Governance and slum development
An issue dossier

Students:
Nayan Jadnanansing - 294130
John de Geus - 150179
Waldo Dirks - 297374
Tim Berendsen - 298015

Tutor: Lucas Meijs
Abstract

The world population is growing rapidly from 2.5 billion in 1950 to 6.7 billion in 2008. This rapid growth of population causes urbanization, which in turn causes the occurrence and growth of slums. By now one in three urban dwellers live in slum conditions, meaning that they lack basic services such as sanitation, housing and proper infrastructure. Why do so many people live in slums and how can it be a growing problem instead of declining? This paper will assess the issue of slums and shows that governance is a very important factor in solving this issue. First slums will be discussed; further all stakeholders of the issue are identified and the issue will be placed within the societal triangle (van Tulder and van der Zwart, 2006). Following the issue analysis, governance and its impact on slums is discussed. The paper will assess that good (local) governance creates a lot of opportunities in the struggle against slums. Both examples of firms and cities will illustrate this.
# Table of contents

Abstract ...................................................................................................................................... 2  
Table of contents........................................................................................................................ 3  
Introduction................................................................................................................................ 4  
1 Characteristics ....................................................................................................................... 5  
   1.1 Definitions.................................................................................................................. 5  
   1.2 Literature.................................................................................................................. 7  
   1.3 Characteristics of slums.............................................................................................. 7  
   1.4 Causes of slums........................................................................................................ 8  
   1.5 Trend analysis........................................................................................................... 10  
2 Stakeholders............................................................................................................................. 12  
   2.1 Consequences for stakeholders ............................................................................... 14  
   2.2 Position of the issue in the triangle.......................................................................... 15  
   2.3 Expectational gaps.................................................................................................... 16  
3 Diagnosis ................................................................................................................................. 17  
   3.1 Issue life cycle........................................................................................................... 17  
   3.2 Issue ownership........................................................................................................ 18  
   3.3 Governing urban sustainability: A problem ............................................................. 19  
   3.4 Firms as part of the problem..................................................................................... 19  
4 Design: Firms and other stakeholders as part of the solution ............................................. 21  
   4.1 Firms ......................................................................................................................... 21  
   4.2 State ......................................................................................................................... 22  
   4.3 Leadership issue....................................................................................................... 23  
5 Sustainable corporate story: Unilever ................................................................................... 24  
6 Conclusion............................................................................................................................... 25  
7 References............................................................................................................................... 26
Introduction

As of 2008, more than half of the world’s 6.7 billion people live in an urban area. Over one in three urban dwellers lives in what the United Nations defines as slum conditions, lacking at least one of the basic conditions of human housing: adequate sanitation, improved water supply, durable housing and adequate living space (United Nations, 2007). One fifth of slum households lack at least three of these basic conditions. The majority of slums can be found in what is generally considered to be the developing world.

One may assume that, when a slum exists within a territory over which a particular government holds power, government is at least partially capable of affecting the circumstances in which the inhabitants of the slum live by enacting governance. However, more than one billion people currently live in slums and that number is growing. This raises the question of whether or not governments, by enacting governance, are affecting the quality of life of slum inhabitants and if so, to what degree. By the same token, one can assume that governance as it is enacted by firms and NGOs can also affect the lives of slum inhabitants. This leads to the following research question:

“How does governance affect the living conditions of slum dwellers?”
1 Characteristics

1.1 Definitions

Slums – defining the problem

The term ‘slum’ first appeared in England in the 1820’s. Over the years the term has come to describe overcrowded urban areas exhibiting ubiquitous poverty, poor quality or even makeshift housing, unsanitary conditions leading to the spread of disease and lack of security resulting from a concentration of criminal activity. The term is used to describe sprawling informal settlements that grow organically in- and around cities as people migrate from rural areas to the city in search of greater economic opportunities. The Oxford Dictionary of English (2nd edition revised) defines the word ‘slum’ as follows:

“a squalid and overcrowded urban street or district inhabited by very poor people; a house or building unfit for human habitation.”

A UN Expert group recently formulated an operational definition of slums, employing quantifiable criteria as a way of measuring progress towards the UN’s Millennium Development Goal to significantly improve the lives of 100 million slum dwellers by the year 2020 (Goal 7 Target 7D). The Expert group defines a slum as an area that combines to a certain extent the following characteristics (UN-HABITAT, 2007):

- inadequate access to safe water;
- inadequate access to sanitation and other infrastructure;
- poor structural quality of housing;
- overcrowding;
- insecure residential status.

In most of the world’s developing regions, the percentage of the urban population living in slums is decreasing: from 47% of the urban population in 1990 to 37% in 2005 (United Nations, 2007). However, even as the percentage of slum dwellers decreases, the total number has grown rapidly in recent years. As of 2005, more than one billion human beings live in slums, compared to an estimated 924 million in 2001 (UN-HABITAT, 2003).
The definition of slums and their characteristics as defined by UN-HABITAT’s Expert group will be applicable throughout this research paper.

