

# Improving Slum Conditions with Public-Private Partnerships

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## Introduction

Global urbanization poses significant economic, environmental, and social challenges. Among the many implications of urbanization, this paper focuses on the exacerbated issue of urban poverty, and more specifically, urban slum dwellers. Ahmedabad, India, is used as a case study for evaluating how public-private partnerships can address the improvement of slum conditions. This paper suggests that the complicated nature of slums requires less conventional and more innovative collaborations that involve not only the public and private sectors, but also voluntary entities, such as non-governmental organizations, and those most affected by such efforts – the slum dwellers themselves. Furthermore, this paper suggests that projects geared toward improving slum conditions may greatly benefit from public-private partnerships that also include an element of economic development.

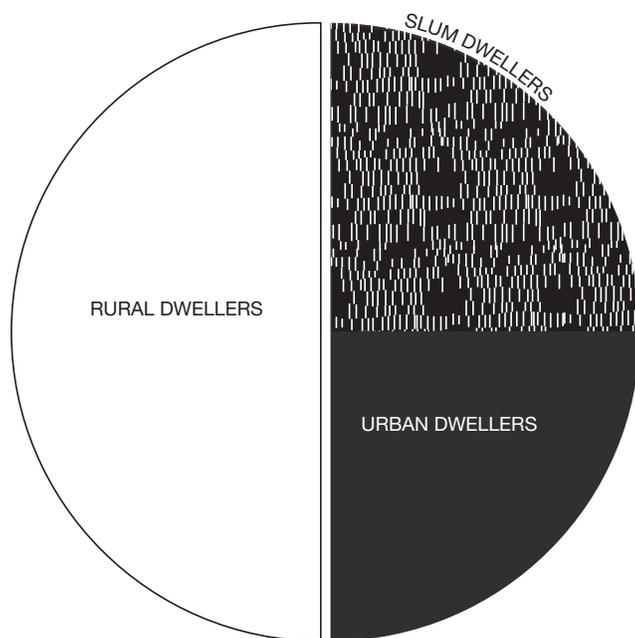
## The Challenge of Slums: Beyond Housing

### *Slum Dwellers*

*"If cities do not begin to deal more constructively with poverty, poverty may begin to deal more destructively with cities."*

Robert McNamara, 1975 (World Bank President 1961-1978)

According to the United Nations, approximately 50 percent of the global urban population can be classified as slum dwellers—individuals who suffer from inadequate access to safe water, sanitation and other infrastructure; poor structural quality of housing; overcrowding; or insecure residential status. In the least developed countries, estimates of slum dwellers amount to approximately 78 percent of the urban population (UN Habitat, 2003) —a presence so great that middle- to high-income communities are but enclaves amidst a backdrop of poverty. Lack of access to formal employment, credit, education, and proper health care further characterize the plight of slum dwellers. As Cities Alliance aptly observes, slums result from failed policies, bad governance, corruption, inappropriate regulation, dysfunctional land markets, unresponsive financial systems, and a fundamental lack of political will (2000). Thus, while inadequate housing certainly comprises a significant facet of the slum challenge, shelter remains but one component of a larger development problem.



Slum dwellers comprise about 50 percent of the global urban population.

When couched in the larger political and economic context, it becomes clear that improving slum conditions necessitates the effort of not only governments, but also community members, entrepreneurs, and slum dwellers themselves. The past 50-plus years of housing development in emerging markets has demonstrated the shortcomings of both the public and private sectors in providing affordable, scalable solutions to slum problems, especially solutions that truly target the demographic group in greatest need (Payne, 1999). This history is littered with public sector corruption, inefficiency, inflexibility and private sector greed, opportunism and self-interest. However, newer, innovative collaborations addressing these perceived inadequacies offer hope. Yet even these gross overgeneralizations of past shortcomings do not adequately capture the barriers to slum improvement. While public private collaborations offer an important tool toward arriving at a solution, they cannot be abstracted from the history, context, and specificity of the situation at hand. As Gulyani and Tulukdar (2008) point out through their research in Nairobi, slum generalizations do not necessarily

characterize the project question. Appropriate understanding of slum conditions is crucial to applying the necessary approach, resources, and solutions. One size does not fit all, nor can partnerships be perceived as the panacea for slums.

Slum upgrading efforts, especially in attempts to bring projects to scale, typically hinge upon fundamental development issues: land tenure, financing mechanisms, existing land regulations, as well as political will and community participation. Successfully engaging the private sector, especially in the form of partnerships, depends upon the status and existence of these factors.

