by creating jobs and improving the physical connectivity of slums to broader urban environments. These improved linkages can reduce slum dwellers' isolation and disempowerment and thus improve their economic prospects.




Dynamism: Increasing Availability of Slum Data to Inform Urban Decision-making

Area of Dynamism: Increasing availability of slum data to inform urban decision making

Driver	Increasing collection of data about slums, leveraging new tools and technologies	More innovative analysis and widespread dissemination of slum data, aiming to support decision makers	Increasing government uptake of slum data to inform policy and investment decisions
Relative Strength			
Geographic Notes	<i>Data collection occurring globally, and most prominently, in well-established slums in primary cities.</i>	<i>More sophisticated data analysis occurring worldwide; driven by global players seeking to facilitate cross-regional comparisons.</i>	<i>Examples of government uptake of data more prevalent in Latin America and Africa.</i>
Signals	<ul style="list-style-type: none"> Nairobi-based Spatial Collective uses hand-held GPS devices to collect detailed data about slums. The organization recently collected data on behalf of social enterprise Living Goods to help inform the feasibility of four new products in Nairobi's slums. The Center for Environmental Planning and Technology (CEPT) is supporting the Ahmedabad Municipal Corporation in India to develop a GIS-based information system on slums, with the goal of informing urban planning and policy decisions. Using location and communication data from mobile phones to study slums in Kenya, the Santa Fe Institute[†] highlights the opportunity to utilize large-scale data to better understand the economic, social, and migratory dynamics of slums globally. 	<ul style="list-style-type: none"> The Gates Foundation has funded Slum Dwellers International (SDI) and The Santa Fe Institute[†] to expand the scientific study of slums. Building upon SDI's existing collection of local-level slum data, the project will aggregate, standardize, and disseminate data about slums to urban decision makers. In partnership with Google, SDI has also developed a platform integrating data collected by slum communities with Google maps, improving its usability for governments. The Global Open Data Initiative helps developing countries to build open data management systems, including data about slums, to improve governments' decision making capabilities and accountability. 	<ul style="list-style-type: none"> With support from civil society and research organizations, Rio de Janeiro's Municipal Secretary of Housing is using census-based classifications to plan favela upgrade interventions, with the aim of improving living conditions for up to 320,000 households by 2020. In 2011, the mayor of Sekondi-Takoradi in Ghana used data from the city's first poverty atlas to prepare the city's Medium Term Development Plan. The poverty atlas was created with support from Global Communities[†] and the Sekondi-Takoradi Metropolitan Assembly.
Expected Trajectory	STEADY GROWTH. Development practitioners' focus on urbanization and advancements in technology allow for continued growth of slum data collection.	ACCELERATING. Increasing availability of slum data creates more opportunities for innovative analysis and dissemination.	STAGNANT. Donor and NGO efforts to foster data-informed decision making may conflict with other interests among urban planners and governments.

Dynamism: Private Sector Engagement With Slum Dwellers as Consumers and Workers




Area of Dynamism: Private sector engagement with slum dwellers as consumers and workers

Driver	Growing corporate efforts to capture lower-income consumer segments, including those in slums	Growing private sector adoption of decentralized service models to fill basic needs gaps in slums	Increased private sector adoption of innovative models that engage slum dwellers along value chain
Relative Strength			
Geographic Notes	<i>Tend to focus on larger and slightly higher-income slums.</i>	<i>Private sector adoption of decentralized service models emerging globally.</i>	<i>Private engagement of slum dwellers as employees, distributors, and franchisees seen primarily in India and Africa.</i>
Signals	<ul style="list-style-type: none"> In response to rising slum dweller incomes and demand for local goods and services, several private companies have established branches in urban Brazil's favelas, for example, appliance retailer Casas Bahia in Rio de Janeiro and retail bank Bradeso in São Paulo. In Dharavi, Nestlé sells packets of Maggi noodles for nine cents, a lower price point than that charged in the rest of Mumbai. Mobile telecom companies (e.g., Tigo, MTN, Vodafone) target low-income consumers with "pay-as-you-go" strategies, and engage small, slum-based retailers to expand sales of their products and services in urban developing markets. 	<ul style="list-style-type: none"> Over the past five years, several social enterprises (e.g., Sanergy, Sarvajal) have emerged to supply off-grid water and sanitation to slum dwellers, offering both employment opportunities and convenient, time-saving access to services. Small-scale private service providers (SPSPs) are increasingly expanding basic service access for poor urban and peri-urban populations; for example, <i>Aguateros</i> in Paraguay provides potable water to ~500k mostly poor peri-urban residents through independent wells and distribution networks¹. 	<ul style="list-style-type: none"> Coca-Cola's micro distribution center (MDC) model employs local entrepreneurs as franchisees in Africa to reach new consumer segments. Originally piloted in 1999 with 10 MDCs in Ethiopia, today Coca-Cola operates >3,000 MDCs in East Africa, employing ~13,500 people. Nestlé's "My Own Business" model recruits, trains, and employs local operators to manage teams of 8-10 street vendors selling <i>Nescafé</i> products in Central and West Africa. Pollinate Energy trains and engages local micro-entrepreneurs to sell solar home systems in slums in Bangalore, India.
Expected Trajectory	ACCELERATING. Corporations increasingly seek to move into new, under-penetrated markets, particularly as developed markets become more saturated.	STEADY GROWTH. Growing gap between municipal supply and demand, but significant challenges to scale likely to persist (e.g., hostile municipalities, difficulty of promoting slum dweller behavior change).	ACCELERATING. Companies increasingly seeking effective ways to move into under-penetrated markets; market-based approaches to development gaining support from multilaterals and donors.

¹ In the absence of sufficient competition or an explicitly social mission, SPSPs may engage in unfair pricing.

Dynamism: Improved Slum Dweller Connectivity to Economic Opportunities

Area of Dynamism: Improved slum dweller connectivity to economic opportunities

Driver	Emergence of interventions to improve urban informal worker access to employment opportunities	Increased physical connectivity of slums to urban areas, reducing isolation and improving slum dweller access to employment	Growing municipal accommodation and engagement of informal workers ¹
Relative Strength			
Geographic Notes	<i>Interventions tend to focus on slums in mega-cities in South Asia and Africa, often in countries with high mobile penetration rates.</i>	<i>Municipal-led interventions predominantly seen in Latin America, employed as a means of reducing slums' isolation and urban crime.</i>	<i>Predominantly seen in Latin America and South Asia.</i>
Signals	<ul style="list-style-type: none"> Several initiatives leverage technology to connect informal workers with improved job opportunities. For example, India-based LabourNet uses an online platform to connect informal laborers with potential employers. Founded in 2005, the organization serves >40,000 workers today. Traditional, non-technology-based programs (e.g., India-based Saath, South Africa-based Harambee) also offer training and placement services to match informal workers with employment opportunities. 	<ul style="list-style-type: none"> In 2011, the city of Medellin, Colombia opened an escalator connecting slums to the center of the city, reducing slum dwellers' commute and freeing time up for economic activity, as well as contributing to the city's broader plans to reduce crime and poverty. The government of Rio de Janeiro provides slum dwellers with free transportation via cable car from hillside slums to the rest of the city, enabling easier access to employment opportunities outside of the slums. 	<ul style="list-style-type: none"> In recent years, national governments have introduced policies to protect the rights of urban informal workers, such as the Street Vendors (Protection of Livelihood & Regulation of Street Vending) Bill in India (passed in September 2013) and a law to extend rights and benefits to home-based workers in Pakistan (draft finalized in September 2013). Informal waste pickers are being increasingly integrated into municipal waste systems, as evidenced by cases in Belo Horizonte, Brazil; Pune, India; and Buenos Aires, Argentina.
Expected Trajectory	ACCELERATING. Experts assert that connectivity platforms are ripe for replication and scale, supported by their ability to leverage technology and circumvent government bureaucracy, as well as potentially expand reach to slums further from city centers.	ACCELERATING. Other cities interested in similar connectivity innovations to reduce crime, as demonstrated by officials from Washington and Johannesburg visiting the Medellin escalator.	STAGNANT. Governments' pursuit of "world-class cities" rather than "inclusive cities," as well as persistent corruption and cronyism remain barriers to further advancement in this area.

¹ Despite positive examples, the overall picture of informal worker accommodation and engagement remains mixed.

What potential positive tipping points are emerging?

Positive tipping point

Hybrid cities, in which informal economies are directly integrated into city planning and priorities, become a widely acceptable vision for urban development.

This would happen if:

- *Political change:* Municipal agencies are less siloed, more efficient, and incentivized to protect and support informal slum economies.
- *Political change:* National and local governments reject the current, non-inclusive vision of “world-class cities.”
- *Market-led change:* Increased private sector engagement with slums puts pressure on municipalities and urban planners to accommodate and support slum economies.
- *Social change:* Slum-based workers and businesses are well-organized, enabling them to have a voice in municipal decision making.

Aspirational Future State:
National and local governments actively support slum economies, reducing slum dweller isolation, harassment, and legal vulnerability.

**Long-term
(>10 years)**

Today: Many national and local governments pursue a vision of “world-class cities” that exclude informal slum economies.

What are potential risks surrounding the dynamism in this space?

The entrenched interests of governments, slum lords, and other actors in the slum economy ecosystem may restrict the potential of slum economy interventions to drive systemic change.