**Governance – definitions**

The World Bank defines governance as follows:

“*The exercise of political authority and the use of institutional resources to manage society’s problems and affairs*” (World Bank, 1991).

A more recent definition by the World Bank, focusing on governance as enacted specifically by governments, reads:

“*Governance refers to the manner in which public officials and public institutions acquire and exercise the authority to provide public goods and services, including the delivery of basic services, infrastructure, and a sound investment climate.*” (World Bank, 2006)
Governance enacted specifically by firms is often referred to as corporate governance. According to the World Bank:

“(Corporate) governance defines how the authority is exercised and the quasi-rents generated by firm are allocated among different classes of stakeholders.” (World Bank, 2009)

The Oxford Dictionary of English (2nd edition revised) simply defines governance as follows:

“The action or manner of governing a state, organization, etc.”

Because this research paper discusses governance from both a government and a firm perspective, the more general definition of governance as defined by the World Bank in 1991 will be applicable throughout this document.

1.2 Literature

To research the effects of governance on living conditions in slums, a large amount of literature was reviewed. A selection of the main key words used to search for relevant information includes synonyms of ‘slums’, such as ‘favelas’ and ‘townships’; also ‘slum dwellers’, ‘globalization’, ‘migration’, ‘urbanization’, ‘urban development’, ‘urban poverty’, ‘urban poor’, ‘governance’, ‘corporate governance’, ‘corporate social responsibility’, ‘CSR’, and ‘government’. Key resources include the World Bank, the United Nations Human Settlements Programme (UN-HABITAT) and the United Nations Development Programme (UNDP); key journals include Habitat International, The Economist and the Journal of Business Ethics.

1.3 Characteristics of slums

The United Nations Human Settlements Programme (2003) has indicated several characteristics of slums. The most important characteristics are discussed below.

Lack of basic services

In this context basic services stand for basic water facilities, access to sanitation facilities, and safe water resources. These are the most important services that a human being should have access to. Electricity supply, waste collection systems and surfaced roads are sometimes added to this list.

Substandard housing or illegal and inadequate building structures

Buildings are often built with non-permanent materials that are not suitable for housing construction. When constructing their homes, slum inhabitants are usually non-compliant with regard to building standards meant to ensure a minimum level of health and safety.
Overcrowding and high density

In essence this means that there is a small living space per person. Different families live in the same housing unit; many of these are one-room units where families live, cook and sleep.

Unhealthy living conditions and hazardous locations

This is the result of the lack of basic services. There is no sewerage, facilities for controlled waste dumping or clean water. In addition, to that some (parts of) slums are built in highly polluted and hazardous areas, for example next to toxic plants, on areas threatened by landslip or waste disposal areas.

Poverty and social exclusion

Slums are seen as physical and statutory manifestations that create barriers to human and social development. In this way slums ensure that its inhabitants have very low incomes and are perceived as poor.

Insecure tenure

Secure tenure basically means that someone has the right to live on a certain patch of land without the fear of being evicted. Almost all slum dwellers lack these tenancy rights.

Minimum settlement size

There are several studies that indicate a minimum settlement requirement before an area is defined as a slum. The most common is that at least 300 people or 60 households live in a settlement cluster.

1.4 Causes of slums

Globalization

According to the ESCWA (economic and social commission for western Asia), globalization is ‘a widely-used term that can be defined in a number of different ways.’ When used in an economic context, it refers to ‘the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labour.’ (ESCWA, 2009) Globalization provides opportunities but also poses threats and challenges. Due to globalization, markets operate more efficiently, delivering benefits for consumers and firms. According to UN-HABITAT, globalization brings not only these advantages, but also many disadvantages (UN-HABITAT, 2003). According to UN-HABITAT, globalization stimulates inequality of wealth and contributes to the growth of slums. (UN-HABITAT, 2003)

Urbanization
The world population is growing rapidly from 2.5 billion in 1950 to 6.7 billion in 2008. This increase in population is not caused only by birth but also by the fact that people are getting older. Expectations are that in 2050 the world population will be 9.1 billion (United Nations, 2005). These expectations assume that couples have access to family planning and that the spread of HIV/AIDS can be reduced to a minimum.

The growth of the world population will not be the same over the whole world. In Europe there a decline in the population is expected. Other developed countries will see their populations grow because more people are being born than there are people dying. Another reason is that these countries have a stable flow of immigration. According to the United Nations, the rise in less developed countries can result in a doubling of the expected population division (United Nations, 2005).

According to the UN Population Division, at this moment in time half of the world’s population is living in urban areas. Expectations are that this amount will increase with 60% by 2030. Most of the growth in urban areas is expected to be in areas of the third world.

Growing urbanization also leads to a growing number of megacities. Most of these cities are located in developing countries like Africa, Mexico, Latin America and Asia. The UN (1999) expects that by 2015 there will be 325 cities with more than one million inhabitants and 27 cities with around 10 million inhabitants. 23 of these 27 megacities will be located in developing countries (United Nations, 2005).

