An Overview on Financing Slum Upgrading of Contemporary Societies in the 21st Century

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Abstract

The paper titled “An Overview on Financing Slum Upgrading of Contemporary Societies in the 21st Century” examined financing slum upgrading with a view to providing measures for better performance. In achieving this, the paper presented the beneficial and harmful aspects of slum, described disposition and usefulness of slum upgrading, outlined the condition of financing slum upgrading and recommended measures for better performance in the future. The material used in the work is secondary in nature that composed of reports, text books, magazine, journals, internet materials etc. The paper identified that Reliance on one off poverty, Sole reliance on housing or government financial institutions, Assuming that community involvement is best restricted to cost recovery and loan repayment, Supposition that local government has no responsibility for planning investment in upgrading, Postulation that one financial product fits all, Reliance on government subsidies or on full cost recovery from slum dwellers, Expecting residents of slums to be the only risk takers in developing new approaches to upgrading, Conjecture that lending for slum upgrading will necessarily be asset-based. Where banks do lend for this purpose lending is more than likely to be revenue based, Notion that all the problems of a slum can be addressed quickly with the framework of a single project, Insisting that interventions should only benefit low income families, Restricting interventions to developments based on clear land title and private ownership of property, Hiding the real cost behind misleading promotion messages, Idea that existing finance institutions will have the capacity to deliver the full range of financial services required and Placing unnecessary restrictions on land use as the factors that bedeviling financing slum upgrading. The paper also recommended Ensuring that financing for slum upgrading is recognized as a priority within national development planning and as a key investment element contributing to economic growth, Encouraging local and international banks and microfinance institutions to become active participants in financing upgrading as part of their business and Ensure that guarantee is available to encourage banks to lend to slum upgrading projects among others to address the situation.

Keywords: Slum, Slum upgrading, Financing, Financing slum upgrading, Contemporary societies.

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Background to the Study
A slum is an unacceptable contemporary reality in which a total of around a billion people live in today (UN habitat 2016). It is described as an environment in which a set of forces interact to give rise to a devalued physical and social image of an area by a larger community (George 2006). It is seen as a rundown area of a city usually having many abandoned and deteriorating building, vacant lots, lots of trash and litter, and dirty, unhealthy living condition, people live close together and are usually vary, many community service are absent (Newton 1991).

Slum settlements have beneficial aspect that include provision of low cost and only affordable housing that will enable the immigrants to save for their eventual absorption into urban society. As the place of residence for low-income employees, slums keep the wheels of the city turning in many different ways. And also have harmful aspect that includes: insecurity of tenure; lack of basic services, especially water and sanitation; inadequate and sometimes unsafe building structures; overcrowding; and location on hazardous land.

In attempt to assist the slum dwellers to attain lives of dignity, prosperity and peace, upgrading activities through integrated, incremental etc. approaches are carried out. Embarking on these activities involves substantial financial implications that at all-time hard to obtain in our contemporary societies in this 21" century.

Cities with sizeable proportion of their population living in slum invariably have a range of developmental challenge that requires a fundamental reexamination of basic assumption and existing policies and practice (Cities Alliance, 2007). Financing slum upgrading in this respect is one of the practices that requirere examination for the purpose of efficiency and effectiveness in the provision of safety and dignity to slum dwellers.

Objective of the Study
The paper examined financing slum upgrading with a view to providing measures for better performances. This was achieved through; presenting the beneficial and harmful aspects of slum, describing disposition and usefulness of slum upgrading, outlining the condition of financing slum upgrading and recommending measures for better performance.

Beneficial and Harmful Aspects of Slum
Slum is a term usually used in describing informal settlements within cities that have inadequate housing and squalid, miserable living conditions. They are often overcrowded, with many people crammed into very small living space. These settlements lack basic municipal services such as water, sanitation, waste collection, storm drainage, street lighting, paved sidewalks and roads. Most also do not have easy access to school, hospitals or public places for the community to gather. Many slums have been unserviced and unrecognized for long period. Slums are populated mostly by poor people (Cities alliance 2015). Accurate statistics on the demographic of slum areas are nearly impossible due to rapid urbanization and globalization (Borgen Projec 2015). However the table below presents a list of the largest slums in the world ordered by estimated population.
Five Largest Slums in the World

