Upside-Down Urbanism

In the energetic cities of the future, your most important business partners will be squatters, hawkers, smugglers and pirates. Get used to it.

by Robert Neuwirth

Young children and colorful clotheslines offer hints of a vibrant community in an otherwise decaying landscape in Kibera, Nairobi, the largest slum in Africa. Slum dwellers represent 60 percent of Nairobi's population but occupy only 6 percent of the country's landmass.

The economies of most countries in sub-Saharan Africa are expanding rapidly and the growth rates have made headlines around the world. In a recently released report, the World Bank suggested that economic activity across the continent would swell by 4.9 percent in 2013, 5.2 percent in 2014 and 5.4 percent in 2015. And some countries in the region are growing at almost twice that pace.

Where the jobs come from in a "jobless" economy

Encouraging as this sounds, there's a confusing downside—because this has been jobless growth. Take Nigeria, Africa's largest country. Growth is averaging between 6 percent and 7 percent annually and the gross domestic product is now five times higher than it was 13 years ago—yet unemployment verges on 24 percent and youth unemployment has ballooned toward 60 percent.

How, then, are people supporting themselves? Simple: They're working in System D—the unlicensed, unregulated, off-the-books part of the business world that most economists call the informal sector. In South Africa—where the World Bank projects the economy will continue growing at between 2.5 percent and 3.5 percent per year—formal businesses shed 13,000 jobs in May 2013, but this was offset by System D, which created 11,000 jobs, according to a recent report by the financial analysis firm Adcorp. Add in 8,000 new government jobs, and the employment picture, instead of looking dire, actually looks decent.

So what does it take for a firm from outside—or even one based inside Africa—to do business in such a crazy business environment? How is it possible to understand a business climate in which the only growth comes from the government and its polar opposite—the world of businesses that seem to be outside the law?

The most important thing to understand is that your best friends might be people you might traditionally have thought of as your worst enemies. Squatters might turn out to be your best customers and the crazed cacophony of a street market your best distribution system.

Squatters are your friends because they are strivers—and because their communities are ones that will grow dramatically over the coming decades. Every second, the global urban population edges upwards by two people. That tiny increment, compounded over minutes, hours and days makes an avalanche: The world's cities are growing by 60 million people a year. Almost all of these new urban residents will be in the cities of the developing world. They will be the root of urban population growth and at least 50 percent of global economic growth.

Simply put, there's no government, no global or local NGO, no private developer who can build enough housing for these new urban residents at a price they can afford. The novelist Patrick Chamoiseau said it best: "To be is first and foremost to possess a roof." For the 60 million new urban arrivals to exist—for them to be full-fledged individuals, workers, citizens, to raise families, to participate in social and civic life—they must have a roof, and to do this they must build for themselves, even if that means constructing their homes illegally. Squatter communities may not yet have water or electricity or sanitation or sewers. But they have something else: incredible individual and collective energy and spirit. Despite the obvious degraded conditions, the

A sign for a bar and restaurant juts above a mismatched assortment of scrap-metal shanties in a Nairobi slum.

Two young boys sift through piles of clothing at a vendor's stall in a street market in Kibera, Nairobi.

African mobile subscribers
2000 :: 16.5 million
2011 :: 650 million

residents live with great gusto. They buy food and household items and, when they can (more often than you might expect, actually), they party. Indeed, it's fair to say that every one of the world's shantytowns, no matter how small, has at least one grocery store, one restaurant and one bar.

Doing business in System D

Major makers of consumer goods and beverages have recognized just how big the shantytown market can be. From laundry detergent and toothpaste, to beer and soda, major multinationals have made it their business to get their products into the stalls, stores and saloons of these self-made communities. Selling to firms in the shantytowns is no different than selling to any other businesses—though perhaps involves more cash-in-hand transactions than credit cards.

It's the same with street markets. Major firms know that selling on the street represents a powerful tool. The mobile phone providers of Africa represent one of the enduring examples of creative use of a street sales force. The press has been full of stories of the emergence of the mobile phone economy—a continent with just 16.5 million mobile subscribers in 2000 saw mobile accounts rocket to 650 million by 2011 (making Africa a bigger mobile market than either the United States or the European Union)—with very little analysis of why this leapfrog technology has grown so quickly.

What accounts for the success? Two things stand out: street selling and piracy.

First, mobile phone providers in Africa were willing to tap into a ready-made, unlicensed sales force of street vendors. In much of the developing world, phones are pay-as-you-go—meaning that you have to buy airtime credit to make calls. Since most mobile phone providers on the continent don't sell many phones or monthly contracts, those minutes are the

key to their corporate profits. They sell the air time through unlicensed sidewalk merchants and street hawkers. This roving sales force is so big and so profitable that the mobile phone companies consider it a legitimate distribution channel. They call it the umbrella market, in honor of the umbrellas that these roadside vendors use to shade themselves from the sun and rain.