Greatest risk

GOVERNMENTS MAY DISRUPT OR FAIL TO SUPPORT SLUM ECONOMY INTERVENTIONS

Municipality incentives to pursue visions of “world-class” cities and maximize the value of urban real estate may override their support for slum economies, threatening the sustainability of potential interventions.

- Municipalities can help to facilitate implementation, ensure sustainability, and maximize impact of some potential interventions. However, municipalities often view slum economies as an impediment rather than a critical contributor to urban development, restricting willingness to support these efforts.
- Furthermore, as urban real estate becomes more scarce, urban areas inhabited by slum dwellers often represent an increasing opportunity cost to cities. Consequently, municipalities may elect to relocate slum dwellers to make way for private real estate development, disrupting existing slum economy activity and any ongoing interventions.

CORRUPTION WITHIN SLUM ECONOMIES MAY LEAD TO INEQUITABLE INTERVENTION OUTCOMES

Significant levels of corruption exist within slum economies and the economic and political systems which support them, potentially undermining intervention impact or leading to inequitable intervention outcomes.

- Corrupt officials and individuals (e.g., slum lords) often benefit from barriers faced by slum workers and businesses (for example by extracting bribes from unregistered street vendors), and therefore, may intentionally block external efforts to overcome these challenges.
- Given the relative power of corrupt officials and individuals in slum economies, slum economy interventions may inadvertently benefit these parties, reducing benefits to poor or vulnerable people within slums.

INTEGRATION BETWEEN SLUM AND BROADER URBAN ECONOMIES MAY DECREASE SLUM DWELLER RESILIENCE

Increased integration between slum and broader urban economies may increase slum dwellers’ exposure to formal sector economic downturns and risk of exploitation, potentially decreasing slum dwellers’ resilience.

- Increased linkages between the informal slum economy and non-slum businesses, particularly those in the formal sector, could increase slum dwellers’ susceptibility to negative outcomes associated with formal sector economic downturns, for example job loss, wage reduction, or decreased benefits.
- While enhanced connectivity with non-slum employers can expand employment prospects for slum dwellers, connection to non-equitable employers may heighten risks of exploitation, for example, through unfair wages or poor working conditions, thus sustaining slum dwellers’ marginalization and poor economic resilience.

INCREASED PRIVATE SECTOR ENGAGEMENT WITH SLUMS MAY YIELD NEGATIVE ECONOMIC AND SOCIAL IMPACTS

Due to unintended consequences and potentially misaligned incentives, increased private sector engagement with slum economies may yield negative economic and social impacts on slum-based workers and communities.

- While private sector entry into slums may create jobs for slum dwellers, power imbalances and private enterprise efforts to maximize profits may increase risks of slum-based worker exploitation.
- Supporting engagement of private enterprises in slums may also result in negative externalities for slum communities. For example, supporting the entry of a fast food chain into a slum may create employment, but also reduce business for slum-based street vendors and increase consumption of unhealthy food.

What are uncertainties surrounding the dynamism in this space?

Several uncertainties, particularly the effect of peri-urban expansion on slum economy dynamics and evolving data availability, could also negatively affect the potential impact of interventions in this space.

Greatest uncertainty

EFFECT OF CHANGING SPATIAL DYNAMICS ON SLUM AND URBAN ECONOMY INTEGRATION

Increasing demand for urban real estate will likely concentrate future slum growth in urban peripheral areas, potentially straining integration between slum and greater urban economies.

- Studies and experts note that urban center slums tend to have better access to economic opportunities. However, as urban real estate prices rise and urban centers become more densely populated, slum population growth is more likely to be concentrated in peri-urban areas.
- Increased slum dweller concentration in urban peripheries, away from city centers of commerce, may threaten advancements in slum economy connectivity to urban economies.

INTERVENTION CAPABILITIES IN LIGHT OF CURRENTLY LIMITED SLUM ECONOMY DATA

Due to the informal and often transient nature of slum dwellers, consistent, credible data on slum economies is currently limited, potentially restricting the abilities of funders and policymakers to make informed decisions.

- While NGOs and slum organizations are increasingly collecting data on slum communities and economies, current efforts are typically localized, often constrained (e.g., by lack of buy-in from local communities, support from municipalities, funding), and may not always align with decision makers' needs.
- Although efforts are underway to improve the availability of high-quality, credible slum data at a local and global level, their timing and potential effectiveness in informing intervention design is not yet clear.

ABILITY TO INTERVENE EXCLUSIVELY AROUND ECONOMIC ACTIVITY OF SLUM DWELLERS

The interrelated nature of challenges facing slum dwellers, including physical, economic, and social conditions, may limit the feasibility or effectiveness of interventions that specifically target slum economies.

- Experts emphasize that successful slum economy development will require a holistic approach that acknowledges the inter-related nature of slum dweller challenges. For example, initiatives specifically targeting improved economic activity may only be successful in tandem with improvements in infrastructure or health.
- To-date, most slum-based interventions have focused on slum upgrading or increasing access to basic infrastructure and social services, including electricity, safe water, and healthcare.

EFFECT OF SLUM ECONOMY INTERVENTIONS ON THE MOST POOR OR VULNERABLE

The diverse characteristics of slum populations and the nature of private sector engagement in slums may limit funders' ability to ensure that the benefits of slum economy interventions accrue to the most poor or vulnerable.

- While many slum dwellers are poor, some non-poor live in slums and are active participants in slum economies. As a result, it may be difficult to target the poor or vulnerable as primary beneficiaries of interventions.
- In particular, interventions focused on private sector engagement with slum economies may only create entrepreneurial job opportunities that require more education and experience, thus excluding the poorest segments.

- There is overall a low to moderate degree of dynamism around solutions in the space. This is particularly true for solutions that require engagement or change on the part of national governments and municipalities. Two areas of dynamism demonstrate relatively stronger potential: 1) Increasing availability of slum data to inform urban decision making; and 2) Private sector engagement with slum dwellers as consumers and workers.
- There are no imminent tipping points on the horizon. In the long term, large-scale change to a tipping point could be driven by a widespread urban planning shift towards hybrid cities that support both informal slum and formal economies. The realization of this tipping point overwhelmingly depends on the motivations, capacity, and capabilities of municipal governments.
- The biggest risks to success in this space include potential government disruption or failure to support slum economy interventions, and the possibility that corrupt individuals may capture benefits intended for poor slum dwellers.
- The key uncertainties to consider include the effects of rapid slum growth in urban peripheral areas on the integration of slum and urban economies, and the implications of undertaking slum economy interventions based on what is currently very limited data.


What you will find in this section:


- An overview of the most prevalent current approaches to addressing this problem.
- A snapshot of the existing evidence on the success or failure of these approaches.
- Stories highlighting some of the exciting and interesting innovations uncovered by the Search.
- An analysis of both the current patterns of innovation and the potential for future innovation in this space.

What are the dominant approaches and solution spaces?

The dominant approaches to addressing slum economy challenges either focus broadly on making urban planning and policy approaches more inclusive, or seek to directly address the economic-related challenges of individual slum dwellers.

<p>Community organizing for equitable access to economic opportunities</p>	<p>Organizing slum dwellers and informal workers can empower groups to demand economic rights and equitable access to livelihood opportunities: This approach represents a more traditional “bottom-up” approach (sometimes called a “rights-based approach”) to overcoming barriers in slum economies by empowering citizens to demand rights, including fair wages, equitable employment opportunities, and safe working conditions. Most organizations target either informal workers or slum dwellers more broadly but may not be explicitly focused on improving slum economies.</p>
<p>Changing policies and institutions to better protect and enable slum dwellers</p>	<p>Creating policies and strengthening institutions that promote and protect the economic wellbeing of slum dwellers can improve livelihoods: This approach focuses on strengthening existing systems by working with government and policy makers (e.g., municipal and national governments) to enact policies and develop institutions that protect and empower slum dwellers. Though these approaches may not explicitly focus on slum economies, interventions in this area can have direct impact on slum dweller livelihoods by offering greater legal protection, safer working conditions, and better wages.</p>
<p>Promoting access to quality jobs to increase economic mobility</p>	<p>Improving the flow of information to match workers with jobs, promoting development of skills, and creating new jobs through inclusive business models can improve livelihoods and contribute to economic mobility for slum dwellers: Solutions are emerging that connect unemployed urban populations with work opportunities, train workers to develop skills necessary to find gainful employment, or expand inclusive business models to employ poorer populations, resulting in more and better employment opportunities for poor slum dwellers.</p>
<p>Improving access to resources to foster enterprise growth and resilience of the self-employed</p>	<p>Making business resources available in slums can spur growth of slum-based enterprises and improve resilience of the self-employed: Some interventions are focusing on improving self-employed slum dwellers’ access to finance, markets, skills, infrastructure, and other resources in order to improve livelihoods through business growth and/or increased profits. Innovative business models are also emerging that empower slum dwellers to create micro-enterprises or operate micro-franchises on behalf of larger businesses or brands.</p>

 Focused more broadly on making urban planning and policy approaches more inclusive; established approaches that are typically non-specific to slum economies and occurring at a larger scale

 Directly target specific economic-related challenges of individual slum dwellers; emerging solutions that are typically more fragmented between different regions

Where is there evidence for success or failure? (1/2)

Evidence of success and failure is largely anecdotal, as few rigorous evaluations have been conducted across the solution spaces, particularly for interventions narrowly focused on slum economies.