<table>
<thead>
<tr>
<th>Settlement</th>
<th>Town</th>
<th>Country</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khayelitsha</td>
<td>Cape town</td>
<td>South Africa</td>
<td>400,000</td>
</tr>
<tr>
<td>Kibera</td>
<td>Nairobi</td>
<td>Kenya</td>
<td>500,000</td>
</tr>
<tr>
<td>Dharavi</td>
<td>Mumbai</td>
<td>India</td>
<td>600,000</td>
</tr>
<tr>
<td>Orange</td>
<td>Karachi</td>
<td>Pakistan</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Neza-chalco-itza</td>
<td>Mexico city</td>
<td>Mexico</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

Source: Extracted from Borgen project 2015

Today slum accommodate more than one billion people in the world- one sixth of humanity. In developing countries, one out of every three people living in cities lives in a slum. Unless urgent action is taken close to 1.4 billion people will live in slum by 2018 (Muungano 2015, Wikipedia 2015). In Nigeria, slum is described as a sprawling and exploding tract of poorly built and inadequately served residential quarters that extended into expansive shanty town providing rudimentary shelter for those at the lower end of the urban economic ladder and especially the urban poor. Today, the proportion of the population in cities living in slum and squatter settlements has been put at above eighty percent. (National Urban Development Policy 2006). Slums are significant economic force. In many cities as much as sixty percent of employment is in the informal sector of the urban population (Cities Alliance 2015).

Slum settlements are characterized by poor sanitary surroundings, dilapidated structures, high occupancy ratio, inadequate/lack of public facilities, substandard housing and squalor (George 2006).

Indictors and threshold for defining slum

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Indicators</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to water</td>
<td>Inadequate drinking water supply</td>
<td>A settlement has an inadequate drinking water supply if less than 50% of households have an improved water supply:</td>
</tr>
<tr>
<td></td>
<td>(adjusted MDG Indicator 30)</td>
<td>• Household connection;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Access to public stand pipe;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rainwater collection;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>With at least 20 litres/person/day available within an acceptable collection distance.</td>
</tr>
<tr>
<td>Access to sanitation</td>
<td>Inadequate sanitation (MDG Indicator 31)</td>
<td>A settlement has inadequate sanitation if less than 50% of households have improved sanitation:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Public sewer;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Septic tank;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pour-flush latrine;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ventilated improved pit latrine. The excreta disposal system is considered adequate if it is private or shared by a maximum of two households.</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Indicators</td>
<td>Definition</td>
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</tr>
<tr>
<td>Structural quality of housing</td>
<td></td>
<td><strong>a. Location</strong> Proportion of households residing on or near a hazardous site. The following locations should be considered: • Housing in geologically hazardous zones (landslide/earthquake and flood areas); • Housing on or under garbage mountains; • Housing around high-industrial pollution areas; • Housing around other unprotected high-risk zones (e.g. railroads, airports, energy transmission lines)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>b. Permanency of structure</strong> Proportion of households living in temporary and/or dilapidated structures. The following factors should be considered when placing a housing unit in these categories: • Quality of construction (e.g. materials used for wall, floor and roof); • Compliance with local building codes, standards and bylaws.</td>
</tr>
<tr>
<td>Overcrowding</td>
<td>Overcrowding</td>
<td>Proportion of households with more than two persons per room. The alternative is to set a minimum standard for floor area per person (e.g. 5 square metres)</td>
</tr>
<tr>
<td>Security of tenure</td>
<td>Security of tenure (MDG Indicator 32)</td>
<td>Proportion of households with formal title deeds to both land and residence. • Proportion of households with formal title deeds to either one of land or residence. • Proportion of households with enforceable agreements or any document as a proof of a tenure arrangement.</td>
</tr>
</tbody>
</table>

**Source:** Un-habitat 2003

From the literature studied, it is found that Slums have beneficial and harmful aspects which both are important for consideration in today's adventurous expedition for meaningful planning and development of our societies.

The beneficial aspect includes;

1. Being the first stopping point for immigrants – they provide the low cost and only affordable housing that will enable the immigrants to save for their eventual absorption into urban society.
2. As the place of residence for low-income employees – the majority of population residing in slum settlement are low income where they enjoy the greatest benefit from their little income.

3. Slums keep the wheels of the city turning in many different ways. The majority of slum dwellers in developing country cities earn their living from informal sector activities located either within or outside slum areas, and many informal entrepreneurs operating from slums have clienteles extending to the rest of the city.

4. Most slum dwellers are people struggling to make an honest living, within the context of extensive urban poverty and formal unemployment.

5. Slums are places in which the vibrant mixing of different cultures frequently results in new forms of artistic expression. Out of unhealthy, crowded and often dangerous environments can emerge cultural movements and levels of solidarity unknown in the suburbs of the rich.