Urbanization and the growing number of megacities are bringing a number of challenges. The growth of a city’s population is not always the result of natural growth; part of the growth comes from rural-urban migration (McGee, 1998) and subsequent urban expansion. There are several reasons why people migrate to large cities; for example, they hope to find work and better living conditions. People who wish to migrate permanently are mostly driven by natural hazards and man-made disasters. A high immigration rate increases the urban density, which can result in degradation of an existing slum or can lead to the creation of new (informal) settlements. If immigration is not properly managed, urban growth may become the source of a broad variety of problems (Liddle and Moavenzadeh, 2002). There are also seasonal workers of rural origin who travel to the city temporarily once the harvest season is over. This can result in a large periodical fluctuation in a city’s population size.

Poverty

‘Slum conditions are caused by poverty.’ (UN-HABITAT, 2003) In third world countries millions of people leave the rural areas because of poverty and lack of future perspectives for earning a living. These desperate migrants seek to improve their circumstances in urban areas and more often than not end up living in slums in around these cities.

Insecure tenure

One of the reasons that slums exist and also continue to be a difficult problem to solve is the lack of secure tenure, or the right to live on a certain patch of land without the fear of being evicted. For most people who live in slums secure tenure would be a necessary precondition
for further social and economic development such as credit and public services. (UN-HABITAT, 2007)

1.5 Trend analysis

To identify an issue and its circumstances there are a few things that have to be taken in to account. In this section the size and growth of the issue will be indicated. Also, the societal triangle, consisting of state, civil society and market, will be applied to examine different trends relevant to the issue of slums.

The available information regarding slum formation does not go further back than 1950, when NGOs started to monitor effects of globalization and urbanization. Figure 2 gives an indication of the population development in rural and urban areas between 1950 and 2030. It explains the growth of urbanization and in a sense the growth of slums.

![Figure 2. Urban and rural populations in (under) developed regions from 1950 to 2030 (UN-HABITAT, 2003)](image)

Within the societal triangle three different trends can be identified. These are an advancing business sector, an advancing civil society and a receding state (van Tulder and van der Zwart, 2006).
In the case of slums one can view the issue either from a global perspective or from a more localised perspective. This research paper will primarily focus on slums in a global perspective. For this reason, not one of the three trends can be identified in the case of slums. What could be identified is a trend is that in the past decades slums have been growing at a rapid pace. In that time the problem of continued slum growth has not been successfully resolved by any one of the three actors in the societal triangle.

In general there is little evidence of an advancing business sector with regard to slums. Baker and McClain (2008) list poor investment climate, lack of property rights and culture gaps as reasons why firms are hesitant to invest in slum areas. On the other hand, there are examples of firms that do invest in slum areas and may be an indicator that the business sector is finally beginning to advance with regard to this issue. These firms are discussed further on in this research paper.

There is no sign of a receding state, nor is it advancing noticeably. However, in many slums around the world increased state involvement in the improvement in living conditions in slums appears to be sorely needed. There is a clear need for (local) governments to invest in slums and regulate the ongoing stream of people that come to the cities. It is argued that state politics should be far more involved than they currently are: “Much more political will is needed at both the national and local levels of government to confront the very large scale of slum problems that many cities face today and will continue to face in the foreseeable future.” (UN-HABITAT, 2003)

Civil society is seen as an important force to address several humanitarian problems, slums being one of them. There are many civil society organizations with the goals to improve the living conditions of millions of slum dwellers. However they are not making as much difference and progress as they should in order to be classified as an advancing civil society trend. Reason for this is that these organizations have to cope with the same conflicts and political backgrounds as state and market. (UN-HABITAT, 2003)

Several articles stress the need for partnerships between the civil society, business and state sector. They convey that within these partnerships individual weaknesses can be alleviated by using the strengths of the other sectors. (Otiso, 2003)
2 Stakeholders

In this section the main stakeholders of slums are identified and discussed. A stakeholder is defined as an important party involved in a given issue. Questions such as ‘who are the most important players’, ‘what is the nature and duration of the relationship’ and ‘what are their concerns’, will be examined. Stakeholders can be divided into two categories: primary and secondary stakeholders. (van Tulder and van der Zwart, 2006)

Primary stakeholders

Slum dwellers

People living in slums often live their lives in squalid conditions: poor housing, overcrowding, unsanitary and unhealthy conditions. Additionally, the inhabitants suffer from poverty, social and economic deprivation and exclusion, unemployment and sometimes even physical exclusion. These people are considered to be the primary stakeholders of the slums. Often the slum acts as a ‘poverty trap’ as stigmatization, discrimination and geographic separation act to limit slum dwellers’ access to formal job markets and credit. (UN-HABITAT, 2003)

Despite the poor living conditions, (potential) slum dwellers often see slums as a place of opportunity, even as an improvement over their previous (often rural) living conditions. People move to slums by choice in their search for better economic prospects. Often people engage in small-scale entrepreneurial activities such as recycling garbage, doing laundry or even running small restaurants. (Eaves, 2007).