Approach	Observations	Illustrative Evidence of Success	Illustrative Evidence of Failure
Community Organizing	<ul style="list-style-type: none"> • <i>Several examples of advocacy and community organizing approaches successfully bringing about positive policy changes, particularly at the municipality level.</i> • <i>However, a frequently noted challenge is reversal of achievements when local government changes.</i> 	<p>WIEGO[†] and the Asociación de Recicladores de Bogotá (ARB): ARB, a network of waste pickers supported by WIEGO, filed a lawsuit and negotiated with the city to have waste pickers formally included in the municipal waste management system. Recicladores are now paid as public service providers. According to WIEGO, the first 790 waste pickers to participate saw their earnings increase 2-3 times.</p>	<p>Street Vendors in Durban: After many years of lobbying, the Self-Employed Women's Union (SEWU) and the Informal Trade Management Board won passage of a 2001 policy supporting street vendors through registration and site allocation. However when city management changed in 2004, the policy was removed. Despite well-organized efforts, a clear success quickly became a failure.</p>
Policies and Institutions	<ul style="list-style-type: none"> • <i>Limited evidence for success or failure of approaches that work directly with institutions to change policies and approaches, though anecdotal evidence suggests large global initiatives can induce political action at the national level.</i> • <i>Many policies enacted to protect slum dwellers and workers go unenforced due to lack of political will or institutional capacity.</i> 	<p>ILO's Domestic Workers Convention: Binding international law as of September 2013, Convention 189 extends basic labor rights to domestic workers, many of whom live in slums. Some ILO member states have already adopted new laws that reduce domestic worker vulnerability by improving working conditions, legal protections, and wage requirements. While Convention 189 and national regulatory changes have not been evaluated, early adoption is promising.</p>	<p>National Policy on Urban Street Vendors in India: In India, a national policy (unlike a bill) is merely a statement of intent with no legal weight. As of 2011, only seven of 28 states had adopted the policy. The policy focused largely on spatial issues and failed to address many social issues facing street vendors. Since its passage in 2004, over 1 million vendors have been displaced and many have been victims of police brutality. However, in September 2013, India's Parliament passed a national bill offering stronger legal protections for street vendors.</p>

Where is there evidence for success or failure? (2/2)

Evidence of success and failure is largely anecdotal, as few rigorous evaluations have been conducted across the solution spaces, particularly for interventions narrowly focused on slum economies.

Approach	Observations	Illustrative Evidence of Success	Illustrative Evidence of Failure
Employment Opportunities	<ul style="list-style-type: none"> • <i>Platforms for connecting slum workers to jobs, while not yet externally evaluated, show strong potential for improving livelihoods based on self-reported outcomes.</i> • <i>Evaluations of skills development and training programs show mixed results and highlight that these can be ineffective unless linked directly to specific employment opportunities.</i> 	<p>Babajob: Babajob connects employers and job seekers in the informal sector via the web, mobile apps, and SMS. Inspired by research that showed that the best path out of poverty is income diversification (changing jobs), Babajob today reaches 60,000 employers and 500,000 job seekers and sends over 1 million SMS messages each month. Those hired through Babajob report average income increases of 20.1% and an average decrease in daily commute of 14 minutes.</p>	<p>Active Labor Market Programs (ALMPs): A World Bank review of evaluations of ALMPs – including employment services and training – finds mixed impact and cost-efficiency across these programs. Specifically, evaluations in Argentina and Colombia find that training programs have no significant impact on employment probabilities and earnings. Program design is cited as the most critical success factor, with private interventions more likely to succeed than public.</p>
Access To Resources	<ul style="list-style-type: none"> • <i>Micro-franchising shows potential as a model for supporting slum-based entrepreneurs; however many organizations have found it difficult to develop sustainable financial models for the franchisor entity.</i> • <i>Microfinance, the most rigorously evaluated intervention in this space, has shown less promise as a model to promote the growth of slum-based businesses due to product design constraints.</i> 	<p>Coca Cola Manual Distribution Centers (MDCs): A 2008 IFC study evaluated the MDC model in Tanzania and Ethiopia. MDC uses micro distributors to deliver products to emerging and hard-to-reach retail markets. The model promotes entrepreneurship and employment, and is active in slum areas. As of 2008, 2,500+ MDCs existed in Africa, generating 12,000+ jobs and over \$500M in revenue. In Ethiopia, 75% of MDC owners are “new business owners,” and 95% of owners and 80% of employees report greater income because of the MDC.</p>	<p>Urban Microfinance in Hyderabad: A JPAL randomized control trial on the impact of traditional, group-based microcredit on businesses and households in slums showed mostly disparaging results. Treatment groups were no more likely to start a new business, and consumption was no higher. Businesses that received loans were not more profitable, and no differences were detected in development outcomes (e.g., health, education). Spending on durable goods increased in treated areas, while expenditures on “temptation goods” declined.</p>

Who are the major players in the solution space?

There are a range of potential partners in this space, most of whom are approaching slum economy challenges from adjacent perspectives of informal employment or slum upgrading.



Women in Informal Employment: Globalizing and Organizing (WIEGO)[†]: A global network of membership-based organizations (MBOs) seeking to improve the status of the working poor in the informal economy by fostering economic empowerment and promoting equality in economic opportunities and rights.

Size and history: Budget of ~\$5 million; established in 1997.

Solution space: Community organizing for equitable access to economic opportunities.

Example project: WIEGO assisted in the creation of IDWN, a global network of domestic workers, and is providing ongoing technical assistance to support its organizing and campaign work.



StreetNet International[†]: An alliance of street vendor member organizations promoting the exchange of information about critical issues facing street vendors, including practical organizing and advocacy strategies.

Size and history: Established in 2002; to-date has 46 national affiliate member organizations.

Solution space: Community organizing for equitable access to economic opportunities.

Example project: The World Class Cities for All (WCCA) campaign was launched to strengthen coordination between street vendor organizations and support their demands to municipal and national governments for greater legal protections and rights.



Global Communities[†]: An international NGO; relevant program areas include Governance & Urban Management; Micro, SME, & Housing Finance; Economic Development; and Civil Society & Capacity Development.

Size and history: Founded in 1952, formerly called CHF International; 2012 budget ~\$200M, projects in 80 countries.

Solution space: Promoting access to quality jobs to promote economic mobility, Improving access to resources.

Example project: SCALE-UP, a Gates Foundation-funded project in India and Ghana from 2007-2011, worked with waste collectors to organize and improve working conditions and worked with LabourNet, a social enterprise developed to improve slum dwellers' livelihoods, to register informal workers and connect them to jobs.



Cities Alliance: A global partnership of local authorities, national governments, NGOs, and multilateral organizations working to reduce urban poverty and promote the role of cities in sustainable development.

Size and history: Established in 1999; partnership currently has 20 members; FY2013 budget of ~\$4.6 million.

Solution space: Changing policies and institutions to better protect and enable slum dwellers.

Example project: Slum Upgrading and City Development Strategies (e.g., "Slum Upgrading and City Development Strategy for Nampula City, Mozambique").

What innovations exist in the space?

Many current innovations leverage technology to improve slum dwellers' economic opportunities and livelihoods.

Livelyhoods[†]



LivelyHoods creates employment opportunities for youth in urban slums through its not-for-profit sales network. The organization trains and employs talented and motivated young people, who otherwise lack access to skills and job opportunities, to serve as sales agents. Selected youth are given two weeks of intensive training, and successful graduates are hired as agents. Agents take products on consignment and earn a commission on each sale, on top of a monthly base salary. LivelyHoods has created the iSmart brand of high-impact products specifically designed to appeal to urban slum residents, in terms of design, usability, and price. Products include micro-solar lighting and power systems, feminine hygiene products, and clean cookstoves. All new products are subjected to a vetting process facilitated by the sales team, and individual agents choose which products they want to sell. Since its founding in 2011, LivelyHoods has created 134 new jobs for youth.

Opportunities for growth: LivelyHoods recently finalized license agreements with the Nairobi city council for “pop-up sales tents.” Market research showed that the best way to grow sales volume is by selling directly to local organizations and businesses (rather than door-to-door sales). The second of these shops was opened in August 2013, and the team is now working to train sales agents for this model.

Addressing the Unaddressed



Addressing the Unaddressed assigns unique addresses to slum dwellings in urban India. The organization uses simple technologies to translate the geo-coordinates (“GO codes”) of slum households into street addresses at a much lower cost than traditional addressing systems. By providing slum dwellings with addresses, Addressing the Unaddressed can help to reduce slum dweller isolation, increasing slum visibility to governments, NGOs, private sector entities, and other urban decision makers. Assigning addresses to slum dwellings can also help to improve connectivity between slums and non-slum based entities, often increasing slum dweller access to utilities, healthcare, and other resources. For slum-based businesses, having a unique address can enable improved access to markets (e.g., by enabling the delivery and shipment of goods) and finance, particularly since banks typically require applicants to have a physical address. To date, Addressing the Unaddressed has provided addresses for 2,500 slum dwellings in Calcutta, occupied by 12,500 residents.

Opportunities for growth: While efforts to-date are limited to Calcutta, Addressing the Unaddressed’s GO code system is low-cost and non-disruptive to existing addressing systems, and therefore has great potential to scale to other cities in India and the developing world.

What are the patterns of innovation in the space?