### Public-Private Partnerships

Like slums, many variations and definitions of public-private partnerships exist. A good working definition, though, is that a public-private partnership is “a voluntary, stable collaborative effort between two or more public and private autonomous organizations to jointly develop products and services, sharing risks, expenses, and benefits.” (Ysa, 2007) The rationale behind creating public-private partnerships is simple: The private sector typically has access to upfront capital and a track record of delivering products efficiently, while the public sector controls the regulating environment and, occasionally, crucial resources needed to implement a project, such as land. This reasoning has facilitated the use of public-private partnerships almost uncritically, as observed by Keating (1998), who noted that partnerships have become nearly universal in urban policy and governance. They are perceived as a tool that could offer low-cost solutions to urgent problems while transcending ideological divides.

While partnerships are not new, primacy of public-private partnerships since the 1980s bespeaks a larger political and cultural phenomenon that has elevated the perceived efficiency and resourcefulness of the private sector (Rubin & Stanciewicz, 2001). This phenomenon is consistent with Structural Adjustment Programs that were implemented in developing countries to privatize and reduce external barriers to the free market. The appeal of partnerships is easily understood, yet, their seeming ubiquity belies the complexity involved in their formation. As demonstrated by partnership experience in transportation infrastructure provision, many preconditions must usually be met before sufficient risks are mitigated to render the venture appealing for the private sector. In the case of infrastructure, a change in law must often times occur, accompanied by feasibility, social and environmental studies, and willingness-to-pay assessments (Queroz, 1996). The private sector must believe a positive return on investment is possible. Thus the public sector role typically involves risk mitigation measures to engender more favorable conditions. This necessitates a rather sophisticated public sector, with a strong legal framework. Logically, then, public private partnerships have been less prolific in addressing slum conditions. Characterized by rampant poverty, unstable terrain, and at times high instances of crime, slums are simply perceived as too risky. As Chauhan and Lal (1999) suggest, private participation may be best positioned when stemming from “enlightened self interest,” whereby a vested stake in the project exists.

Due to the complexity and multitude of underlying issues presented by slum settlements, conventional public partnerships fail to adequately address this complexity. On a “simpler” problem, such as highway im-

plementation, partnerships typically are instrumental, where partners bid for roles and then have clearly established roles (Ysa, 2007). The public sector conducts all analysis and studies required to ensure feasibility, and a private investor or concessionaire is competitively solicited to implement the project according to a negotiated project structure, such as Build-Own-Transfer or Build-Own-Operate. While the project can benefit from a separate entity that deals with potentially displaced residents, projects typically become implemented through straightforward deals between individual land owners and the subject government agency, or the agency and the concessionaire. This rationale seems valid, as highway implementation — though large in scale — does not usually require the same complicated interaction with various aspects of community and economic development that slum improvement requires. The nature of the problem is vastly different and thus requires a different dynamic.

In contrast, partnerships established for the betterment of slums tend to be more organic in nature and can be classified as “network partnerships” (Ysa, 2007). These partnerships involve interdependent, adaptable relationships between various actors based on trust (at times in lieu of contracts), and generally include an entity other than government and concessionaire. This third entity is tasked with more socially-oriented goals, such as facilitating steps to integrate the settlement in question into its larger community. Earlier slum upgrading projects more closely resembled infrastructure implementation without much coordination or interaction with the affected community. While such projects may have, *prima facie*, improved the slums, the livelihoods of dwellers were not necessarily improved; that requires not only physical infrastructure improvements, but also opportunities for residents to become integrated citizens of society.

The emergence of network partnerships underscores a larger cultural paradigm shift, recognizing that neither the government nor the private sector — in some instances even together — adequately addresses social conditions. The multifaceted nature of communities, whether slums, suburbs, or cities, are much more nuanced than simply governance and finance, which the public and private sectors respectively represent. Integration of a third sector, comprised of NGOs, CBOS, and community representatives, introduces an element of humanity that can easily be overlooked by the strict instrumentality of the two conventional actors.

## Network Partnerships in Slum Improvement Interventions

The following section highlights the case of Ahmedabad, India. This specific case does not cover the multitude of slums and their variations, but it offers insight to how a network partnership can help address the challenging task of improving slum conditions.