Often it is this influx of people seeking economic opportunities that is responsible for the existence and growth of slums, since they cannot afford to live in regular city areas.

Government

In theory, a government should be responsible for basic living conditions when a slum exists within its territory. Government can therefore be seen as a primary stakeholder with regard to this issue. However, local government especially is often unable to control slum expansion and also often does not have the resources to provide the basic conditions of human housing all at once.

Often government can set up projects in order to improve conditions for slum inhabitants, or devise a program to assign property rights, thereby legalizing slum property as has been proposed in India (Businessline, 2009). However, government can also work to further isolate slums as is the case in Rio de Janeiro State in Brazil, where the government is constructing impassable ‘ecobarriers’, or walls, around existing slums, ostensibly to prevent the slums spreading further and causing additional damage to the environment. Slum residents claim these walls also serve to further isolate them. (Regalado, 2009)

NGOs
Non-governmental organizations often play a valuable role in improving the quality of life in slums around the globe. Bad policies, wasteful spending and corruption have prevented governments from providing adequate aid to slums in many parts of the world. NGOs often attempt to fill the void, promoting development and delivering aid to slums. There is an upward trend of donor organizations committing more of their aid to these NGOs. Unfortunately, the proliferation of NGOs has in many places led to a situation where cooperation between NGOs is sorely lacking. (Rehan, 1998)

According to Wilburn, local NGOs often have the knowledge and experience needed for practicing good governance. Because firms lack this local knowledge, they are often willing to form partnerships with NGOs for the purpose of providing aid to slums. (Wilburn, 2008). NGOs can therefore serve as a link between slum dwellers and firms.

Secondary stakeholders

_Firms_

With regard to the issue of governance in slums, firms can be usually be viewed as secondary stakeholders. When firms choose to invest in slum areas, the actual development activity is usually coordinated either by government, or, as is more often the case, a (local) NGO. An example of NGO-coordinated firm investment in a slum area is the joint project of petrochemical firm Petrobras and NGO AfroReggae (Lakshmanan, 2006; O’Keeffe, 2008).

Occasionally a firm will continue to coordinate projects in slums, leaving the local NGOs to handle the project’s day-to-day affairs. This is the case with Unilever, which operates a free laundry for the slum community in Sao Paulo (Engardio 2007, Capell, 2009). In these select situations it could be argued that the firm has become a primary stakeholder.

Although the abovementioned examples demonstrate that firms can have a positive impact on slum living conditions, it is wise to remain critical of direct firm intervention in the name of sustainability and development. When firms do not obtain sufficient information about a specific situation, they can end up doing more harm than good. An oft cited example of this effect is the anecdote in which a firm purchases a local farmer’s entire crop in order to produce biofuel, with the unintended result that not enough food remains to feed the local population. In the worst case scenario, the farmer then uses the money to invest in other matters and abandons farming altogether. (Wilburn, 2008)

The preceding anecdote demonstrates the importance of effective information exchange between local government, NGOs and firms willing to invest in slum development. Cooperation with other, more knowledgeable local stakeholders can serve as a ‘license to operate’ in developing communities. For firms to make a truly effective positive contribution to a community by means of investment, a good CSR (corporate social responsibility) program is essential. Without this, firms will be not viewed positively in the current international environment where opinion is subject to NGO endorsement and consumer boycotts. (Banerjee, 2008)
2.1 Consequences for stakeholders

Slums are a consequence of the growing world population and the resulting urbanization. If urbanization is dealt with effectively, significant benefits like enhanced productivity and innovation can result. On the other hand, if this urban growth is not guided sufficiently, it can result in the formation of slums.

Underdevelopment in slums creates many transaction costs. For example, poor infrastructure increases transportation costs and lack of sanitation and sewerage increases the spread of diseases. Lack of tenancy rights reduces efficiency of urban land, generates insecurity and limits the amount of money inhabitants are willing to invest in their own neighbourhood. The same is true for lack of law enforcement (Fox, 2008).

The effects of governance on slums can be examined in greater detail for each type of stakeholder:

**NGOs**

The role of NGOs in slum areas mainly takes the form of assistance to individuals. While other stakeholders initially remain uninvolved, NGOs often take the first steps by setting up development programs, despite having to overcome many difficulties. To be fully effective, an NGO requires support from government and firms. (Businessline, 2009). When these parties effect poor governance it is more difficult for an NGO to function.

**Slum dwellers**

As stated previously; slums in many ways act as a ‘poverty trap’ as stigmatization, discrimination and geographic separation act to limit slum dwellers’ access to formal job markets and credit. With good governance, the limiting effects of slums can be overcome, thereby halting the growth of slums and providing opportunities for slum dwellers to improve their living standards. Also, good governance provides a more positive environment in which slum dwellers can benefit more fully from NGO programs (Otiso, 2003).

**Government**

Government carries responsibility for the living conditions in slums and can play an important role in improving them. Lack of governance as evidenced by government neglect clearly contributes to the perpetuation of the circumstances found in slums throughout the world. In many cases government can be considered to be at least partially to blame for the problems in slums (Otiso, 2003).