Innovations that promote integration of slum dwellers and businesses into market systems are most prevalent, though innovations at the enabling environment level and slum-dweller level are emerging.

Highest level of innovation observed

Market level:
Innovations that improve the connectivity and integration of slum businesses and workers into markets

Description: Market integration innovations promote better and more equal integration of informal workers and slum businesses into the broader urban economy. Examples include new business models being used by MNCs and social enterprises to engage slum dwellers as entrepreneurs and customers (e.g., LivelyHoods⁺ and Sanergy) and innovative marketplaces that connect slum dwellers with employment outside of slums or even in the formal sector (e.g., Labournet and Babajob).
Observations: Innovations are most clustered in this area, with greatest prevalence in South Asia and increasing activity in Africa, though some models have faced constraints to growth and significant scale; many innovations in this area are enabled by new applications of mobile technology.

Slum dweller level:
Innovations that increase the resilience of slum-based workers and businesses

Description: Innovations are emerging that increase access to economic resources for slum dwellers and slum based businesses, improving their capacity to withstand economic shocks. These include innovations in microfinance (e.g., use of mobile technology for disbursement and repayment), the development of innovative financial products targeting the urban poor (e.g., small-scale savings and insurance products), and complementary currency systems that ease liquidity constraints in slums and improve business efficiency.
Observations: Innovations in this area are limited, with many still in early stages of development.

Enabling environment level:
Innovations that support the enabling environment for slum businesses and workers

Description: Innovative approaches to improving the enabling environment focus on policies and investments supportive of the economic activities of slum dwellers, such as protections and benefits for informal workers (e.g., formal regulation of street vendor activity); technological innovations to expand slum data collection, mapping, and analysis; and innovations to expand basic service availability in slums (e.g., water and sanitation, transport infrastructure enabling access to city centers).
Observations: Limited policy activity, mostly driven by strong, well-organized civil society movements and often won through protracted legal battles rather than initiated by the city or government itself; emerging use of GIS to map and provide slum households with unique addresses, often NGO-led; innovations to expand basic service delivery in slums also emerging, often led by the private sector.

What is the innovation potential in the space?

Despite relatively low levels of innovation to date, the future innovation potential in this space is high, supported by capacity for cross-pollination of ideas, technology advancements, and active thought leaders.

Innovation Enablers

Strength of Enabler and Assessment of Current Innovation in the Space

Evidence of cross-pollination: Ideas being shared, replicated and scaled across actors, issues and geographies.



- High level of activity of global networks and partnership organizations dating back to the mid-1980s has catalyzed significant sharing of ideas, particularly between membership-based organizations (MBOs) working with slum dwellers and informal workers. For example, StreetNet⁺ organizes numerous “exchange visits” each year between MBOs (in 2012, the Bangladeshi MBO visited Kenya and Tanzania).
- Limited evidence of collaboration directly between governments, though alliances of public sector groups are increasingly active. For example, the United Nations Advisory Committee of Local Authorities brings together mayors and local government representatives each year to engage on a thematic area relevant to cities.
- Emerging examples of certain innovations – for example, institutionalization of waste pickers in municipal systems and complementary currencies – being replicated across geographies.

Breadth of innovation: Ability of space to encompass many types of innovation, and current distribution across categories of innovation.



- Innovations exist across multiple categories; however there is currently greater concentration of innovations at the market level. This includes, for example, social enterprise business models (e.g., Sanergy), new inclusive models developed by larger corporations (e.g., Coca Cola’s MDC model), and information platforms (e.g., LabourNet).
- Innovations in technology cut across multiple categories. For example, advances in mobile technology are useful for certain financial innovations (e.g., mobile money), as well as for innovations that integrate slum dwellers into market systems (e.g., mobile-based micro-work).

People and skills: Presence of active change-makers and existence of education and training.



- Though few individuals are championing specific solutions to the challenges of slum economies, there are a number of active thought leaders and change agents working in areas relevant to slum economies (e.g., Marty Chen and Pat Horn, working to secure rights for workers in the informal economy).
- Urban planning programs at academic institutions typically ignore the economic challenges facing slum dwellers, so few channels exist for formal training and research in this realm.

Track record: Amount of evidence of success among existing technologies and practices.



- Many innovations are very recent (i.e., 1-3 years old), with models still evolving and many projects in pilot phase. For example, Indian MFI Swadhaar is piloting a partnership with Airtel’s mobile money platform to promote financial inclusion for the urban poor.
- Innovations focused directly on slum economies (e.g., the BanglaPesa complementary currency) are relatively few.

Who are the innovators and thought leaders?

Many innovators are working on private sector approaches to overcoming barriers in slum economies, while a number of thought leaders are highlighting the larger challenges facing the urban poor.



Sacha van Ginhoven (Global Program Manager for Innovation at TNT Express)

Relevant work: Sacha led a collaboration between TNT, a global logistics and delivery company, and slum residents to use mobile phones as a location signifier for slum businesses, supporting their integration into formal logistics systems and supply chains without the need for street name-based addresses.

Innovation category: Market-level.

Focus geographies: India (system developed in Mumbai, but could be widely applicable).

Recognition: Recently named winner of Ashoka and Accenture's League of Intrapreneurs.



Maria Springer and Tania Laden (Co-Founders of LivelyHoods[†])

Relevant work: LivelyHoods is a non-profit social enterprise working to create jobs for slum youth who, as members of a door-to-door sales force and retail chain, sell products that improve the quality of life for other urban poor. Applicants are vetted and undergo extensive training, then take products on consignment and sell for commission.

Innovation category: Market-level.

Focus geographies: Kenya.

Recognition: 2010 Fellow of the Unreasonable Institute (Maria Springer).



Jockin Arputham (President of NSDF and SDI)

Relevant work: Arputham founded the National Slum Dwellers Federation of India (NSDF) in the 1970s to help slum dwellers organize into self-help groups, with savings schemes emerging as a strong empowerment strategy. Through international dialogue with similar groups around the world, Arputham and others founded SDI as a global coordinator and advocate.

Focus geographies: India and global.

Recognition: Recipient of the Ramon Magsaysay Award for Peace and International Understanding in 2000.



Robert Neuwirth

Relevant work: In the process of researching his two books, "Stealth of Nations" (2012) and "Shadow Cities" (2004), Neuwirth spent six years living in slums and engaging the informal economy. Neuwirth explores the economic vibrancy and entrepreneurialism in these communities, urging readers and the global community to empower the informal sector.

Focus geographies: Global (research took place in India, Turkey, Nigeria, Kenya and Brazil).

Recognition: TED 2007 (The hidden world of shadow cities) and TED 2012 (The power of the informal economy).



Sante Fe Institute[†]

Relevant work: Santa Fe Institute has launched a research project to expand the scientific study of slums, analyzing data from slums around the world to look for trends across cultures, levels of development, and geography. The project will aim to determine useful ways for the global urban development community to make use of the data and other findings.

Focus geographies: Global (data is from 7,000 slums, collected by Slum Dwellers International).

Recognition: Funding for the project is from the Bill and Melinda Gates Foundation.

Additional thought leaders with whom Rockefeller has already engaged were not profiled, including: Sheela Patel, Martha Chen, Somsook Boonyabanha. Additional notable thought leaders with a broader focus on urban poverty include Judy Baker (World Bank) and Diana Mitlin (International Institute for Environment and Development).

- There is a range of ongoing activities that affect slum economies and the wellbeing of those who participate in them. However, interventions and actors in the space rarely target “slum economies” specifically. Frames that are more typically applied include informal employment, the urban labor market, or slum upgrading.
- Interventions fall roughly into four categories: community organizing, advocating for policy or institutional change, promoting access to quality jobs (for example via information sharing, value chain integration, or skill upgrading), and promoting access to resources for enterprises.
- Evidence of success and failure across these categories is mixed and largely anecdotal, though early evidence suggests relatively greater potential in platforms for connecting slum workers to jobs and micro-franchising (when a sustainable business model can be identified).
- Innovation is observed across several areas; the most prominent pattern is of new models to promote integration of slum dwellers and slum businesses into market systems.
- Looking ahead, the potential for future innovation in the solution space is relatively high, supported principally by a history of idea-sharing across geographies. To a lesser degree, the breadth of current innovations and the presence of engaged and active thought leaders also highlight future innovation potential.

What you will find in this section:

- An outline of how change could potentially happen in this space, based on the evidence from the dynamism assessment.
- Descriptive scenarios that illustrate potential choices around entry points and pathways to impact, with high-level descriptions of the type of activities the pathways might include.
- Illustrative estimates of potential impact ranges, using assumptions based on the size of investment and reach of previous interventions in the space.

How We Think Change Could Happen

Supporting increased availability and use of slum data, deeper private sector engagement with slum economies, and improved connectivity of slum-based workers can help to improve slum dwellers' economic prospects.

Areas of dynamism that could be catalyzed towards high-level outcomes

Increasing availability of slum data to inform urban decision-making:

Technology enabling increased capture and dissemination of data about slums, with growing potential to inform urban decision-makers (e.g., municipalities, urban planners, private sector).

Private sector engagement with slum dwellers as consumers and workers:

Increased private sector efforts to serve slum markets, expanding goods and services availability in slums and often creating employment opportunities for slum dwellers through uptake of inclusive business practices.

Improved slum dweller connectivity to economic opportunities:

Growing efforts to improve slum dweller access to urban employment, including via training, improved access to employment information, increased physical connectivity of slums to urban centers, and job creation.