6. Slum dwellers have developed economically rational and innovative shelter solutions for themselves.

The harmful aspect includes:

1. Having the most intolerable of urban housing conditions, which frequently include: insecurity of tenure; lack of basic services, especially water and sanitation; inadequate and sometimes unsafe building structures; overcrowding; and location on hazardous land.

2. Having high concentrations of poverty and of social and economic deprivation, which may include broken families, unemployment and economic, physical and social exclusion.

3. Slum dwellers have limited access to credit and formal job markets due to stigmatization, discrimination and geographic isolation.

4. Slums are often recipients of the city’s nuisances, including industrial effluent and noxious waste.

5. Land accessible to slum dwellers is often fragile, dangerous or polluted land that no one else wants.

6. People in slum areas suffer inordinately from water-borne diseases such as typhoid and cholera, as well as more opportunistic ones that accompany HIV/AIDS. Slum women – and the children they support – are the greatest victims of all.

7. Slum areas are also commonly believed to be places with a high incidence of crime, although this is not universally true since slums with strong social control systems will often have low crime rates.

**Disposition and Usefulness of Slum Upgrading**

Slum upgrading is a process through which informal areas are gradually improved formalized and incorporated into the city itself. It is about putting into motion the economic, social, institutional and community activities that are needed to turn around downward trends in an area (Adamu and Babashehu 2016). George (2006) saw it as a
poverty focused, cost effective and affordable approach for providing access to basic municipal services to the urban poor with none or minimal disruption or involuntary resettlement.

According to Adamu and Babashehu (2016) slum upgrading encompasses improvement, renewal, modernization, transformation, enhancement, conversion, development, reconstruction etc.

Slum upgrading is conducted through different strategies, either focusing on an integrated approach, based on multi-sectoral improvements, or more incremental approaches, often underpinned by regularization of land tenure and the extension of planning to informal areas as services and infrastructure are developed. (UNHABITAT, 2010)

Today upgrading and prevention of slums are seen as key measures for poverty reduction and the improving of living conditions of the slum-dwellers. Slum upgrading is important in

1. Nurturing inclusion: it deals with serious problems affecting slum residents such as illegality, exclusion, precariousness and barriers to services, credit, land and social protection for vulnerable populations specifically women and children.

2. Advancing economic development: it discharges the enormous available resources of slum dwellers that have skills and huge desire to be a more productive part of the economy, but are deprived by their status and marginality.

3. Addressing overall city issues: deals with city issues by containing environmental degradation, improving sanitation, lowering violence and attracting investment.

4. Improving quality of life: it elevate the quality of life of the upgraded communities and the city as a whole, providing more citizenship, political voice, representation, improved living conditions, increased safety and security.

5. Shelter delivery for the poor: is one of the most effective ways to provide shelter to the urban poor at a very large scale and at the lowest cost.

Effectiveness of slum upgrading requires it to be link with poverty alleviation, health and education, preservation of historic city centres, environmental and sanitation improvement as well as city wide infrastructure and transportation expansion. It should also be affordable, flexible and viable. However Koch and Sticzay (2015) observed that slum upgrading is complex and unclear, because several interrelated components (both physical and social environment) must be addressed that entail significantly different financial consequences:

(a) Infrastructure components like housing, water, sanitation, roads and footpaths, storm drainage, lightning or public phones,

(b) Service components like waste collection, schools, medical centers

© Services like social integration buildings, public spaces, peace building and poverty reduction programs.
Condition of Financing Slum Upgrading
Financing slum upgrading is very crucial issue in our contemporary societies. It is the act of providing fund for planning, development and management of all activities for slum upgrading. Koch and sticzay (2015) as well as Adamu and Babashehu (2016) provided several, individual aspects, which contribute to the understanding of the global challenge to financing slum upgrading. They include the following:

Demographic
Increasing demand for urban housing and infrastructure services due to more urban citizens in the future. Cities as centers of financial services and knowledge economy but performance are related to livelihood: the quality of urban housing and Infrastructure.

Socio-behavioral
Increase of social differentiation and increase of heterogeneous communities in urban areas: education, consumption and culture. Moving away from collective to individual cultural values due to growing of ethnically diverse cities. Ethnically homogenous groups might exclude other communities. Unsecure tenure of slum dwellers.

Economic
Domestic macro-economic growth needed to provide the basis of urban development, but city wide microeconomic is as important as macroeconomic performance. Housing and infrastructure are critical key factors of the economic production function of cities yet national budgets for investment are generally too low. Global inequality between rich and poor. Paradox: Cities are the center of productivity but also of increasing poverty linked to a lack of housing and infrastructure services.