One of the negative consequences of slums is the perpetuation of poverty. On a national level, low income levels result in a lower GDP, which leads to low economic growth and development. When governments do not actively seek solutions to the problems in slums, this negative economic effect will continue and may even strengthen. Additionally, when governments are paralyzed by corruption or simply refuse to act on problems in slums, NGOs and firms wishing to contribute to a slum’s development may not receive the
necessary government support and information they require to operate effectively to provide help and support to slum dwellers.

**Firms**

As stated previously, to be able to contribute to the development of slums as effectively as possible, firms require support and information from governments and NGOs. However, this is only true when a firm truly wishes to improve the living conditions for slum dwellers as it makes its investment (Otiso, 2003). Poor governance by governments may actually contribute to the exploitation of slum dwellers by firms that only wish to benefit from inexpensive labor and a lack of regulations on, for instance, production facilities. For this reason, NGOs and consumer organizations can play an important role; these organizations use the reputation mechanism to ensure that firms ‘do the right thing’ and seek to help slums to develop (Wilburn, 2008).

### 2.2 Position of the issue in the triangle

Society functions by means of three societal spheres: the state, the private sector and civil society. These three spheres interact with each other and also individually. Each of the spheres has its own ideology: the state governs, the private sector creates value and welfare and the civil society embodies the social relations among citizens. How do the living conditions in slums fit in this societal triangle?

In some places, governments and the slum community have invested a lot, trying to improve the slum dwellers’ life, for example through investments in infrastructure such as sanitation and water, electricity, roads and waste management. Additionally, governments occasionally intervene to improve tenure security, social infrastructure, the quality of housing, access to credit and social programs. The growing scale of these slums indicates that the actions of the public sector alone are not sufficient. Therefore there are opportunities for alternative strategies. One can conclude that the private sector is needed in this part of urban sustainable development.

Slums are a reaction of the poor to meet their needs for housing in the cities. These are mainly a private phenomenon for it to incentives caused by the market without strong government regulations. The slums are part of the economy in an informal way.

Economic activity is a factor that contributes to slum expansion. The slum dwellers are usually entrepreneurs and their demand attracts entrepreneurs from the informal economy as well, such as illegal land developers who do not follow zoning codes. Even though this is an illegal business, the process of land-allocation is entirely market-based. The prices reflect the level of location, proximity to public transport, land security and the size of the land itself (UN-Habitat, 2003). For slums which do not get assistance from the government or NGOs, the informal part of the private sector is often the only means for development. This informal market may on occasion present opportunities for the formal private market. In conclusion, one can say that the living conditions of slums are positioned in a complex form
of the societal triangle: the place in the triangle where hybridization of the three spheres occurs.

The formal private sector has reacted to the slum issue in different ways: from supportive to indifferent. Slums are the physical environment where the informal economy takes place; this can create low cost services goods and labor (UN-HABITAT, 2003). The interaction between slum dwellers and financial interests has been strained; crime, poverty and disease in slums can discourage investment. Good governance may be helpful in bringing the parties together.

### 2.3 Expectational gaps

Almost every issue results from expectational gaps. An expectational gap is created when stakeholders do not agree on what acceptable corporate conduct is or should be regarding the particular issue. Van Tulder and van der Zwart (2006) identify three types of gaps: factual gaps, conformance gaps and ideals gaps.

When it comes to the issue of governance as it affects living conditions in slums a conformance gap can be identified. State, civil society and market agree on the facts that are produced regarding the problems associated with slums. However, in dealing with the issue none of the three assume sufficient responsibility. Civil society and market in many cases wish to invest in slums and improve conditions, but in order to do so they require the state to invest in the basic services and infrastructure. If the state does not do this it becomes far more difficult to create a growing economic environment (Baker and McClain, 2008).
3. Diagnosis

This chapter will address the issue of slums regarding state and firms. In the first paragraph the issue life cycle and the position of the issue will be discussed, next the responsibilities for the issue are mentioned and appointed. After this the problems of slums and its governance at a state level are mentioned, followed by some examples of firms as part of the problem.

3.1 Issue life cycle

As explained above, an issue is often the result of an expectational gap. Within this area of discontent some societal groups become more actively concerned with a specific topic (Van Tulder and van der Zwart, 2006). The newly emerging issues originate from complex and intangible concerns of individuals or society organisations. When a CSR issue is born it will follow a life cycle that follows an S curve. Birth of an issue is followed by growth, development and finally maturity of the issue.