High-level outcomes that would be required to achieve the impact goal

Inclusive approaches to urban development that accommodate and support economic activities of slum dwellers.

Better legal protections and enforcement for slum-based workers and enterprises, including fairer labor practices.

Creation of new and more equitable job opportunities for slum dwellers, ranging from low-skilled labor to micro-franchise opportunities.

Improved access to employment information and skill development opportunities for slum-based workers.

Improved access to enabling resources for slum-based enterprises, including finance, education and market linkages.

Increased infrastructure and basic service delivery for slum dwellers, including power, water, and sanitation.

Potential impact goal

IMPACT GOAL:
Improve slum dwellers' economic outcomes and resilience by increasing the quantity and availability of equitable livelihood opportunities and access to goods and services in slums.

Potential entry points for impact can directly target barriers to slum dwellers' economic advancement, or focus more broadly on improving the understanding and appreciation of slum economy contributions.

Reduce barriers to economic advancement

Scenario 1: Support creation of new and equitable jobs for slum dwellers

Focus on increasing economic opportunities available in slums. Goals would include:

- **Creation of jobs through new employers:** Incentivize new employer entry into slums to create employment and increase availability of goods and services, reducing time poverty.
- **Creation of jobs through existing employers:** Provide resources to support growth and scale of existing slum-based businesses and create additional employment opportunities.

Scenario 2: Improve accessibility and quality of existing opportunities for slum dwellers

Intervene to improve accessibility and quality of existing economic opportunities for slum dwellers. Goals would include:

- **Access to better jobs:** Promote access to employment information and training to reduce information asymmetries and skill gaps.
- **Improved working conditions:** Increase slum dwellers' voice and enhance ability to advocate for less exploitative working conditions.

Example potential activities:

- **Provide technical assistance to support private player entry into slums:** Support traditional private company (including MNCs and local businesses) and social enterprise implementation of inclusive business models in slums to stimulate job creation and increase availability of goods and services.
- **Catalyze financing for slum-based businesses:** Enhance availability and accessibility of appropriate financial products for slum-based micro-enterprises and businesses to increase incomes and promote scale, which may create additional employment opportunities in slums.
- **Scale models linking slum-based workers with outside employers:** Invest in organizations that prepare slum dwellers for employment and bridge the information gap between employers and slum-based workers to increase availability and accessibility of job opportunities.
- **Scale urban informal worker advocacy organizations:** Strengthen and scale grassroots organizations focused on improving the voice and well-being of informal workers, and facilitate coordination with international organizations to increase advocacy capabilities.

Potential entry points for impact can directly target barriers to slum dwellers' economic advancement, or focus more broadly on increasing appreciation and improving the understanding of slum economy contributions.

Increase appreciation of slum economies

Scenario 3: Increase capacity for data-driven decision-making

Support recognition of slum economy contributions and capabilities in urban decision making. Goals would include:

- **Increased availability of data about slums and slum economic activity:** Support efforts to capture qualitative and quantitative contributions of slum economies.
- **Increased dissemination of slum economy data among urban decision makers:** In longer term, support uptake of slum data by policymakers and private investors.

Example potential activities:

- **Invest in new and ongoing research and dissemination efforts:** Support efforts to collect, analyze, and disseminate data among policymakers to promote understanding of slum economies and their role in providing urban goods, services, and employment.
- **Reframe global dialogue to better address slum economy issues:** Facilitate dialogue between organizations focused on slums, urban planning, and informal workers to identify cross-subject linkages and coordinate efforts to benefit slum economies.



Affected Populations

Interventions to increase the number of economic opportunities would likely focus on larger slums with high existing potential for entrepreneurship and viable internal markets.

- The five largest slums in the world alone are home to nearly 8 million slum dwellers.²

Interventions to improve job quality and accessibility would likely be most impactful in slums with poor physical connectivity to city centers and/or high levels of casual labor.

- Two-thirds (~550 million) of the world's slum dwellers live in peripheral areas, typically characterized by poor access to employment and services and high levels of exploitation.
- A recent study suggests that 34% of India's slum workers are engaged in casual employment. By improving access to short-term jobs, interventions in this scenario may improve casual workers' income security.

Interventions to increase slum data-driven decision making could target individual cities.

- Data-oriented activities could directly target decision making at the city level, with the potential to impact the ~830 million slum dwellers worldwide.

Possible Solution Spaces

Accelerate entry of private players employing inclusive business models into slums, including MNCs, local private companies, and social enterprises, to create jobs and increase availability of goods and services, ranging from discretionary consumer products, such as food or beverages, to basic services, including water and sanitation.

Invest in models linking slum-based workers with employers to improve slum dweller access to employment opportunities. This could include more traditional models that combine skill building with job linkages, as well as new technology-enabled platforms to increase slum dwellers' access to employment information.

Scale urban informal worker advocacy organizations to increase informal workers' voice and influence with local policymakers, and ability to protect their livelihoods. This could include supporting development of campaigns targeting specific worker segments, or providing capacity building support to strengthen membership-based organizations.

Invest in new and ongoing research and dissemination efforts about the characteristics, challenges, and opportunities associated with slum economies with the goal of shaping inclusive urban policy and development agendas.

Visions of Scale¹

Increase access to basic goods and services for 2.5 – 3.5 million slum dwellers and directly create 75 – 150 thousand direct jobs.³

Relevant social enterprise models indicate investments of \$30-\$40 per slum dweller gaining access to basic services, or \$700-\$1,300 per direct job created.

Improve access to income generation opportunities for 1 – 4 million slum dwellers.

Examples of interventions connecting workers with employment opportunities suggest a cost of \$24-\$90 per worker affected, depending on sophistication of model adopted.

Increase voice and advocacy capabilities of 5 – 15 million informal workers.

Similar interventions suggest a cost of \$5-\$17 per worker affected, depending on relative degree of impact sought.

Shape the policy and urban development agendas of major developing country cities, home to ~70 – 115 million slum dwellers.

Assumes research and dissemination targeting 10 – 20 developing country cities with the largest estimated slum populations.

Address direct barriers to economic advancement

Address under-appreciation

¹ Visions of scale estimates standardized for \$100m investment, likely to be deployed over 7-10 years. ² IB Times & Dalberg analysis, includes Neza-Chalco-Itza (Mexico City); Orangi Town (Karachi); Dharavi (Bombay); Khayelitsha (Cape Town); Kibera (Nairobi). ³ Estimates are based on social enterprises providing basic services; due to lower barriers to scale, reach is likely to be much higher for smaller consumer goods.

What you will find in this section:

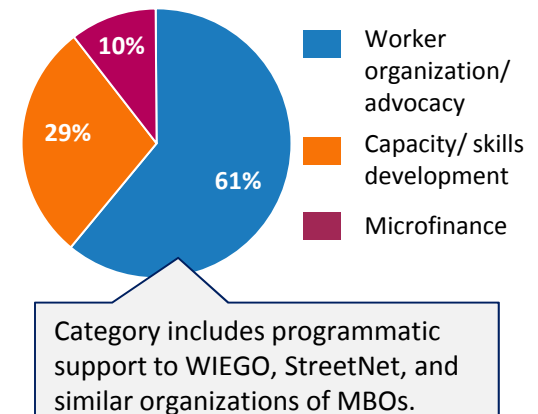
- An analysis of who provides funding in the space and an analysis of both relative levels and the gaps in current funding in the space.
- A survey of the perspectives held by different funders and how this has affected their funding strategies.

Who is providing funding in this space?

Funding for projects that focus on slum economies specifically is limited, as efforts in adjacent areas, including slum upgrading and informal economies, remain largely siloed.

Funding Landscape: Key Observations – Foundation Support

- Between 2008-2012, US foundations provided **\$37 million in grants relevant to slum economies**, including associated areas such as informal workers and vocational training. This is in the context of \$147 million in grants to slums in general (including upgrading, infrastructure, and services).
- Four foundations account for 96% of grant making in the more narrow slum economies category:
 - **Bill and Melinda Gates Foundation** (\$28 million) – 54% of total funding is support to WIEGO[†]; also includes grants to CHF International[†] for LabourNet in India, GIZ, and StreetNet[†].
 - **Michael and Susan Dell Foundation** (\$3.4 million) – funding supports microfinance organizations working with urban poor populations in India.
 - **NIKE Foundation** (\$3.0 million) – programs largely target training and skills development programs for women and girls, including those in slum areas of Ethiopia, Kenya, and Brazil.
 - **Ford Foundation** (\$1.3 million) – majority of funding supports worker organization/ advocacy.
- Eleven other funders provided grants in this space accounting for the remaining \$1.3 million.