Here's how the system works: The mobile providers produce recharge cards; they sell them in bulk to distributors, who in turn sell to sub-distributors who sell to the roadside vendors. The more cards vendors buy, the bigger the discount they can get—and that discount is the source of their profit. It's an arms-length transaction, Akinwale Goodluck, who was general manager for regulatory issues for the South-African based mobile giant MTN, told me: "We don't have a direct relationship with the gentleman or lady on the street." Nonetheless, he acknowledged, most mobile providers in Africa earn the bulk of their cash by selling recharge cards, and roadside sales account for the bulk of profit. "The umbrella market is a very, very important market now," he said. "No serious operator can afford to ignore the umbrella people."

The existence of the umbrella market ensures that people don't have to go out of their way to buy airtime. There's always someone selling recharge cards—whether on the corner, on the sidewalk or threading their way through traffic—and it's this presence that has helped make mobile service convenient and popular. In this way, street hawkers function as a social good and a key driver of profits for major corporations.

Embrace a pirate

Pirates, too, had a hand in the spread of phones. Take Kenya. When I was first there, a decade ago, the mobile phone revolution had largely not reached the masses. Entrepreneurs, businesspeople and politicians all had mobile phones. So did the creative class. But I was hanging out in Kibera, the largest mud hut neighborhood in the Kenyan capital, and few of the folks I knew there had mobiles. Fast forward 10 years and the situation is totally different. There are now 30 million mobile phones spread among 24 million Kenyans over the age of 15—an effective penetration rate of 125 percent. Most of my friends in Kibera now have mobiles. Even scavengers at Dandora, the city's noxious garbage dump, have them.

"No serious operator can afford to ignore the umbrella people."

The Vertical Slum

How an unfinished skyscraper became home to a vibrant community of squatters

While the word "slums" conjures images of lean-tos and shanties covered with corrugated tin, there is another kind of squatter city on the rise: the vertical slum. The Torre David in Caracas, Venezuela, designed by famed Venezuelan architect Enrique Gómez as a glittering 45-story office tower. It was about 60 percent complete when its namesake developer, David Brillembourg, died in 1993. When the Venezuelan economy collapsed a year later, the project was quite literally abandoned—at least by the legitimate building and development community.

Today, nearly 3,000 people call the still-unfinished building home, despite the obvious hazards: most windows were never installed in its exterior walls; staircases lack railings and, since they're unfinished, feature gaping holes to the floors below; elevator shafts are empty; and none of its terraces have safety rails. It's not uncommon for children to fall to their deaths from one of the nearly 30 floors currently occupied. People build makeshift apartments, and beds have to be covered by mosquito netting.

While often viewed as a symbol of Caracas' failure, Torre David is also a monument to ingenuity in the face of adversity. The high-rise community has thriving bodegas, day cares, a dentist (albeit unlicensed) and beauty salons; a mototaxi
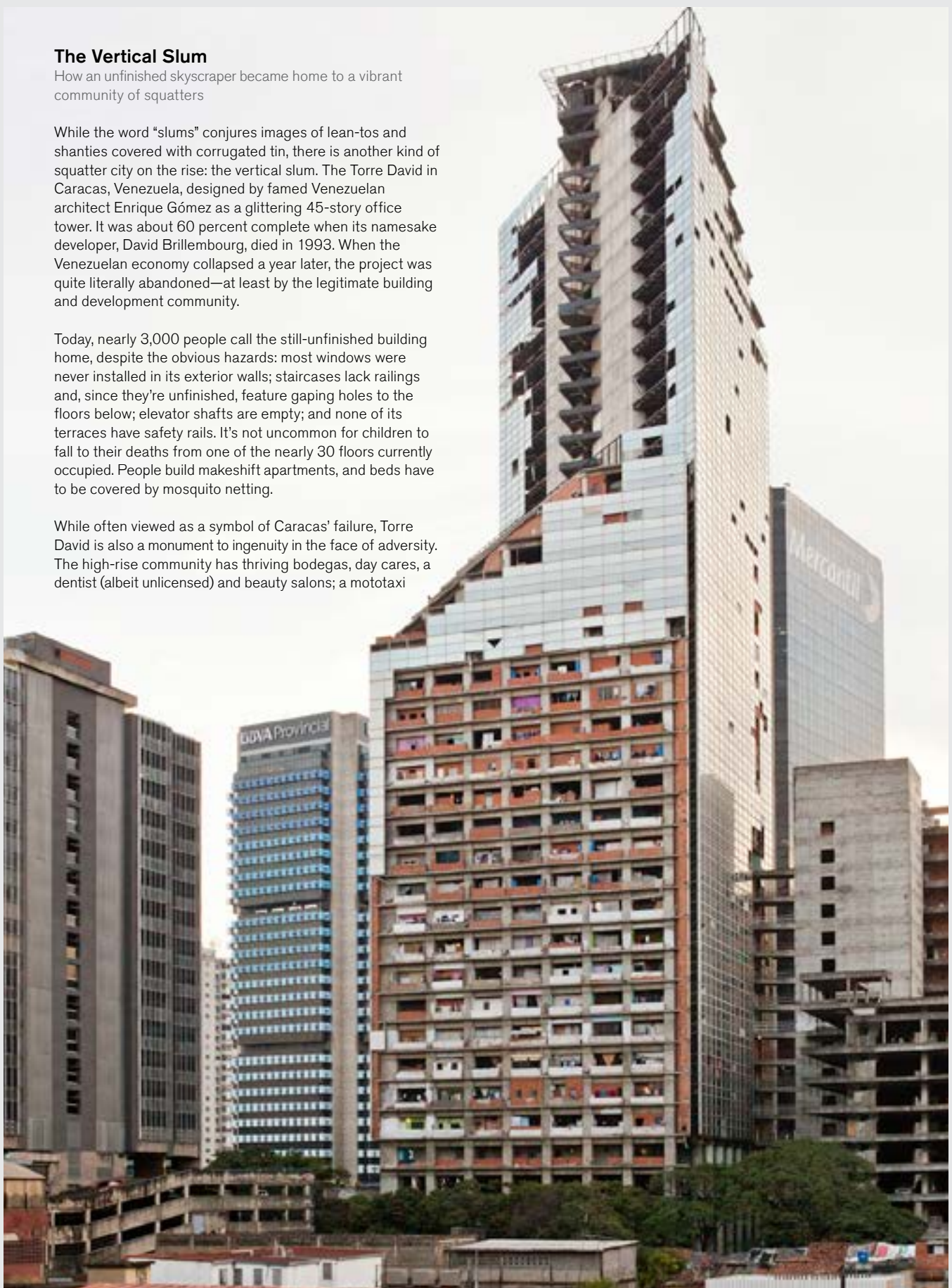
service can bring residents to the 10th floor, where the parking deck ends. A generator-powered water pump provides rudimentary plumbing; the electricity is jerry-rigged; and the building bristles with satellite dishes for cable TV.

Torre David's occupants even have developed something of a government, lending credence to the idea that it's a city within a city. Alexander Daza, a convict-turned-pastor who led the original occupation of the building in 2007, is widely considered the community's leader. The inhabited floors have coordinators who oversee the functioning of their areas, and the "government" oversees three sectors: health services, recreation and security.

Is the system perfect? Absolutely not, but it is indicative of the innovative spirit and inventiveness that thrives in slums around the world. Today it has caught the attention of Urban-Think Tank, an interdisciplinary design studio that includes Alfredo Brillembourg, a distant cousin of David Brillembourg. The firm, which believes that the future of urban development requires collaboration among the design community, private enterprise and urban slum-dwellers, uses the tower as a laboratory for the study of informal vertical communities.

by World 50 Staff

A cellphone with two SIM card slots represents just one of the many products born out of the demands of the informal economy. This Nokia model allows users to effortlessly switch between two different service providers and thus introduces a new versatility for mobile users in developing countries who often face the issue of unreliable network coverage.

What explains the ubiquity? Pirate manufacturers—most of them from China—drove the cost of a handset down. A decade back, a mobile phone was a luxury item—out of the reach of the poor. Knockoffs, when they arrived, cut the price, and the sudden arrival of cheap phones helped mobile usage explode. In this way, piracy served the public good (and, not coincidentally, the corporate good).

When I was in Guangzhou, China, I met dozens of African merchants seeking to get their hands on pirated phones. They didn't call them pirate or counterfeit or even fakes. To these entrepreneurs, the pirated phones were, in the words of Chief Arthur Okafor, who had a small (if you can call $40,000 in pirate purchases per trip to Guangzhou small) but highly profitable business smuggling pirated Nokias into Nigeria, "real copies."

Indeed, Nokia—the largest-selling phone brand in Africa (the Helsinki-based firm still boasts around a 60 percent market share on the continent)—has recognized that the way to win the African market is to outmaneuver the pirates. When I was in Nigeria, in March 2013, I discovered that a new Nokia handset cost just $19.

That's less than half what I paid five years ago. When a phone is that cheap, there's almost no reason for it to be pirated. Nokia has even learned a trick or two from the pirates. For instance, around 2009, some savvy pirate operators started producing phones that could handle two SIM cards simultaneously—two lines that you could switch between as if you were using call waiting. Now Nokia offers its own dual-SIM phone for just $29. In effect, Nokia has pirated the pirates. And the Finnish firm is continuing to ensure that prices will remain low as it rolls out smartphones for the African market. For instance, the company recently released what you might call a semi-smartphone that retails for less than $100. With a hyper-long battery life—advertised as 17 hours of talk time and 48 days of standby—the phone seems specially designed for the shantytowns and street markets of the world, areas that have limited access to electricity.

With the price of name-brand handsets falling, Kenya was able to take the controversial step of cancelling service on pirated phones. Overnight, between Sept. 30 and Oct. 1 2012, the Kenya Communications Commission deprived 1.9 million people of the use of their mobile phones. But the move went off without much protest—because customers could now find legal replacements at an affordable price.

Think development, not demolition

Unfortunately, most governments have been following a broken model—a top-down approach to urban development that concentrates on governments, multilateral agencies and corporate entities as the key drivers of change. For instance, in accordance with a "megacity plan" promoted by State Governor Babatunde Fashola, Lagos, Nigeria, is trying to make itself more like Dubai. To that end, Fashola has criminalized street vending, sent squads of paramilitary police to smash down massive street markets, outlawed most motorcycle taxis (a vast sector of the economy, employing, by one official

estimate, 1 million people) and turned loose the bulldozers on a number of squatter communities. When I was last there, many of those evicted from the shack community of Badia East were living on makeshift platforms they had erected above a nearby swamp or encamped on the open dirt with no shelter at all. An enterprising few were scavenging scrap from the demolition site, seeking anything they could use or resell.

The state commissioner for housing, Adedeji Olatubosun Jeje, insisted that the government had obeyed the rules and was doing something good. "It's a regeneration of a slum," he told The New York Times. "We gave enough notification. The government intends to develop 1,008 housing units. What we removed was just shanties. Nobody was even living in those shanties. Maybe we had a couple of squatters living there."

Residents, however, told a different story: People were sleeping when the bulldozers descended with no warning. Later, they discovered that the government had informed the Baale, or traditional ruler, a man they seldom communicate with and who lives far across town in a different neighborhood. What's more, they noted, they had been uprooted once before, in 1977, when the federal government built the nearby National Theatre and relocated families living on that site to Badia. The way the residents understood it, this gave Badia implied federal recognition—and the state could not simply come in and destroy their homes and livelihoods. "We were moved to this place by the federal government," said Biola Ogunyemi, a local activist whose home escaped demolition—for now—as we walked through the wreckage. "Now they want to evict us again—without coming here to discuss with us. Lagos State has stolen our rights away from us." Just then, as if in confirmation, a white pickup full of gun-toting state government forces cruised by, to ensure that she and other residents remained quiet.

Lagos is not alone in pursuing the dream of remodeling itself in the image of some other glamorous, gleaming global city. Mumbai officials have pointed to Shanghai as their development model—and they have periodically razed shantytowns and pushed hawkers off the streets. São Paulo and Kigali have claimed Singapore as a model for development—and São Paulo recently destroyed several street markets that had been in existence for more than a century in an effort to supposedly clean up the city. (It hardly seems an accident that Dubai, Shanghai and Singapore—these purported models of urban excellence—are authoritarian cities where big government and big businesses run the streets. There is little citizen empowerment in these municipalities. Rather, they are notable for central control of development decisions, for devoting development efforts to attracting tourists rather than making life better for residents, and for enforcing strict laws regarding personal conduct.)

What governments and businesses need to realize is that the people—the residents of the discredited neighborhoods called slums and the vast numbers who do their business on the street—are the missing component in any attempt to address urban development. Squatters and street vendors are the key actors in the cities of the future. This is not to say that their DIY strategies alone will provide a long-term sustainable urban development strategy. But, with their own effort and ingenuity, squatters, street vendors, smugglers and pirates have created a path towards equitable urban growth. They have started their neighborhoods on the road towards decent housing. They have democratized the spread of technology. They have built sustainable incomes and are increasingly creating steady jobs. We need to turn development upside down and give it back to the people who are creating our new urban world. ∎

About Robert Neuwirth

Robert Neuwirth is an American journalist and author of *Shadow Cities: A Billion Squatters, A New Urban World* and *Stealth of Nations: The Global Rise of the Informal Economy.* For his research, Neuwirth spent half a decade living in squatter communities in Nairobi, Rio de Janeiro, Istanbul and Mumbai to gain insight into the life of base-of-the-pyramid consumers. His work has appeared in numerous publications, including The New York Times, The Washington Post, Scientific American, Fortune, and Wired.