A reason for the birth of a CSR issue is that governments neglect to take action to solve the societal discontent (Van Tulder and van der Zwart, 2006). In this phase firms either deny the issue exists and do not take responsibility, or simply remain oblivious of the emerging issue. A trigger event, usually organized by a visible stakeholder, will then cause an issue to transfer from the birth phase to the growth phase (Van Tulder and van der Zwart, 2006). During the growth phase the issue receives growing attention from both the media and the general public. This phase is characterised by anger and issue denial by firms; these firms take a reactive or defensive position. Firms who are active do address the issue. The NGOs (often called watchdogs), keep the issue on the agenda. Governments are reactive in that they initiate laws and possible solutions, which unfortunately are often not put into practice. They can also deny their responsibility with regard to the issue. Eventually companies and governments will begin to adapt an active role and the issue will enter the development phase. In this phase NGOs shift from a watchdog role to a cooperative role, in which they seek cooperation with the other parties in order to solve the issue. The subsequent change to the maturity phase is characterised by compromises. Companies and governments must act proactively and NGOs must seek partnerships with the other stakeholders. This is needed to finally bridge the original expectational gaps (Van Tulder and van der Zwart, 2006).

We will use the issue life cycle model to examine the issue of slums. It is difficult to determine when the issue first emerged. As mentioned previously, the word slum appeared for the first time at the beginning of the 19th century (UN-HABITAT, 2003). The current issue of poor living conditions in (third world) slums was born as the twin forces of globalization and urbanisation became concerns in the 20th century. Reliable statistics pertaining to slums in developing countries before 1950 are not available. Around 1950 NGOs began to monitor the growing globalization and urbanisation effects.

The growth phase began when NGOs managed to win the attention of the greater public. The fast development of communication systems helped NGOs to reach people; public demand in turn resulted in the issue being put on the agendas of international operating companies. In the growth phase NGOs were able to put the issue of slums on the agenda.
Most of the time the transition from the birth phase to the growth phase occurs when there is a triggering event. Because the issue of slums is not a local or regional issue, it is difficult to determine exactly which event was the triggering event for this issue. Possibly the spread of the internet and other fast growing hi-tech technologies affected the life cycle process for this issue as information barriers between firms and consumers fell away.

An issue finds itself in the development phase when important stakeholders, whether individually or collectively, demand changes to corporate policies. (Frooman, 1999) The issue of slums currently can be placed between the growth phase and the development phase (see figure 4). When the different stakeholders find themselves in different phases of the life cycle with regard to the same issue, tension results. In the current situation NGOs are trying to be cooperative within this issue, on the other hand not all governments and firms have made the step from acting inactive to active.

![Figure 4. Issue life cycle: current situation of slums](image)

3.2 Issue ownership

Van Tulder and van der Zwart (2006) indentify three different types of issues: institutional issues, stretch issues and agenda setting issues. Institutional issues result from a lack of regulations. Due to the lack of clarity in regulations it not clear who is responsible for the issue. Stretch issues are caused by shifting boundaries between state, market and civil society. As result, actors (usually companies), attempt to ascertain the limits of what is accepted by both the government state and civil society. Agenda setting issues have to be solved by the market. This type of issue usually originates when there are new developments
and is usually put on the agenda by NGOs or critical reports (Van Tulder and van der Zwart, 2006).

Slums and its governance in developing countries can be viewed as any one of the three types of issues, depending on local conditions. Therefore, when examining the issue, it is necessary to take all the three types of issues into account. NGOs have put the issue of slums on the agenda. It appears that not only firms are responsible for the problems; rather, all stakeholders carry some of the responsibility. With regard to the issue of slums, NGOs are working to build a mutual framework together with the state and the market. In the meantime some firms have attempted to stretch the boundaries and avoid responsibility. Additionally, some (local) governments also do not participate in the discussion on how to improve living conditions in slums. The result is that in some places in the world NGOs are different phase of the issue life cycle when compared to the other stakeholders. Because of this they encounter difficulties in their attempts to establish a framework for the improvement of living conditions in slums in developing countries. (UN-HABITAT, 2003)

### 3.3 Governing urban sustainability: A problem

Every city is unique in its own way. Health care may be of high quality as a result of government investments in hospitals and preventive medicine thus improving social sustainability, yet pollution may decrease the level of environmental sustainability in this city. The next city may have the opposite problem. Another problem is the determination of priorities. This embodies the decision-making process and its followers. In a democratic society the elected representatives and the citizens should work together to address their needs and create a path towards development.

Hall and Pfeiffer (2000) state:

‘Successful urban strategies will be possible only if national and local governments work in close cooperation, if central governments define more clearly the most efficient distribution of functions between different levels of government, and if political activities follow a common framework.’

A great number of cities do not have the specific power to make decisions on the spending of public finances for projects involving sustainable development. There usually is a delay in implementing these projects since there is approval by superior government authorities is obliged. One could conclude that the decision making capacity at city council level is necessary for urban sustainable development. In practice this is a major problem in developing countries.

### 3.4 Firms as part of the problem

In cities such as Delhi, India and Johannesburg, South Africa slums are being demolished and the inhabitants forcibly evicted to make way for new development projects (Newton, 2009; Chandran and Tewari 2008). In Delhi there is stiff competition among real estate
development companies for the right to redevelop the slums (Chandran and Tewari 2008); these firms appear to be concerned primarily with profits and display little interest for the slums’ current inhabitants. The Indian Minister of Housing and Urban Poverty Alleviation, Ms. Kumari Selja, asserts that this current model of urbanization provides less space and resources for the urban poor (Anonymous, 2009). However, because the slum dwellers lack tenure / property rights, there is little they can do about it.