Funding Landscape: Key Observations – Public Sources, Bilateral and Multilateral Agencies

- Many international organizations have urban development initiatives and/or specific slum upgrading projects. While these efforts typically do not specifically target slum economy challenges, both can have impact on slum dwellers' economic opportunities.
 - **World Bank:** Focus is mostly on urban poverty and slum upgrading. One of five urban business lines is focused on "Making pro-poor policies a city priority: Reducing urban poverty and upgrading slums." World Bank annual average IDA commitments to urban programs grew from \$0.56 billion from 2003-2007 to \$1.56 billion from 2008-2012. IBRD annual urban development commitments grew from an average of \$1.31 billion to \$2.58 billion in the same period. Most financing is for basic services, infrastructure, upgrading, and governance.
 - **UN-HABITAT:** Focus on sustainable settlements and access to adequate shelter by building capacity of local and national institutions and by providing finance through programs like the Participatory Slum Upgrading Programme (PSUP) and the Slum Upgrading Facility. 2010 funding totaled ~\$195 million, with the largest contributions from Japan, the United States, Spain, the EU, Norway, and the UK.
 - **Bilateral donors:** A number of bilateral donor organizations are involved in this issue area, including GIZ, SIDA, and USAID; most focus on promoting urban development and work in partnership with recipient country governments through networks like Cities Alliance.
- The **International Labour Organization** focuses on labor markets and the informal sector, and its work in urban areas largely overlaps with slums. Program areas include skills development, microenterprise development and employment promotion in the informal sector. The ILO's 2012-13 budget is estimated at \$861.6 million, of which \$57.5 million is devoted to technical programs promoting employment.

Private foundations provide support to narrow areas of focus relevant to slum economies – including fostering partnerships and supporting microfinance – whereas public institutions and multilaterals take a broader approach and primarily partner with governments and other public actors.

Bill & Melinda Gates Foundation

- **The Gates Foundation has the largest portfolio of any private foundation in slum economies and related areas; however, it recently transitioned away from an explicit focus on urban poverty.**
 - The Urban Poverty Special Initiative was a five-year effort that aimed to foster collaboration between cities, civic organizations, and the urban poor to tackle challenges that affected all parties.
 - Grantmaking related to urban poverty continues through sector-specific programs (e.g., sanitation, health), some of which may have direct impact on slum economies (e.g., support to increase decentralized service provision in slums).
 - Gates Foundation's approach focused on the "unsupportive municipalities" perspective.

Michael and Susan Dell Foundation (MSDF)

- **MSDF's work related to slum economies initially focused on equity investments in urban microfinance in India to stabilize household income. More recently, MSDF has expanded into skills development projects.**
 - MSDF began making investments in urban MFIs in 2006 with the aim of creating a strong urban microfinance sector in India. As the sector is now able to access commercial capital, MSDF has begun to exit investments.
 - Portfolio has expanded into skills development work to reduce youth unemployment in urban areas.
 - MSDF's approach reflects the "lack of access to enabling business inputs" and "inequitable and inefficient labor markets" prevailing perspectives.

UN-HABITAT

- **UN-HABITAT is one of the largest funders of activities related to slums, with an emphasis on the associated physical and political challenges.**
 - UN-HABITAT sees slums as a planning failure and a political (rather than technical) problem.
 - Slum economies are not an explicit focus of the agency, and it views economic problems as tied directly to the infrastructural and physical challenges that define slums.
 - UN-HABITAT's approach largely reflects the "unsupportive municipalities" prevailing perspective.

International Labour Organization

- **Many of ILO's activities and program areas are closely related to slum economies, particularly with respect to improving the informal sector and increasing employment opportunities.**
 - ILO focuses on partnerships with local and national institutions to train workers, develop microenterprises, and provide protections to the informal sector and specific classes of workers (e.g., domestic workers).
 - ILO's approach focuses on the "inefficient labor markets" and "unsupportive municipalities" prevailing perspectives.

Coverage Drivers

- Overall, coverage was focused on longer-term economic and demographic trends. Rural-to-urban migration trends drove a large volume of coverage, particularly in African publications.
- The few notable events that drove coverage were the release of data on slums from the national census bureau in India; government initiatives aimed either at improving slum conditions or demolishing them, particularly in Africa; and news of training programs in slum areas by non-profit organizations or corporations.

Gap Analysis

- There was less media focus on economic aspects – both positive and negative – of slums. Coverage that did appear on this topic varied by region. In Latin America, the focus was on poverty and crime, particularly favela pacification in Brazil. In Africa, the focus was on rapid urbanization across the continent and high rates of youth unemployment. The one exception was Indian media, which did report on the vibrant economies in Indian slums and connections between slums and their economic capacity to India's overall economic development.

Volume, Geography, and Tone

- Volume of coverage has been growing steadily with 2012 experiencing the most coverage, likely driven by Amnesty International outreach against forced evictions. Twitter played a significant role sharing news and updates, with 4,967 mentions in the past year.
- The majority of relevant coverage appeared in Indian daily newspapers, notably the *Times of India*, the *Economic Times* and the *Hindustan Times*. This was followed by coverage featured in All Africa. There were few articles in Southeast Asia by comparison to other geographies, although there was some sporadic coverage of slum economies in Thailand's *Bangkok Post* and Indonesia's *Jakarta Post*.
- The tone of coverage was primarily neutral with a few positive opinion pieces on how economic activities of the slums supported the overall health of cities and calls for policy and planning to better manage slums.

Media Linked to Areas of Dynamism

- **Increasing availability of slum data to inform urban decision making:** There was media interest in the 2011 census data in India, and the tone of opinion pieces, columns and reporting indicated that data could be leveraged to challenge perceptions about the economic vibrancy and potentials of slums. Notably, this included the level of entrepreneurial activity within slums, the percentages of households with electricity, education, healthcare facilities, and consumer assets such as cellphones and televisions, and the economic profile of dwellers. Slum Dwellers International and other NGOs did not garner coverage.
- **Private sector engagement with slum dwellers as consumers and workers:** There is a focus on employment and job creation, particularly in connecting young people gaining skills and access that translate to livable wages. There is also a clear focus and attention paid to entrepreneurship within slums. Innovative business models did feature in recent coverage, including different pricing models and digital jobs. However, there does appear to be a perception gap related to the economic capacity of slum dwellers to be considered potential consumers.
- **Improved slum dweller connectivity to economic opportunities:** Connectivity featured in coverage, and mostly focused on physical connectivity. Housing developments for the poor and many slums are located far from offices, factories, basic centers of economic activity, and transports, and therefore, opportunity. There was discussion of how policies and urban planning needs to address where slums are located.

White Space Recommendation

- **South-to-south collaboration and a sharing of perspectives:** Conversations in India focused on the economic vibrancy and potential of slums, whereas in Africa it is more about evictions and right to space. Fostering an exchange of ideas, data, and policies options between India and Africa cities could be interesting and empowering to both regions.
- **Reframe slum economies as positive economic actors to attract investment:** There is a significant potential to create more equity in slum economies through increased private sector investment, despite the negative connotation presently associated with slums. Rebranding the term “slum economy” to connote their viable economic potential could assist in attracting private investment.

Problem Assessment

- Slum economies support the day-to-day needs of 830 million slum dwellers and represent the primary source of employment opportunities for the estimated 400-580 million working slum dwellers. Nearly all of this employment is informal, taking place both inside and outside of the slum and ranging from self-employment to wage work. Slum economies also make critical contributions to broader urban economies, representing a large share of the informal labor force, providing important urban services (e.g., waste collection), and producing goods and services for local and export markets.
- Despite their importance and potential, the enterprises and workers within slum economies face constraints that limit their economic opportunities. These constraints are shaped by the entrenched economic, political, and social systems in developing countries, and driven by a complex and interrelated set of root causes that include social isolation, lack of legal power, and insecure access to public and private property.

Dynamism Assessment

- Three areas of dynamism reflect momentum towards solutions that address slum economy challenges. These include: i) Increasing availability of slum data to inform urban decision making, including that which affects slum economies; ii) Private sector engagement with slum dwellers as consumers and workers, resulting in increased access to goods and services and new livelihood opportunities; and iii) Improved slum dweller connectivity to economic opportunities, for example, through increased access to information.

Solution Space

- A number of players are active across a range of solution spaces that include: slum dweller and informal worker organization/mobilization, interventions to bring greater opportunities and resources to informal slum workers or slum-based businesses, and work with governments to promote more equitable policies and institutions. Many interventions and players do not target slum economies specifically, but rather approach the problems inherent to slum economies from the broader perspectives of informal employment, the urban labor market, or slum upgrading. Evidence of success and failure across the solution space is largely anecdotal, and the evaluations that have been conducted to date demonstrate mixed results.
- Innovative approaches to addressing slum economy challenges are emerging across several areas, particularly to promote integration of slum dwellers and slum businesses into market systems. Future innovation potential is high, supported by idea-sharing with adjacent spaces (e.g., informal workers).

Early View of Impact

- To demonstrate opportunities to capitalize upon the dynamism in this space, three illustrative scenarios have been considered: 1) Support the creation of new and equitable jobs for slum dwellers; 2) Improve the accessibility and quality of existing opportunities for slum dwellers; or 3) Increase capacity for data-driven decision making. The first two entry points suggest interventions that would directly target barriers to slum dwellers' economic advancement, while the third implies interventions focused more broadly on improving the understanding and appreciation of slum economy contributions. Each scenario implies different routes to impact and tradeoffs in terms of the estimated number of people affected, expected depth of impact, types of partnerships required for design and implementation, and associated risks.