Environmental
Growing demand for infrastructure puts pressure on natural resources. Increasing costs of potable water. Consumption of natural resources of urban residents is often faster than the environment’s ability to reproduce. Management of human and solid waste is very critical.

Financial
Current level of FDI, IDA and government financing are not meeting the demands for upgrading. Only a small part of the funding is addressing upgrading slums. Maintenance of housing and infrastructure services is frequently not included in budget plans, which would eventually decrease the new annual domestic investments. Formal financial institutions have no interest in general to go down-market and extend their lending to lower income groups.

Governance
Centralized and strict top down approach to urban governance, limited participation of Low-income groups in the national upgrading programs for meaningful contribution are prevalent and detrimental to urban development activities.
From the issues and challenges presented above, they concluded that conventional sources of finance will not be enough to meet the predicted requirements for urban infrastructure, housing as well as slum upgrading and thereby declared that the present financial system is not efficient. The existing Financing of slum upgrading in most countries of the world is found to be bedeviled by number of factors that is hindering performance.

These factors among others include the following:
1. Reliance on one off poverty – focus upgrading projects.
2. Sole reliance on housing or government financial institutions.
3. Assumption that community involvement is best restricted to cost recovery and loan repayment.
4. Supposition that local government has no responsibility for planning investment in upgrading.
5. Postulation that one financial product fits all.
6. Reliance on government subsidies or on full cost recovery from slum dwellers.
7. Expecting residents of slums to be the only risk takers in developing new approaches to upgrading.
8. Conjecture that lending for slum upgrading will necessarily be asset-based. Where banks do lend for this purpose lending is more than likely to be revenue based.
9. Notion that all the problems of a slum can be addressed quickly with the framework of a single project.
10. Insisting that interventions should only benefit low income families.
11. Restricting interventions to developments based on clear land title and private ownership of property.
12. Hiding the real cost behind misleading promotion messages.
13. Idea that existing finance institutions will have the capacity to deliver the full range of financial services required.
14. Placing unnecessary restrictions on land use.

From the above however it can be concluded that financing slum upgrading in our contemporary societies in this century requires the prescriptions given below for better performance.

Conclusion

The structural matters advanced in the paper are that slum upgrading is indispensable in the general development of our contemporary societies. It help in promoting inclusion, fostering economic development, addressing overall city issues, improving quality of life and providing shelter for the poor. Undertaking slum upgrading involves huge, appropriate and adequate financing. The existing Financing of slum upgrading in most countries of the world is found to be bedeviled by number of factors that is hindering performance. The paper identified these factors and recommended measures for improving performance in the 21st century.
Recommendations

1. Ensure that financing for slum upgrading is recognized as a priority within national development planning and as a key investment element contributing to economic growth. This emphasis should be reflected in a slum upgrading budget line within national and local authority budgets.

2. Encourage local and international banks and microfinance institutions to become active participants in financing upgrading as part of their business.

3. Ensure that guarantee is available to encourage banks to lend to slum upgrading projects.

4. Build investment in slum upgrading on a firm foundation of community based savings and loan systems and local authority commitments to provide in kind and monetary allocations on an annual basis.

5. Recognize that financing for slum upgrading requires a mix of short, medium and long term loans, integrating finance for building, infrastructure and livelihoods.

6. Provide mechanisms to blend municipal finance, cross subsidies and beneficiary contributions to ensure financial viability of slum upgrading projects and home improvement programmes.

7. Develop a process for sharing risk analysis and planning for risk mitigation and management with all the key stakeholders.

8. Plan projects on a mixed use basis with revenue generating elements such as saleable residential units and rentable commercial space in order to maximize financial viability.

9. Ensure that subsidies are effectively targeted so that the benefits reach those for whom they are intended and build on the basis of long term engagement.

10. Recognize that not everyone who lives in a slum is poor. Where an area upgrading strategy is to be implemented provision needs to be made for a range of income groups with steps taken to ensure that the poorest are not excluded.

11. Recognize that home ownership is not the solution to everyone's problems. Provision for the development of affordable rental property is an important component of financing slum upgrading.

12. Make the real cost of finance very clear so that people clearly understand the commitments they are making to loan repayment.

13. Where appropriate establish local upgrading finance facilities so that funding is locally available.

14. Explore options to use land allocation, readjustment and sharing methods to release finance for upgrading.

15. Explore private companies who will undertake the provision of basic infrastructural facilities such as water, sanitation in the slum areas with each household paying for the service provided. Example water supply connected to every house at fixed charge, within reasonable cost recovery period.
References