Once a Delhi slum is forcibly demolished, the slum dwellers are forced to move to a designated ‘resettlement area’ on the outskirts of the city. Often the living conditions are worse than in the original slum because basic resources are lacking. Additionally, the distance from the original slum is usually so great that slum dwellers who are fortunate enough to be employed are unable to keep their job once they are relocated (Overdorf, 2003). The ‘resettlement area’ becomes a slum in its own right, worse than the one it has replaced. Still, slums in Delhi and other cities around the globe continue to be demolished and the inhabitants displaced as real estate development firms seek large profits.
4 Design: Firms and other stakeholders as part of the solution

In this chapter we will discuss several cases that deal with slums and their governance in a positive manner. First some cases of firms will be discussed, followed by examples of different cities who have tried to address the issue of slums.

4.1 Firms

There are many examples of firms investing in slums in order to improve living conditions and boost development. When done correctly, usually in collaboration with a local NGO or government body, firms can have a positive effect on the quality of life of slum dwellers. Successful projects that are having a positive effect on slum conditions include Microsoft’s Unlimited Potential Community Technology Skills Programme in India, Petrobras’ sponsorship of NGO AfroReggae in the favelas of Rio de Janeiro and Unilever’s Brincar kindergarten education program, volleyball center and free community laundry in Sao Paulo’s notorious slum Heliopolis.

Microsoft

In 2007 software firm Microsoft became an active sponsor of NGO Smile Foundation, an NGO dedicated to providing universal education to underprivileged children in India. The project focuses on the building of technology education, thereby allowing underprivileged children to escape the slum ‘poverty trap’ and become productive members of society.

Additionally, in collaboration with three different local NGOs, Microsoft has launched its Unlimited Potential – Community Technology Skills Programme, which brings IT access to slum dwellers, providing them with opportunities that were previously out of their reach (www.smilefoundationindia.org, 2009).

Besides the obvious reputational benefits, Microsoft may in the future also enjoy the added benefit of a larger and more talented labor pool from which to recruit in India.

Petrobras

Petrobras, a leading Brazilian petrochemical firm, is a leading sponsor of the culturally-oriented NGO AfroReggae Cultural Group, together with Banco Real and Vale do Rio Doce, a Brazilian mining company. AfroReggae began as a group of school dropouts and delinquents who decided to give music classes (Lakshmanan, 2006; O’Keeffe, 2008). Through sponsorship it has grown into a major developmental NGO for the favelas of Rio de Janeiro. AfroReggae’s projects are aimed at providing opportunities and improving life in the favelas and include varied cultural workshops (among them music, dance, circus and capoeira) and a television program. Over 9000 underprivileged favela youths have participated in one or more workshops. Petrobras additionally offers $70 monthly stipends to AfroReggae students who remain in school. (Lakshmanan, 2006; www.hotsitepetrobras.com.br, 2009)

Unilever
Unilever, a leading global producer of nutrition, hygiene and personal care products, has made large investments in the Sao Paulo favela of Heliópolis. Unlike most firms investing in slum development, Unilever chooses to determine the strategy and thereby maintain more direct control over its projects, instead of delegating strategic decisions to its respective partner NGOs. Current successful projects in Heliópolis include the Brincar project, aimed at improving the quality of kindergarten play areas and educating teachers about child social development, and a Rexona-AdeS Volleyball Programme center, of which Unilever sponsors several in Brazil. However, the most well-known of Unilever’s projects, launched in 2004, is the Omo Community Laundry, where slum residents can do their laundry free of charge, without polluting the environment more than is necessary (Engardio et al., 2007; Unilever, 2009).

Unilever’s Omo Community Laundry is part of Unilever’s larger global strategy to expand into developing markets and is a clear case of successful strategic philanthropy. By giving away free detergent, the laundry spreads awareness of Unilever’s products to slum dwellers, as well foster a strong brand loyalty. The firm has also adapted its packaging for developing markets; in Brazil it sells its products in single-use packages which are more affordable for the urban poor in developing countries. The Omo Community Laundry has helped Unilever gain access to a large new market for its products and Unilever currently holds 70% of Brazil’s detergent market, despite being 20% more expensive than its main competitor.

4.2 State

Urban and global sustainability are facing issues such as emerging slums, endangering environment and energy and material consumption. In cities of economic growth it is important to address environmental problems before these problems become neglected and incorporated in the infrastructure of the city and the people’s lifestyles.