Appendix

Appendix Slide Title	Slide Numbers	Summary of Content
Worker groups: descriptions	49	Summary and explanation of worker groups common in slums
Worker groups: vulnerabilities and opportunities	50	Summary of unique vulnerabilities facing worker groups common in slums and opportunities to increase each group's resilience
Slum economies in Bangalore and Chennai	51	Case study demonstrating relatively small economic contributions (% of GDP) of slum dwellers in two Indian cities compared to broader role in providing goods and services
Perception of the slum economy: India case study	52	Case study summarizing non-slum household perceptions of slums in India, including the role that slum dwellers play in providing urban goods & services
Types of data and their uses	53	Description of common types of data collected about slums and their uses
Trends in data collection	54	Description of trends in slum data collection and new approaches to data analysis
Motivations and methods for engaging with slums	55	Description of private sector motivations and methods for engaging with slums
Impact Benchmarks	56-57	Back-up calculations for "Vision of Scale" figures in Impact section

Understanding the slum economy

Worker groups: descriptions

It is important to understand the unique characteristics of the groups that largely comprise slum economies, their specific vulnerabilities, and approaches to improve resilience of these groups.

Street vendors

Street vendors are retailers of goods and services who work in public spaces. They are most often self-employed. Some have fixed locations and semi-permanent stalls, while others are mobile. Examples include produce vendors, food stalls, and small retailers.



Home-based workers

Home-based workers are individuals who are involved in income-generating activities at home. Some are self-employed in areas like artisan production, clerical work, and laundry, while others are outworkers contracted by firms or intermediaries and paid per unit of production.



Domestic workers

Domestic workers are employed in the homes of others providing domestic services like cleaning, cooking, personal care, driving, and security. Some work full time for one employer, while others work on a part-time basis for many employers.



Waste pickers

Waste pickers are workers involved in primary collection and sorting of waste and recyclables. Most are self-employed. Some work as sorters in warehouses or recycling plants, while others salvage materials from streets or municipal dumps.



Other self-employed

Other self-employed workers in the informal economy include small retail businesses in markets and private spaces, small manufacturers of goods, services like cleaning and laundry, and transport businesses like rickshaw drivers.



Other wage workers

Other wage workers include construction workers, garment and other factory workers, and casual day laborers. Some are employed full time by a single employer, while others have to constantly look for short-term work opportunities.



Understanding the slum economy

Worker groups: vulnerabilities and opportunities

	Unique vulnerabilities	Approaches to improving resilience
Street vendors	<ul style="list-style-type: none"> • Insecure rights to land and risk of eviction from public places that are critical to economic activity • Subject to bribes, harassment, and confiscation of merchandise from corrupt officials due to reliance on public spaces 	<ul style="list-style-type: none"> • Inclusive regulation policies for public spaces, including permits and a registration system (e.g., Warwick Junction project to include street traders in Durban planning) • Micro-franchise business models to support starting businesses
Home-based workers	<ul style="list-style-type: none"> • Earnings are low relative to other informal workers, especially for workers paid by the piece • Limited technology and capital result in low productivity • Poor access to finance limits ability of self-employed to grow 	<ul style="list-style-type: none"> • Opportunities to access markets and low-cost finance (e.g., SABAH project to integrate workers into S. Asian regional trade) • Upgrading of skills and technology to increase productivity and quality of goods
Domestic workers	<ul style="list-style-type: none"> • Women in domestic work earn wages far lower than women working elsewhere • Physical and sexual abuse and forced long hours are common due to isolation of work in private homes 	<ul style="list-style-type: none"> • Enforcement of existing wage and social protection laws that include domestic workers but are not implemented (e.g. South Africa's Basic Conditions of Employment Act with explicit mandate to cover domestic workers)
Waste pickers	<ul style="list-style-type: none"> • Incomes are subject to market trends and may fluctuate • Exploitation and intimidation by middlemen • Harsh working conditions and exposure to toxins and chemicals • Risk of injury 	<ul style="list-style-type: none"> • Inclusive policies that integrate waste pickers into city waste systems (e.g., <i>recicladores</i> in Bogotá) • Private sector inclusion of waste pickers to deal with waste (e.g., sorting of recyclables for Tetra Pak in India)
Other self-employed	<ul style="list-style-type: none"> • Incomes may fall when competition increases or when new systems are put in place (e.g. new public transit may reduce business for rickshaw drivers) • Many self-employed become deeply indebted due to leases of stalls and vehicles from exploitative lenders 	<ul style="list-style-type: none"> • Use of technology to link self-employed with new customers and markets • Formal financial providers offering beneficial financing terms for working capital and equipment or real estate leases
Other wage workers	<ul style="list-style-type: none"> • Health hazards due to harsh environments for factory workers • Risk of forced labor or long hours in factories due to pressures from buyers • Day laborers face constant job insecurity 	<ul style="list-style-type: none"> • Platforms that link workers to well-paying, stable work opportunities (e.g., LabourNet) • Stronger regulation of construction and garment industries to improve working conditions • Inclusion of these workers in social protection systems

Approaches that promote **organizing to increase voice and empower workers to demand recognition and rights** are important for all groups

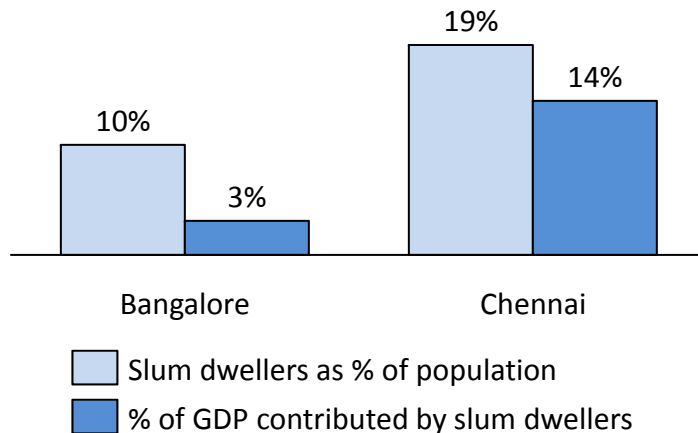
Contribution of the slum economy

Slum economies in Bangalore and Chennai

While slum dwellers' contributions to GDP are often relatively small, they fail to reflect the broader role of slum economies in providing critical urban goods and services.

Economic contribution of slums in Bangalore and Chennai

Slum dweller population and economic contributions



- Differences in slum dwellers' economic contribution as a share of the cities' GDP is largely driven by differences in the two cities' broader economies.
 - Bangalore's IT industry is the major contributor to the city's GDP (the city has been nicknamed the "Silicon Valley" of India), which likely employs few slum dwellers, while Chennai's labor-intensive manufacturing industries may explain the higher proportional contribution of slum dwellers to GDP.

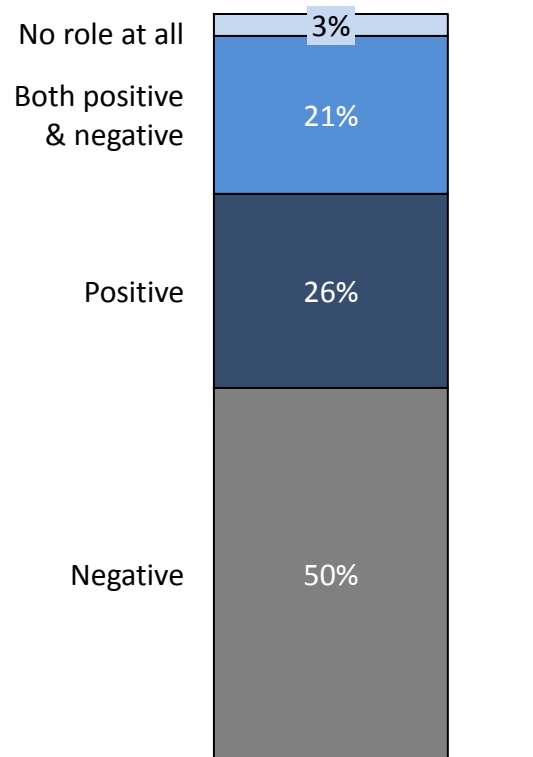
Economic activity of Bangalore's slum dwellers

- Bangalore's 600-700 slums contribute between Rs. 16-20 billion (\$255-320 million) to the city's economy each year.
- The self-employed constitute the largest segment of slum dwellers (25%), followed by construction workers (19%), and private wage workers (14%).
- Slum dwellers are intricately linked to the broader urban economy:
 - An estimated 73,000 domestic workers and 65,000 drivers live in slums and work across the city;
 - The "organized" sector (e.g., formal enterprises in industries like construction and manufacturing) is responsible for 53% of employment and 65% of incomes among slum-dwellers, most of whom are likely working informally.
- Most slum-based enterprises serve customers within the same slum
 - The majority of enterprises are in food (19%), groceries (33%), and services (32%) sectors.

A recent study in India suggests that while most urban residents maintain predominantly negative views of slums, an emerging minority recognize and value the economic contributions of slum dwellers.

Perceptions of Nature of Slum Households' Role in Urban Environments

Percentage of respondents



Surveys of non-slum households in four core cities in India (Jaipur, Bhopal, Patna, and Raipur) suggest that more than 25% of households believe that slums play a positive role in the functioning of their cities.

- These households tended to recognize the importance of jobs and tasks typically undertaken by slum dwellers, including domestic help, waste picking, and small-scale transport (e.g. rickshaw drivers). Some households also cited the cheap labor available in slums as imperative to supporting urban commercial activity.
- Households responding positively also cited slums as a traditional entry point for poor migrants into urban areas.

These surveys also revealed deep-seated biases against slum dwellers, with ~50% of non-slum households reporting that they believe that slums have a purely negative impact on their cities.

- These households tended to describe slums and slum dwellers as “dirty” and “unclean,” often reflective of preconceptions related to caste and social order.
- However, over the course of the interviews, several households with predominantly negative views of slums did acknowledge that slum economies play an important role in their own day-to-day lives, including those of cleaners, cobblers, rickshaw drivers, and domestic help.

Dynamism: Slum data to inform decision-making

Types of data and their uses

	Household Economic Indicators	Housing and Service Indicators	Business and Other Institutions	Demographic and Geographic Indicators
Description	Measurements of income, savings and consumption patterns in individual slum households	Information about housing density, living conditions, tenure status, and access to services (water, sanitation, and waste collection)	Enumeration of businesses and other public and private institutions operating in the slum, their focus, activities, and outputs	Population density, migrant status, length of time inhabitants have lived in the settlement, and location of slum relative to the city (including commute times)
Uses of data	Basic economic indicators show poverty trends in slums, helping policy-makers determine appropriate livelihood interventions. Other economic data can demonstrate viability of potential consumer bases to private players.	Largely used to encourage municipalities to improve provision of services in slums. Can also help NGOs and other actors target interventions where need is greatest. Improvements in data collection and technology could allow for monitoring of services in real time.	Data on prevalence of businesses and institutions can discourage evictions. Cross-city data could allow NGOs and governments to focus intervention efforts in places with large education and health gaps, or help MFIs and skills training programs select new locations for expansion.	Data about slum populations and their history in the community can change the way other actors perceive slums. Information about location of slums in cities is important to understanding economic activities and access to jobs.
Example use case	Nairobi-based Spatial Collective worked with social enterprise Living Goods to test viability of different locations for their expansion to Kenya. Using socioeconomic data, the team selected three locations to investigate further and then tested feasibility of four key products. Results helped Living Goods determine where to open a presence in Nairobi.	Part of Global Communities'† SCALE-UP project in Ghana included data collection for a "poverty atlas" of three cities. By defining poverty more broadly than just income level, the atlases forced city officials to rethink programs and begin supporting infrastructure and service delivery programs (mostly in water and sanitation) in slums.	Data about activities along the railroad tracks of Nairobi's Mukuru and Kibera slums showed a high density of businesses and employees. The information was used in negotiations with railway authorities to change a redevelopment plan to force out fewer businesses and move the relocation site to a location closer to the slums.	Data on some of Nairobi slums collected as part of a Slum Dweller's International-led enumeration refuted politicians' assumptions that most residents were recent migrants. Many had lived in the same slum area for years and were active economic contributors. With this information, planners were forced to reconsider evictions.

Dynamism: Slum data to inform decision-making

Trends in data collection

Location-enabled data

- Geographic Information Systems (GIS) or other location-enabled technologies allow for **mapping and spatial visualization of a wide spectrum of indicators**.
 - Accurate maps do not exist for most slums, thus technologies that code location into other data are critical for policy-makers to see the links between location and poverty in a city and plan based on needs of specific areas.
- Mobile phones and GPS devices can be used to support traditional, door-to-door methods of data collection.



GIS data from enumeration in Nairobi allows for disaggregation of data at the level of individual households

Community-led data collection

- Slum Dwellers International and associated national federations have been conducting slum enumerations for many years using an **inclusive, community-led collection process**.
 - **SDI engages residents and trains them to conduct household surveys**, record information about the number and location of houses, and collect other details about the settlement.
 - SDI's approach helps mobilize slum communities and gives residents an opportunity to recognize the problems facing their community.



SDI training enumerators in Burkina Faso

New approaches to analysis

- Methods for analyzing data in aggregate (e.g., data from multiple cities or slums) are emerging that allow policy makers and planners to look at broader trends, replacing traditional methods that focus only on data at the city or community level.
- An example of this is work underway by Sante Fe Institute, with financial support from the Gates Foundation, **to conduct much broader analyses using data collected by SDI on 7,000 slums**.
 - The project aims to look at general shared characteristics of informal settlements around the world using statistical analysis. It will also test for accuracy and potential biases.
 - Later stages of the project will examine data collection methodologies to see how they can be improved and expanded on for consistency and broader application in urban development.

Dynamism: Private sector engagement

Motivations and methods for engaging with slums

Trends and Motivations

- **Private sector moving down-market:**
 - As developed markets become more saturated, private sector companies are increasingly looking to emerging markets and lower-income consumer segments – including slum dwellers – to drive future sales growth.
- **Slum dwellers increasingly viewed as a viable consumer segment:**
 - Incomes in slums, particularly in Latin America, are slowly beginning to rise, attracting the attention of private sector retailers in major developing country cities. In some cases, slums are also becoming safer and thus less risky and more attractive to outside investors.
 - Thought leaders (e.g., C.K. Prahalad) have promoted the concept of “The Fortune at the Base of the Pyramid,” highlighting opportunities for companies to serve low-income markets

Ways to Expand Reach in Slums and Examples

- **Create new distribution channels in slums, including new stores and micro-enterprises engaging local entrepreneurs**
 - In 2012, Brazilian retailer Casas Bahia opened a store in Rio favela Rochina, and sold ten times as much on opening day as compared to the average store. The chain plans to open a third favela location this year.
 - Nestlé’s “My Own Business” model trains and employs local entrepreneurs to sell Nescafé products on the street in slums and other urban areas in Africa.
- **Leverage existing distribution channels in slums**
 - Unilever distributes goods in South Africa through a wide range of outlets, including small spaza shops common in slums.
 - Global research market firm Nielsen is currently conducting a survey of kirana stores across more than twenty Indian cities to help consumer goods companies target these outlets – and low-income populations – more effectively.

Early View of Impact: Benchmarks for Private Players, Slum-Urban Economy Linkages, and Advocacy

Name of Intervention	Description of Investment	Description of Reach	Cost/ invest. per person*	Beneficiaries / \$100m
Sanergy ³	\$1.8m investment from Acumen, SpringHill Equity, and Eleos to support provision of hygienic sanitation services to informal settlements using a micro-franchise model	Goal to provide sanitation services for 50,000 people and create ~1,400 jobs**	\$1280 \$36	~78k ~2.8m
Bridge Academies ⁴	\$30m equity investment from undisclosed investors to provide high-quality, affordable education services in Africa	Goal to provide education services to 1 million children and create ~43,000 jobs**	\$704 \$30	~142k ~3.3m
LabourNet ¹	\$1m grant from Gates Foundation to refine and scale platform connecting informal workers with jobs in Bangalore, India	Registered 41,000 workers over lifespan of grant	\$24	~4.1m
Samasource ²	~\$10.9m raised to date from Google, MasterCard Foundation, and others to connect women and youth in developing countries with digital work opportunities	Goal to train and connect 120,000 workers with formal work opportunities by 2016	\$91	~1.1m
Advocating for Rights-Based Policies Amidst the Crises ⁵	\$100k catalytic grant from UN Women's Fund for Gender Equality for HomeNet Southeast Asia's program supporting the advancement of female home-based and other informal workers in the Philippines	Helps 16,295 members raise awareness and bring about policy changes benefiting informal female workers	\$6	~16.3m
Improving Zaballeen Livelihoods in Cairo's Garbage City ⁶	\$1m grant from Gates Foundation for Hands Along the Nile and Spirit of Youth's program supporting the livelihoods of the Zaballeen community of informal waste pickers in Cairo, Egypt	Helps ~60,000 members of the Zaballeen community to advocate for policy changes and increased integration into municipal waste collection systems	\$17	~6m

Cost per beneficiary estimates vary significantly based on the type and depth of the chosen intervention, as well as the nature of the implementers themselves.

*Two figures indicate total estimated cost per job created and total cost per beneficiary of services; single figure indicates cost per person reached or affected;

**Job creation estimate assume scaling of employment in line with number of people reached

Early View of Impact: Estimates for top 20 largest slum populations across developing country cities

As slum dweller population data is not widely available on a city level, estimates are based on the following methodology:

1. Identified populations of largest developing country cities (utilizing urban agglomeration data compiled by World Atlas)
2. Estimated slum populations of each city, based on national estimates of slum dwellers as a percentage of urban population (UN-HABITAT)
3. Sense-checked data against other publicly available data and adjusted for major discrepancies accordingly (denoted by *)¹

City	Estimated number of slum dwellers
Karachi, Pakistan	9,651,326
Dhaka, Bangladesh	8,624,000
Manila, Philippines	8,493,703
Mexico City, Mexico*	7,785,200
Lagos, Nigeria	7,239,969
Mumbai, India*	6,764,000
Delhi, India	6,539,148
Shanghai, China	6,070,260
Jakarta, Indonesia	5,994,490
Kinshasa, DRC	5,581,382
SUM: TOP 10	72,743,478
São Paulo, Brazil	5,430,034
Cairo, Egypt*	5,344,800
Beijing, China	5,037,501
Guangzhou, China	4,896,657
Calcutta, India	4,225,956
Lahore, Pakistan	3,608,238
Shenzhen, China	3,458,535
Luanda, Angola	3,424,232
Lima, Peru	3,292,898
Baghdad, Iraq	3,275,712
SUM: TOP 20	114,738,041

1. In three cases, additional data sources were used to adjust for slum population estimates in cities known to have a higher proportion of slum dwellers as compared to the rest of the country; for example, 40% of Mexico City's population is estimated to live in slums, as compared to 14% in the remainder of urban Mexico.