### Ahmedabad, India

Ahmedabad slum, which has an extensive, 500-year history, first

emerged as a commercial stronghold during 19th century, and now possesses a diversified economy, ranging from textiles to telecommunications. Since its founding, the city has attracted many migrant workers from other areas of the Gujarat State, where Ahmedabad is located. The city’s attractive economy for underpaid workers, consistent with the phenomenon of urbanization more generally, contributes to the high presence of slums. After all, slums are typically a function of inadequate housing markets, when the formal sector cannot adequately meet housing demand, resulting in the creation of informal settlements. The urban agglomeration of Ahmedabad grew 21 percent between 1981 and 1991, and 22 percent between 1991 and 2001 (AMC, 2007). Ahmedabad’s current population is estimated to be approximately 4.5 million, with a slum population of more than 400,000 — nearly 10 percent (AMC, 2007). It should also be noted that the national housing policy in India supports slum-upgrade efforts, providing at least some political and policy support towards such efforts. Again, generating private sector interest is predicated upon financial and legal stability — frameworks that cannot be taken for granted in developing, low-income areas.

### Ahmedabad Slum Networking Program

Ahmedabad’s Slum Networking Program commenced in 1995 as an adaptation of Britain’s Department for International Development (DFID)-funded Indore Habitat Project (Gautam, 2008). The program continues to exist as a partnership, though the partnership’s nature has evolved. At its inception, approximately 3 million people called Ahmedabad home (AMC, 2001), 40 percent of whom were considered slum dwellers (Chauhan & Lal, 1999). To launch the SNP, Himanshu Parikh, the sanitation infrastructure engineer of the Indore Habitat Project, garnered the support of Arvind Mills, an emerging global corporation with headquarters in the city, and the Ahmedabad Municipal Corporation (AMC). From this partnership emerged three objectives: 1) to improve the physical and non-physical infrastructure facilities within selected slum areas; 2) to facilitate the process of community development; and 3) to develop a city-level organization for slum networking and infrastructure improvement (Chuahuan & Lal, 1999).

The first venture undertaken by this partnership was a citywide pilot project that included the upgrade of four slum neighborhoods, affecting 3,300 households and 22,000 people. Physical upgrades in the project included implementation of roads and pavers, storm water and wastewater management, individual water supply and toilets, and plantings. In addition, the project had a social component, which involved the organization of community groups for women and children, educational activities for pre-school-aged children, and linkages to the formal sector via vocational training and access to financing for starting

COST COMPONENT	COST PER FAMILY (Rs)	ORGANIZATIONS & THEIR SHARE			
		AMC	Slum Dwellers	Arvind Mills	SAATH
Physical Development	6000	33.33%	33.33%	33.33%	0%
Physical Survey	30	100%	0%	0%	0%
Design & Consultancy	120	100%	0%	0%	0%
Community Development	1000	70%	0%	0%	3000%
Community Corpus	100		100%	0%	0%

**Table 1.** Cost breakdown of the Ahmedabad Slum Networking Program. Source: Tripathi, 1999.

up businesses. SAATH, a public charitable trust NGO that had been working with slums since 1989, developed a strategy with the Strategic Health Alliance for Relief to Distressed Areas Trust (SHARDA Trust), the implementing agency chosen by Arvind to carry out the program's social component. Although AMC passed a resolution to formalize the project, the language was extremely vague and written in such a way that placed most of the burden on Arvind Mills. Further indicative of the organic nature of this network partnership, no contracts were written between actors.

To avoid the burden falling on any single entity, the actors split the cost of the pilot project as shown in Table 1. Ultimately, the pilot project was scaled down from 3,300 households to only 181, due to the inability of some households in three of the four slums to raise their own funds. In spite of this, the project proved successful on several fronts. First, implementation of physical infrastructure occurred in a timely, cost-effective manner, and remained within budget. A summary of infrastructure is provided in Table 2. Second, largely with the help of SAATH, community involvement occurred at every juncture of the process, from project design to payment of contractors. The community even established a community fund, amounting to Rs 100 per household fund, to ensure maintenance of the infrastructure. Lastly, SHARDA Trust convinced the Self Employed Women's Association (SEWA) Bank to provide and underwrite all loans taken by project participants who did not possess sufficient upfront funds to participate.

#### INFRASTRUCTURE DEVELOPMENT

TYPE OF INFRASTRUCTURE	QUANTITY
Concrete Pathways	1 km
Sewerage	1.184 km
Main Water Supply Line	700 m
Connecting Water Supply Line	750 m
Electric Poles	18
Manholes	9
Inspection Chamgers	46
Gully Traps	181

**Table 2.** Summary of infrastructure developed for the Ahmedabad Slum Networking Program. Source: Tripathi, 1999.

Where the project proved less successful was 1) bringing the project to its initially proposed scale — the impact of 181 households is much smaller than that of 3,300 households; 2) administrative delays due to miscommunication at AMC, resulting in a 450-day response time in some cases (Chauhan & Lal, 1999); and 3) community development, seemingly due to mismatched values and expectations between SHARDA Trust and SAATH. Whereas SHARDA Trust seemed to expect greater skills development training, SAATH focused the majority of community development efforts on public health.

These missed opportunities speak to the challenges faced in maintaining alliances. AMC did not feel it was treated as an equal partner, while SAATH felt that SHARDA Trust was unduly pressuring the organization to achieve results. While the organic nature of this partnership allowed for greater participation among various entities, especially between

community members and NGOs, lack of clearly delineated roles prohibited more effective action to take place. That no legal agreement existed between the actors essentially ensured mismatched expectations. Clearly AMC's resolution, which relegated the city to a facilitator role, was either poorly communicated or not fully embraced by the many bureaucracies within AMC.

#### Ahmedabad Slum Networking Program: Current Efforts

Since the completion of the 1995 project, Ahmedabad's Slum Networking Project (SNP) has evolved to become an infrastructure and public health program (Gautam, 2008), where basic infrastructure projects are coupled with public health training sessions. As of May 2008, 45 slum communities, covering nearly 8,400 households and approximately 39,000 people, have benefitted from the project. The cost sharing structure has changed from a 40-30-30 split between public, private, and community to a 80-20 public-community split. While AMC covers 80 percent of the cost, individual households are required to contribute at least Rs 2,100 as a one-time contribution. Families who do not possess these funds can take out a small loan from SEWA Bank, a micro-finance establishment that now serves as a partner in the SNP. SAATH continues to be a key player in the program.

More than 275 health training sessions covering basic health and hygiene have been held, 18,000 children immunized, and nine childcare establishments opened. In order to ensure sustainability of the program, AMC provides a written assurance that people will not be evicted for 10 years, providing at least some tenure security (Gautam, 2008). Moving forward, the city's SNP plans to expand from 45 to 120 slums, impacting more than 24,000 households and 120,000 people. Vadodra Municipal Corporation, another major city in the State of Gujarat, has adopted a similar program, including a required household contribution from affected residents. There is also discussion of integrating SNP into State policy, as well as creating a Special Purpose Vehicle to enable scaling up of the project (Gautam, 2008).

#### Lessons Learned

The longevity of Ahmedabad's Slum Networking Program speaks to the success of partnerships, especially network partnerships that remain organic, and allow for the flexibility required when dealing with less straightforward projects such as slums. The inaugural project would not have been possible without Arvind Mills' contributions, SHARDA Trust's management, or SAATH's work on behalf of the community. Current SNP efforts would be less robust without the continued support of SAATH, which provides public health training and community representation, and would not subsist without SEWA Bank, which empowers community members to invest in their livelihoods. However, questions regarding the sustainability of long-term partnerships with the private sector remain unanswered.

The evolution of Ahmedabad's SNP has, thus far, manifested from a public-private partnership to a public-voluntary partnership, whereby AMC provides 80 percent of upgrading costs, SAATH offers public health training and community representation, and participants are responsible for the remaining portion. SEWA Bank provides loans to households that cannot make these contributions upfront. A public-

voluntary sector model may certainly be sustainable, though perhaps at the risk of reducing scalability due to high costs borne by the public sector.

Arvind Mill's participation in SNP's inaugural project was an act of "enlightened self interest" (Chauhan & Lal, 1999). The corporation's emerging global presence, and the fact that Ahmedabad serves as company headquarters, provided sufficient incentive to assist in improving the city's image. Unfortunately, excessive bureaucracy and delayed responses on the part of AMC likely deterred continued collaboration with Arvind Mills. Thus, regulation streamlining is one step that can be taken toward creating an inviting investment environment for the private sector.

Ultimately, however, private sector entities such as Arvind Mills are interested in steady revenue streams, cost recovery, and eventually profit generation. After all, the downscaling of the initial project was economic in nature, as it resulted from the inability of households to pay. Conceivably, AMC, Arvind Mills, SAATH, and other qualified entities could have offered stronger skill development training, whereby the very poor are economically enabled to incur steady income streams, to help pay back for implemented improvements. AMC might have provided economic incentives, such as tax benefits, to Arvind Mills for providing jobs and job training to community residents.

Thus, unless slum upgrade projects are transformed from physical treatments to larger development projects that economically empower residents, such projects will only superficially address the issue. While the *physicality* of slums may improve, the *livelihood* of slum dwellers remains a challenge. Without couching slums in larger development projects that create stable environments for investors, perhaps the possibility of sustainable public private partnerships remains premature. Ahmedabad's SNP clearly demonstrates the importance of network partnerships—ones that are organic and malleable to projects needs. Yet it behooves such partnerships to evolve in focus, mirroring the tripartite nature of its sectoral structure, and grow from a public health and infrastructure focus to also include economic development.

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