Joburg 2030 is a good example of a vision on urban sustainable development. The report describes the unique position of the city as well as the major threats which endanger this position. It goes on to detail a strategy for economic development, initiated by investments made by the private sector. The role of the city council is quite significant: it ensures the proper infrastructure as controlling socioeconomic and cultural sources such as crime, literacy and skills base. Sustainable urban development can in this case be viewed as the attractiveness of the city’s global and regional opportunities in balance with its commitments towards sustainable development. Therefore a compromise is made with the diverse citizen groups and the environment. (Anonymous, 2002)

In Gaborone, the capital of Botswana, sustainable urban development is still in its infancy (Keiner, 2003). Even though some qualitatively good governance practices are in use they are few in number and don’t have a general structure. In Botswana the National Conservation Strategy (NCS) was introduced in 1990. One fundamental objective of the NCS was that future generations should have access to capital stocks derived from natural resources in the same way as the present generation. This was postulated by the Botswana government. It was mainly meant for protected wildlife areas though it could be affiliated with urban development, especially since it mentioned an equilibrium of environmental and economic
activities in favour of sustainable development. However this was not the case according to Molebatsi (1996).

4.3 Leadership issue

UN-HABITAT, The United Nations Human Settlement Programme, can be recognized as the main leader in sustainable human development. Their mission statement reads:

‘to promote socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all’ (UN-HABITAT, 2009a)

Therefore UN-HABITAT is the leading organisation with regard to the issue of slums. It is an organisation that acts on a local and global level. In order to achieve their goals and mission UN-HABITAT works with organisations involved in all three spheres; government, civil society and private sector. The organisation consists of two main divisions: the liaison office and the programme support division. The liaison office is responsible for ‘shelter and sustainable human settlements development’ and ‘monitoring and research’. The programme support division is held responsible for ‘regional and technical cooperation’ and financing human settlements. Additionally, UN-HABITAT provides free publications for organisations, governments, and other institutions in order to create more awareness for its mission and goals (UN-HABITAT, 2009b).

UN-HABITAT’s role can be implemented in the basic leadership model of van Tulder (2009). Within the leadership model different aspects such as context, followers, leadership process and output can be identified. UN-HABITAT is operating in a context of a changing world. Changes such as globalisation and urbanisation are causing slums to grow. The most important ‘followers’ in this model are governments and NGOs; UN-HABITAT provides these institutions with valuable data and insights about the issue. In the leadership process UN-HABITAT can be identified as the driving force for other stakeholders to get involved in the issue of slums. At some level UN-HABITAT is also a kind of controlling factor for those stakeholders. Finally, the output can be measured through the Millennium Development Goals which are initiated by the United Nations. (United Nations, 2009)
5. Sustainable corporate story: Unilever

As a leading global producer of nutrition, hygiene and personal care products, Unilever presents to the public a clear and coherent corporate story that demonstrates the firm’s enduring and deep-rooted commitment to responsible corporate behavior in the past, present and future.

Unilever’s corporate story begins with a quote by William Lever, founder of Lever Bros., who in the 1890’s wrote down his ideas for Sunlight soap:

‘to make cleanliness commonplace; to lessen work for women; to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products’ (www.unilever.com)

The corporate story goes on to relate how the firms that later joined forces to become Unilever were among the most philanthropic of their time, setting up projects to improve the conditions of its employees and creating products with a positive social impact. This responsible corporate behavior has been expanded over the years as Unilever has continued to contribute to an ever-increasing number of philanthropic initiatives, including projects to improve the quality of life of people living in slums in countries throughout the world. Unilever’s contributing role in WSUP (Water & Sanitation for the Urban Poor), active in 10 countries, is a prime example (www.unilever.com; www.wsup.com).

In 2007 Unilever CEO Patrick Cescau affirmed Unilever’s policy of Corporate Social Responsibility and it’s importance in maintaining Unilever’s competitive advantage:

"You can't ignore the impact your company has on the community and environment- it's also about growth and innovation. In the future, it will be the only way to do business." (Engardio, 2007)

According to the Unilever corporate story, Unilever has based its current ‘Vitality’ corporate mission on the original ideas of Lever Bros. founder William Lever. It reads:

‘Our mission is to add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people look good, feel good and get more out of life.’ (www.unilever.com)
6. Conclusion

During the course of this research we have applied the Reflective Cycle to research the following question:

“How does governance affect the living conditions of slum dwellers?”

Results

Governance as affected by government can have either a positive effect or a negative effect, depending on the (local) government’s policy.

Governance as affected by firms can have a very positive effect. Successful projects always involve partnerships between large (multinational) firms and small (local) NGOs. Although the number of successful joint development projects is growing, the number of slum dwellers is still increasing as well. Significantly more action will need to be taken by firms in cooperation with NGOs if this trend is to be halted.

Further research

From our research it has become clear that successful projects always involve partnerships between large (multinational) firms and small (local) NGOs. How these successful partnerships are formed can be researched in order to determine whether a ‘best practice’ exists, and whether the most successful projects are the ones where the firms profit as well (strategic philanthropy).
7. References


Otiso Kefa M. 2003. State, voluntary and private sector partnerships for slum upgrading and basic service delivery in Nairobi City, Kenya. Elsevier Science ltd. Cities vol. 20 No. 4


Websites:

Unilever: http://www.unilever.com/
Wsup: http://www.wsup.com/

Sheets: